



# Kingsgate

Consolidated Limited

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**ASX Announcement  
(18 pages)**

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Company Announcements Office  
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## **Chimberos Gold Discovery Adds Significantly to Mineral Resources in Chile**

Kingsgate Consolidated Limited (ASX: KCN) is pleased to provide an update on the 100% owned Nueva Esperanza gold-silver project following completion of the 2014/15 exploration program and a new Mineral Resource estimate.

The significant outcomes from the program include the following:

- Discovery of the Chimberos Gold deposit, to the west of the current Chimberos pit;
- The addition of 250,000oz of gold and 5.1Moz ounces of silver to the August 2013 Mineral Resource estimate, taking total Mineral Resources to 34.6Mt at 1.7g/t AuEq60 for 1.9Moz gold equivalent;
- The relatively high grade nature of the recently discovered gold mineralisation has now led to reconsideration of agitated leach (milling) for the process route rather than heap leach; and,
- Further high potential targets following initial results at Boulder, Rifle and Carachitas Central.

Following the discovery of Chimberos Gold and the substantial upgrade to the total Mineral Resources, Kingsgate has commenced a project optimisation study in conjunction with Ausenco that will utilise the comprehensive technical work completed to date and incorporate the newly enlarged Mineral Resources. It is also believed that significant opportunities may be available to benefit the project within the current mining landscape.

The study, which has an anticipated timeline of three months, is intended to deliver the following:

- Design parameters around a 2 million tonne per annum (Mtpa) agitated leach (milling) operation;
- Indicative capital and operating cost estimates;
- Updated Ore Reserve estimates; and,
- Relevant information for amendments to existing permits.

While water and power options are currently in place, there has been a structural shift in the power generation and distribution market in Chile that is anticipated to significantly lower the cost of electricity for the project.

Kingsgate CEO, Greg Foulis, 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 opportunity of Nueva Esperanza.

Whilst there is considerable work to be done, we intend to move the project forward in a cost efficient manner in order to de-risk and maximise the value of the project in the current metal price environment."

### **Greg Foulis**

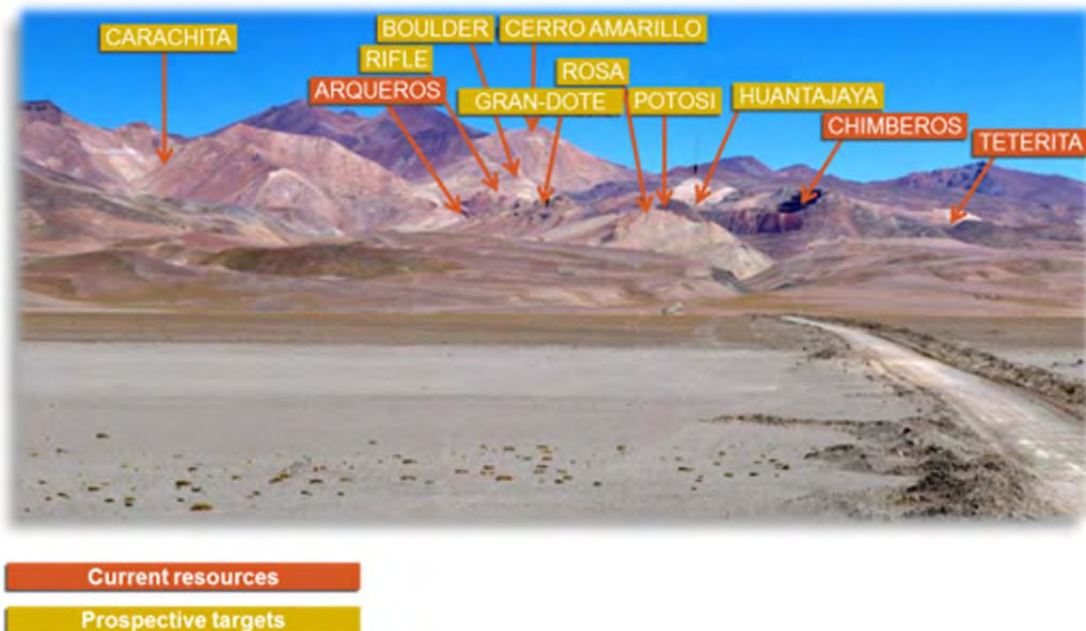
Chief Executive Officer  
Kingsgate Consolidated Limited

