

3rd March 2010

The Manager
Company Announcements Office
Australian Stock Exchange

Via Online Electronic Lodgement

US\$260M net cash flow base case for Mexican gold heap leach/CIL project Full feasibility study to proceed

The Directors of Kings Minerals NL are pleased to announce a highly encouraging \$US260m net free cash flow, \$US415/oz production cost 'base case' scoping study finding for the Cerro Del Gallo gold/silver project, part of the greater San Anton project in Guanajuato, Mexico.

Cerro del Gallo and the wider San Anton project are controlled by Kings Minerals' 71.3%-owned, TSX-listed subsidiary, San Anton Resource Corporation Inc. As announced on the 4th of February 2010, Kings Minerals and San Anton Resource Corporation have agreed in principle to a business combination that, if successful, will result in Kings Minerals having a 100% ownership interest in San Anton's assets. It is expected that the Kings Minerals/San Anton business combination proposal outcome will be finalised by end of May 2010, and is subject to the conditions noted in the 4th of February 2010 announcement.

This study represents a further advance on the indicative optimised pit and mine production schedule data released in 2009, and incorporates independently verified capital/operating projections and assumptions.

Key scoping study outcomes:

- **US\$260M net free cash flow before tax (unadjusted for inflation) – post capital expenditure payback**
- **US\$82M estimated initial capital investment to be paid back in 2.25 years**
- **US\$415 per ounce average life-of-mine operating cost after silver credits, indicated**
- **Updated optimised pit results for combined heap leach/carbon-in-leach processing of:**
 - **69.9Mt in-pit resource at 0.66g/t gold (Au) and 13.6g/t silver (Ag)**
 - **0.74:1 average strip ratio over 14 year mining life**
 - **4Mtpa initial processing rate, expanding to 5.5Mtpa**
 - **US\$900/oz gold/US\$15.00/oz silver metal price assumptions**
- **Full feasibility study will now proceed for completion by last quarter 2010**
- **2011 current target for mining commencement – dependent on feasibility study outcomes.**

Introduction

The newly completed Cerro del Gallo scoping study tested the probability of economically developing part of the deposit to recover gold and silver via open pit mining and heap leach/carbon-in-leach (CIL) processing.

Importantly, the scoping study is a ‘base case’ guide to the possible economic feasibility for the operation, using simple mining and processing techniques to generate significant cash flow within a short time frame.

Options to further optimise this ‘base case’ will be reviewed during the full feasibility study to take place over the next ~8 months. This will include options to further lift gold and silver recoveries

The advanced status of the in-pit geological resource - 85% measured, 15% indicated – is a key positive factor enabling the company to progress planning with a higher degree of confidence. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Pit Optimization Results

Mr. Tim Carew of Reserva International LLC in Reno, USA, generated a series of open pit optimization studies using Gemcom Whittle Optimization software based on a heap leach/CIL flow sheet and representative costs for operations of a similar size and nature including mining costs of US\$1.63/t for weathered and near surface material and US\$1.93/t for all other rock types, processing costs of US\$3.50/t heap leach, US\$6.93/t CIL, US\$0.68/t administration, plus transport and refining costs which are variable on a per ounce basis. Preliminary metallurgical recoveries (see Table 3) were assumed for each of three rock types based on the results of intermittent bottle roll tests.

At a gold price of US\$900/oz and silver price of US\$15.00/oz, resources within the pit were estimated at 69.9 Mt grading 0.66g/t gold and 13.6g/t silver, or **1.49 million ounces of contained gold and 30.5 million ounces of silver** (Table 1). The conceptual **strip ratio is 0.74:1**. The pit optimization resources were incorporated into a preliminary mine and metal production schedule (see Table 2).

Table 1
Summary of Resources in Optimised Pit Shell
Based on Au US\$900/oz and Ag US\$15/oz

Resource Category	Tonnes millions	Au g/t	Ag g/t	Au Moz	Ag Moz
Measured	60.2	0.68	14.0	1.31	27.0
Indicated	9.70	0.56	11.2	0.18	3.49
Total	69.9	0.66	13.6	1.49	30.5

Table 2
Cerro del Gallo Deposit – Preliminary Mine Metal Production Schedule

Year	Material Processed Tonne	Strip Ratio	Feed Grade			Metal Recovered		
			Au g/t	Ag g/t	Au Eq ¹ g/t	Au oz	Ag oz	Au Eq ¹ oz
1	4,000,000	0.04	0.72	18.3	1.03	57,276	863,519	71,668
2	4,000,000	0.46	0.71	19.0	1.03	64,033	1,324,127	86,102
3	5,426,540	0.88	0.60	13.9	0.83	68,910	1,306,472	90,684
4	5,500,000	0.45	0.72	14.7	0.96	88,230	1,168,851	107,711
5	5,468,620	1.26	0.85	16.0	1.12	99,436	973,658	115,663
6	5,500,000	1.62	0.55	15.9	0.82	69,564	855,059	83,815
7	5,515,068	1.29	0.61	15.7	0.88	75,245	905,595	90,338
8	5,500,000	0.47	0.70	12.0	0.90	83,907	731,351	96,096
9	5,500,000	0.98	0.72	12.7	0.94	83,080	707,113	94,865
10	5,500,000	0.84	0.57	10.0	0.73	70,215	545,257	79,302
11	5,515,068	0.54	0.59	11.5	0.78	69,819	633,965	80,385
12	5,500,000	0.24	0.70	10.2	0.87	80,968	576,380	90,575
13	3,973,151	0.55	0.61	11.2	0.79	58,686	407,017	65,470
14	2,970,440	0.14	0.60	8.6	0.75	37,359	252,987	41,575
15	0	0				2,739	25,849	3,170
Totals	69,868,888	0.74	0.66	13.6	0.89	1,009,466	11,277,199	1,197,419

1 - Gold equivalence ("AuEq") has been calculated based on a US \$900/oz gold price and US \$15.00/oz silver price. The gold equivalent grade was calculated using the following formula: $AuEq = Au + (Ag / 60)$. It is the Company's opinion that the gold and silver included in the metal equivalent calculation have a reasonable potential to be recovered as outlined in this announcement.

