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Kingwest Resources Ltd

ASX: KWR

Shares on Issue
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Goongarrie Lady Scoping Study

Kingwest Resources Ltd (ASX: KWR) (“Kingwest” or “the Company”) is pleased to announce the completion of a Scoping Study at the Goongarrie Lady deposit, located approximately 40km southeast of Kingwest’s Menzies Gold Project (MGP) and 90km north of Kalgoorlie, next to the Goldfields Highway.

In January 2020, Kingwest engaged an independent mining consultancy, to conduct a Scoping Study on the open pit mining and third-party toll treatment of the Goongarrie Lady gold Mineral Resource (Figure 1).

Goongarrie Lady was mined in the 1990’s by Julia Mines NL, producing 29,000t of ore grading 4.5g/t Au. Mining ceased when heavy rain flooded the pit and caused wall instability at a time of low gold prices.

Kingwest is focussed on the high-grade MGP where it is currently conducting diamond drilling with the aim of converting known high-grade Exploration Targets to Mineral Resources. Kingwest is evaluating options to rapidly commercialise, sell or partner Goongarrie Lady, given its favourable historic metallurgy, proximity to gold processing plants, advanced permitting status and low strip/high grade Production target.

IMPORTANT NOTE

The Study referred to in this announcement is a technical and economic investigation of the viability of the Goongarrie Lady deposit. It is based on low accuracy technical and economic assessments, (+/- 30% accuracy) and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised. Notwithstanding many components of this study, such as pit shell design, capital cost, processing operating cost are more accurate than +/- 30%. The Production Target referred to in this announcement is based on a Mineral Resource, which returns a Production Target that is classified as being 95% Indicated and 5% Inferred. To achieve the outcomes indicated in this study working capital in the order of \$3.7 million is likely to be required. Investors should note that there is no certainty that Kingwest will be able to raise working capital when needed. It is also possible working capital may only be available on terms that may be dilutive to or otherwise effect the value of Kingwest’s shares.

HIGHLIGHTS

- A Production Target of 150,000t of ore grading 3.12g/t gold (Au).
- Net cash flow from the project estimated to be in a range of \$6M to \$12M, before taxation and financing.
- Granted Mining Leases and mine permitting at an advanced stage. Short mining programme (estimated 6 months total).
- Previous historic production showed good metallurgical recovery and 92% modelled in study.
- Based on haulage to and processing through third party toll treatment mill with several within the region accessible by road.
- High confidence in Mineral Resource basis for Scoping Study with 95% of proposed mined material and 97% of the gold is contained in Measured or Indicated JORC category Mineral Resources inside pit shell.
- Mineralisation extends at depth below the base of current optimisation, but confidence is reduced through low density drilling.
- Follow-up drilling could potentially convert Inferred Resources below the chosen pit optimisation and allow an increase in mining material after Stage 1.

