

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 31 December 2016

SIGNIFICANT MATTERS

THAILAND

- ▶ The Chatree Gold Mine delivered an outstanding December 2016 quarter with a total of 50,133 ounces of gold poured at a cash cost of US\$416 per ounce.
- ▶ Disappointingly, the Thai Government has forced the closure of the mine.
- ▶ In accordance with both the Thai Government's announcement in May 2016, and the subsequent December issuance of a Section 44 Order under the Thai Constitution that all gold mining operations generally cease on 31 December 2016, the Chatree Gold Mine was placed on Care and Maintenance with effect from 1 January 2017.
- ▶ Kingsgate continues to push for clarity and remedies to the situation in Thailand.

CHILE

- ▶ Kingsgate continues to progress its 100%-owned Nueva Esperanza Project in Chile, with a seasonal exploration program underway.
- ▶ Drilling programs comprised of Rotary Air-Blast (RAB) and Reverse Circulation (RC) drill holes commenced in late October/November 2016. Diamond drilling started in January 2017.
- ▶ 322 RAB holes were drilled during the quarter. With approximately 40% of the hole samples analysed, there were two notable anomalies, the most exciting being an 8.8g/t gold result located approximately 450 metres to the west of previous Carachitas RC drill intercepts.
- ▶ 20 RC drill holes were completed providing geology and condemnation information. Results received to date have no material values. The remaining results will be reported when available.
- ▶ In addition, 2 diamond drill holes were completed at Huantajaya in January 2017, providing encouraging geological data and assay results are currently awaited.

BALANCE SHEET

- ▶ Cash and bullion/doré at 31 December 2016 totaled A\$51.2 million (September quarter: A\$69.2 million), comprising cash of A\$33 million and bullion/doré of A\$18.2 million.
- ▶ Kingsgate completely extinguished the bank debt against the Chatree Gold Mine during the quarter.
- ▶ Kingsgate has an A\$5 million corporate bank debt facility that is due for repayment at the end of January 2017.
- ▶ Kingsgate estimates that, by the end of January 2017 following the repayment of the corporate bank debt facility of A\$5 million, Group cash will be approximately A\$38 million.

Detailed Production Report

Production Summary	Units	December Quarter 2016	September Quarter 2016	Half Year FY17
Ore Mined	bcm	535,341	456,795	992,136
Waste to Ore Ratio		0.7 : 1	1.02 : 1	0.9 : 1
Ore Mined	tonnes	1,399,411	1,189,784	2,589,195
Ore Treated	tonnes	1,428,150	1,344,796 ²	2,772,946
Head Grade - Gold	g/t Au	1.37	1.08	1.23
Head Grade - Silver	g/t Ag	21.1	23.3	22.2
Gold Recovery	%	83.7	83.9	83.8
Silver Recovery	%	40.2	41.9	41.1
Gold Poured	ounces	50,133	39,742	89,875
Silver Poured	ounces	404,261	403,839	808,100
Financial Summary				
Cost Summary				
Mining Cost	US\$/oz	213	275	240
Milling Cost	US\$/oz	195	251	220
Administration & Other	US\$/oz	25	54	38
Stockpile Adjustments	US\$/oz	1	88	40
By Product Credit *	US\$/oz	(130)	(152)	(140)
Cash Operating Cost	US\$/oz	304	516	398
Gold Royalty	US\$/oz	112	89	102
Total Cash Cost	US\$/oz	416	605	500
Depreciation & Amortisation - Operating	US\$/oz	328	448	376
Depreciation & Amortisation - Deferred Stripping	US\$/oz	55	44	50
Total Production Cost	US\$/oz	799	1,097	926
Total Cash Cost per Tonne of Ore Treated	US\$/tonne	14.60	17.89	16.20
Revenue Summary				
Gold Sold	ounces	53,659	29,905	83,564
Silver Sold	ounces	422,693	341,204	763,897
Average Gold Price Received	US\$/oz	1,217	1,335	1,259
Average Silver Price Received	US\$/oz	17	20	18
Revenue from Metal Production	US\$M	72.6	46.6	119.2
* Net of Silver Royalties ^ Includes mine development costs				

