



Kingsgate

Consolidated Limited

ABN 42 000 837 472

Kingsgate Consolidated Limited

Half-Year Financial Report

For the six months ended 31 December 2015

CORPORATE INFORMATION AS AT 26 FEBRUARY 2016

Directors

Ross Smyth-Kirk	Executive Chairman
Peter Alexander	Non-Executive Director
Peter McAleer	Non-Executive Director
Sharon Skeggs	Non-Executive Director
Peter Warren	Non-Executive Director

Company Secretary

Ross Coyle

Chief Executive Officer

Greg Foulis

Stock Exchange Listing

Kingsgate Consolidated Limited is a Company limited by shares, listed on the Australian Stock Exchange under the code KCN. The Company's shares also trade in the United States of America over-the-counter (OTC) as an American Depository Receipt (ADR) under the code OTC: KSKGY.

Registered Office & Principal Business Address

Kingsgate Consolidated Limited
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

Web: www.kingsgate.com.au

Challenger Mine

Challenger Gold Operations Pty Ltd
PO Box 453
Torrensville SA 5031
Australia

Tel: +61 8 8450 0100

Fax: +61 8 8450 0188

Bangkok Office

Akara Resources Public Company Limited
19th Floor, Sathorn Thani Building 2
No. 92/54-55, North Sathorn Road
Kwaeng Silom, Khet Bangrak
Bangkok 10500
Thailand

Tel: +66 2 233 9469

Fax: +66 2 236 5512

Chatree Mine Office

Akara Resources Public Company Limited
No. 99 Moo 9, Tambon Khao Chet Luk
Amphur Thap Khlo
Phichit 66230
Thailand

Tel: +66 56 614 500

Fax: +66 56 614 195

Chile Office

Laguna Resources Chile Ltda
San Pio X 2460, oficina 1202
Providencia
Santiago
Chile

Tel: +56 2 2231 7565

Share Registry

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Postal Address:

Locked Bag A14, Sydney South NSW 1235
Australia

Tel: +61 1300 554 474

Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Web: www.linkmarketservices.com.au

ADR Depository

(American Depository Receipts)
The Bank of New York Mellon, ADR Division
101 Barclay Street, 22nd Floor
New York, NY 10286
USA

Tel: +1 212 815 2293

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000
Australia

Tel: +61 2 8266 0000

Fax: +61 2 8266 9999

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.



KINGSGATE CONSOLIDATED LIMITED
ABN 42 000 837 472

APPENDIX 4D

Half-Year Report
For the six months ended 31 December 2015

Results for Announcement to the Market:

			6 months 31 Dec 2015 \$'000	6 months 31 Dec 2014 \$'000
Revenue from ordinary activities	Revenue decreased	16.0%	93,128	110,888
Revenue from discontinued operation	Revenue decreased	7.0%	57,377	61,688
Revenue from ordinary activities and discontinued operation	Revenue decreased	12.8%	150,505	172,576
Loss from ordinary activities after tax attributable to members	Loss increased	13.9%	(19,911)	(17,481)
Net profit/(loss) for the period attributable to members	Loss decreased	100.5%	67	(12,915)

Discontinued Operation

On 30 October 2015, Kingsgate announced the sale of 100% of the Challenger Gold Mine and certain exploration licenses for a consideration of A\$1 million by way of selling the issued capital in Kingsgate's subsidiary, Challenger Gold Operations Pty Ltd ('CGO'). The ownership of CGO will transfer to the new owners on 15 March 2016. In respect of the above:

- Revenue from discontinued operation relates to CGO;
- Revenue from ordinary activities and loss from ordinary activities after tax attributable to members excludes the performance of CGO for the half year; and
- Net profit/(loss) for the period attributable to members includes the results of all Group operations, including CGO.

DIVIDENDS

No final dividend was paid in relation to the year ended 30 June 2015.

No interim dividend will be paid in relation to the half-year ended 31 December 2015.

	31 Dec 2015	31 Dec 2014
Net tangible asset backing per ordinary share: \$ per share	1.35	1.91

Refer attached Review of Operations for commentary on the results for the half-year.

DIRECTORS' REPORT

The Directors' of Kingsgate Consolidated Limited present their report for the half-year ended 31 December 2015.

DIRECTORS

The following persons were Directors of Kingsgate during the whole of the half-year and up to the date of this report unless noted otherwise:

Name	Title
Ross Smyth-Kirk	Executive Chairman
Peter Alexander	Non-Executive Director
Peter McAleer	Non-Executive Director
Sharon Skeggs	Non-Executive Director
Peter Warren	Non-Executive Director

REVIEW OF OPERATIONS

Kingsgate is a gold mining, development and exploration company based in Sydney, Australia. Kingsgate owns and operates two gold mines, the world class Chatree Mine in Thailand and the Challenger Mine in South Australia, with the latter to be acquired by Diversified Minerals Pty Ltd (a 100% owned associate of the PYBAR Group) and WPG Resources Limited in the second half FY16. In addition, the Company has two advanced development projects, the Nueva Esperanza Gold/Silver Project, in the highly prospective Maricunga Gold/Silver Belt in Chile, and the Bowdens Silver Project in New South Wales, Australia.