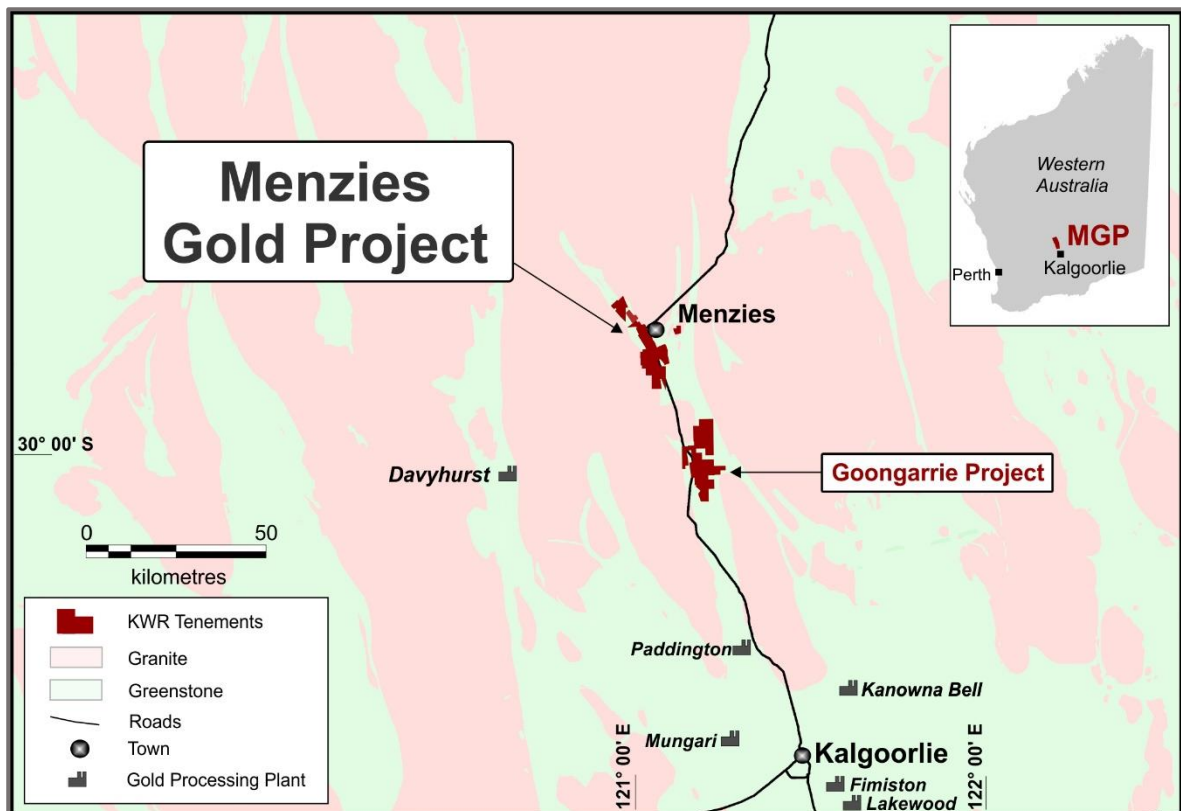


Figure 1: Project location.

EXECUTIVE SUMMARY

In January 2020, Kingwest Resources Limited (Kingwest) engaged an independent mining engineering consultancy to examine the practicalities of mining the Goongarrie Lady Mineral Resource (100% KWR), located near Menzies, Western Australia.

The initial Scope of the assignment was to investigate the economics of the Mineral Resource being mined and operated by a third party, not Kingwest, using arrangements to cover mining, haulage and toll treatment. The result is considered to constitute a Scoping Study¹ for Kingwest reporting purposes.

The consultant reviewed an existing and recently generated (2016-2020) Mineral Resource estimate, a Feasibility Study, a metallurgical report, cash-flow models and supporting information for the Goongarrie Lady Project. The Competent Person comments that an Ore Reserve can be estimated on updating of existing statutory licensing documentation and crystallisation of Agreements regarding mining, haulage and processing arrangements. The optimised pit as part of this study is shown in relation to the existing pit in Figure 2.

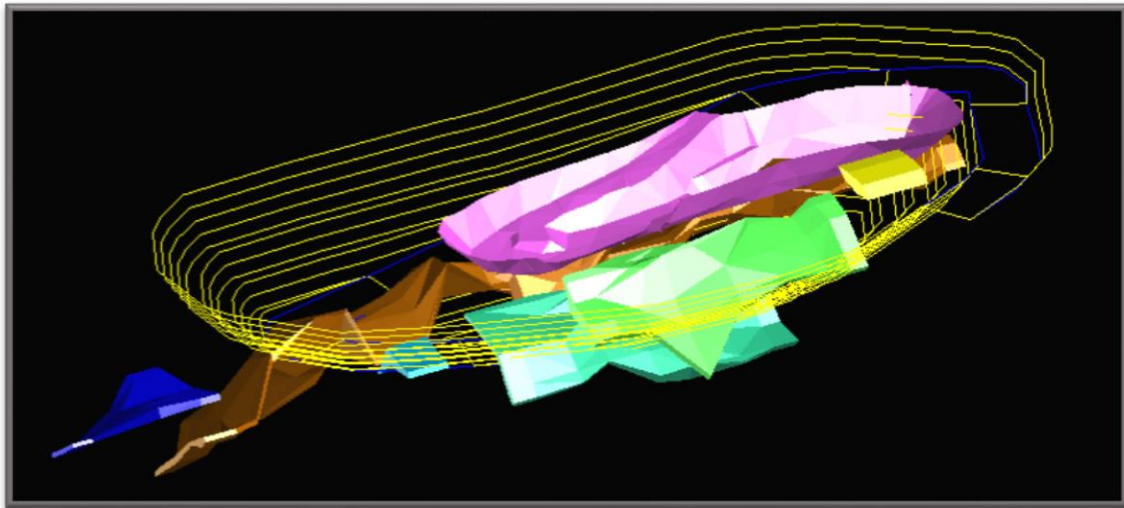


Figure 2: Chosen pit optimisation (yellow line wireframe) surrounding the existing open pit (solid purple) and showing the mineralised wireframes which contain the JORC resource.

PROJECT BACKGROUND

Numerous small gold workings exploited narrow high-grade quartz reefs in the Goongarrie area between 1893 and 1901. In the late 1980's a treatment plant was constructed at Goongarrie by Julia Mines NL (Julia), which mined several small open pits in the vicinity, including the Goongarrie Lady.

1. In 1989, Julia commenced mining Goongarrie Lady on Mineral Resource estimated at 58,000t at 4.5g/t Au. After six months of mining, heavy rains from a cyclonic depression flooded much of the Eastern Goldfields and caused slips on the eastern side of the pit and mining ceased and was not recommenced to restart in a period of depressed gold prices (Figure 3).

¹ As defined by JORC, 2012. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)



Figure 3: Goongarrie Lady pit in 2020 showing status after completion of mining by Julia Mines NL.