CHATREE GOLD MINE, Thailand

Thailand General

As previously reported by Kingsgate, the Thai Government announced in May 2016, that it would end all gold mining in Thailand by 31 December 2016, which includes the Chatree Gold Mine (“Chatree”). In addition, the Prime Minister of Thailand issued a Section 44 Order, under the Thai Constitution in December 2016, that ordered all gold mining generally to cease by 31 December 2016. Kingsgate and its Thai subsidiary, Akara Resources Public Company Limited (“Akara”), have complied with the Thai Government’s position and Chatree was placed on Care and Maintenance, effective 1 January 2017. Akara will continue with rehabilitation activities in 2017. Kingsgate has made another meeting request to the Prime Minister after the Deputy Minister cancelled a meeting to discuss Chatree in the week before Christmas.

On 10 January 2017, the Thai Department of Primary Industries and Mines held a press conference in which they publicly stated that the Health and Environment Committees established in October 2015 to investigate the operations of Chatree **have found no evidence of any negative impacts on the surrounding communities**. In addition to these comments, it has also been reported that despite this favorable outcome, including sixteen months of Committee investigations and the mine closure, the Health and Environment Committees will not submit their final reports until April 2017, at which time they will be referred to the newly established National Mineral Management Committee.

Key impacts of the premature closure of Chatree include the loss of several thousand direct and indirect regional jobs, royalties to the Thai Government (with approximately US\$11 million paid in royalties in the last 6 months), and many community-based health, education and infrastructure programs funded by Akara.

Kingsgate remains focused on ways to rectify the situation through various legal, diplomatic and other remedies. Kingsgate would again like to advise shareholders that these remedies do take time to methodically work through and, by their very nature, are highly sensitive and complex.

Chatree General

December quarter gold poured at Chatree was 50,133 ounces at a total cash cost of US\$416 per ounce. Gold sales for the quarter were 53,659 ounces at an average gold price received of US\$1,217 per ounce with the All-in Sustaining Cash Cost (AISC) of US\$580 per ounce.

Chatree benefited from consistent access to high grades and reduced strip ratios. Additionally, the actions of the Thai Government to halt operations at the end of 2016 have also seen the operation halt all meaningful capital investment. As a result, operational margins improved.

Safety

There were two Lost Time Injuries recorded for the quarter. The first, on 21 November 2016, related to a mechanic receiving minor leg burns from a caustic solution released under pressure from a valve on Elution Circuit Number 2 and the second, also on 21 November, relates to a forklift driver getting his boot stuck under a foot pedal resulting in a hairline fracture in his right leg.

Mining Operations

Total ore mined for the quarter was 1,399,411 tonnes @ 1.32g/t. Overall strip ratios continued to decline as the operation worked to a revised plan to cease mining operations by 31 December 2016. The orebody performance with respect to grade delivered strong results throughout the quarter.

Processing

Mill throughput was positively impacted mainly by favorable ore characteristics during the quarter. Overall gold recovery for the quarter was 83.7% (83.9% for the September quarter).

Care and Maintenance

Chatree was placed on Care and Maintenance effective 1 January 2017. A Rehabilitation Plan including a plan for decommissioning the plant was submitted to the Department of Primary Industries and Mines before 31 December 2016 and is yet to be approved in full.

NUEVA ESPERANZA PROJECT, Chile (100% Kingsgate)

Exploration

The spring field campaign commenced in September when the team was remobilised to the Nueva Esperanza camp and fieldwork initiated. The principal focus of the quarter was a Reverse Circulation (RC) drill program which tested a number of targets on the eastern side of the Nueva Esperanza district.

In addition to the RC drilling, an Air-Blast drill program was concluded which followed-up on the initial campaign completed in quarter 1, 2016. The program was designed to infill anomalous areas identified during the initial program, and test several new targets. Partial results have been received further delineating and expanding known targets.

Subsequent to the quarter's end, a campaign of diamond drilling was initiated on the Huantajaya target and intersected a number of silicified zones that support the developing geological model for the Chimberos district.

Drilling (see Figure 1)

Twenty RC holes totalling 4,378 metres were completed during the quarter. The principal focus was in the Chimberos district testing a number of silver-gold targets north and south of the Chimberos pit.

