



Quarterly Report

For the period ending 31 December 2015

HIGHLIGHTS

- ▶ Group quarterly gold production of 47,307 ounces at a total cash cost of US\$832 per ounce generated solid cashflow, delivering a 26% operating margin against an average gold price achieved of US\$1,122 per ounce.
- ▶ Both Chatree and Challenger operations remain within FY16 production guidance, with a stronger second half expected.
- ▶ Chatree quarterly gold production of 28,257 ounces at a total cash cost of US\$854 per ounce.
- ▶ Challenger quarterly gold production of 19,050 ounces at a total cash cost of US\$799 per ounce was a very strong performance despite two separate mill down-times.
- ▶ At Nueva Esperanza, the Spring Phase 1 drilling campaign commenced during the quarter delivering exciting gold intersections in the new project area of Carachitas which is within two kilometres of the proposed plant site.
 - ▶ A total of six holes were drilled on three section lines at 50 metre intervals following up from a single hole drilled previously which also intersected gold mineralisation. All six holes returned significant gold intersections from shallow depths less than 20 metres below the natural surface.
 - ▶ The best of the new intersections was: **11 metres at 4.90g/t gold** from 14 metres in drillhole ECCR-02.
 - ▶ The FY16 objective remains unchanged with the primary goal to continue to define and drill gold targets on the ~45 square kilometre alteration system with the aim of increasing the 1.9Moz AuEq Nueva Esperanza resource.
- ▶ Kingsgate maintains a healthy cash position with cash and bullion/doré totaling A\$55.5 million and is confident that its second half year cashflow will support all of its financing and debt activities.

GROUP OPERATING SUMMARY

| Operation | December 2015 Quarter | |
|--------------|-----------------------|------------------|
| | Production | Total Cash Costs |
| | (ounces) | (US\$ per ounce) |
| Chatree | 28,257 | 854 |
| Challenger* | 19,050 | 799 |
| Total | 47,307 | 832 |

*Includes underground mine development costs

Detailed Production Report

| | December Quarter 2015 | | | | Year To Date | | |
|---|-----------------------|---|---------------|---|--------------|---------------|--------------|
| Production Summary | Units | Chatree | Challenger | Consolidated | Chatree | Challenger | Consolidated |
| Ore Mined | bcm | 285,596 | | | 411,155 | | |
| Waste Mined | bcm | 841,196 | | | 1,244,923 | | |
| Waste to Ore Ratio | | 2.9 : 1 | | | 3 : 1 | | |
| Ore Mined | tonnes | 750,167 | 216,448 | 966,615 | 1,079,415 | 407,627 | 1,487,042 |
| Ore Treated | tonnes | 1,436,900 | 139,569 | 1,576,469 | 2,900,460 | 283,998 | 3,184,458 |
| Head Grade - Gold | g/t Au | 0.72 | 4.47 | 1.05 | 0.69 | 4.53 | - |
| Head Grade - Silver | g/t Ag | 10.7 | - | - | 10.5 | - | - |
| Gold Recovery | % | 82.3 | 96.2 | 83.4 | 81.2 | 96.3 | - |
| Silver Recovery | % | 34.1 | - | - | 33.8 | - | - |
| Gold Poured | ounces | 28,257 | 19,050 | 47,307 | 50,746 | 39,573 | 90,319 |
| Silver Poured | ounces | 163,439 | 381 | 163,820 | 329,683 | 787 | 330,470 |
| Financial Summary | | | | | | | |
| Cost Summary | | | | | | | |
| Mining Cost | US\$/oz | 268 | 574 | 391 | 255 | 579 | 397 |
| Milling Cost | US\$/oz | 375 | 161 | 289 | 440 | 163 | 318 |
| Administration & Other | US\$/oz | 47 | 88 | 64 | 60 | 89 | 73 |
| Stockpile Adjustments | US\$/oz | 148 | (63) | 63 | 110 | (66) | 33 |
| By Product Credit * | US\$/oz | (84) | - | (50) | (97) | - | (55) |
| Cash Operating Cost | US\$/oz | 754 | 760 | 757 | 768 | 765 | 766 |
| Gold Royalty | US\$/oz | 100 | 39 | 75 | 97 | 40 | 72 |
| Total Cash Cost | US\$/oz | 854 | 799 | 832 | 865 | 805 | 838 |
| Depreciation & Amortisation - Operating | US\$/oz | 219 | 39 | 146 | 257 | 32 | 158 |
| Depreciation & Amortisation - Deferred Stripping ** | US\$/oz | 19 | - | 11 | 16 | - | 9 |
| Total Production Cost | US\$/oz | 1,092 | 838 | 989 | 1,138 | 837 | 1,005 |
| Total Cash Cost per Tonne of Ore Treated | US\$/tonne | 16.79 | 109.07 | 24.96 | 15.13 | 112.02 | 23.77 |
| Revenue Summary | | | | | | | |
| Gold Sold | ounces | 31,779 | 17,463 | 49,242 | 55,797 | 37,392 | 93,189 |
| Silver Sold | ounces | 180,547 | 421 | 180,968 | 372,673 | 827 | 373,500 |
| Average Gold Price Received | US\$/oz | 1,123 | 1,121 | 1,122 | 1,118 | 1,118 | 1,118 |
| Average Silver Price Received | US\$/oz | 14.7 | 14.7 | 14.7 | 14.7 | 14.8 | 14.7 |
| Revenue from Metal Production | US\$M | 38.3 | 19.6 | 57.9 | 67.9 | 41.8 | 109.7 |
| Average exchange rate [A\$/US\$] | | | | 0.72 | | | 0.72 |
| * Net of Silver Royalties | | ^ Includes underground mine development costs | | ** Change in Accounting Standard (IFRIC 20) | | | |