Treatment plant records indicate Julia mined 28,606 tonnes at a head grade of 2.7g/t Au before the slip. The existing Goongarrie Lady pit is 250m long, 60m wide, 22m to 25m deep with drilling indicating that the mineralisation extends to a depth of at least 40m and gold mineralisation is open at depth and along strike to the south.

The project abuts a saline lake, Lake Goongarrie and is close to the township of Menzies and the Goldfields Highway. Water levels in the pit are at about 20 m below ground surface.

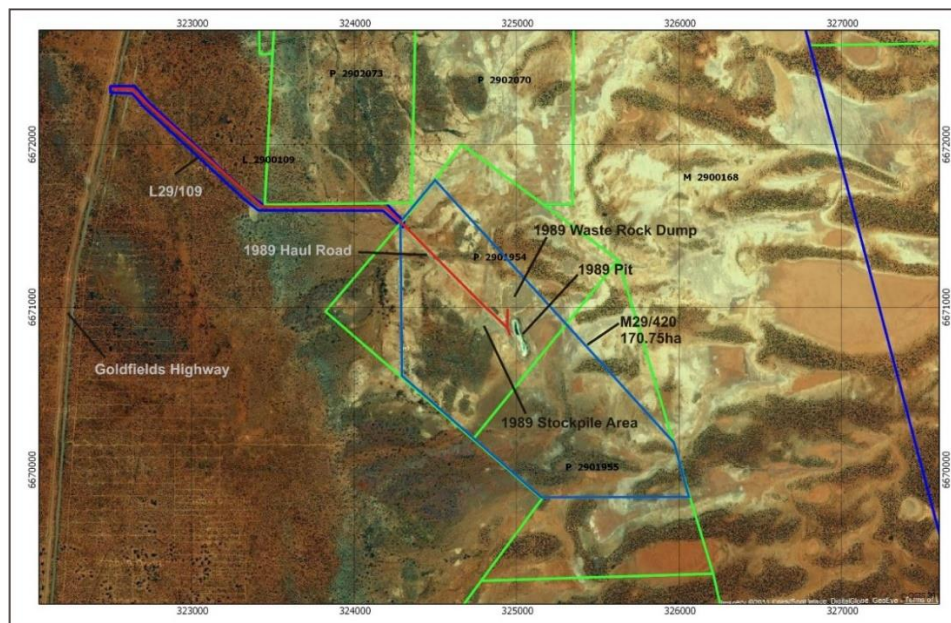


Figure 4: Goongarrie Lady tenure over aerial photo.

MINERALISATION

The Goongarrie gold mining area lies in the Bardoc Tectonic Zone and is hosted by sheared basalts and metasediments (Figure 5). Intense sub-vertical northerly striking shear foliations exposed in the walls of the pit are displaced by north-west trending sinistral faults by 10m to 100m. Barren north trending quartz blows up to 10m wide extend for up to 100m along the zone of the most intense shearing.

Mineralisation consists of a series of stacked 40° to 60° west dipping quartz dominated lodes which also exhibit a gently south plunging shoot development. Mineralisation is also present in thin (<2m) planar quartz veins with a variable dip directions and strike lengths of tens of metres.