## Project Background

The Nueva Esperanza gold-silver project is located in the Maricunga region of Chile, 220km north east of the regional mining centre of Copiapo. Nueva Esperanza is 100% owned by Kingsgate and is a gold-silver project comprising several defined deposits in a high sulphidation epithermal (hydrothermal) system. The project consists of three well defined mineralised deposits and a number of undeveloped exploration targets. The main deposits are Arqueros, Chimberos and Teterita. Kingsgate acquired Arqueros in 2009 with the subsequent addition of Chimberos and Teterita in 2011.



Figure 1: Location of the Nueva Esperanza Project



Mineralisation at Nueva Esperanza is characterised by silicified mantos (stratiform) silver deposits at Arqueros and Teterita, gold veins at Arqueros and gold and silver hydrothermal breccias at Chimberos. There are also a series of gold-bearing satellite silicified structures which are being systematically tested. Mineralisation is controlled by north, north east and north west trending silicified feeder structures with deposition occurring at the level of a paleo-water table at 3900-4100 metres above sea level. Silver generally occurs as halide salts that are amenable to rapid leach kinetics in cyanide, and gold as electrum and native gold.

## Exploration Program 2014/15

The 2014/15 exploration program paused for winter in May 2015 with 17,980 metres of reverse circulation and 3,275 metres of diamond drilling completed in 93 holes (Table 1). The objective of the program was to explore the Esperanza system for gold mineralisation to optimise the gold-silver balance of the resource.

A systematic approach included the use of geophysics to identify and clarify gold-bearing structures, structural mapping and interpretation, and core and rock chip logging to elucidate the controls and occurrence of mineralisation. Drilling resulted in the discovery of the Chimberos Gold deposit.

Nueva Esperanza Exploration Drilling 2014/15						
	RC Metres	DDH Metres	RC Holes	DDH Holes	Total Metres	Total Holes
Chimberos	14,121	3,066	74	RC ext.	17,187	74
Arqueros	131		2		131	2
Teterita		209		3	209	3
Potosi	538		3		538	3
Boulder-Rifle	3,190		11		3,190	11
<b>Drilling</b>	<b>17,980</b>	<b>3,275</b>	<b>90</b>	<b>3</b>	<b>21,255</b>	<b>93</b>
<b>Trenching</b>					<b>1,100</b>	

Table 1. Drilling statistics for the 2014/15 exploration campaign

## Resource Update

The drilling in the 2014/15 exploration program was principally focussed in the area west of the Chimberos pit and resulted in the discovery of the Chimberos Gold deposit, which is under cover and was previously unknown. It is considered to be a continuation of the Chimberos mineralisation identified in earlier campaigns in and around the historic pit. The new mineralisation discovered has added 250,000 ounces of gold and 5.1 million ounces of silver to the Chimberos Mineral Resource estimate.

The addition of Chimberos Gold has resulted in a significant increase in the overall Mineral Resource estimate for Chimberos to 300,000 ounces of gold and 20.5 million ounces of silver in 11.5 million tonnes of material. This equates to 640,000 ounces gold equivalent (AuEq60). The new total resource for Chimberos is included in Table 3 with spatial delineation in Figure 3.

Kingsgate has updated the total project Mineral Resource for Nueva Esperanza to incorporate the recent discovery of Chimberos Gold, which is contained in Table 2 and outlined in Figure 2.