December Quarter Review



December quarter Group gold production was 47,307 ounces with total cash costs of US\$832 per ounce. Chatree produced 28,257 ounces at a total cash cost of US\$854 per ounce. Challenger had another strong quarter with production of 19,050 ounces at US\$799 per ounce.

Group gold sales for the quarter were 49,242 ounces at an average gold price received of US\$1,122 per ounce and the Group All-in Sustaining Cost (AISC) was US\$1,026 per ounce.

CHATREE GOLD MINE, Thailand

Safety

There were zero Lost Time Injuries. There was one reportable environmental incident caused by a small quantity of rain water which discharged from site. Chatree remains in compliance with all environmental regulations.

Mining Operations

Gold poured at Chatree was 28,257 ounces, and total cash costs were US\$854 per ounce (including US\$100 per ounce royalty). In addition, 163,439 ounces of silver were poured.

Total production costs after deferred stripping costs, depreciation and amortisation were US\$1,092 per ounce.

The mine and mill performed in line with budget with grade slightly down, however that was offset by a 3% increase in recoveries.

Lower quarter-on-quarter production is a result of lower grades encountered during the scheduled mine cut-back phase.

Mining continued from Stage 2 of A Pit during the quarter, and a second access was created for Stage 2 to improve material movement efficiencies.

Total ore mined was 750,167 tonnes grading 0.72g/t Au.

Total ex-pit ore and waste movement was 3,158,971 tonnes.

The stockpiled ore at the end of the quarter, including the crushed ore stockpile, was 7,320,689 tonnes at 0.45g/t for 106,000 ounces of contained gold.

A number of business improvements were implemented at the mine to enhance mining operations including:

- The addition of an extra excavator; and
- A new maintenance supervisor has been appointed to expedite the refitting/repair of heavy machinery.

Processing

Mill throughput for the quarter was 1,436,900 tonnes. Approximately eight days of mill downtime were recorded during the quarter, with downtime at Treatment Plant # 1 related to gearbox failures. Spare parts to ameliorate any repeat issues will be acquired during the March quarter.