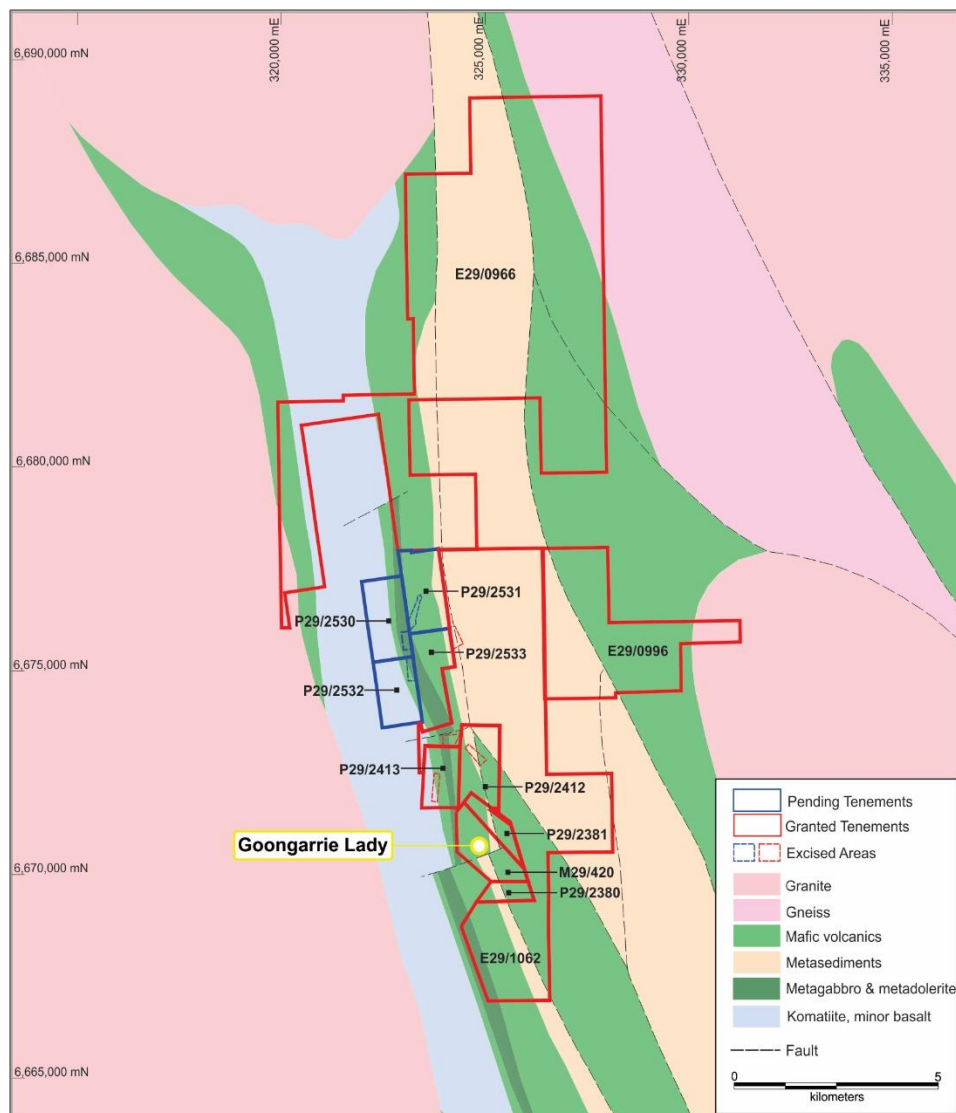


Figure 5: Goongarrie Lady tenure over solid geology plan.

Mineral Resource estimate

In March 2018 Hawker Geological Services Pty Ltd (HGS) prepared a Mineral Resources Report for the Goongarrie Lady deposit². This estimate was compiled in accordance with the guidelines defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (2012 JORC Code).

The 2018 estimate was an update of a July 2016 estimate by HGS, incorporating over 6,000m of drilling.

HGS reported grade-tonnage estimates at various grade cut-offs for each oxidation profile (Figure 7), resulting in a Mineral Resource estimate at a 0.5g/t Au cut-off (Table 1).

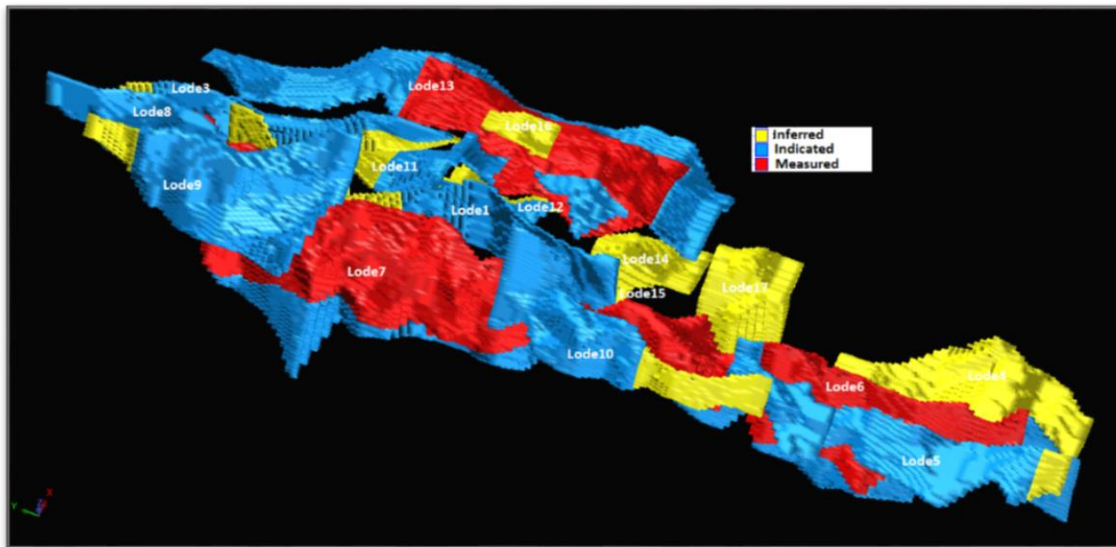


Figure 6: HGS Goongarrie Lady Mineral Resource classification.

Table 1: HGS Goongarrie Lady Mineral Resource estimate at 0.5g/t Au cut-off.

Classification	Tonnes	Au (g/t)	Ounces
Measured	255,000	1.96	16,100
Indicated	172,000	1.56	8,600
Inferred	77,000	1.54	3,800
Total	504,000	1.76	28,500

This Mineral Resource estimate is based on information compiled by Mr Andrew James Hawker, a Competent Person who is a Member The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Hawker is the Principal Geologist employed by HGS Australia.

