



# Kingsgate

Consolidated Limited

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Manager  
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## Chile - Drill Results from District Exploration

Kingsgate Consolidated (ASX:KCN) ("Kingsgate" or the "Company") is pleased to provide an update on exploration activities at its 100% owned Nueva Esperanza Precious Metals Project in Chile. ("Nueva") Nueva is a feasibility stage development project with a resource base of approximately 1.9 million ounces gold equivalent<sup>1</sup>. Kingsgate is moving forward with feasibility and permitting activities in 2017 and in parallel is pursuing a systematic exploration program covering the highly prospective 45km<sup>2</sup> alteration footprint (See Figure 1).

Two emerging exploration targets of interest are Huantajaya and Carachitas, both of which highlight the potential for gold discoveries outside the existing resource envelopes.

**Huantajaya Target:** This target is located approximately 600 metres southwest of the Chimberos Gold deposit (See Figure 2).

Three diamond drill holes totalling 525.5 metres were completed in January 2017 testing the depth projection of outcropping zones of mineralised breccias. All three holes intercepted the targeted silicified and oxidised breccia at depth with the following intercepts:

- Hole KDD-1 intercepted **24.0 metres** grading 1.81 g/t Au and 86.24 g/t Ag or **3.25 g/tAuEq60<sup>2</sup>** from 101 metres;
- Hole KDD-2 intercepted **11.0 metres** grading 2.07 g/t Au and 57.03 g/t Ag or **3.02 g/tAuEq60** from 153 metres; and,
- Hole KDD-3 intercepted **3.0 metres** grading 3.33 g/t Au and 31.48 g/t Ag or **3.85 g/tAuEq60** from 146 metres.

**Carachitas Target:** Carachitas is located approximately 2.3 kilometres southeast of the Arqueros deposit (See Figure 3). The target footprint was significantly expanded in late 2016 by the innovative property-wide bedrock Air-Blast drilling campaign (~800 holes property-wide) undertaken by Kingsgate. This campaign returned a highly anomalous bedrock sample of 8.83 g/t Au and 27.90 g/t Ag located some 450 metres west of earlier scout-drilling.

Ten shallow RC holes totalling 1,062.10 metres have now been completed between the anomalous Air-Blast sample and the earlier scout RC drilling. Results for the first, westernmost RC hole (KRC-23) have been received, and the highlights of which are noted below:

- Hole KRC-23 returned **10 metres** grading 6.66 g/t Au and 31.81 g/t Ag or **7.13 g/tAuEq60** from 12 metres. (The interval is oxidised)

Carachitas was historically highlighted by limited RC scout-drilling in 2015, which returned an intercept of 38 metres grading 2.30 g/t Au and 22.0 g/t Ag (Hole ECCR-02) from a depth of 14 metres. (See ASX:KCN released titled "New Gold Discovery at Nueva Esperanza Project, Chile" dated 15 December 2015)

Results from the remaining nine RC holes are pending. Once all results have been received additional holes will be planned for the area.

**General Exploration:**

Kingsgate has planned for a budget of ~US\$5 million for exploration at Nueva during 2017.

Since mid-2016, the experienced Chile exploration team has stepped back from the three defined deposits that are the foundation for feasibility and focused on broader property-wide exploration. All historical exploration data in Kingsgate's possession has now been systematically compiled into one GIS database which is driving on-going drill-target generation.

The geological models being applied have evolved, with added exploration focus around the margins of large and barren dacitic flow-domes that occur in the district and elsewhere in the northern Maricunga. Exploration has now been prioritised around the peripheries of the numerous dacitic domes on the property, in particular in areas that present strong hydrothermal alteration and accompanying anomalous geochemistry.

**Geophysical Survey:** A combined IP/Resistivity survey was conducted in January 2017 over the core of the Nueva property. Approximately 40 line kilometres were surveyed along 9 east-west lines spaced at 500 metres.