Operational Performance

Gold production for the half-year to 31 December 2015 was 90,319 ounces. The contribution from Chatree was 50,746 ounces (Dec 2014: 72,782 ounces), while Challenger produced 39,573 ounces (Dec 2014: 42,324 ounces).

Chatree

Chatree performed in line with expectations of the previously reported staggered production profile, with scheduled overburden stripping activities in the first half-year giving way to a stronger second half. The mine and mill performed in line with expectations with grade and recoveries higher over the December quarter. Total mill throughput for the half-year was 2.9 million tonnes, and higher quarter on quarter production is a result of the higher grades and higher recoveries (Dec 2014: 3.1 million tonnes).

Cost reduction and continuous improvements remain a key focus with initiatives such as additional mining equipment roster changes to achieve higher daily mining operating hours, maintenance improvements on mining equipment and enhanced silver recoveries implemented to boost performance in the second half. Chatree's total cash costs for the December half were US\$865 per ounce (US\$768 per ounce exclusive of Thai royalties). Total production costs after depreciation and amortisation were US\$1,138 per ounce of gold produced. Total gold sold for the reporting period was 55,797 ounces at an average gold price received of US\$1,118 per ounce.

Challenger

On 30 October 2015, Kingsgate announced an Option Agreement was reached with a 50/50 joint venture between Diversified Minerals Pty Ltd (DMPL - a 100% owned associate of the PYBAR Group) and WPG Resources Limited (Purchasers), whereby the Purchasers would acquire 100% of the Challenger Gold Mine and certain exploration licenses for a consideration of A\$1 million by way of acquiring all of the issued capital in Kingsgate's subsidiary, Challenger Gold Operations Pty Ltd. WPG and DMPL paid \$25,000 to Kingsgate upon signing the Option Agreement. A non-refundable deposit of \$75,000 was paid following the execution of the Share Purchase Agreement. The completion date for the transaction is scheduled for 15 March 2016.

The purchase price will be paid in four quarterly instalments with the first due within 30 days of the recommencement of milling operations at Challenger.

In addition, Kingsgate will be paid a royalty of \$25 per ounce on gold recovered from the Challenger South South West (CSSW) envelope. The royalty will apply after the first 30,000 ounces of gold are recovered from CSSW.

Challenger remains on schedule to be placed on care and maintenance by mid-March 2016, and all the necessary preparations are underway to ensure an orderly hand over of the site and smooth transition to the new owners.

The underground mining contractor, Byrncut was demobilised in December 2015, with mining operations continuing on the SEZ/M3 open cut operation, which will be the main feed source until the mine is placed on care and maintenance. The staffing complement has been reduced to approximately 50 employees.

Challenger delivered a very strong December half-year. Gold production of 39,573 ounces was towards the top end of the guidance range. Total cash costs were US\$805 per ounce (including US\$40 per ounce royalty) which represents a 26% improvement over 2014. (Dec 2014: US\$1,083 per ounce including US\$49 per ounce royalty). Total gold sold for the reporting period was 37,392 ounces at an average gold price received of A\$1,546 per ounce.

Financial Results

Kingsgate recorded an after tax profit of \$0.067 million for the half-year compared to an after tax loss of \$12.915 million for the previous corresponding period.

EBITDA before significant items was \$24.138 million, decreased from \$42.894 million in the previous period.

	Half-Year	
	2015 \$'000	2014 \$'000
Profit/(loss) after income tax	67	(12,915)
Income tax expense/(benefit)	304	(40)
Profit/(loss) before income tax	371	(12,955)
Significant items		
Impairment of Bowdens Silver Project	-	20,587
Impairment reversal of Challenger Mine	(7,806)	-
Profit/(loss) before tax and significant items	(7,435)	7,632
Net finance costs	8,920	6,647
Depreciation and amortisation	22,653	28,615
EBITDA before significant items	24,138	42,894

EBITDA before significant items is a financial measure which is not prescribed by International Financial Reporting Standards (IFRS) and represents the profit under IFRS adjusted for specific significant items. The table above summarises key items between statutory profit after tax and EBITDA before significant items. The EBITDA before significant items has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half-year report.

Dividends

No dividend was declared with respect of the half-year ended 31 December 2015.

DEVELOPMENT PROJECTS

Nueva Esperanza Gold/Silver Project - Chile

In the December half-year, project work primarily focused on implementing the Spring exploration program with the aim of increasing the gold inventory at Nueva Esperanza. The exploration program which included a reverse circulation drilling campaign returned strong preliminary assay results. Significant gold intersections were discovered in the new project area of Carachitas which is in close proximity to the proposed plant site. A total of six holes were drilled on three section lines at 50 metre intervals following up from a single hole that had previously intersected gold mineralisation. All six holes returned significant intersections from shallow depths less than 20 metres below the natural surface.