² ASX:KWR 16/03/2020: 'Kingwest grows Menzies and Goongarrie JORC Mineral Resources Estimates (MRE's) to + 250,000 ounces'

Mr Hawker has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'.

MINING

Mining assumes a conventional Goldfields style drill and blast (D&B), load and haul (L&H) operation using a locally based workforce, hauling ore by on-highway road trains to the Lakewood mill. Paddington provides an alternative milling facility, dependent on favourable terms. Mining Consultancy Burnt Shirt Pty Ltd (Burnt Shirt) has assumed contract mining of the operation utilising a contractor already operating in the region, with capacity to complete the project. As a short-lived operation, it is assumed that the contractor will supply much of the temporary site infrastructure and this has been included in the assumed contract rate.

Optimisation

A Lerchs-Grossman optimisation of the block model at a base case A\$1,600/oz gold price, varying the Revenue Factor (RF) from 0.4762 (A\$1,000/oz) to 1.1905 (A\$2,500/oz). This approach was taken in order to examine the progression of earlier pit shells, allowing identification of high-margin ounces early in the schedule.

Operating costs were sourced by Burnt Shirt, which also applied current operating experience and commercial arrangements in the Goldfields (Table 2).

Geotechnical parameters were drawn from studies in 2017³ and a Goldfields average metallurgical recovery applied, noting that prior metallurgical test work indicates higher recoveries in the oxide material, which comprises the bulk of the mineralisation.

Table 2: Goongarrie Lady optimisation parameters.

Item	Unit	Value	Comment
Air Block Included			Included, ROCK - AR
Mined Blocks Depleted		YES	All Mined blocks are depleted.
Geotech Slope Angle			
Oxide		34 / 40	Wall angle allowance including ramp, berm, and batter wall
Transitional	Deg.	45	
Fresh		48	
Mining Cost (mcaf)			
Total Mining unit cost	\$/bcm	8.00	Reference mining cost, accelerated with depth
Processing Cost (pcaf)			
Oxide			Ore purchase agreement cost/t
Trans	\$/t ore	30.00	

³ Pells Sullivan Meynink, Goongarrie Gold project Feasibility Level open Pit Slope Design, PSM Report No 3244, October 2017

Fresh			
Haulage Cost		10.00	Haulage to mill & internal rehandle
Grade Control Cost			Res Def/GC drilling allowance
Admin cost		-	Included in the ore purchase agreement
Modifying Factors			
Dilution Factor		5	Estimated using similar
Ore Loss Factor	%		mineralisation/mining method
Mill Recovery Factor		93	Goldfields average
Gold Price	\$/oz	1,700	Budget gold price, no selling cost
State Royalty		2.50	
Third Party Royalty	%	0.00	
Discounting Factor	%/month	0.49	6%/Annum converted into monthly

Optimisation results

The optimisation indicates that under the parameters used, the optimum pit (pit shell 14) occurs at a revenue factor equivalent of A\$1,650/oz (Table 2). This shell mines 190,000t of ore at a grade of 2.57g/t to return an indicative undiscounted cash-flow of A\$8M at the applied gold price and A\$16M at a A\$2,300 gold price. The \$A gold price is higher than this at the time of writing.

This shell was selected as a basis of design for preliminary pit design because at this point the stripping ratio increases significantly as a result of the plunging geometry of the orebody. This is considered appropriate and adequate to present a proof of concept for Scoping Study purposes. The behaviour of the pit shells beyond a A\$2,150 gold price indicates that the optimisation is limited by the block model and that further Mineral Resource definition drilling may enlarge the pit.

Preliminary pit design

A preliminary pit was designed from Pit Shell 14 and there remains ore in the walls and floor of the design that a detailed design will likely recover. This is exacerbated by the optimisation being limited by the extents of the block model. There is further opportunity in potentially steepening the walls in such a pit, with a short mine life. This provides a strong upside potential for the project as additional drilling may be successful in increasing confidence in deeper mineralisation and allowing Kingwest to conduct optimisations which may increase the overall size of the operation.

The pit assumes the operation of three 90t-class dump trucks serviced by a 120t-class excavator in backhoe configuration accessed by a single-lane ramp, opening to dual-lane in the upper benches. Total pit depth is approximately 40m vertical and is completed in <6 months total mining (Figure 7).