Ten holes were drilled between the Chimberos, Teterita and Potosi targets. The holes tested the Palaeozoic basement units for Chimberos-style replacement and structurally controlled mineralisation.

Four holes were drilled in the vicinity of the Arqueros resource. The holes were drilled to test a favourable horizon for replacement-style mineralisation laterally adjacent to the Arqueros resource.

One hole was drilled in the west side of the Cerro Blanco target but failed to reach its target depth due to difficult ground conditions.

Diamond drilling is currently being completed on the Huantajaya target. Two holes have been drilled under the Huantajaya hill, approximately 200 metres apart, below several historical workings exploited for gold. Both holes intercepted oxidised, silicified breccia units approximately 100 metres below the historical workings on the margin of what is interpreted to be a dacitic dome.

Results from the RC and diamond drilling will be reported once all results have been received from the laboratory.

Air Blast Hole Drilling (see Figure 2)

A 322-hole, Phase II Air-Blast drill program was completed during the quarter, totalling 3,908 metres. Drilling tested prospective areas covered by post-mineral cover including anomalous areas identified by the Phase I program which were infill drilled to a higher density and new areas of interest drill tested.

Subsequent to the quarter's end, partial results for approximately half the holes were received and have generated a number of anomalies that require further drill testing at depth.

One highly anomalous Air-Blast sample returned 8.83g/t gold and 27.90g/t silver. This hole is located approximately 450 metres west of the Carachitas target (Sample 1 area on Figure 2) where scout RC drilling in 2015 returned 38 metres grading 2.30g/t gold and 22.0g/t silver from a depth of 14 metres (Hole ECCR-02). Several RC holes testing the Carachitas anomalies will be completed in the first quarter stepping out from the previous drilling towards the new anomaly.

The second Air-Blast anomaly is located close to the Nueva Esperanza field camp. A cluster of three samples returned 330, 310 and 120ppb gold (Sample 2 area on Figure 2). These anomalies occur close to proposed infrastructure so will be drill tested with the RC rig in the March 2017 quarter.

Geophysical Surveying

A geophysical survey commenced in January 2017. Approximately 40 line-kilometres of IP (Induced Polarisation) survey will cover the central part of the project exploring for new targets and extensions of existing resources.

Historical magnetic survey data will also be compiled and reprocessed in quarter 1 by a consulting group familiar with the geology and epithermal deposits of the region.

Regional Exploration, Chile

Ground-truthing of a number of concession applications located in the northern Maricunga Belt commenced, subsequent to the quarter's end.

The northern part of the belt is emerging as a relatively under-explored area that contains a number of significant precious metal deposits including Kinross Gold Corporation's La Coipa Project and Gold Field's Salares Norte Project.

The concession applications cover large areas of high-level epithermal alteration similar to that seen at Nueva Esperanza and La Coipa. Work will continue through the first quarter, 2017.



Feasibility

Feasibility testwork, including metallurgical, hydrological and dry stack tailings studies, was ongoing. Engineering advisor, Ausenco, continues to refine capital and operating cost inputs and benchmarking. A short process-route trade-off study will be completed in February 2017 to guide permitting and the detailed feasibility. Key field work planned for 2017 includes metallurgical, geotechnical and condemnation drilling.