Work continued on project wide baseline geochemistry and geological mapping during the half-year, with technical work and mine designs nearing completion. Environmental and community studies are progressing with an application for an environmental permit revision expected to be lodged in the first half of FY17.

Bowdens Silver Project - New South Wales, Australia

During the half-year project work continued to focus on studies required for the Environmental Impact Statement (“EIS”). Baseline meteorological and environmental monitoring continued, with low impact regional exploration taking place in EL8168, which included some rock chip sampling and mapping.

On 24 February 2016 Kingsgate executed a Share Purchase Agreement (“SPA”) to sell an effective 85% strategic interest in the Bowdens Silver Project (“Bowdens”) to Silver Investment Holdings Australia Limited (“SIHA”).

SIHA, subject to completing Due Diligence which is to be completed within 30 days from the date of execution of the SPA, will acquire 100% of the capital of Kingsgate’s wholly owned subsidiary Kingsgate Bowdens Pty Ltd the company that owns Bowdens.

On completion of the acquisition, Kingsgate and SIHA will immediately be associated in an unincorporated joint venture in Bowdens with Kingsgate retaining a 15% interest.

Kingsgate will receive a total payment of A\$20 million cash for the 85% interest in the project of which \$200,000 has been received by way of a non-refundable deposit. A further A\$1.8 million will be paid within 5 days following completion of the Due Diligence. The remaining A\$18 million will be paid by SIHA at deal completion which is scheduled to occur no later than 30 June 2016.

OUTLOOK

Total gold production guidance for Kingsgate for the 2016 financial year is between 165,000 and 180,000 ounces.

Kingsgate is focused on continuous improvement and operating efficiencies that couple with ongoing cost saving initiatives in order to maximise shareholder returns in the volatile operating environment for gold producers.

FINANCING ARRANGEMENTS

Senior Corporate Facility

Kingsgate has a Revolving Credit Facility with A\$15 million drawn against this facility at 31 December 2015. This is repayable in three equal instalments. A\$5 million was repaid on 29th January 2016.

Multi-Currency and Syndicated Loan Facilities

Kingsgate's Thai operating subsidiary, Akara Resources PCL, has an amortising multi-currency syndicated (non-recourse project) loan facility with less than three years remaining. Approximately US\$67 million (consisting of THB957 million and US\$40 million) remained outstanding at 31 December 2015. On 16 February the equivalent of US\$5 million was repaid against the facility.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 24 February 2016 Kingsgate executed a Share Purchase Agreement ("SPA") to sell an effective 85% strategic interest in the Bowdens Silver Project ("Bowdens") to Silver Investment Holdings Australia Limited ("SIHA").

No other material matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

Kingsgate is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of the Directors.



Ross Smyth-Kirk
Director
26 February 2016



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kingsgate Consolidated Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'B Entwistle', is written over a light blue horizontal line.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
26 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Note	Half-Year	
		2015	2014
		\$'000	*Restated \$'000
Continuing operations			
Sales revenue	3a	93,128	110,888
Cost of sales	3b	(99,626)	(92,089)
Gross profit/(loss)		(6,498)	18,799
Exploration expenses		(360)	(471)
Corporate and administration expenses	3c	(9,378)	(9,411)
Other income and expenses	3d	1,054	127
Foreign exchange gain		4,321	607
Share of loss in associate		-	(112)
Impairment losses – Bowdens Silver Project		-	(20,587)
Loss before finance costs and income tax		(10,861)	(11,048)
Finance income		215	385
Finance costs	3e	(8,961)	(6,858)
Net finance costs		(8,746)	(6,473)
Loss before income tax		(19,607)	(17,521)
Income tax benefit/(expense)		(304)	40
Loss from continuing operations after income tax		(19,911)	(17,481)
Discontinued operations			
Profit from discontinued operations after income tax	12	19,978	4,566
Profit/(loss) for the half-year		67	(12,915)
Other comprehensive income			
<i>Items that will never be reclassified to profit and loss</i>			
Change in fair value of employee provisions (net of tax)		193	808
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		(4,614)	48,093
Other comprehensive (loss)/income for the half-year		(4,421)	48,901
Total comprehensive (loss)/income for the half-year		(4,354)	35,986
Profit/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited			
- Continuing operations		(19,911)	(17,481)
- Discontinued operations		19,978	4,566
Total comprehensive (loss)/income attributable to:		(4,354)	35,986
Owners of Kingsgate Consolidated Limited			
Earnings per share		Cents	Cents
Basic and diluted loss per share from continuing operations	10	(8.91)	(7.82)
Basic and diluted earnings per share from discontinued operations	10	8.94	2.04