Nueva Esperanza Project Total Mineral Resource (0.5g/t gold equivalent cut-off)									
Deposit	Category	Tonnes (Million)	Au (g/t)	Ag (g/t)	Au Eq60. (g/t)	Ounces (moz)			
						Au	Ag	Au Eq60	Ag Eq60
Arqueros	Measured	-	-	-	-	-	-	-	-
	Indicated	14.1	0.35	88	1.82	0.16	39.9	0.82	49.4
	Inferred	3.3	0.4	57	1.4	0.04	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>0.20</b>	<b>45.9</b>	<b>0.97</b>	<b>58.0</b>
Teterita	Measured	1.5	0.0	101	1.69	0.0005	4.87	0.08	4.90
	Indicated	3.5	0.0	92	1.54	0.001	10.4	0.17	10.4
	Inferred	0.7	0.0	71	1.2	0.0002	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>0.002</b>	<b>16.8</b>	<b>0.28</b>	<b>16.9</b>
Chimberos Silver	Measured	-	-	-	-	-	-	-	-
	Indicated	3.0	0.16	76	1.43	0.02	7.3	0.14	8.3
	Inferred	0.6	0.1	66	1.2	0.00	1.3	0.02	1.4
	<b>Subtotal</b>	<b>3.6</b>	<b>0.15</b>	<b>74</b>	<b>1.39</b>	<b>0.02</b>	<b>8.6</b>	<b>0.16</b>	<b>9.6</b>
Chimberos Gold	Measured	-	-	-	-	-	-	-	-
	Indicated	6.2	1.17	51	2.02	0.23	10.2	0.40	24.2
	Inferred	1.7	0.9	31	1.4	0.05	1.7	0.08	4.6
	<b>Subtotal</b>	<b>7.9</b>	<b>1.11</b>	<b>47</b>	<b>1.89</b>	<b>0.28</b>	<b>11.9</b>	<b>0.48</b>	<b>28.8</b>
Chimberos Total	Measured	-	-	-	-	-	-	-	-
	Indicated	9.2	0.84	59	1.83	0.25	17.5	0.54	32.4
	Inferred	2.3	0.7	40	1.4	0.05	3.0	0.10	6.0
	<b>Chimberos</b>	<b>11.5</b>	<b>0.81</b>	<b>55</b>	<b>1.73</b>	<b>0.30</b>	<b>20.5</b>	<b>0.64</b>	<b>38.5</b>
NUEVA ESPERANZA TOTAL	Measured	1.5	0.01	101	1.69	0.0005	4.9	0.08	4.9
	Indicated	26.8	0.47	79	1.78	0.41	67.7	1.54	92.2
	Inferred	6.3	0.5	52	1.3	0.09	10.6	0.27	16.2
	<b>Total</b>	<b>34.6</b>	<b>0.45</b>	<b>75</b>	<b>1.70</b>	<b>0.50</b>	<b>83.2</b>	<b>1.89</b>	<b>113.4</b>

(Notes: See page 6)

Table 2: Total Mineral Resource Estimate for Nueva Esperanza (June 15)



The updated estimate of total Mineral Resources at Nueva Esperanza has increased the gold endowment by 99% to 0.5 million ounces and silver by 6% to 83.2 million ounces which equates to an increase of 21% in gold equivalent AuEq60 to 1.89 million ounces.