The mill feed grade was 0.72g/t gold and 10.7g/t silver with recoveries for gold and silver of 82.3% and 34.1% respectively.

Environment, Community & Regulatory

Ongoing engagement with Thai regulators on licences and permits continued during the quarter, with the Minister for Industry visiting Chatree in October 2015. A Ministry of Industry review is currently underway in the areas of environment, health and community.

Chatree was pleased to release local health test results for the previous 12 months, which once again showed people residing in the vicinity of the mine to have a clean bill of health. This is further evidence of Chatree's exemplary operating record over the past 15 years.

Outlook

As previously reported there is a production skew at Chatree in 2016, with scheduled overburden stripping activities in the first half year giving way to a stronger second half. Continuous improvements such as additional shovels, roster changes to achieve higher daily operating hours, maintenance improvements and enhanced silver recoveries are targeted in the second half 2016.

Production from Chatree is expected to be at the lower end of the guidance range of 125,000 to 135,000 ounces for FY16.

CHALLENGER GOLD MINE, South Australia (100% Kingsgate)

General

Challenger remains on track to be placed on Care and Maintenance at the end of February 2016. It is expected that the sale agreement with Diversified Minerals Pty Ltd (a 100% owned associate of the PYBAR Group) and WPG Resources Limited, will be finalised for a hand-over of the site just after the site is placed on Care and Maintenance. Site staff numbers have been progressively reduced from approximately 100 employees to around 50. The mining contractor, Byrncut, has been demobilised. Challenger is on track to produce a strong cashflow for the months of January and February 2016. The SEZ/M3 Pit will be the bulk feed source for the March quarter.

Safety

There were no Lost Time Injuries, one Restricted Work Injury and no Medically Treated Injuries in the December quarter. At the end of the quarter, Challenger was 142 days Lost Time Injury Free.

Mining Operations

The mine continued its strong performance from the end of the previous quarter. Grades from underground production sources were better than expected.

Total ore mined for the quarter was 216,448 tonnes @ 3.49g/t gold.

The average grade of all underground ore mined in the quarter was 4.91g/t (including low grade).

Underground development and diamond drilling activities ceased in early November and underground stoping activities were completed on the 8th December.

Gold poured at Challenger was 19,050 ounces, slightly less than budgeted due to two unscheduled mill outages. Total cash costs were \$US799 per ounce (including US\$39 per ounce royalty).

Processing

Milled grades for the quarter were 13% higher than budget largely due to better than expected grades from both underground development and stoping.

Outlook

Under the current mine plan, Challenger will be placed on Care and Maintenance during the March quarter.

It is estimated that Challenger will produce approximately 10,000 ounces of gold during January and February 2016. This is 5,000 ounces above the top end of previous guidance primarily due to the performance of the SEZ/M3 Pit.

Special Acknowledgements

On behalf of the Kingsgate Board and Senior Management, Executive Chairman Mr Ross Smyth-Kirk, and Chief Executive Officer Mr Greg Foulis, would like to acknowledge the contribution of the entire Challenger workforce (staff and contractors) and thank them for their professionalism and dedication in successfully operating the mine since it was acquired by Kingsgate in 2011.

In particular, the Kingsgate Board and Management would like to thank Mr Stephen Jeffers, Mr Marcus Doyle, Mr Andrew White and Mr Tony Ayres for their significant contributions and diligent leadership at Challenger in recent years.

It is also noted that the mining contractor, Byrncut, having demobilised and departed Challenger during the quarter, left the site in an excellent condition and that level of professionalism is both acknowledged and most sincerely appreciated.

The Kingsgate Board and Management would like to wish all those employees not remaining with Challenger under the sale agreement best wishes for their future endeavours.