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

* Comparative information has been restated as a result of the correction of error (refer to Note 13 for details) and the classification of Challenger Mine as a discontinued operation (refer to Note 12 for details).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	31 Dec 2015 \$'000	30 Jun 2015 *Restated \$'000
ASSETS			
Current assets			
Cash and cash equivalents		34,196	55,472
Receivables		17,658	19,139
Inventories		42,360	47,147
Derivatives held for trading		128	-
Other assets	4	5,972	9,619
Assets held for sale	12	14,419	-
Total current assets		114,733	131,377
Non-current assets			
Restricted cash		6,865	6,601
Inventories		43,985	55,711
Available-for-sale financial assets		522	1,350
Property, plant and equipment		169,872	188,494
Exploration, evaluation and development		157,042	143,035
Other assets	4	19,351	18,442
Total non-current assets		397,637	413,633
TOTAL ASSETS		512,370	545,010
LIABILITIES			
Current liabilities			
Payables		20,873	27,344
Borrowings	5	52,794	67,552
Provisions		3,660	3,625
Liabilities held for sale	12	7,821	-
Total current liabilities		85,148	98,521
Non-current liabilities			
Payables		7,015	7,171
Borrowings	5	67,500	75,071
Deferred tax liabilities		400	388
Provisions		32,126	39,226
Total non-current liabilities		107,041	121,856
TOTAL LIABILITIES		192,189	220,377
NET ASSETS		320,181	324,633
EQUITY			
Contributed equity	6	677,042	677,109
Reserves	7	49,248	53,700
Accumulated losses		(406,109)	(406,176)
TOTAL EQUITY		320,181	324,633

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

* Comparative information has been restated as a result of the correction of error (refer to Note 13 for details).



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance as at 1 July 2014 (*Restated)	677,109	(8,312)	(258,533)	410,264
Loss after income tax	-	-	(12,915)	(12,915)
Total other comprehensive income for the half-year	-	48,901	-	48,901
Total comprehensive income for the half-year	-	48,901	(12,915)	35,986
Transactions with owners in their capacity as owners:				
Share-based payments	-	99	-	99
Total transactions with owners	-	99	-	99
Balance at 31 December 2014 (*Restated)	677,109	40,688	(271,448)	446,349

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance as at 1 July 2015 (*Restated)	677,109	53,700	(406,176)	324,633
Profit after income tax	-	-	67	67
Total other comprehensive loss for the half-year	-	(4,421)	-	(4,421)
Total comprehensive loss for the half-year	-	(4,421)	67	(4,354)
Transactions with owners in their capacity as owners:				
Movement in contributed equity	(67)	-	-	(67)
Share-based payments	-	(31)	-	(31)
Total transactions with owners	(67)	(31)	-	(98)
Balance at 31 December 2015	677,042	49,248	(406,109)	320,181

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

* Comparative information has been restated as a result of the correction of error (refer to Note 13 for details).

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Half-Year	
	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Receipts from customers	150,607	169,159
Payments to suppliers and employees	(111,630)	(114,231)
Interest received	215	385
Finance costs paid	(6,471)	(4,515)
Income tax paid	-	(910)
Net cash inflow from operating activities	32,721	49,888
Cash flows from investing activities		
Payments for property, plant and equipment	(427)	(1,788)
Payments for exploration, evaluation and development	(25,142)	(18,047)
Increase in deposits	(483)	(229)
Net cash outflow from investing activities	(26,052)	(20,064)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	1,102	-
Repayment of corporate borrowings	(12,195)	(10,000)
Repayment of subsidiary (Akara Resources PCL) borrowings	(16,638)	(13,460)
Settlement of vested deferred rights	(67)	-
Net cash outflow from financing activities	(27,798)	(23,460)
Net (decrease)/increase in cash held	(21,129)	6,364
Cash at the beginning of the reporting period	55,472	53,632
Effects of exchange rates on cash and cash equivalents	(147)	4,465
Cash at the end of the half-year	34,196	64,461

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Kingsgate in its annual financial report for the year ended 30 June 2015.

New or Revised Standards and Interpretations that are First Effective in the Current Reporting Period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period. None of the new and revised standards and interpretations adopted during the period had a material impact nor did they result in any changes to the Group's presentation of, or disclosure in, its half-year financial statements.

New Accounting Standards for Application in Future Periods

There are no new and revised Standards and amendments thereof and Interpretations effective for future reporting periods issued during the current reporting period that are relevant to the Group.

2. SEGMENT INFORMATION

The Group's operating segments are based on the internal management reports that are reviewed and used by the Board of Directors (chief operating decision maker). The operating segments represent the Group's operating mines and projects and include the following:

- Chatree Mine, Thailand;
- Challenger Mine, South Australia, Australia (discontinued during the half-year ended 31 December 2015);
- Bowdens Silver Project, New South Wales, Australia;
- Nueva Esperanza Gold/Silver Project, Chile; and
- Exploration - South East Asia.