The survey has highlighted a number of highly resistive features, consistent with silicic alteration, some of which remain untested by drilling to date.

**Maricunga Generative Program:** Strategically, Kingsgate is building its portfolio in Chile. Kingsgate has six licence areas under application located to the northeast of Nueva in the highly prospective Maricunga Belt, and has separate to Nueva, a regional prospecting programme that started in early January 2017.



**Greg Foulis**  
**Chief Executive Officer**  
**Kingsgate Consolidated Limited**

**Notes for Mineral Equivalents: (1&2)**

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):  $AuEq(g/t) = Au(g/t) + Ag(g/t) \div 60$ , 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.

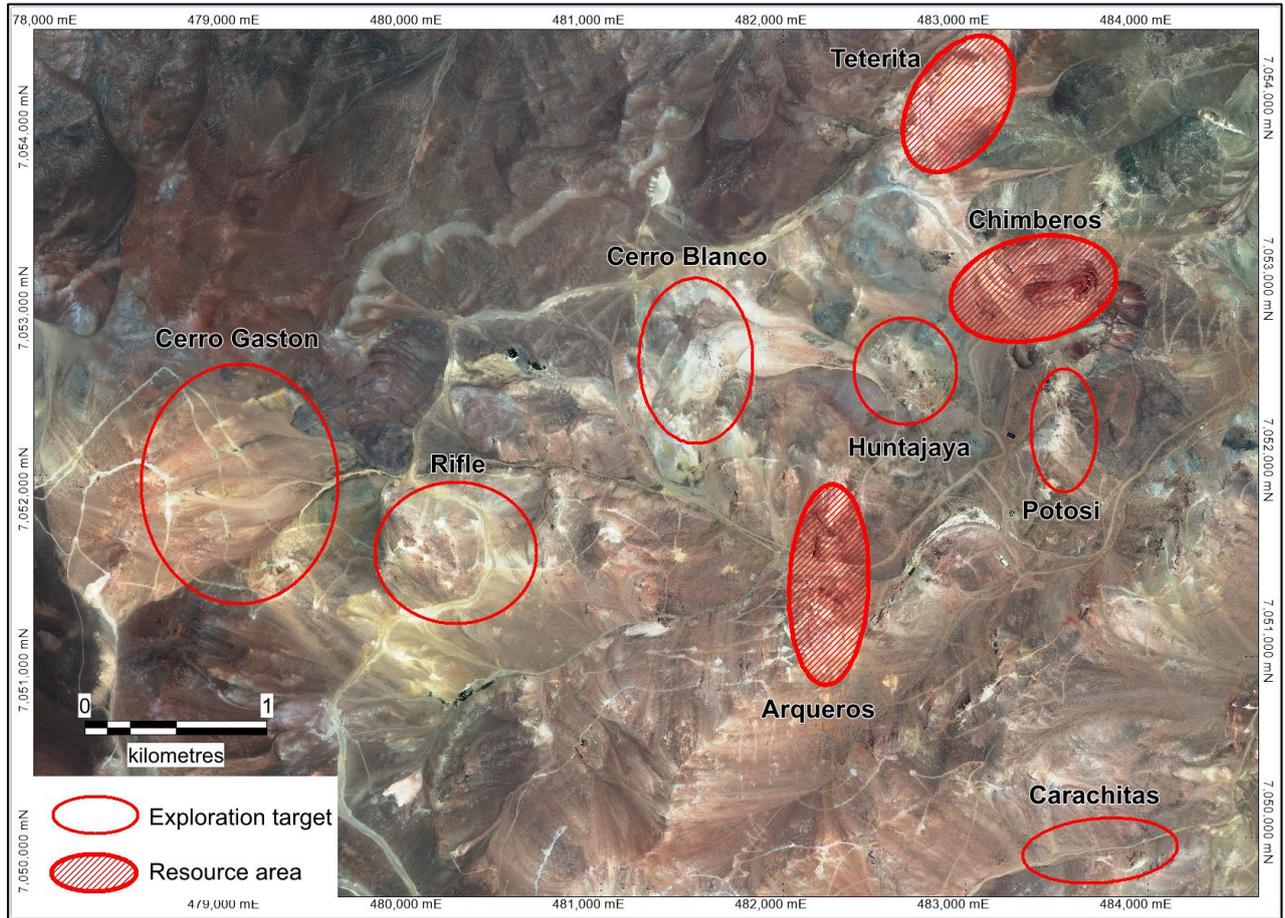


Figure 1: Nueva Esperanza target location map.