NUEVA ESPERANZA PROJECT, Chile (100% Kingsgate)

Exploration

The December quarter returned strong preliminary assay results from a reverse circulation drilling program at Nueva Esperanza. Significant gold intersections were discovered in the new project area of Carachitas which is within two kilometres of the proposed plant site.

A total of six holes were drilled on three section lines at 50 metre intervals following up from a single hole drilled previously which also intersected gold mineralisation. All six holes returned significant gold intersections from shallow depths less than 20 metres below the natural surface.

Best of the Carachitas intersections was: **11 metres at 4.90g/t gold** from 14 metres in ECCR-02.

Previously pending assays are now to hand, and the full reporting of intersections is summarised below and on the following figures. Promising assay results for holes ECCR-02, 03 and 04 show that the Carachitas mineralisation remains open at depth and has not been closed off laterally to the east or west. Follow-up testing of the Carachitas prospects will be conducted in the FY16 Phase 2 drill campaign.

| CARACHITAS PROSPECT - 2015 RC DRILLING INTERSECTION SUMMARY (> 0.5g/t Au) | | | | | | | | | | |
|---|-----------|-----------------------------------|-----------|---------------|----------|--------|-----------|----------|----------|---|
| Drill Hole | Depth (m) | Collar Co-ordinates (PSAD 56 19S) | | | Interval | | Width (m) | Au (g/t) | Ag (g/t) | Observation |
| | | East (m) | North (m) | Elevation (m) | From (m) | To (m) | | | | |
| ECCR-01 | 76.00 | 484,166 | 7,050,363 | 4,017 | 19 | 32 | 13 | 1.48 | 21 | Including 3m@3.17g/t Au, 33g/t Ag from 20m. |
| ECCR-02 | 67.00 | 484,119 | 7,050,346 | 4,024 | 14 | 52 | 38 | 2.30 | 22 | Including 3m@9.79g/t Au, 70g/t Ag from 14m and 3m@5.22 Au, 28g/t Ag from 19m. |
| ECCR-03 | 67.00 | 484,119 | 7,050,346 | 4,024 | 13 | 39 | 26 | 1.91 | 26 | Including 3m@4.50g/t Au, 89g/t Ag from 14m. |
| ECCR-04 | 67.00 | 484,213 | 7,050,380 | 4,008 | 20 | 31 | 11 | 1.50 | 36 | Including 4m@2.12g/t Au, 41g/t Ag from 22m. |
| | | | | | 44 | 48 | 4 | 1.24 | 28 | |
| | | | | | 52 | 58 | 6 | 1.38 | 30 | |
| ECCR-05 | 57.00 | 484,213 | 7,050,380 | 4,008 | 26 | 38 | 12 | 0.86 | 22 | |
| SCON-06 | 200.00 | 484,166 | 7,050,363 | 4,017 | 18 | 27 | 9 | 2.93 | 25 | Including 5m@4.25g/t Au, 32g/t Ag from 20m. |

Work continues on project-wide baseline geochemistry and geological mapping. A recent development is the recognition of high sulphidation epithermal alteration west of Carachitas which was previously designated as a gold-copper porphyry zone. This style of alteration is prospective for high grade gold mineralisation as seen elsewhere on the Nueva Esperanza Project.

Technical Studies & Permitting

Technical work on the project continues with mine designs nearing completion. Process plant infrastructure design, capital and operating costs have been completed to a sufficient level of detail to justify the calculation of a reserve with publication of the reserve expected towards the end of the March quarter.

Over the next six months, it is expected that drilling will be carried out to collect further information on geotechnical conditions for pits and the plant location, variability work for ore treatment, sterilisation for the plant site and water monitoring bores for waste dumps and tailings storage. Environmental and community studies are progressing with the aim of applying for an environmental permit revision in 2016.