Information regarding the results of each reportable segment is included as follows:

2. SEGMENT INFORMATION (Continued)

2015	Operation	Development		Exploration	Corporate	Continuing operations	Discontinued operations	Total
	Chatree \$'000	Bowdens \$'000	Nueva Esperanza \$'000	South East Asia \$'000			Challenger \$'000	
External sales revenue	93,128	-	-	-	-	93,128	57,377	150,505
Other income	1,253	27	-	377	225	1,882	573	2,455
Total segment revenue	94,381	27	-	377	225	95,010	57,950	152,960
Segment EBITDA	14,981	23	(3)	20	(4,815) ¹	10,206	13,932	24,138
Impairment reversal	-	-	-	-	-	-	7,806	7,806
Depreciation and amortisation	(20,926)	-	-	-	(141)	(21,067)	(1,586)	(22,653)
Segment result (Operating EBIT)	(5,945)	23	(3)	20	(4,956)	(10,861)	20,152	9,291
Finance income	-	-	-	-	-	215	-	215
Finance costs	-	-	-	-	-	(8,961)	(174)	(9,135)
Net finance costs	-	-	-	-	-	(8,746)	(174)	(8,920)
Profit/(loss) before tax	(5,945)	23	(3)	20	(4,956)	(19,607)	19,978	371
Other segment information								
Segment assets	355,397	7,934	101,969	1,379	24,721	491,400	20,970	512,370
Segment liabilities	(153,198)	(51)	(4,452)	(211)	(17,485)	(175,397)	(16,792)	(192,189)

¹ Include foreign exchange gain of \$4,321,000 for the Group.

2. SEGMENT INFORMATION (Continued)

2014 *Restated	Operation	Development		Exploration	Corporate	Continuing operations	Discontinued operations	Total
	Chatree \$'000	Bowdens \$'000	Nueva Esperanza \$'000	South East Asia \$'000	\$'000			
External sales revenue	110,888	-	-	-	-	110,888	61,688	172,576
Other income	272	5	-	-	-	277	9	286
Total segment revenue	111,160	5	-	-	-	111,165	61,697	172,862
Segment EBITDA	43,696	5	-	(471)	(8,390) ¹	34,840	8,054	42,894
Impairment	-	(20,587)	-	-	-	(20,587)	-	(20,587)
Depreciation and amortisation	(25,235)	-	-	-	(66)	(25,301)	(3,314)	(28,615)
Segment result (Operating EBIT)	18,461	(20,582)	-	(471)	(8,456)	(11,048)	4,740	(6,308)
Finance income	-	-	-	-	-	385	-	385
Finance costs	-	-	-	-	-	(6,858)	(174)	(7,032)
Net finance costs	-	-	-	-	-	(6,473)	(174)	(6,647)
Profit/(loss) before tax	18,461	(20,582)	-	(471)	(8,456)	(17,521)	4,566	(12,955)
Other segment information								
Segment assets	536,220	10,617	86,021	3,782	4,338	640,978	33,207	674,185
Segment liabilities	(166,337)	(116)	(8,238)	(647)	(28,140)	(203,478)	(24,358)	(227,836)

* Comparative information has been restated as a result of the correction of error (refer to Note 13 for details) and the classification of Challenger Mine as a discontinued operation (refer to Note 12 for details).

¹ Include foreign exchange gain of \$607,000 for the Group.



3. REVENUE AND EXPENSES

a) Sales revenue

	Half-Year	
	2015	2014
	\$'000	\$'000
Gold sales	85,534	100,560
Silver sales	7,594	10,328
Sales revenue from continuing operations	93,128	110,888
Sales revenue from discontinued operations (Note 12)	57,377	61,688

b) Cost of sales

	Half-Year	
	2015	2014
	\$'000	Restated \$'000
Direct costs of mining and processing	55,217	52,162
Royalties	7,680	9,271
Inventory movements	15,803	5,421
Depreciation (operations)	20,926	25,235
Costs of sales from continuing operations	99,626	92,089
Costs of sales from discontinued operations (Note 12)	45,604	56,916

c) Corporate and administration expenses

	Half-Year	
	2015	2014
	\$'000	\$'000
Administration	7,256	6,977
Divestment transaction costs	-	149
Technical support and business development	734	669
Statutory and professional fees	1,247	1,550
Depreciation	141	66
Total corporate and administration expenses	9,378	9,411

d) Other income and expenses

	Half-Year	
	2015	2014
	\$'000	\$'000
Net gain on the sale of fixed assets	377	10
Realised gain on delivery against hedge contracts	999	-
Loss on the change in fair value of available-for-sale financial assets	(828)	(150)
Other income	506	267
Other income and expenses from continuing operations	1,054	127
Other income and expenses from discontinued operations (Note 12)	573	(32)