Metallurgy

Metallurgical testing to support the scoping study has focused on a cyanide heap leach flow sheet utilizing the three material types from the gold/silver domain. Metallurgical testing was completed by SGS Lakefield Oretest in Perth, Australia.

For the purposes of the pit optimization study, it was assumed that an optimized heap leach flow sheet would result in gold and silver recoveries as shown in Table 3.

Table 3
Assumed Process Recoveries

Material Type	Process	Au Recovery (%)	Ag Recovery (%)
Weathered	Heap Leach	75	55
Oxidised	Heap Leach	55	45
Fresh	Carbon-in-Leach	78	20

These assumed values were established from indicative results from metallurgical testing completed to date, which included 18 bottle roll tests (intermittent rolling), as well as the reported results of comparable operations. As reported in the December 2009 quarterly, two column leach tests have been completed on the weathered material and which achieved similar (75% at 12.5mm and 78% at 6.3mm) gold recoveries as the bottle roll tests. Carbon-in-Leach recoveries are based on actual results from earlier leach test work conducted at laboratories in Perth, Australia. Extensive metallurgical testing will be completed as part of a full feasibility study.

Engineering & Operating Costs

Sedgman Metals Engineering Services (Sedgman) in Perth, Australia independently reviewed the initial capital cost estimate, the operating costs and the metallurgical parameters used for the scoping study. The capital costs of US\$82m for the 4mtpa crushing/heap leach plant are the costs recommended for the scoping study following Sedgman's review. After reviewing the operating costs and making adjustments as per Sedgman's recommendations, the heap leach processing costs were estimated at US\$3.54 per tonne plus an allowance for contingency. Sedgman listed several risks and recommendations in their review in moving forward with a full feasibility study. Sedgman also reviewed the metallurgical test work completed to date and commented on the recoveries used for the scoping study.

From the limited test work completed for the scoping study, Sedgman feel that the slightly lower gold recovery of 72% for the weathered would have been recommended but agree that the 75% used is within the degree of accuracy for this level of study.

Sedgman has recommended significantly more test work be undertaken for the full feasibility study to gain more confidence in gold and silver recoveries and reagent consumptions for the different material types as well as a detailed engineering study.

An estimate of an additional US\$68m (including contingencies) for the addition of a 2.8 million tonne per annum CIL plant has been included in the scoping study. This estimate is based on the costs of several similar projects completed over the past 3 years.

Table 4 summarises the scoping study capital costs for the project development. These costs have been estimated from actual quotes for new equipment, estimates based on other similar operations and general unit costs plus contingencies appropriate for this level of study. There is the possibility of reducing the costs if suitable used equipment becomes available.

Table 4
Estimated Capital Costs +/-30%

	Cost (000's US\$)
Direct Cost	
Mining	1,850
Process	41,150
Infrastructure	9,360
Subtotal	52,360
Indirect Costs	
EPCM	6,310
Construction	4,540
Subtotal	10,850
Direct + Indirect Costs	63,210
Owners Costs	8,660
Contingency	10,260
Project Cost 4mtpa Heap Leach	82,130
For Additional 2.8mtpa CIL Facility & Crusher Expansion (including 19% contingency)	68,000
Life of mine sustaining capital	30,000

Discussion

The Board of Kings Management NL is very pleased with the outcome of this scoping study for Cerro de Gallo.

The study indicates the opportunity to generate a significant cash flow from a relatively simple and low cost operation located in an area with well established infrastructure. The results from the study have also indicated that including CIL processing for the 'fresh' rock material will significantly improve the economics of the development.

The next stage for the development of the Cerro del Gallo deposit will be to continue with the full feasibility study work which will mainly include more detailed metallurgical test work to increase the confidence in the data and the possible improvement in the gold and silver recoveries for the different material types within the deposit and detailed engineering study and equipment costings.

Within the next 45 days, Kings Minerals NL will be releasing an updated NI43-101 compliant document as required for its majority owned Canadian listed San Anton Resource Corporation Inc. The document will include all the details of the scoping study plus an updated independent review of the capital cost estimates.

The San Antón Project is owned by San Antón de las Minas SA de CV ("SAM"). SAM is owned 64% by San Anton Resource Corporation Inc and 36% by Goldcorp Inc. San Anton Resource Corporation Inc is listed on the Toronto Stock Exchange and is owned 71.3% (approx) by Kings Minerals NL.

Yours sincerely,

KINGS MINERALS NL



John Skeet
Chief Operating Officer



Craig McPherson
Company Secretary

For further information, contact John Skeet on +61 7 3252 0122 or on our website www.kingsminerals.com.

The information in this report that relates to Exploration Results, Mineral Resources, Ore Reserves or Metallurgy is based on information compiled by Mr John Skeet who is a Member of the Australasian Institute of Mining and Metallurgy, Mr Bill Fleshman who is a Fellow of the Australasian Institute of Mining and Metallurgy and Mr. Tim Carew. Mr Skeet is the Chief Operating Officer of Kings Minerals NL and Mr's Fleshman and Carew are consultants to San Anton Resource Corporation and all have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Skeet, Mr Fleshman and Mr Carew consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.