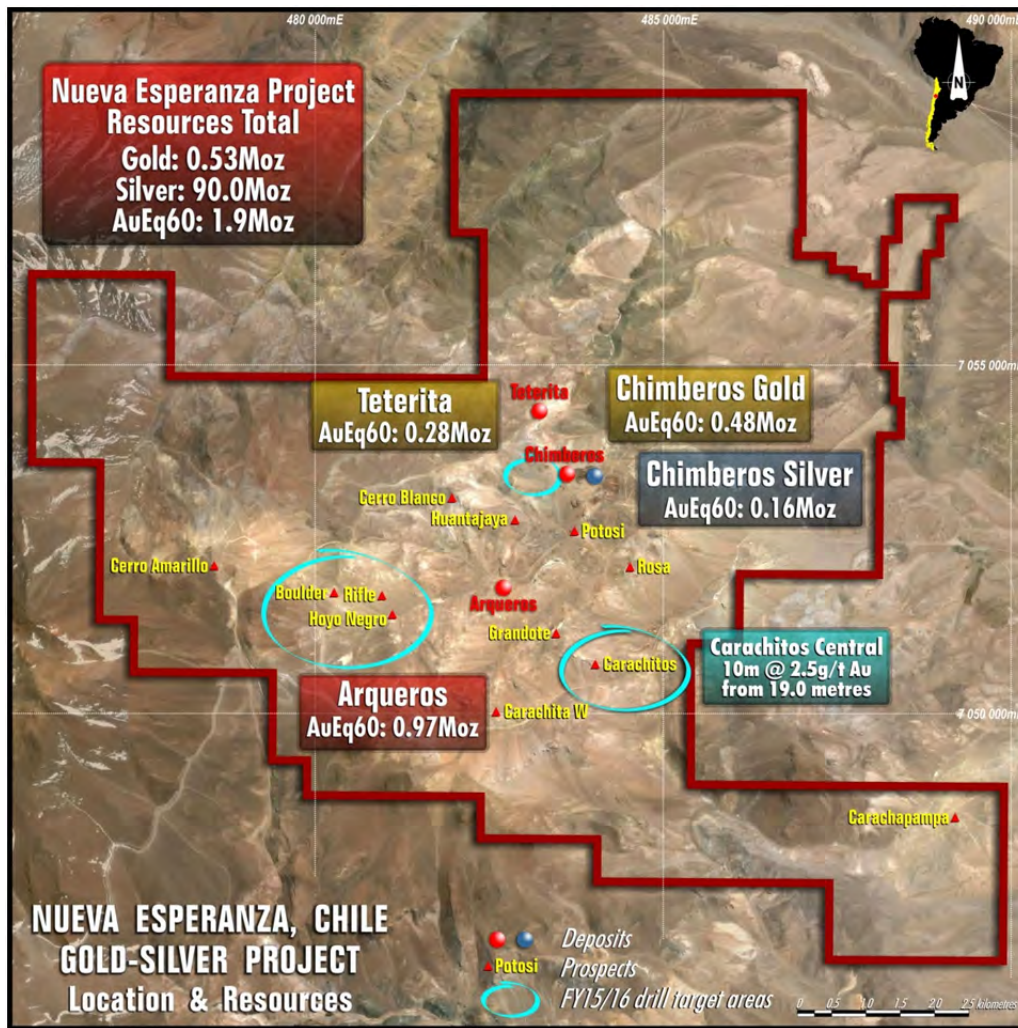


Figure 2: Location of Mineral Resources and Targets at Nueva Esperanza

The significant increase in resources reflect the additional drilling executed between September 2014 and April 2015 at Chimberos, where a total of 14,121 metres of reverse circulation (RC) and 3,067 metres of diamond drilling were completed in 74 holes. This drilling contributes 43% of the total metres drilled at Chimberos.

Chimberos Mineral Resources (0.5 g/t gold equivalent cut off)									
Deposit	Category	Tonnes (Million)	Au (g/t)	Ag (g/t)	Au Eq60. (g/t)	Ounces (moz)			
						Au	Ag	Au Eq60	Ag Eq60
Chimberos Silver	Measured	-	-	-	-	-	-	-	-
	Indicated	3	0.16	76	1.43	0.02	7.3	0.14	8.3
	Inferred	0.6	0.1	66	1.2	0	1.3	0.02	1.4
	<b>Subtotal</b>	<b>3.6</b>	<b>0.15</b>	<b>74</b>	<b>1.39</b>	<b>0.02</b>	<b>8.6</b>	<b>0.16</b>	<b>9.6</b>
Chimberos Gold	Measured	-	-	-	-	-	-	-	-
	Indicated	6.2	1.17	51	2.02	0.23	10.2	0.4	24.2
	Inferred	1.7	0.9	31	1.4	0.05	1.7	0.08	4.6
	<b>Subtotal</b>	<b>7.9</b>	<b>1.11</b>	<b>47</b>	<b>1.89</b>	<b>0.28</b>	<b>11.9</b>	<b>0.48</b>	<b>28.8</b>
<b>CHIMBEROS TOTAL</b>	Measured	-	-	-	-	-	-	-	-
	Indicated	9.2	0.84	59	1.83	0.25	17.5	0.54	32.4
	Inferred	2.3	0.7	40	1.4	0.05	3	0.1	6
	<b>Total</b>	<b>11.5</b>	<b>0.81</b>	<b>55</b>	<b>1.73</b>	<b>0.3</b>	<b>20.5</b>	<b>0.64</b>	<b>38.5</b>

(Notes: See page 6.)