3. REVENUE AND EXPENSES (Continued)

e) Finance costs

	Half-Year	
	2015 \$'000	2014 \$'000
Interest and finance charges	3,409	5,066
Foreign exchange loss on loans	4,612	948
Unwinding of discount	412	321
Amortisation of deferred borrowing costs	528	523
Finance costs from continuing operations	8,961	6,858
Finance costs from discontinued operations (Note 12)	174	174

f) Depreciation and amortisation

	Half-Year	
	2015 \$'000	2014 \$'000
Property, plant and equipment	8,026	7,252
Mine properties	13,041	18,527
Less: Depreciation capitalised	-	(478)
Depreciation and amortisation expenses	21,067	25,301
<i>Included in:</i>		
Costs of sales depreciation	20,926	25,235
Corporate depreciation	141	66

g) Employee benefits expenses

	Half-Year	
	2015 \$'000	2014 \$'000
Included in:		
Costs of sales	3,934	3,495
Corporate and administration expenses	3,956	4,972
Employee benefits expenses	7,890	8,467

h) Significant items

	Half-Year	
	2015 \$'000	2014 \$'000
Impairment of Bowdens Silver Project	-	20,587
Impairment reversal of Challenger Mine (Note 12)	(7,806)	-
Total significant items (pre-tax)	(7,806)	20,587

4. OTHER ASSETS

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current		
Prepaid mining services	-	1,060
Prepayments	2,347	4,982
Other deposits	3,625	3,577
Total other assets - current	5,972	9,619
Non-current		
Prepayments	13,803	11,345
Other deposits	5,548	7,097
Total other assets - non-current	19,351	18,442

Prepayments

Non-current prepayments include prepaid royalties in respect of the Nueva Esperanza Gold/Silver Project in Chile.

Other deposits

Other deposits current includes cash held on deposit with financial institutions that is restricted to use on community projects in Thailand.

Other deposits non-current includes \$295,000 (30 June 2015: \$1,860,000) restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations and \$4,361,000 (30 June 2015: \$4,419,000) of security deposits.

5. BORROWINGS

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current		
Secured bank loans	39,459	54,971
Preference shares in controlled entity	11,903	10,870
Finance lease liabilities	395	398
Other loan	1,037	1,313
Total borrowings - current	52,794	67,552
Non-current		
Secured bank loans	66,080	73,427
Preference shares in controlled entity	82	82
Finance lease liabilities	1,338	1,562
Total borrowings - non-current	67,500	75,071
Borrowings		
Secured bank loans	105,539	128,398
Preference shares in controlled equity	11,985	10,952
Finance lease liabilities	1,733	1,960
Other loan	1,037	1,313
Total borrowings	120,294	142,623

Secured bank loans

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest	Financial year of maturity	Face value \$'000	Carrying amount \$'000
Revolving Credit Facility	AUD	BBSY ¹ + margin	2017	15,000	15,000
Multi-currency and Syndicated loan facilities	Thai Baht	THBFIX ² + margin	2018	36,421	36,421
	USD	LIBOR ³ + margin	2018	55,180	55,180
Less capitalised borrowing costs					(1,062)
Total					105,539

¹BBSY means bank bill swap bid rate

²THBFIX means Thai Baht interest rate fixing

³LIBOR means London interbank offered rate

5. BORROWINGS (Continued)

Revolving Credit Facility

Kingsgate has a Revolving Credit Facility (“RCF”) with A\$15,000,000 drawn against this facility at 31 December 2015. This is repayable in three equal instalments. The first instalment was repaid on 29 January 2016.

Under the terms of the RCF Kingsgate is required to maintain a minimum hedge position with a rolling three month program covering 30% of forecast group production. As security the lender has a fixed and floating charge over Kingsgate including shares in its material subsidiaries.

Kingsgate, in addition, has available over the tenure of the RCF an Equity-linked Loan Facility (“ELF”) of A\$15,000,000. The ELF is currently undrawn.

Multi-currency and Syndicated loan facility

Kingsgate’s Thai operating subsidiary, Akara Resources PCL (“Akara”), has an amortising multi-currency loan facility with less than three years remaining following the commencement of quarterly repayments in November 2013. At period end the equivalent of A\$91,601,000 was owed against this facility. A further equivalent A\$7,341,000 has been repaid after period end. As security against the facility the lender has a fixed and floating charge over the land, buildings, plant and equipment in Thailand owned by Akara and its material subsidiaries.

Restricted funds

Under the terms of the loan facilities, Akara is required to maintain a debt service reserve account of US\$5,000,000 (\$6,865,000).

Preference shares in controlled entity

Terms and repayment schedule

Terms and conditions of outstanding preference shares in controlled entity were as follows:

	Currency	Interest rate	Financial year of maturity	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai Baht	12%	n/a	10,160	11,985

Finance lease liabilities

The Group has various items of plant and equipment with a carrying amount of \$2,084,000 under finance leases.