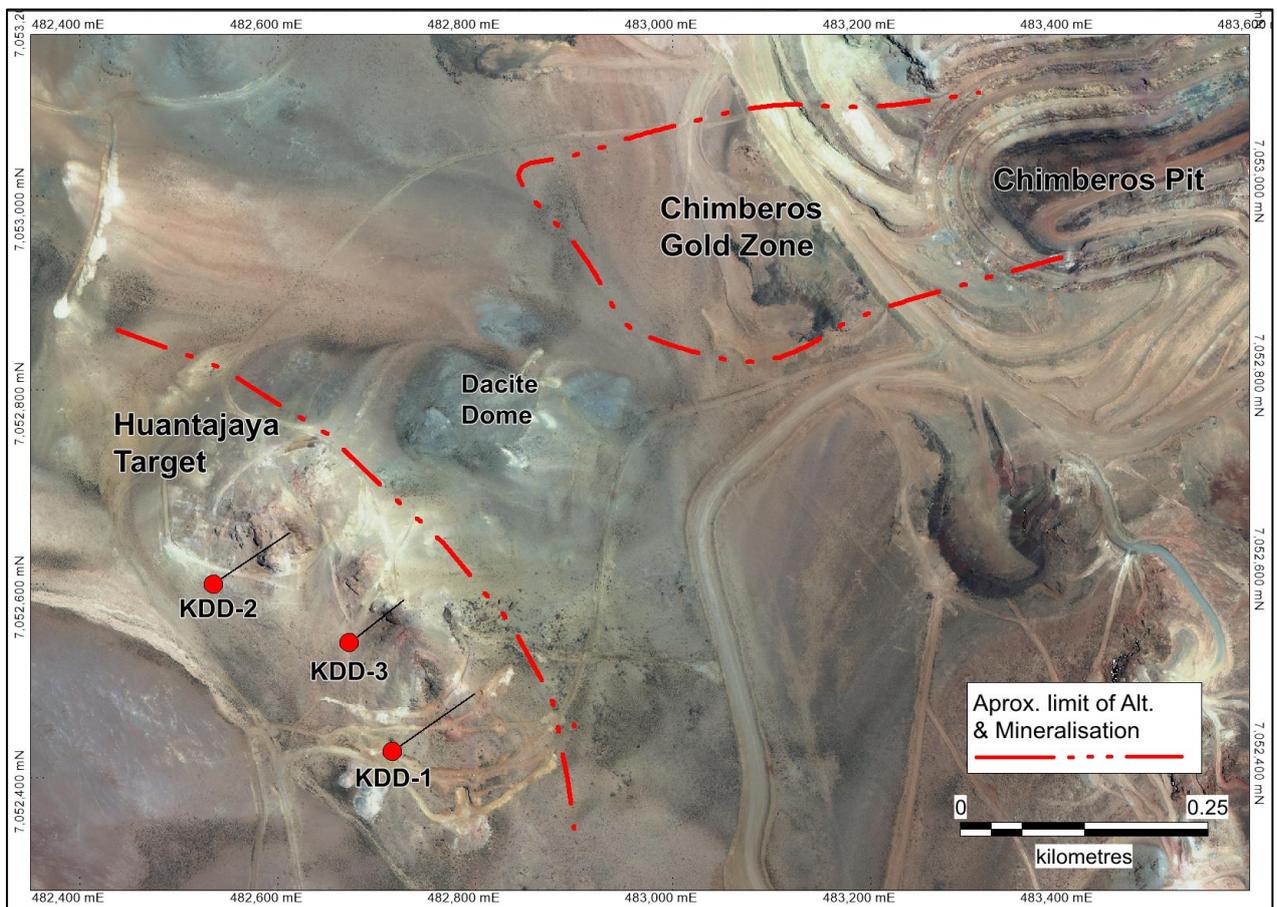


Figure 2: Huantajaya drill hole location map.