Table: 3: Chimberos Mineral Resource Estimate (June 15)

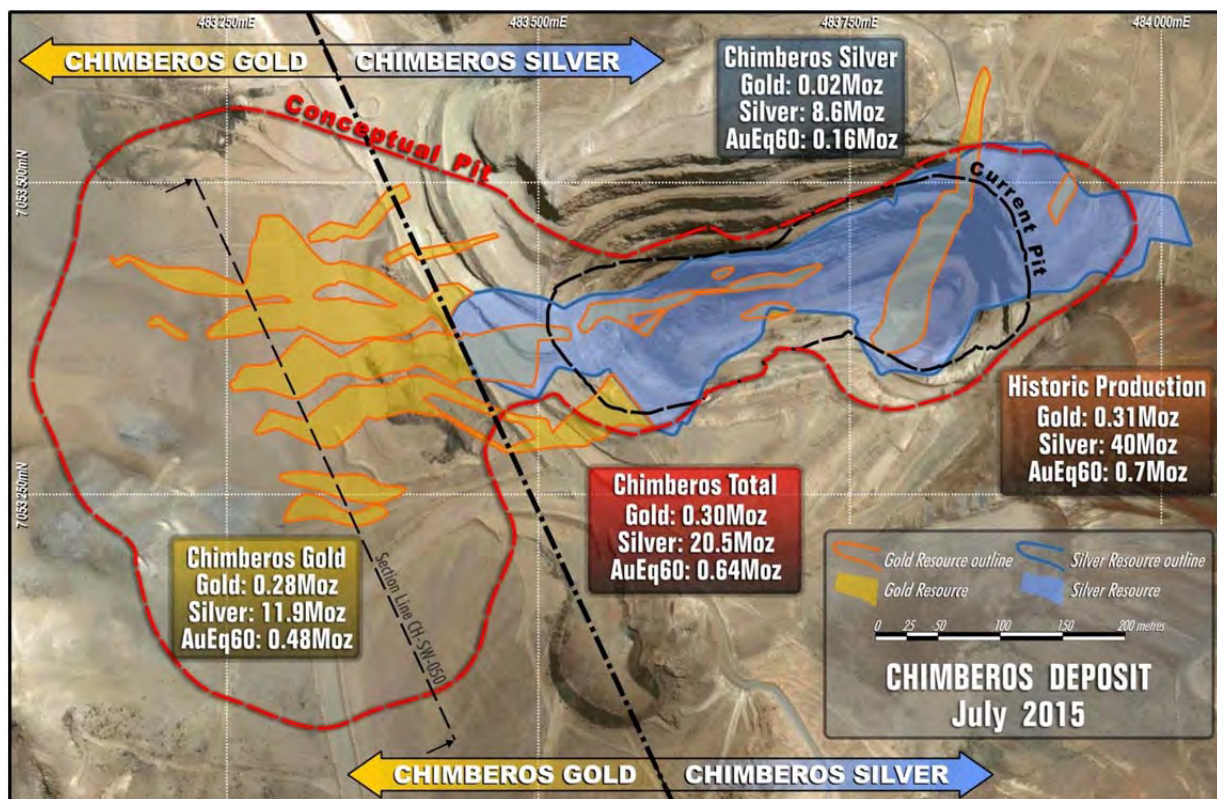


Figure 3: Chimberos Deposit Gold and Silver Resources

### Other Project Areas

Prior to the shutdown of the exploration program and camp due to the onset of winter, a total of five holes were drilled in Boulder and six in Rifle following up historical drilling results.

Significant intersections in Rifle include:

- 32m at 1.29g/t gold and 14g/t silver (1.53g/t AuEq60) from 203 metres in ERFR-01;
- 6m at 1.28g/t gold and 15g/t silver (1.12g/t AuEq60) from 227 metres in ERFR-02; and
- 13m at 1.04g/t gold and 25g/t silver (1.46g/t AuEq60) from 217 metres in ERFR-03.

Significant intersections in Boulder include:

- 15m at 0.48g/t gold and 149g/t silver (2.96g/t AuEq60) from 207 metres; and,
- 12m at 1.18g/t gold and 25g/t silver (1.46g/t AuEq60) from 187 metres in EBDR-03.

