



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

18 April 2012

Via ASX Online [5 pages]

The Manager,  
Company Announcements Office  
Australian Securities Exchange

## Nueva Esperanza Project – Teterita Mineral Resource Upgrade

Kingsgate Consolidated Limited (ASX: KCN) is pleased to announce a 30% increase in contained silver for the Teterita deposit following the results of a drilling campaign to upgrade the Mineral Resource. Teterita is part of the resource base for the Nueva Esperanza Project, located in the Atacama Region of Northern Chile.

As of 31 March 2012, the total Mineral Resource at Teterita has increased to 17.0 million ounces of silver, hosted in 6 million tonnes of ore at an average grade of 89 grams/tonne silver at a 22.5 grams/tonne silver cut-off (previously 13.1 million ounces from 4.8 million tonnes of ore grading 85 grams/tonne silver). At a gold/silver price ratio of 45, this is equivalent to around 380,000 ounces of gold (cut-off 0.5 g/t AuEq).

**Table 1. Mineral Resource of Teterita as at 31 March 2012**  
(cut-off grade 22.5 g/t silver)

| Resource Category    | Tonnes<br>(million) | Silver<br>(grams/tonne) | Silver<br>(ounces) |
|----------------------|---------------------|-------------------------|--------------------|
| Measured             | 1.46                | 100                     | 4,671,000          |
| Indicated            | 3.91                | 87                      | 10,908,000         |
| Inferred             | 0.6                 | 81                      | 1,526,000          |
| <b>Total</b>         | <b>5.95</b>         | <b>89</b>               | <b>17,105,000</b>  |
| Measured + Indicated | 5.37                | 91                      | 15,579,000         |

Following this upgrade, the combined Nueva Esperanza Project Mineral Resource is now 75.3 million ounces of silver and 227,000 ounces of gold hosted in approximately 30 million tonnes at 0.24 g/t gold and 79 g/t silver. This is equivalent to 1.9 million ounces of gold equivalent at a gold/silver price ratio of 45 (cut-off 0.5 g/t AuEq).

Kingsgate Managing Director Gavin Thomas said, "This result confirms our confidence in the quality and opportunity at the Nueva Esperanza project and supports our initial view that the project timeline can be fast tracked by mining parts of the Arqueros deposit and the Teterita deposit first."

"The final feasibility study will now be expanded to include the Teterita results and this is anticipated to have a positive impact on the overall project economics" he said. "The feasibility study (including the Teterita Mineral Resource) is now due for completion during the September quarter 2012".

Yours sincerely,

Gavin Thomas  
Managing Director & CEO

Suite 801, Level 8  
14 Martin Place  
Sydney NSW 2000  
Australia

Tel: (61 2) 8256 4800  
Fax: (61 2) 8256 4810

Email: [info@kingsgate.com.au](mailto:info@kingsgate.com.au)  
Website: [www.kingsgate.com.au](http://www.kingsgate.com.au)

## Teterita and Nueva Esperanza Project Resource Summary

The current Teterita Mineral Resource estimate is based in part on 2,364 metres of reverse circulation in 22 holes and 1,990m of diamond drilling in 43 holes completed recently by Kingsgate. The results from this drilling were previously reported to ASX on 17 February 2012. In addition, an existing database of 8,888 metres in 69 drill holes by the previous owners was incorporated for a total of 11,252m of drilling in 114 holes and 7,376 samples assayed.

The use of historical drilling data in the Teterita Mineral Resource estimation has been validated in this resource estimate with parallel confirmation drilling and statistical analysis. In total, five pre-existing percussion drill holes were 'twinned' with diamond drill holes that closely followed the trajectory of the original holes. Statistical analyses 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 recent drilling has provided additional confidence to upgrade almost 90% of the resource to Indicated and Measured Resources as well as adding close to 30% more contained silver. There is an expectation that a high proportion of the current Mineral Resource will convert to Ore Reserves.

As discussed in the release of 17 February 2012, Kingsgate noted that current assay data was approximately 20% higher than previous assay data. This assay bias is believed to be in part due to differences in analytical methods; the current approach adopting a stronger multi-acid digestion ( $\text{HF-HNO}_3\text{-HClO}_4\text{-HCl}$ ) for a more complete dissolution of the silver minerals compared to the previous single acid Aqua Regia digestion.

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.