6. CONTRIBUTED EQUITY

During the period, the Company acquired 98,000 shares in Kingsgate Consolidated Limited on market for consideration of \$67,000. These shares were distributed to rights holders as settlement of vested deferred rights.

7. RESERVES

	31 Dec 2015	30 Jun 2015
	\$'000	Restated \$'000
Foreign currency translation reserve	43,620	48,234
Share-based payment reserve	8,977	9,008
General reserve	(3,349)	(3,542)
Total reserves	49,248	53,700

8. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 December 2015 in respect of guarantees. Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility and corporate loan facility as described in Note 5 as part of the security package. These guarantees may give rise to liabilities in the parent entity if the controlled entities do not meet their obligations under the terms of the loans subject to guarantees. No material losses are anticipated in respect of the above contingent liabilities.

Included in non-current other assets is \$295,000 related to restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

9. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Kingsgate has executed a Share Purchase Agreement ("SPA") to sell an effective 85% strategic interest in the Bowdens Silver Project ("Bowdens") to Silver Investment Holdings Australia Limited ("SIHA").

SIHA, subject to completing Due Diligence which is to be completed within 30 days from the date of execution of the SPA, will acquire 100% of the capital of Kingsgate's wholly owned subsidiary Kingsgate Bowdens Pty Ltd the company that owns Bowdens.

On completion of the acquisition, Kingsgate and SIHA will immediately be associated in an unincorporated joint venture in Bowdens with Kingsgate retaining a 15% interest.

Kingsgate will receive a total payment of A\$20,000,000 cash for the 85% interest in the project of which \$200,000 has been received by way of a non-refundable deposit. A further A\$1,800,000 will be paid within 5 days following completion of the Due Diligence. The remaining A\$18,000,000 will be paid by SIHA at deal completion which is scheduled to occur no later than 30 June 2016.

No other material matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

10. EARNINGS PER SHARE

	Half-Year	
	2015 Cents	2014 Cents
Basic and diluted loss per share from continuing operations	(8.91)	(7.82)
Basic and diluted earnings per share from discontinued operations	8.94	2.04
Basic and diluted earnings/(loss) per share from continuing operations and discontinued operations	0.03	(5.78)
	\$'000	\$'000
Net profit/(loss) used to calculate basic and diluted earnings per share		
- Continuing operations	(19,911)	(17,481)
- Discontinued operations	19,978	4,566
	Number	Number
Weighted average number of shares used as the denominator: basic	223,584,937	223,584,937
Adjusted for dilutive effect of deferred rights	151,186	-
Weighted average number of shares used as the denominator: diluted	223,736,123	223,584,937

11. FINANCIAL INSTRUMENTS

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and/or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table following analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2015				
Available-for-sale financial assets	522	-	-	522
Total as at 31 December 2015	522	-	-	522
30 June 2015				
Available-for-sale financial assets	1,350	-	-	1,350
Total as at 30 June 2015	1,350	-	-	1,350

12. DISCONTINUED OPERATION

On 30 October 2015, Kingsgate announced an Option Agreement was reached with a 50/50 joint venture between Diversified Minerals Pty Ltd and WPG Resources Limited (Purchasers), whereby the Purchasers would acquire 100% Challenger Gold Mine and certain exploration licenses for consideration of A\$1,000,000 and a A\$25 per ounce revenue royalty on future production in excess of 30,000 ounces from Challenger SSW Zone. The Option Agreement was exercised on 11 December 2015. A Share Purchase Agreement was executed on 19 February 2016. The completion date for the transaction is scheduled for 15 March 2016.

Challenger Gold Mine was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate operating segment.

Classification as a discontinued operation occurs at the earlier of disposal/distribution or when the operation meets the criteria to be classified as held for sale, if earlier.

Results of discontinued operation

	Half-Year	
	2015 \$'000	2014 \$'000
Sales revenue	57,377	61,688
Cost of sales	(45,604)	(56,916)
Gross profit	11,773	4,772
Other income and expenses	573	(32)
Reversal of impairment	7,806	-
Profit before finance costs and income tax	20,152	4,740
Finance cost	(174)	(174)
Profit before income tax	19,978	4,566
Income tax expense	-	-
Profit after income tax	19,978	4,566
Earnings per share	Cents	Cents
Basic earnings per share (Note 10)	8.94	2.04
Diluted earnings per share (Note 10)	8.94	2.04

Cash flows from discontinued operation

	Half-Year	
	2015 \$'000	2014 \$'000
Net cash flows from operating activities	8,195	12,352
Net cash flows from investing activities	(1,580)	(656)
Net cash flows for the half-year	6,615	11,696

12. DISCONTINUED OPERATION (Continued)

Assets and liabilities held for sale

	2015 \$'000
Inventories	3,734
Exploration, evaluation and development *	9,225
Other assets	1,460
Assets held for sale	14,419
Provisions	7,821
Liabilities held for sale	7,821
Net assets held for sale	6,598

* An impairment reversal of \$7,806,000 was recorded in the half-year against exploration, evaluation and development asset. With the announcement of the sale of Challenger, this asset is classified as an asset held for sale and therefore falls outside the normal activities of the Group. The fair value of Challenger was determined based on an assessment of operating cashflows from 1 January 2016 to completion. This assessment resulted in an asset impairment reversal of \$7,806,000 which has been recognised in the December half-year.