Note that assay results are still pending for one full hole and two partial holes.

While these results are lower in grade than the historical intersections targeted in this program, they confirm the presence of gold and will provide strong targets for follow-up in the next field season, given the enhanced understanding of the potential controls on gold mineralisation from the results from the 2014/15 exploration program.

A single drill hole at Carachitas Central, SLON-06, returned 10m @ 2.5g/t gold from 19 metres in strongly altered silicified volcanic rocks and will also provide an exciting target for the 2015/16 exploration program. This shallow mineralisation occurs at an important RL of 4,100 metres, which is known to host precious metal mineralisation in other sectors of Nueva Esperanza.

## NUEVA ESPERANZA PROJECT DRILLING - BOULDER, RIFLE & CARACHITAS CENTRAL

### Intersection Summary at 0.5g/t AuEq60 Cut-off grade (RC-DD Drilling 2014-15)

Zone	Drill Hole	Executed Meters	Intervals (m)		Width (m)	Au (g/t)	Ag (g/t)	AuEq60 (g/t)	Observations
			From	To					
Rifle	ERFR-01	300	203	235	32	1.29	14	1.53	
			253	261	8	0.98	8	1.12	
	ERFR-02	330	227	233	6	1.28	15	1.52	
	ERFR-03	300	217	230	13	1.04	25	1.46	5m at 1.87g/t Au and 37g/t Ag
	ERFR-04	300	194	198	4	0.38	10.5	0.56	
			213	215	2	0.66	9	0.81	
			221	228	7	0.62	6.43	0.73	
			232	234	2	0.5	12.5	0.71	
	ERFR-05	280	0	100	100	Without economic values			values ( $\leq$ 0.01g/t Au, $\leq$ 1g/t Ag)
			100	280	180	Samples at drill site			
Boulder	EBDR-03	300	187	202	15	0.48	149	2.96	8m at 0.45g/t Au and 253g/t Ag
			207	219	12	1.18	26	1.61	2m at 2.58g/t Au and 2.67g/t Ag
	EBDR-04	280	0	280	280	Without economic values			values ( $<$ 0.005-0.1g/t Au, $<$ 1-15 g/t Ag)
	EBDR-05	300	196	203	7	0.29	27	0.74	
	EBDR-06	300	0	185	185	Without economic values			values ( $<$ 0.005-0.1g/t Au, $<$ 1-3 g/t Ag)
	ERFR-07	280	0	122	122	Without economic values			values ( $\leq$ 0.05 g/t Au, $\leq$ 2 g/t Ag)
			122	250	128	Awaiting assays			
	EBDR-08	250	0	250	250	Samples at drill site			
Carachitas Central	SLON-06	200	19	29	10	2.45	24	2.86	

#### Competent Persons Statement:

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

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

The information in this report that relates to mineral resource estimation for Chimberos is based on and fairly represents work compiled by Ms Maria Muñoz who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Kingsgate Consolidated Limited. Ms Muñoz has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Muñoz consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this report that relates to ore reserves for Arqueros Chimberos and Teterita is based on and fairly represents work compiled by Mr Manuel A. Hernández who is a full-time employee of Coffey Chile and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hernández is an independent consultant to Kingsgate Consolidated Limited and has sufficient experience relevant to the type of mining under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hernández consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### Notes for Mineral Resource Tables:

1. Rounding of figures may cause numbers to not add correctly. Nueva Esperanza silver equivalent:  $AgEq (g/t) = Ag (g/t) + Au(g/t) \times 60$ .
3. Gold Equivalent:  $AuEq (g/t) = Au (g/t) + Ag (g/t)/60$ .  
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.
4. It is the Company's opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.
5. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects.