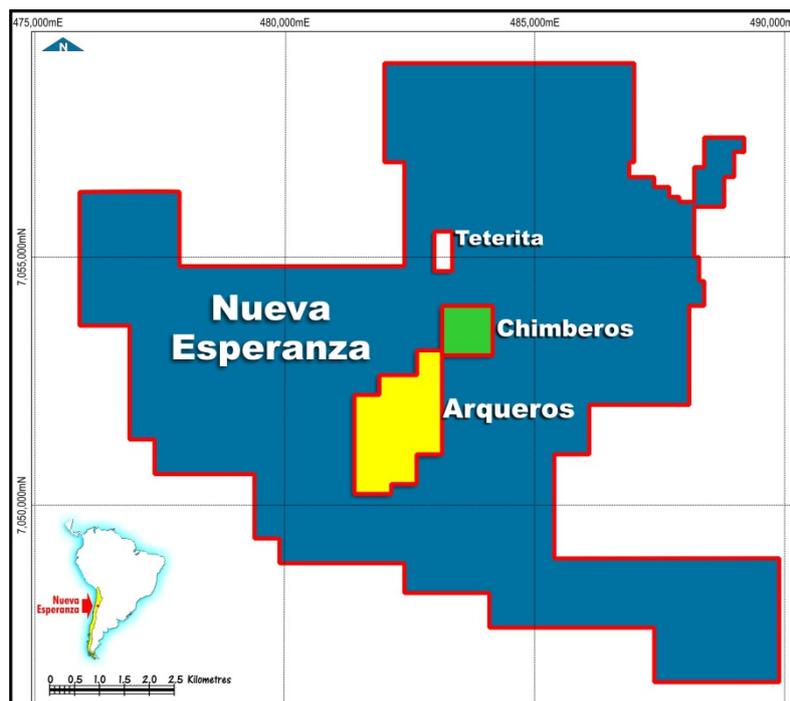


Figure 1. Nueva Esperanza Mining Lease showing Arqueros, Chimberos and Teterita Projects

## Nueva Esperanza Project Mineral Resource Summary

Mineral Resources for the Nueva Esperanza Project, combining for the first time resources from the three known deposits of Arqueros, Teterita and Chimberos, were previously announced to ASX on 3 August 2011. This can now be amended to include the upgraded resources from Teterita, generating a new combined resource of 75.3 million ounces of silver and 227,000 ounces of gold hosted in almost 30 million tonnes at 0.24 grams/tonne gold and 79 grams/tonne silver. This is equivalent to 1.9 million ounces of gold at a gold/silver price ratio of 45.