Forward Program

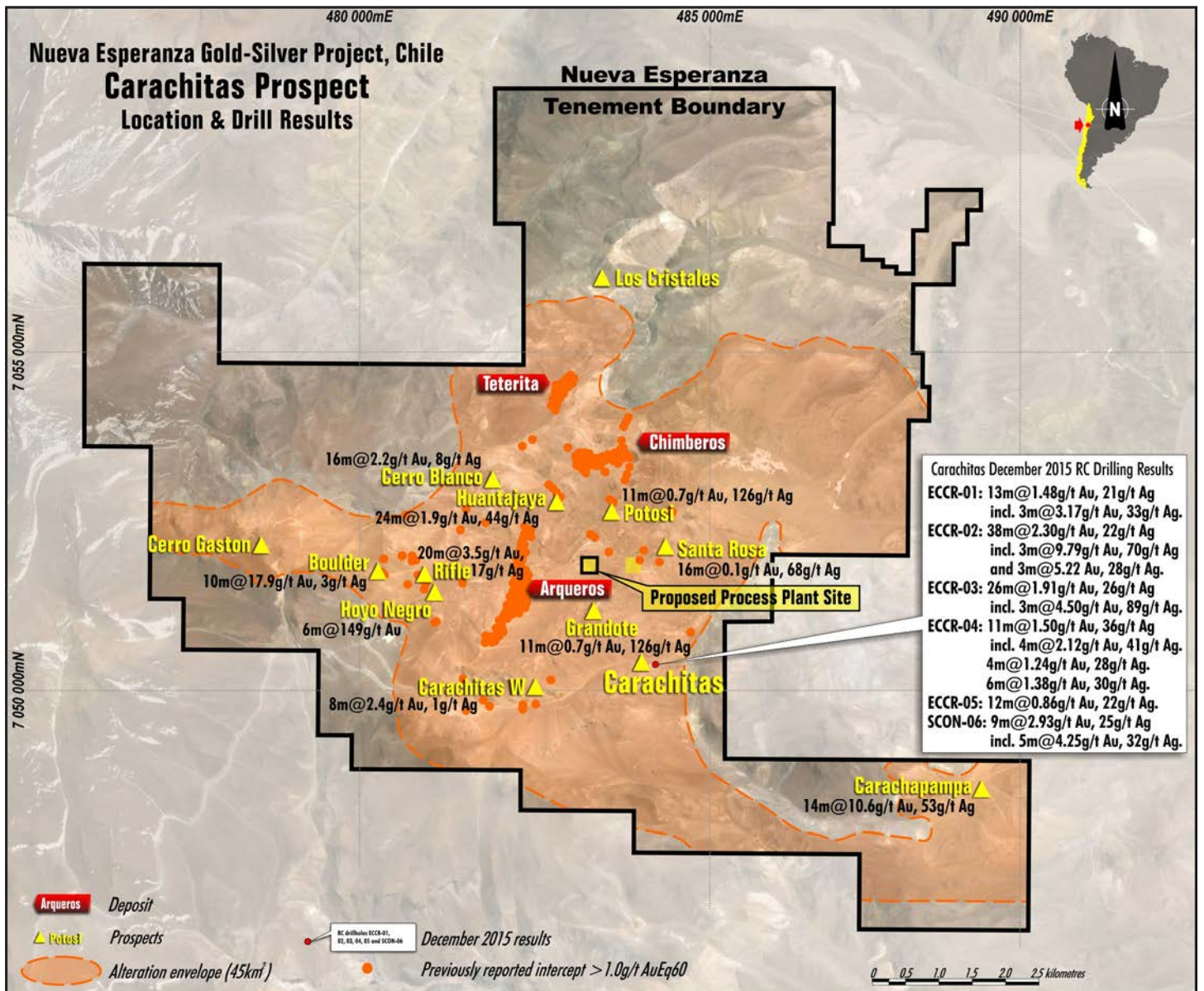
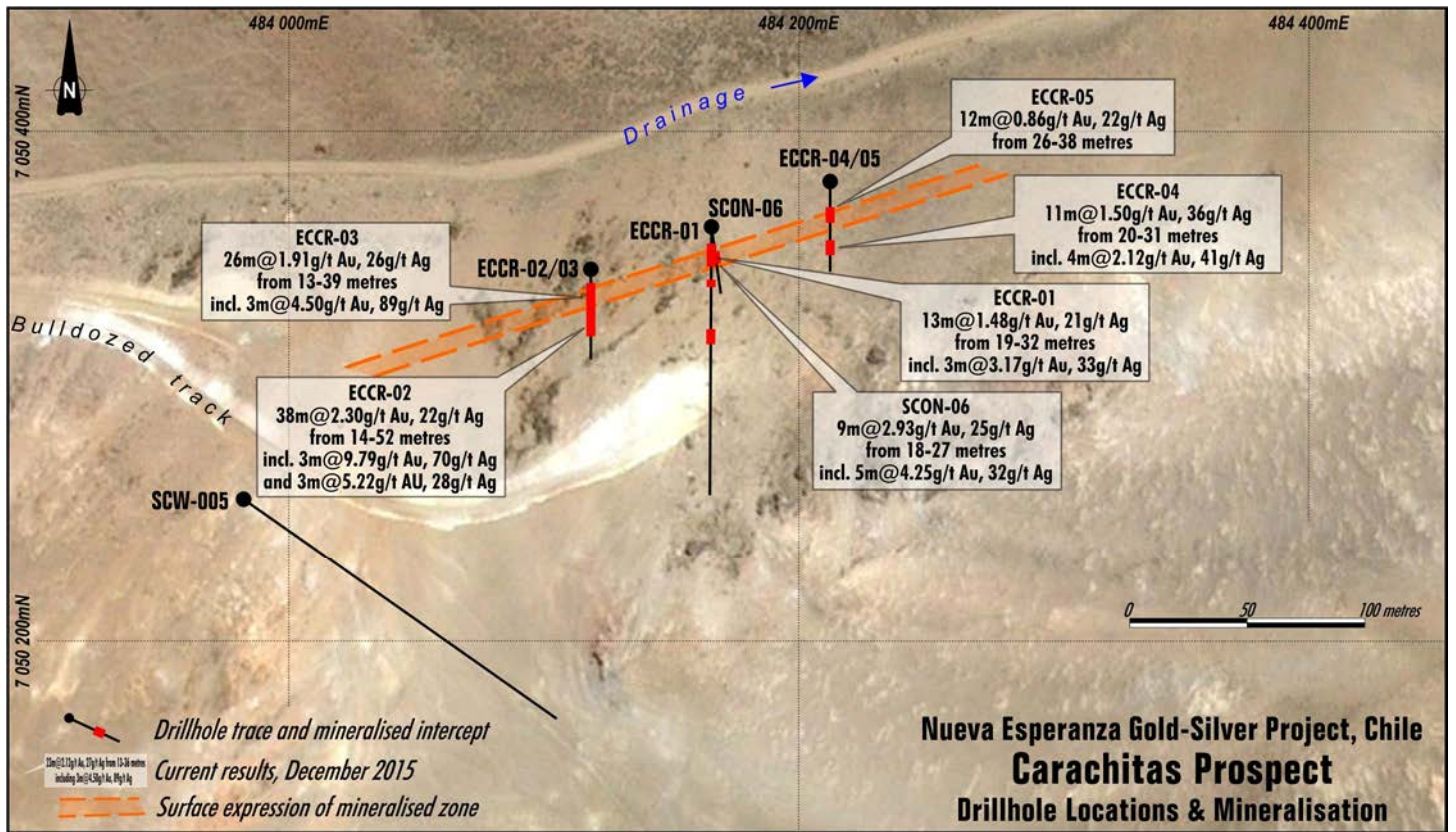
Kingsgate remains committed to progressing exploration, technical studies and permitting aspects in the coming six months. A regional bedrock Air-Core drill campaign is planned for the March quarter, with a follow-on Phase 2 RC drill program, including Carachitas targets, before the mid-year winter break.