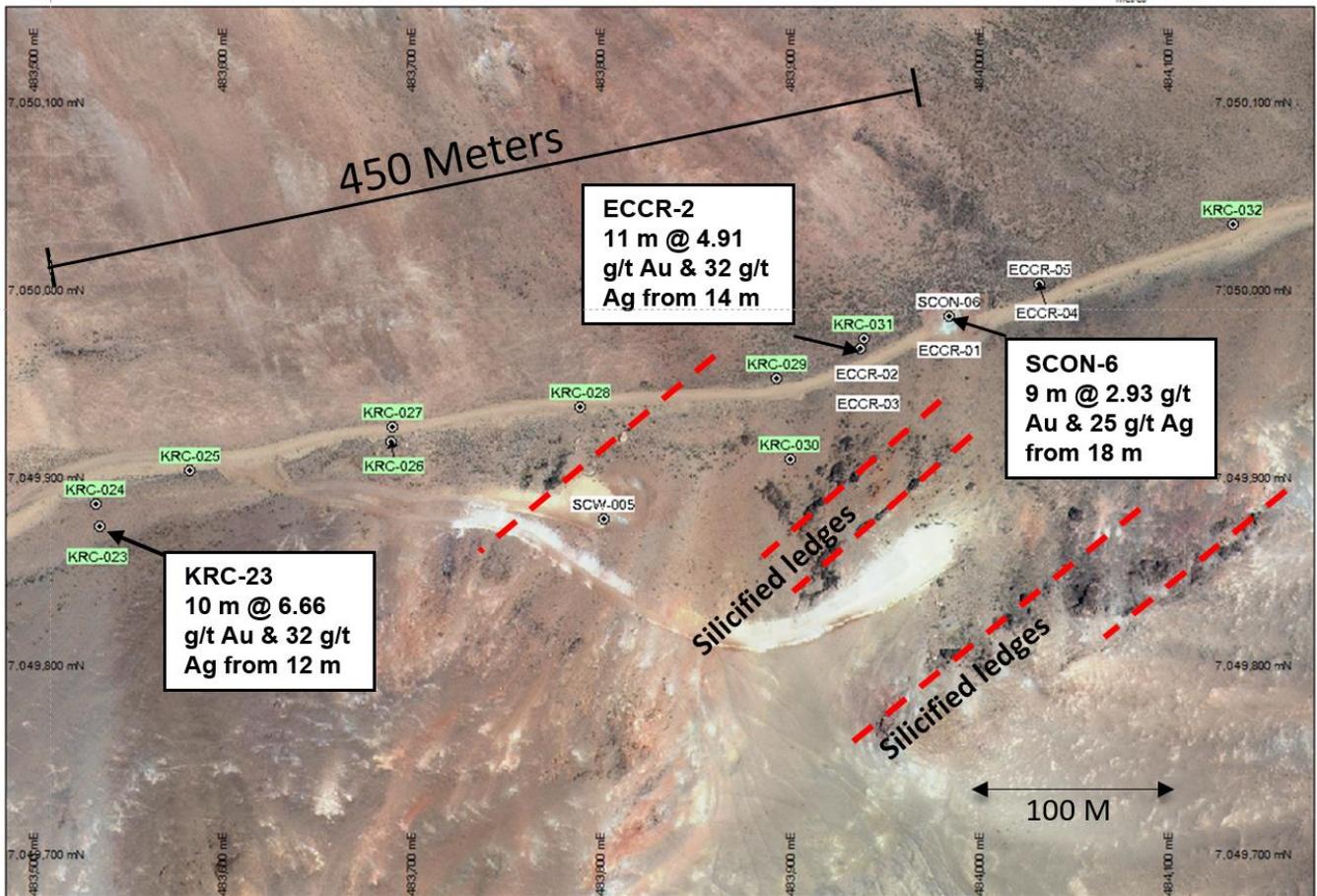


Figure 3: Carachitas drill collar location map.