**Nueva Esperanza**  
**Table 1 Report**  
**Check List of Assessment and Reporting Criteria**  
**Section 1 -Sample Techniques and Data**  
*(Criteria in this group apply to all succeeding groups)*

Criteria	Commentary
<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 2009-2015 drilling by Laguna Resources, a wholly owned division of Kingsgate Consolidated Ltd (25% of the drill metres) and previous explorers including Anglo American Chile (18%), Can Can Mining (44%) and Kinross (14%).</li> <li>• The current estimation includes the new drilling executed between September 2014 and April 2015 in Chimberos deposit, with a total depth of 14,121 metres of reverse circulation and 3,067 metres in diamond drilling distributed on 74 holes. This drilling contributes 43% of total metres of drilling and have had a positive impact on the 2015 Mineral Resource Estimate.</li> <li>• The combined resource database totals 3,379 holes for 181,672m of drilling as follows: <ul style="list-style-type: none"> <li>Pre-Laguna Drilling: <ul style="list-style-type: none"> <li>- Arqueros: 2,698 DTH Holes (99,791m), 56 RC Holes (10,941m), 3 DDH Holes (1,250m).</li> <li>- Teterita: 57 RC Holes (6,518m).</li> <li>- Chimberos: 97 RC Holes (9,450m), 167 DDH Holes (8,734m).</li> </ul> </li> <li>Laguna Drilling: <ul style="list-style-type: none"> <li>- Arqueros: 76 RC Holes (11,417m), 64 DDH Holes (6,491m).</li> <li>- Teterita: 23 RC Holes (2,364m), 36 DDH Holes (2,933m).</li> <li>- Chimberos: 75 RC Holes (14,383m), 11 DDH Holes (1,888m) and 16 RD (2,870m in RC and 2,643 DDH)</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 1m intervals with approximately 15kg sub-samples collected by rifle splitting. Laguna diamond core was generally sampled over 1m intervals with sample intervals honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5m and a minimum weight of 0.5Kg. Intervals of up to 3m were rarely used for low-core recovery zones. The RC and diamond sub-samples were crushed, split and pulverised to produce 30g 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 55% of the combined drill metres for Nueva Esperanza. The Teterita and Chimberos estimates are based on only RC and DDH sampling.</li> <li>Laguna's RC drilling was performed mostly with a Drill Master Ingersoll Rand T4WC, and less proportion with Schramm and TH-75 rig with face sampling bits of 5¼, 5½, 5¾ and 5⅝ inch diameter. The DDH drilling was executed mostly with a Sandvik- DE 710, LF-90, UDR-200 rig, by triple tube HQ3 diameter (61.1 mm core) and rarely NQ3 diameter (45.0mm core). Drill core was oriented wherever possible.</li> </ul>
<b>Drill sample recovery</b>	<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> <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. Moist and wet samples were air dried and homogenised before rifle splitting.</li> <li>Most RC samples (around 97%) were logged as dry in Arqueros and Teterita.</li> <li>In Chimberos, 78% of the RC samples were recorded as dry. The wet samples were confronted against the grades values suggesting that has not introduced a significant bias in the resource sampling for moisture, also the recoveries was confronted by depth and grade value, showing that recoveries decrease with depth, but no show some relationship between grade and depth. The style of mineralization in Chimberos does not have a high nugget, and erratic course gold was detected in rarely, also it is well supported by the QA/QC in the duplicated data that show a strong correlation between duplicates.</li> <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> <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: 78% in RC and 96% in DDH</li> </ul> </li> </ul>



<b>Logging</b>	<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>
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	<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>
<b>Sub-sampling techniques and sample preparation</b>	<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 interval is mostly 1m and 2m on RC samples that contribute 55% of assay sample, and 32% is diamond drilling with a interval of 1m, another interval length represents a small proportion.</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 1m intervals, with sample intervals determined by geologists and honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5m and a minimum weight of 0.5Kg. Sample lengths of up to 3m 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 75 microns.</li> </ul>

	<ul style="list-style-type: none"> <li>• Duplicate samples were included for each sub-sampling stage of Laguna’s sampling, comprising:</li> <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>
<p style="text-align: center;"><b>Quality of assay data and laboratory tests</b></p>	<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> <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 style="text-align: center;"><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 showed no significant difference in average grades providing confidence in the general reliability of the DTH data.</li> <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</li> </ul>

	<p>Silver Grade that is unclear about the reasons for the lack of correlation.</p> <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> <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, Reflex Gyro and gyroscope tools and DDH holes were surveyed by used EZ TRAC, Maxibor II and Reflex Gyro tools. Intervals with excessive deviations were not considered.</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> <li>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: <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> </li> <li>The location of the sample points, topographic surfaces and previous mining has been established with sufficient accuracy for the current estimates.</li> </ul>
<p><b>Data spacing and distribution</b></p>	<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 the Eastern part and in the western part represents a nominally 25 x 50m grid 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> <li>• 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.</li> </ul>