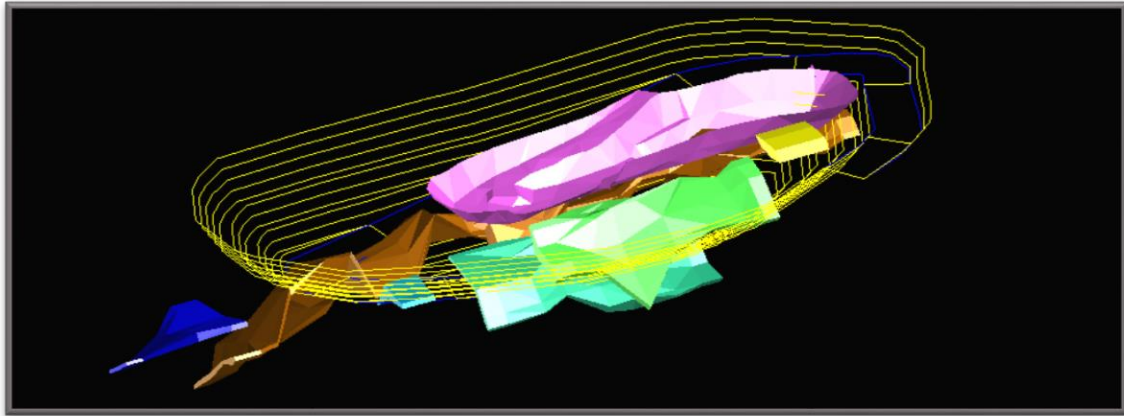


Figure 7: Chosen pit optimisation (wireframe) surrounding the existing open pit (purple) and showing the mineralised wireframes which contain the JORC resource.

Classification

A Pre-Feasibility Study has not been completed and no Ore Reserve, as defined by the JORC Code has been established.

The preliminary pit design identifies a 0.15Mt Production Target at an overall grade of 3.14g/t and strip ratio of 14.94:1 to produce 15,000oz of gold. Financial modelling is based on an assumption of 14,000 oz Au recovered.

On examination of the Mineral Resource classification of the Production Target included in the pit. Approximately 5% of the material (tonnes) is classified as Inferred. This material is lower grade (approx. 1.6 g/t Au) than the average of the Production Target and represents approximately 3% of the total gold production.

Production schedule

A preliminary high-level schedule on the above at a production rate of 250,000m³/month, which is considered to be achievable by a single 120-t class excavator in a confined pit. This schedule contemplates six months' ore production, with ore being hauled by road train to one of the several available toll treating mills within 150km radius

Equipment operating hours have been estimated along with fuel and gross mining costs, inclusive of flights, accommodation and contractor's margin when preparing the total costs.

All-In Sustaining Costs (AISC) are estimated at A\$1,719 per recovered oz Au.

Geotechnical and hydrology

The Goongarrie lady project abuts Lake Goongarrie and that the project adjoins a saline lake and care should be taken to ensure protection from possible flooding. Geotechnical studies have been undertaken by Pells Sullivan Meynink (PSM) of Perth, for previous operators. These studies concluded that the average depth of the water table was 7.9m below the ground surface. Pit slope angles were designed accordingly.

Hydrology has been examined by Rockwater Hydrogeological Consultants, of Perth⁴, which recommended a flood protection bund be constructed along the eastern side of the pit and two creek diversion drains. These have not been costed in this study and will require detailed examination before mining commences.

An allowance for pumping has been included in the mining cost.

Ore loss and dilution

Ore loss and dilution has been incorporated at 5% each at a high level in the optimisation. It is expected that further work will be required on this aspect of the design.

The key loss mitigation strategies would include constant ore grade testing and analysis ahead of extraction (as part of the short term mine plan) to build up accurate horizontal and vertical grade profiles. This would be complemented by close visual examination of the interfaces and careful excavation.

MINERAL PROCESSING

Two processing options are readily available and existing arrangements with the operators of the Paddington (Norton Goldfields) and Lakewood (Golden Mile Milling) processing plants have been sighted and assessed. Both plants are licensed to toll treat third-party ore and other mills are also located in the area. As yet no formal discussions have been made regarding processing but given the public availability of some operations to treat third party ore, Kingwest believes it is reasonable to complete this Scoping Study and assume that processing is viable.

Haulage

No assumption is made as to the final location of treatment and an estimated haulage cost, including an allowance for road maintenance, has been included in the estimates.

Metallurgy

The results of preliminary metallurgical test work conducted by Metlab Consultants and IMO⁵ have been reviewed. These indicate that the Transitional and Fresh ore has a coarse gold component but is otherwise a conventional Goldfields ore type and a 93% estimated recovery is considered reasonable.

LEGAL, ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

Burnt Shirt is not qualified to comment definitively on legal or governmental matters but observes that the Goongarrie project lies on a granted Mining Lease and that previous operators have partially completed licensing obligations. Enquiries have been made of publicly available documentation⁶ and Burnt Shirt observes that the relevant documents appear to be current. Kingwest is not aware of any additional legal, environmental or social approvals that are required to implement the outcomes of the scoping study.

In the experience and belief of Burnt Shirt and Kingwest, there will no impediment to its operations. The current state of licences outstanding are listed in the Licensing section.

⁴ Goongarrie Lady Surface Water Assessment, Report for Intermin Resources Ltd, Rockwater Hydrogeological and Environmental Consultants, December 2017

⁵ Intermin Resources Goongarrie Lady Leach Testwork.pdf

⁶ https://www.dmp.wa.gov.au/Tengraph_online.aspx

Tenure

The Goongarrie Lady project comprises a single Mining Leases and one Miscellaneous Licence under WA legislation⁷ and registered in the name of Black Mountain Gold Pty Ltd (Table 3 and Figure 9) and is in the process of being transferred to Kingwest Resources Limited following the acquisition in September 2019.