**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.

**Competent Persons Statement:**

In this report, information relating to Exploration Results at the Nueva Esperanza Gold Silver Project in Chile is based on information compiled by the following Competent Persons: Alistair Waddell, who is an employee of the Kingsgate Group. Alistair Waddell qualifies as a Competent Person as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code, 2012 Edition) and is a Member of The Australasian Institute of Mining and Metallurgy. Alistair Waddell possesses relevant experience in relation to the mineralisation being reported herein as Exploration Results. Alistair Waddell has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

# 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>• 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 30 assayed samples routinely containing three control samples comprising of 27 primary samples, 1 standard, and 1 duplicate and 1 blank.</li> <li>• RC holes were sampled over 2m intervals with approximately 6.5 kg sub-samples collected by rifle splitting.</li> <li>• Diamond core was typically sampled over either 1m or 2m intervals with sample intervals honouring lithological and alteration contacts and a minimum weight of 1.5Kg. The RC and diamond sub-samples were crushed, split and pulverised to produce 30g charges for gold and silver assaying by fire assay and 48 element multi-acid digestion respectively.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>• Reverse Circulation (RC) drilling was performed exclusively with a Schramm rig with face sampling bits of 5½ inch diameter.</li> <li>• The Diamond (DDH) drilling was executed with a LF90 rig, using HQ3 diameter bits and occasionally NQ3 diameter when a reduction in size was necessary.</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>• RC and DDH sample recoveries were monitored through all phases of 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>• 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 and contamination. The cyclone and rifle splitter were routinely cleaned at the end of each rod.</li> <li>• Most RC samples (approximately 90%) were logged as dry.</li> <li>• The available sample recovery data shows generally good average sample recoveries of approximately 95%.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>• 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 a magnetic pencil, hardness scratcher, 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> <li>• Chip trays of sieved chips from every RC hole, and remnant core were stored for future reference. Whole core was routinely photographed and stored.</li> </ul>

<p><b>Sub-sampling techniques and sample preparation</b></p>	<ul style="list-style-type: none"> <li>• Diamond core was typically sampled over 1m or 2m intervals, with sample intervals determined by geologists honouring lithological and alteration contacts and a minimum weight of 1.5Kg. Core was halved using an ALMONTE automatic core cutter to maximise recovery of fine materials given the high porosity and vuggy nature of the mineralisation.</li> <li>• RC samples were collected over 2 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) retained for use as a backup or duplicate.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Samples were submitted to the laboratory of ALS Global in Copiapo-Chile, where sample preparation takes place 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 prepared by crushing 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> <li>• Prepared samples are then securely shipped by ALS Global from Copiapo to the main laboratory in Santiago where the analytical process is completed.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• The sub-sample sizes, sub-sample methods and sample preparation techniques are appropriate for the style of mineralisation.</li> </ul>
<p><b>Quality of assay data and laboratory tests</b></p>	<ul style="list-style-type: none"> <li>• No geophysical methods or hand-held XRF devices were used for any sampling or analytical phases.</li> </ul> <hr/> <ul style="list-style-type: none"> <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>• QA/QC protocols consist of the systematic insertion of reference standard samples, and barren blanks with the samples shipped to ALS. Each set of 30 samples routinely contain three control samples (27 primary samples, 1 standard, and 2 blanks or 1 standard, 1 blank and 1 duplicate).</li> <li>• Results for the analytical standards, blanks and duplicates did not highlight any analytical issues or bias.</li> <li>• The quality control measures adopted for the drilling have established that the sampling and assaying is of appropriate precision and accuracy for exploration drilling.</li> </ul>
<p><b>Verification of sampling and assaying</b></p>	<ul style="list-style-type: none"> <li>• Reported significant intersections were reviewed and checked by senior geological management including the VP Exploration.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• The company 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 cross checks by project geologists.</li> </ul>