BOWDENS SILVER PROJECT, NSW (100% Kingsgate)

Environmental Impact Statement ('EIS') project work continued steadily during the quarter at Bowdens. Data collection for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels continue routinely. Low impact regional exploration continues within EL8168, which includes mapping and select rock chip sampling.

Kingsgate will be meeting with community stakeholders in the March quarter 2016, to provide an update on the status of the project.

Kingsgate continues to review options for the Bowdens Silver Project with a view to maximising value for shareholders. Options include development, joint venture or divestment opportunities.



CORPORATE

Kingsgate maintains that its mining operations are subject to a wide range of laws and government regulations and policies applying in Australia and a number of foreign jurisdictions, with respect to matters such as land use, employee health and safety, rehabilitation of mining properties, environmental damage, pollution and payments to government officials.

Kingsgate and Akara Resources have operated successfully in Thailand for more than 15 years in compliance with applicable Thai and Australian laws, and will continue to do so.

The Thai Ministry of Industry has commissioned a review of health, safety and environmental aspects of the Chatree Operation. The review commenced in mid-November and while initially scheduled to be completed within 30 days, more than 100 people have been appointed by the government to the various committees and sub-committees. The review has not been completed to date.

The National Anti-Corruption Commission of Thailand has established a sub-committee to inquire into facts and gather evidence in respect of allegations made against a number of parties, including Kingsgate and Akara Resources. Kingsgate and Akara Resources are unaware of the details of the allegations, nor are they aware of any matters that would justify such an inquiry.

Akara Resources continues to enjoy strong community support from the 1,000 strong local workforce, their families and the majority of people in the surrounding communities.

Update on the Status of the Thai IPO

The Thai SEC has now clarified its position with respect to the IPO of Akara Mining that had been proposed.

The SEC has advised that the application was rejected. Accordingly, should Kingsgate wish to proceed with the IPO in future, the company would not be in a position to reactivate the application and would be required to lodge a fresh one.

In any event, Kingsgate considers that market conditions continue to be unfavourable for an IPO in Thailand at this time, and may not change for some time.

FINANCE

At the end of December 2015, following debt repayment of approximately A\$7.4 million, Kingsgate's cash and debt facilities consisted of:

Cash and Bullion/Doré

Cash and bullion/doré totalled A\$55.5 million (September quarter: A\$59.8 million), comprising cash of A\$46.9 million (including restricted cash of A\$12.7 million) and bullion/doré of A\$8.6 million.

Senior Corporate Facility

Kingsgate has a A\$15 million Revolving Credit Facility ("RCF"). This facility is repayable in three A\$5 million installments commencing 29 January 2016.

Multi-currency, Syndicated Loan Facility

Kingsgate's Thai operating subsidiary, Akara, has an amortising multi-currency syndicated (non-recourse project) loan facility with less than three years remaining. The balance currently owing against this facility is the equivalent of A\$92 million (consisting of THB 957 million and US\$40 million).

Hedging

At the end of December 2015, 1,200 ounces of gold was forward sold at A\$1,556 per ounce. This is scheduled to be delivered over the March quarter against the production from Challenger as part of the mitigation of Australian gold price risk.

Since the end of the quarter, 9,000 ounces of gold from Chatree was forward sold at US\$1,101 and is scheduled to be delivered over the March quarter as part of the mitigation of USD gold price risk.

All-in Sustaining Costs

December quarter 2015, based on gold sales:

Outlook

The Group production guidance for FY16 of 165,000 to 180,000 ounces remains unchanged.