Table 3: Goongarrie Lady Licenses

Tenement	Grant Date	Expiry Date	Area (ha)
M29/420	4 November 2012	13 November 2033	170.75
L29/109	27 December 2012	26 December 2033	8.7

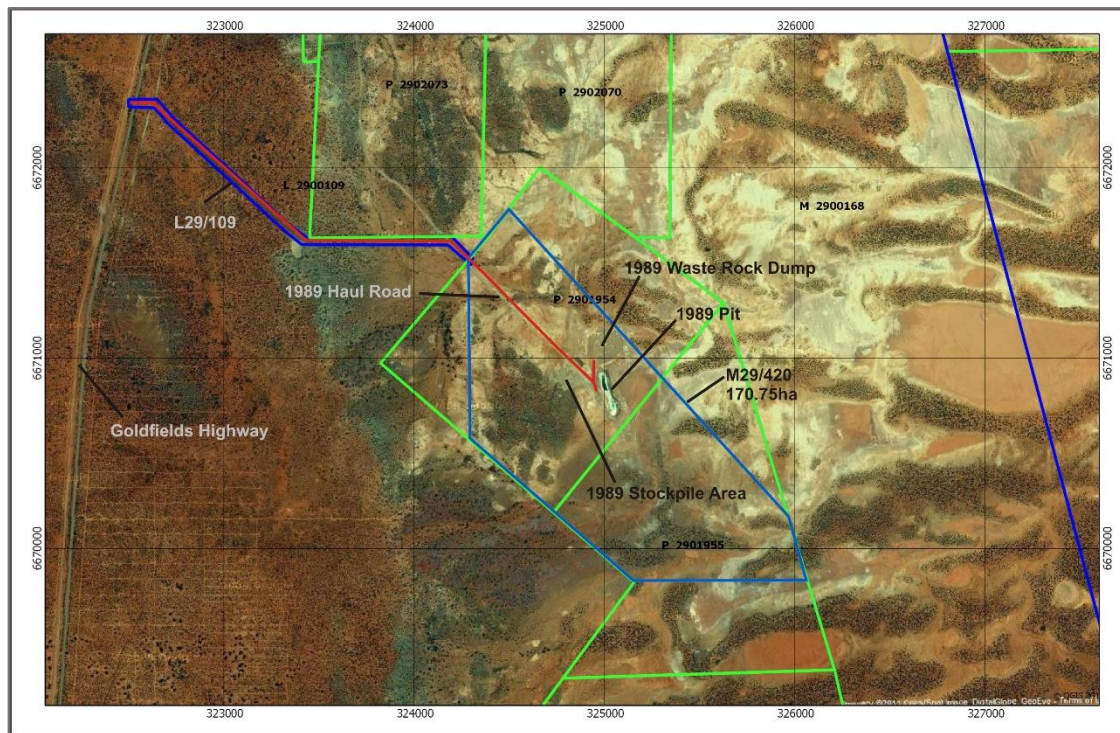


Figure 8: Goongarrie Lady tenure.

Licensing

Licences attached to the Goongarrie Lady project include:

- A Clearing Licence (7468/1)

⁷ For an explanation of WA legislation relating to mining tenements, refer to <https://www.dmp.wa.gov.au/Minerals/Legislation-and-compliance-6224.aspx>

Licenses to be gained by the Goongarrie Lady project include:

- A main roads haulage approval
- A 26D Bore application
- A 5C Water Abstraction
- A Works Approval and Licence for discharge
- A current Mining Proposal and Mine Closure Plan

A Flora and Fauna survey, hydrological survey and a letter of consent from the local Aboriginal council have been sighted by Burnt Shirt.

Burnt Shirt considers that much of the technical work required to prepare submissions for the required statutory licenses has been completed and has allowed for and costed a period of three months in the project schedule for licensing.

FINANCIAL MODEL

A high-level financial model has been constructed that returns a Net Cash Flow of A\$10.3M from the preliminary pit design, over a 10-month schedule (Table 4). The accuracy of this estimate is considered to be +/- 30% to 35%, which is commensurate with a Scoping Study. This includes site establishment and haulage of ore after mining ceases and before tax and finance, at a forecast gold price of A\$2,500/oz.

The scoping study has not considered the effects of tax or finance deductions on the project cash flows. The Company's corporate tax rate is currently 30%, however tax losses may be available to reduce cash outflows in relation to taxation. It is expected that the Company's working capital would be utilised. The Company had \$1.5m cash at 31 December 2019 and subsequently raised \$3.5m cash in February 2020, however it is likely additional funding would be required which may be dilutive to existing Kingwest shareholders.