13. CORRECTION OF PRIOR YEAR ERROR

The error, which relates to the non-provision by Akara (Kingsgate's Thai operating subsidiary) of a community fund required under the metallurgical license applicable to the operation of the Chatree North processing plant, has been adjusted retrospectively by restating the comparative amounts for the prior periods in which the errors occurred. As the prior period's errors on the opening balance sheet at 1 July 2014 are considered immaterial, a third balance sheet has not been included in the financial statements.

The impacts of this correction in the prior period are:

- Payables at 30 June 2015 has increased from \$26,281,000 to \$27,344,000 by \$1,063,000;
- Reserves at 30 June 2015 has decreased from \$53,793,000 to \$53,700,000 by \$93,000;
- Accumulated losses at 30 June 2015 has increased from \$405,206,000 to \$406,176,000 by \$970,000;
- Cost of sales for the half-year ended 31 December 2014 has increased by \$262,000 from \$148,743,000 to \$149,005,000; and
- Basic and diluted loss per share for the half-year ended 31 December 2014 has increased by \$0.08 from \$5.70 to \$5.78.

There is no impact to the Statement of Cash Flows for the half-year ended 31 December 2014.

14. IMPAIRMENT ASSESSMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units “CGUs”).

Chatree Gold Mine and the Nueva Esperanza Gold/Silver Project

The recoverable amount of the Chatree Gold Mine and the Nueva Esperanza project at 31 December 2015 were determined based on a fair value less cost to sell model. Based on the assumptions noted below, at 31 December 2015, the recoverable amount for the Chatree Gold Mine and the Nueva Esperanza project were determined to be above book value resulting in no impairment.

The recoverable amounts for these two projects have been determined using a discounted cash flow model. The key assumptions to which the models are most sensitive include:

- Gold and silver prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised experts within the Group to validate entity specific assumptions such as reserves and resources. The Group's cash flow forecasts are based on estimates of future metal prices which assume market prices will revert to the Group's assessment of longer term metal prices of US\$1,100 – US\$1,330 per ounce for gold and US\$15 – US\$21 per ounce for silver.

For both the Chatree Gold Mine project and the Nueva Esperanza project, gold and silver prices forecast that results in the recoverable amount exceeding the book value are generally achieved when the high end of the range is adopted.

The Group receives long term forecast price data from multiple externally verifiable sources when determining its pricing forecasts.

The foreign exchange rate used in the models are AUD/USD of 0.73 and USD/THB of 36.0 based on exchange rates current at period end.

Production and capital costs are based on the Group's estimate of forecast geological conditions, capacity of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, mine models and project evaluations performed by the Group in its ordinary course of business.

The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax nominal discount rates applied to the Group's CGUs are in the range of 10.8-12.6%. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specified to the asset for which the future cash flow estimates have not been adjusted.

14. IMPAIRMENT ASSESSMENT (Continued)

After considering the inputs of the cash flow forecasts, the most sensitive input is determined to be revenue which is primarily dependent on estimated future gold and silver prices. As the recoverable amount only marginally exceeds the carrying amount, applying any negative sensitivity to the cash flow forecasts would result in an impairment charge at 31 December 2015.

It is estimated that as shown in the table below that reasonably possible changes in the assumptions would have approximate impacts on the fair value of Nueva Esperanza Gold/Silver Project as at 31 December 2015:

Possible assumption change	Approximate impact \$'000
US\$100/oz increase/decrease in gold price	11,094
US\$1 increase/decrease in silver price	17,937
5% increase/decrease in operating costs	17,313

Bowdens Silver Project

The fair value of the Bowdens Silver Project is assessed as being equal to its carrying amount of \$8,200,000 based on an assessment of the enterprise value per ounce resource of equivalent silver of a peer group at 30 June 2015 and disclosed in the Company's 30 June 2015 annual report. There have been no significant changes in the project or the silver price since 30 June 2015 that would indicate this assessment is no longer valid.

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 8 to 25 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



ROSS SMYTH-KIRK
Director

26 February 2016
On behalf of the Board



Independent auditor's review report to the members of Kingsgate Consolidated Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsgate Consolidated Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Kingsgate Consolidated Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kingsgate Consolidated Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle

Brett Entwistle
Partner

Sydney
26 February 2016