<b>Location of data points</b>	<ul style="list-style-type: none"> <li>• Qualified and experienced company personnel used a handheld Garmin GPS to position the recently completed drill hole collar locations. The company intends to verify these coordinates using total station and differential GPS survey equipment.</li> <li>• 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 Gyro and DDH holes were surveyed by used Reflex Gyro tools.</li> </ul>
	<ul style="list-style-type: none"> <li>• The coordinate system used for the drilling, surface topography and sampling is WGS84.</li> </ul>
	<ul style="list-style-type: none"> <li>• The location of the sample points, topographic surfaces and historical work has been established with sufficient accuracy for the reporting of the drill results.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>• The reported exploration drill spacing is irregularly distributed.</li> <li>• The data spacing and distribution is not sufficient to establish the necessary degree of geological and grade continuity appropriate for Mineral Resource estimates.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>• Exploration drilling was completed perpendicular to or close to relevant geological structures where possible although most exploration holes were drilled through post mineral cover masking the underlying geology.</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>• Company geotechnical or geological staff supervised all field sampling of drilling.</li> <li>• All samples were securely sealed and stored onsite until transported directly to the ALS in Copiapó-Chile by company employees or subcontractors of ALS. At the ALS laboratory sample shipments were verified by reference to sample submission forms lodged by the company and confirmation emailed to the company database manager.</li> <li>• The remaining core or RC samples kept for reference are stored on the project.</li> <li>• Validity of assay results has been established by use of reference materials.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>• The reported exploration results have not been audited or reviewed by a third party.</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) and Minera Mantos de Oro. The property is approximately 9,326 hectares in area.</li> </ul>

- The Nueva Esperanza property is a Mining Concession and consists of 14 sub licenses which are fully constituted under Laguna Resources a wholly owned subsidiary of Kingsgate Consolidated Limited. The tenement details are as follows:

ID Number	Concession	Size Ha's	Status
03102-2897-4	PASCUA I 1/20	200	Approved
03102-2894-K	PASCUA II 1/30	300	Approved
03102-2895-8	PASCUA III 1/30	300	Approved
03102-2896-6	PASCUA IV 1/20	200	Approved
03102-1296-2	ROBINSON 1/14	94	Approved
03102-1193	PENA 1/328	1131	Approved
03102-1169-9	PENA 1/181	905	Approved
03102-3646-2	NEGRA 1/1003	4545	Approved
03102-1152-4	NEGRA 1/1003	370	Approved
03102-2998-9	REEMPLAZO A 1/10	10	Approved
03102-2999-7	REEMPLAZO B 1/5	5	Approved
03102-2318-2	NEGRA 1/1003	100	Approved
03102-1151-6	FLOR 1/20	100	Approved
03102-1192-3	CANARIAS 1/414	1066	Approved

**TOTAL                    9326**

- The mineralised deposits are hosted within Tertiary-aged volcanic units in the case of Arqueros and Teterita, and Palaeozoic sediments for Chimberos. However, the alteration and mineralisation for the three main deposits are considered contemporaneous, being Miocene in age.
- Mineralisation at Nueva Esperanza 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.
- Vertical, gold-rich mineralisation, characterised by vuggy silica, is well developed at Arqueros. Drilling at Chimberos in the western part show similar characteristic as Arqueros by the gold-rich mineralisation is hosted on hydrothermal, possible diatreme breccia units.

**Exploration done by other parties**

- None of the reported results were completed by other parties.