Table 4: Goongarrie Lady project preliminary economic assessment.

Parameter	Units	Value
Ore Tonnes	t	149,000
Grade	g/t	3.12
Contained ounces	oz	15,000
Recovered ounces		14,000
Revenue		34.40
Mining including D&B, fuel and accommodation		13.06
Haulage		1.92
Environmental/Permitting		0.34
General Infrastructure	\$M	0.07
Mining Overheads		0.99
Processing & Technical Services		7.70
Total Operating Costs \$M		24.07
Net Cash Flow \$M		10.33

The schedule contemplates a three-month site establishment period before mining commences in Month 4. Ore is processed from Month 5, with mining being completed in Month 9 and processing being completed in Month 10.

The model has a peak negative cash flow of \$3.7M in Month 6, which will require working capital.

Table 5: Goongarrie lady cash-flow.

A\$M	Site establishment					Ore processing					
	Month	1	2	3	4	5	6	7	8	9	10
Revenue	34.40					2.56	3.49	8.70	7.44	6.17	6.04
Total Operating Costs	23.47	0.22	0.22	0.15	2.59	3.03	3.53	4.60	4.42	3.33	1.96
Net Cash Flow	10.34	-0.22	-0.22	-0.15	-2.59	-0.47	-0.05	4.10	3.02	2.84	4.09
Cumulative Cash Flow		-0.22	-0.45	-0.59	-3.19	-3.66	-3.71	0.39	3.41	6.25	10.34

Sensitivity

Examination of the financial model indicates that it is most sensitive to gold price and head grade, which is also a proxy for metallurgical recovery and dilution. Sensitivity has been analysed as a table, varying gold price against head grade (Figure 9).

From this exercise, Burnt Shirt considers that the revenue from Goongarrie Lady lies between A\$6m and A\$12M, with an indicated net cash flow of A\$10.3M.

		Gold price A\$/oz												
NPV	11.11	1,900	1,950	2,000	2,050	2,100	2,150	2,200	2,250	2,300	2,350	2,400	2,450	2,500
Grade	0.50	-15.19	-15.09	-15.00	-14.90	-14.81	-14.71	-14.61	-14.52	-14.42	-14.33	-14.23	-14.13	-14.04
	0.75	-13.37	-13.22	-13.08	-12.93	-12.79	-12.65	-12.50	-12.36	-12.21	-12.07	-11.93	-11.78	-11.64
	1.00	-11.54	-11.35	-11.16	-10.97	-10.77	-10.58	-10.39	-10.20	-10.01	-9.81	-9.62	-9.43	-9.24
	1.25	-9.72	-9.48	-9.24	-9.00	-8.76	-8.52	-8.28	-8.04	-7.80	-7.56	-7.32	-7.08	-6.84
	1.50	-7.90	-7.61	-7.32	-7.03	-6.74	-6.46	-6.17	-5.88	-5.59	-5.30	-5.02	-4.73	-4.44
	1.75	-6.07	-5.74	-5.40	-5.06	-4.73	-4.39	-4.06	-3.72	-3.38	-3.05	-2.71	-2.38	-2.04
	2.00	-4.25	-3.86	-3.48	-3.10	-2.71	-2.33	-1.95	-1.56	-1.18	-0.79	-0.41	-0.03	0.36
	2.25	-2.43	-1.99	-1.56	-1.13	-0.70	-0.27	0.17	0.60	1.03	1.46	1.89	2.33	2.76
	2.50	-0.60	-0.12	0.36	0.84	1.32	1.80	2.28	2.76	3.24	3.72	4.20	4.68	5.16
	2.75	1.22	1.75	2.28	2.81	3.33	3.86	4.39	4.92	5.44	5.97	6.50	7.03	7.56
	3.00	3.05	3.62	4.20	4.77	5.35	5.92	6.50	7.08	7.65	8.23	8.80	9.38	9.95
	3.25	4.87	5.49	6.12	6.74	7.36	7.99	8.61	9.24	9.86	10.48	11.11	11.73	12.35
	3.50	6.69	7.36	8.04	8.71	9.38	10.05	10.72	11.39	12.07	12.74	13.41	14.08	14.75
	3.75	8.52	9.24	9.95	10.67	11.39	12.11	12.83	13.55	14.27	14.99	15.71	16.43	17.15
	4.00	10.34	11.11	11.87	12.64	13.41	14.18	14.95	15.71	16.48	17.25	18.02	18.78	19.55
	4.25	12.16	12.98	13.79	14.61	15.43	16.24	17.06	17.87	18.69	19.50	20.32	21.14	21.95

Figure 9: Goongarrie Lady sensitivity analysis.

-Ends-

The Board of Directors of Kingwest Resources Limited authorised this announcement to be given to ASX.

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Compliance Statement

With reference to previously reported Exploration results and mineral resources, the company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Kingwest Resources Limited's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Kingwest believes that its expectations reflected in these forward- looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that further exploration will result in the estimation of a Mineral Resource.