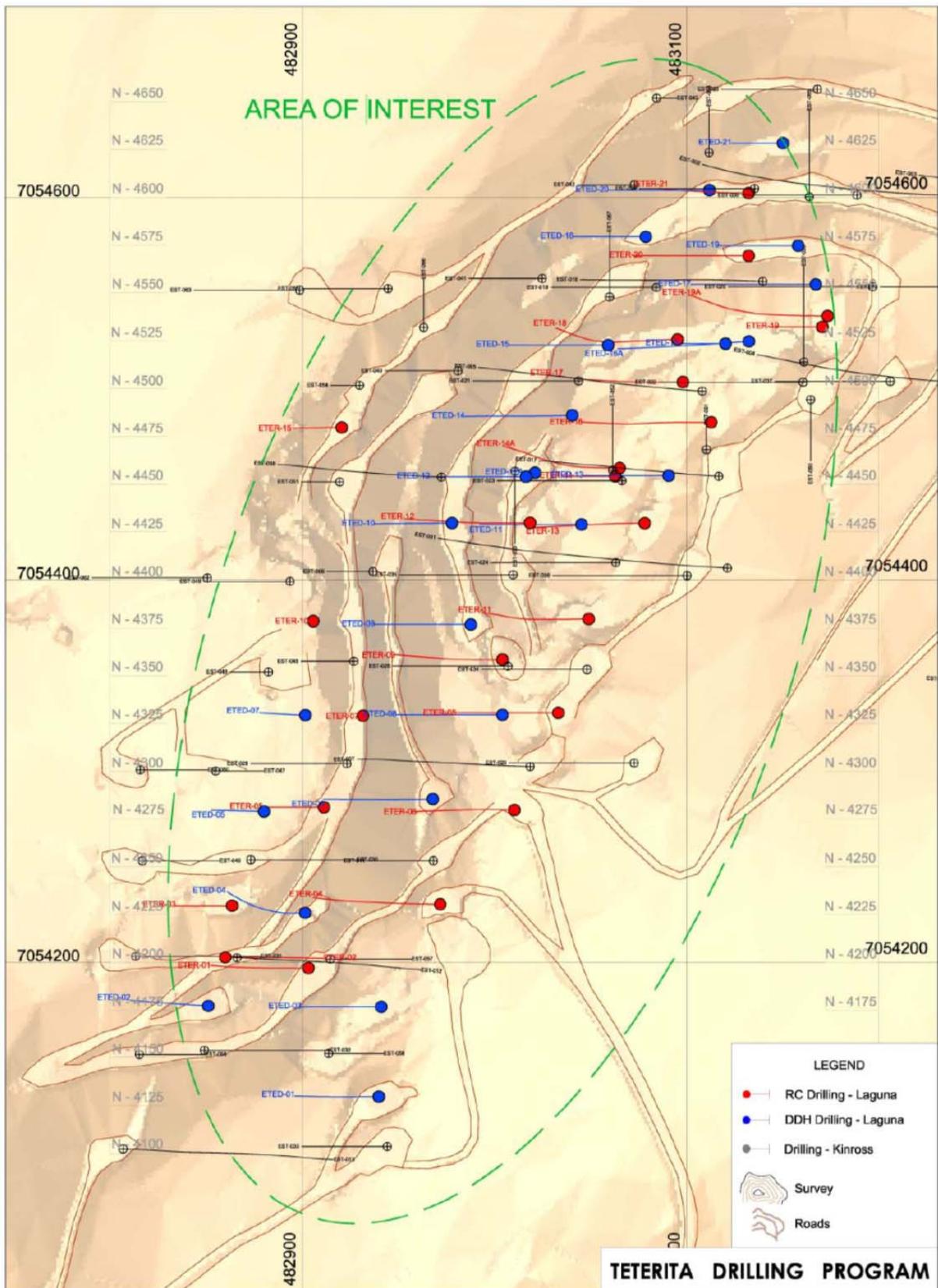


Figure 2. Plan view of Teterita drilling program

**Table 2. Combined Mineral Resource of Nueva Esperanza as of 31 March 2012**

| <b>Nueva Esperanza Mineral Resources</b>  |                             |                       |                         |                             |                       |                         |                             |                       |                         |                       |                         |                                |
|---|-----------------------------|-----------------------|-------------------------|-----------------------------|-----------------------|-------------------------|-----------------------------|-----------------------|-------------------------|-----------------------|-------------------------|--------------------------------|
| (cut-off > 22.5 grams/tonne (g/t) silver or 0.5 grams/tonne (g/t) Gold Equivalent (AuEq)) |                             |                       |                         |                             |                       |                         |                             |                       |                         |                       |                         |                                |
|   | <b>Measured + Indicated</b> |                       |                         | <b>Inferred</b>             |                       |                         | <b>Total</b>                |                       |                         |                       |                         |                                |
|   | <b>Tonnes<br/>(million)</b> | <b>Gold<br/>(g/t)</b> | <b>Silver<br/>(g/t)</b> | <b>Tonnes<br/>(million)</b> | <b>Gold<br/>(g/t)</b> | <b>Silver<br/>(g/t)</b> | <b>Tonnes<br/>(million)</b> | <b>Gold<br/>(g/t)</b> | <b>Silver<br/>(g/t)</b> | <b>Gold<br/>(Moz)</b> | <b>Silver<br/>(Moz)</b> | <b>Gold<br/>AuEq<br/>(Moz)</b> |
| Arqueros  | 16.0                        | 0.32                  | 81                      | 4.0                         | 0.3                   | 50                      | 20.0                        | 0.32                  | 75                      | 0.20                  | 48.1                    | 1.3                            |
| Chimberos   | -                           | -                     | -                       | 3.7                         | 0.2                   | 85                      | 3.7                         | 0.20                  | 85                      | 0.02                  | 10.1                    | 0.2                            |
| Teterita  | 5.4                         | -                     | 91                      | 0.6                         | -                     | 81                      | 6.0                         | -                     | 89                      | -                     | 17.1                    | 0.4                            |
| <b>Total</b>  | <b>21.4</b>                 | <b>0.32</b>           | <b>83.5</b>             | <b>8.3</b>                  | <b>0.2</b>            | <b>68</b>               | <b>29.7</b>                 | <b>0.25</b>           | <b>79</b>               | <b>0.23</b>           | <b>75.3</b>             | <b>1.9</b>                     |

1. \* Gold equivalent on basis of gold/silver revenue ratio of 45; calculated as Au + Ag/EQ (gold plus [silver divided by 45])
2. EQ = (Price Gold \* Recovery Gold) / (Price Silver \* Recovery Silver)
3. Price basis US\$1250/oz Au and US\$30/oz Ag
4. Metallurgical recovery basis 85% Au and 78% silver.
5. Density at Arqueros & Chimberos = 2.0 g/cm<sup>3</sup>, and Teterita = 2.1 g/cm<sup>3</sup>
6. It is the company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.
7. Rounding of numbers may generate rounding errors

Mine planning and optimization work has commenced at Teterita in order to determine Ore Reserves that may be integrated into an expanded mine plan for the Nueva Esperanza project. This mine planning is currently underway as part of the expanded feasibility study with the bankable document that is due for completion in the September quarter 2012.

Resource and validation drilling is scheduled to commence in the September 2012 quarter at Chimberos with a 2,000m reverse circulation and 1,000m diamond drilling program. This will provide an opportunity to upgrade and potentially expand mineral resources at Chimberos into Measured and Indicated categories, allowing that deposit to be brought into the commercial development for the combined Nueva Esperanza project. Drilling was planned to commence immediately but severe winter storms have delayed this program until after winter.



**Figure 3. Teterita leached cap, looking to the north**

**COMPETENT PERSONS STATEMENT**

**CONSENT**

*Dr Nicholas Lindsay is the author of this document. He is a Member of the Australian Institute of Mining and Metallurgy 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 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lindsay is the Managing Director of Laguna Resources NL and consents to the inclusion in this release of the matters based on his information and information presented to him in the form and context in which it appears.*

**COMPETENT PERSON**

*Information in this report relates to Mineral Resources based on information compiled by Ron James, employee of the Kingsgate Group and member of The Australasian Institute of Mining and Metallurgy. This person qualifies as Competent Persons as defined in the Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 edition) and possesses relevant experience in relation to the mineralisation being reported herein as Mineral Resources. The 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.*