<p><b>Section 2 – Reporting of Exploration Results</b>  <i>(Criteria listed in the first group, and where relevant in the second group, apply also to this group)</i></p>	
<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” 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.</li> <li>• 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</li> </ul>			
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>• The resource dataset includes drilling by Laguna Resources (25% of the drill metres) and Anglo American Chile (18%), Can Can Mining (44%) and Kinross (14%).</li> </ul>			

### **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)*

<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 of geological data corresponding 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>

<p><b>Dimensions</b></p>	<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 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.</li> <li>• 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.</li> </ul>
<p><b>Estimation and modelling techniques</b></p>	<ul style="list-style-type: none"> <li>• Resources were estimated by Multiple Indicator Kriging (MIK) for Arqueros and Teteritas, MIK models were created for gold and silver with block support adjustment to reflect open pit mining selectivity. The new resource in Chimberos was estimate with Ordinary Kriging (OK) and shows trends are generally reasonably consistent with an independent estimation with MIK within optimal pit at 0.5 g/t AuEq60 cut off; adding some dilution, would give a closer match to the MIK model for contained AuEq. The decision for use OK is for the practicality of using different gold equivalent according to the price of metals, unlike the MIK to be updated the model each time that the equivalent is changed, another reason is the edge effect generated in the MIK.</li> <li>• The estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1 to reflecting prices of US\$1,375/oz Au and US\$22.30/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 (July 2012-June 2015) 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> <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, 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, the model was 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>• The MIKs models, 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> </ul>

	<ul style="list-style-type: none"> <li>• In the case of OK in Chimberos, was estimated using two different set of top cut, the set of top cut 1 is moderate to conservative top cutting, and the set of top cut 2 is high conservative, in a moderate scenario (top cut 1) the gold ounces reduce in 14% compare with uncut gold ounces, and reduce in 8% more if applied a high conservative top cut, suggesting that the use of high conservative does not impact greatly Resources and is not a matter of concern.</li> <li>• No by-product or deleterious elements were included.</li> </ul>
	<ul style="list-style-type: none"> <li>• The MIK and OK 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 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 (8 data), Search 2: 35 by 35 by 7 m (12 data), and Search 3: 90 by 90 by 18 (15 data). These search passes give (Inferred) estimates extrapolated to a maximum of 90 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 Block size: 5m east-west by 5m north-south by 5 m vertical, using sub-block 2.5x2.5x2.5. This model is not dilute block model.</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 3Mt/yr.</li> </ul>
<b>Mining factors or assumptions</b>	<ul style="list-style-type: none"> <li>• The estimates reflect open pit mining and the MIKs include a block support adjustment to reflect ore selection based on gold or silver cut-off grades with 4 by 6 by 2.5 m mining selectivity and 6 by 9 by 1 m grade control sampling. These criteria are based on the Competent Persons experience with comparable mineralisation and mining operations of comparable scale to that envisaged for Nueva Esperanza.</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 ore within the project in the pre-feasibility study and late stages of the project development gave as result the following assumptions anticipated metallurgical recoveries in the range of 75% for silver and 70% for gold. Metallurgical test work includes on site column leaching, laboratory column leaching and intermittent bottle roll test for each of the three deposits and mineralisation types.</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 1391 core samples and 115 rock samples, and are 2.0 t/bcm for Arqueros, 2.1 t/bcm for Teterita and for Chimberos was used 2.35 t/bcm in oxides and 2.45 t/bcm in sulphides.</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 or wireframe of reasonably consistent drill hole intercept spacing, geological confidence, and grade continuity. All panel or block 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, drill space and details of the older drilling information.</li> </ul>
	<ul style="list-style-type: none"> <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 values, quality, quantity and distribution of the data.</li> <li>The resource classifications appropriately reflect the Competent Persons 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 MIIK, Ordinary Kriging, Inverse distance 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> <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> <li>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</li> </ul>

	<p>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.</p>
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