Production from Chatree is expected to be at the lower end of the 125,000 to 135,000 ounce range. Challenger is expected to produce approximately 50,000 ounces which is 5,000 ounces above the top end of the previous guidance before being placed on Care and Maintenance.

| All-in Sustaining Costs | | | | |
|--|----------------|--------------|------------|--------------|
| For the 3 months to 31 December 2015 | Units | Chatree | Challenger | Group |
| Adjusted Operating Costs (including royalties) | US\$/oz | 912 | 847 | 888 |
| Sustaining Capex | US\$/oz | 144 | 4 | 94 |
| Exploration Expense | US\$/oz | - | - | - |
| Corporate and Administration Costs | US\$/oz | - | - | 44 |
| All-in Sustaining Costs | US\$/oz | 1,056 | 851 | 1,026 |

1. All-in sustaining costs include 60% of total corporate general and administration costs, being the proportion to be related to operations. This allocation will vary each quarter depending on the relative level of activity between operations and development projects during the period.
2. Adjusted operating costs include movements in gold inventory and stockpiles over the period.

Corporate Directory

Board of Directors

| | |
|------------------------|------------------------|
| Ross Smyth-Kirk | Executive Chairman |
| Peter McAleer | Non-Executive Director |
| Peter Alexander | Non-Executive Director |
| Peter Warren | Non-Executive Director |
| Sharon Skeggs | Non-Executive Director |

Senior Management

| | |
|---------------------|--|
| Greg Foulis | Chief Executive Officer |
| Ross Coyle | Chief Financial Officer & Company Secretary |
| Tim Benfield | Chief Operating Officer |

Principal and Registered Office

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Exchange Details

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OTC Code: KSKGY

Share Details

As at 31 December 2015, there were 223,584,937 ordinary shares on issue.

Investor Relations Contact

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Web: www.linkmarketservices.com.au
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Sydney South NSW 1235 Australia

ADR Depository

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Tel: +1 212 815 2293

*Notes for Mineral Resource Table and Mineral Equivalents:

Rounding of figures may cause numbers to not add correctly.

Nueva Esperanza silver equivalent: $AgEq (g/t) = Ag (g/t) + Au(g/t) \times 60$. Gold Equivalent Ounces (GEO): $AuEq (g/t) = Au (g/t) + Ag (g/t)/60$. Calculated from long term historical prices for gold and silver 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. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects.

Forward Looking Statement

These materials include forward looking statements. Forward looking statements inherently involve subjective judgment & analysis & are subject to significant uncertainties, risks & contingencies, many of which are outside of the control of, & may be unknown to, the company. Actual results and developments may vary materially from that expressed in these materials. 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 these materials 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.

Competent Persons Statements

In this report, information concerning Thailand operations and Lao exploration relates to Exploration Results, Mineral Resources and Ore Reserve estimates based on and fairly represents information compiled by the following Competent Persons: Ron James, Brendan Bradley, Maria Munoz, Rob Kinnaird and Suphanit Suphananthi who are employees of the Kingsgate Group. All except Brendan Bradley are members of The Australasian Institute of Mining and Metallurgy; Brendan Bradley is a member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 edition) and possess relevant experience in relation to the mineralisation of being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears. In this report, the information concerning Challenger operations that relates to Exploration Results, Mineral Resources and Ore Reserves estimates based on and fairly represents information compiled by Stuart Hampton and Luke Phelps who are full-time employees of the Kingsgate Group. Stuart Hampton and Luke Phelps are members of The Australasian Institute of Mining and Metallurgy. These persons have sufficient experience that is relevant to the mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Stuart Hampton and Luke Phelps consent to the inclusion in the report of the matters based on their information in the form in which it appears. The information in this report that relates to Bowdens and Nueva Esperanza Mineral Resource estimation is based on and fairly represents work completed by Jonathon Abbott who is a full-time employee of MPR Geological Consultants and a member of the Australasian Institute of Geoscientists. Mr Abbott 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 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 data quality, comments on the resource estimates and economic potential of the estimated resources for Bowdens and Laguna Nueva Esperanza is based on and fairly represent information compiled by Ron James, a member of the Australasian Institute of Mining and Metallurgy. 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'.