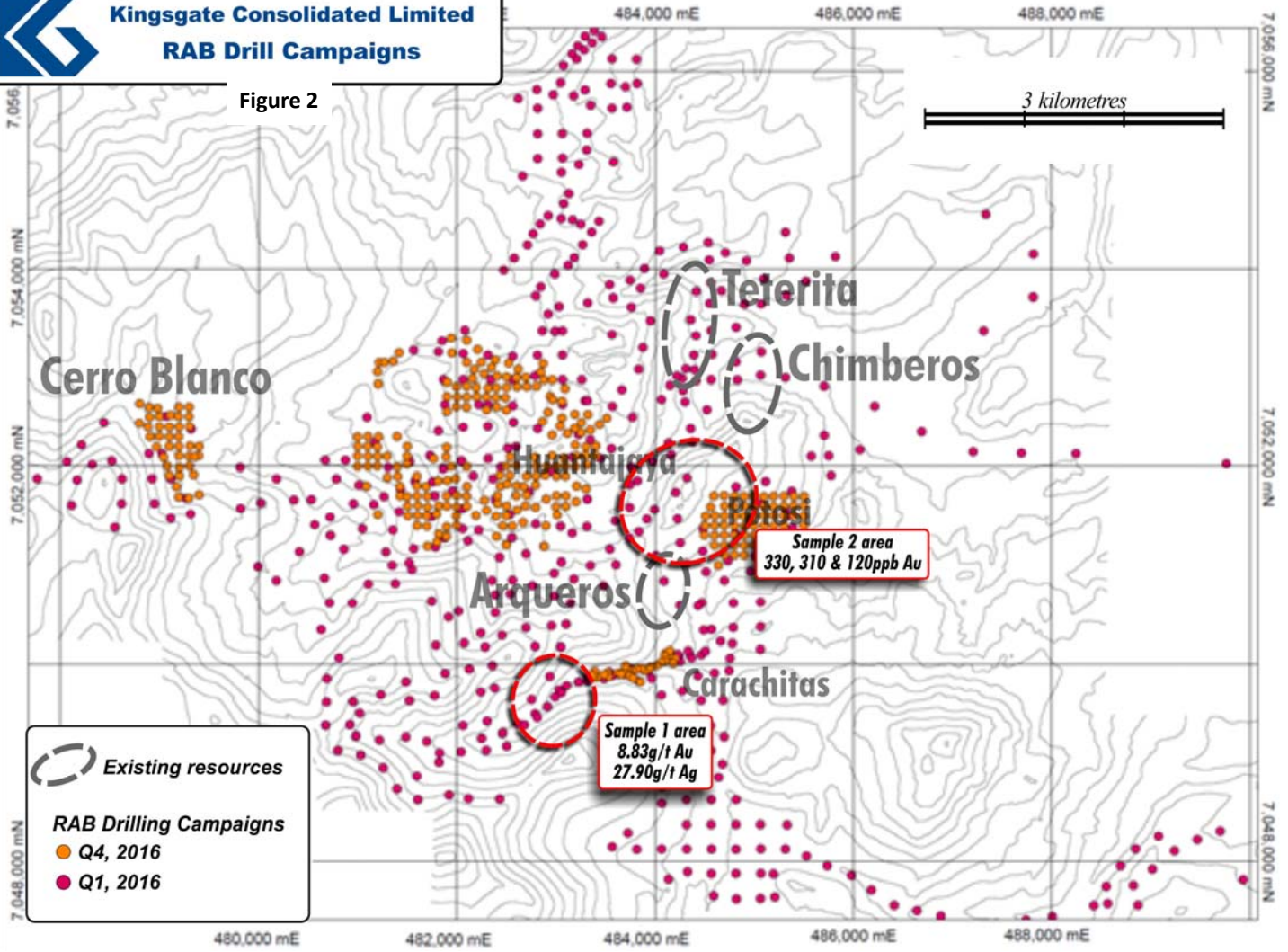
Permitting

The technical base line studies for the environmental impact submission (“DIA”) which is essentially a process to amend the existing permit footprint and incorporate a dry-stacked tailing design are continuing. Documentation is on track for submission in April 2017.

Community

Good community engagement remains a priority for the Nueva Esperanza Project and, even though its geographic location is remote, Kingsgate is building strong meaningful relationships with the six community groups identified in the area. Currently, a Kingsgate representative continues to work closely with the environmental consultant on the negotiation process for the DIA. This includes meetings with communities and site visits of the project area by community leaders and their advisors.

Figure 2



Site visit by indigenous group Runa Urka (Quispe family) with Gabriel Irusta (Kingsgate)

Corporate

On 4 November 2016, the Northern Gulf Petroleum International Pte. Ltd. (“NGPI”) unsolicited proportional takeover offer to Kingsgate shareholders expired. The NGPI takeover offer was unsuccessful and only secured approximately 0.2% of issued capital.

Peter McAleer resigned as a Non-Executive Director from the Kingsgate Board on 24 November 2016. Mr McAleer had been on a leave of absence since February 2016 due to ill health and the Board would like to thank Mr McAleer for his long service and contribution to the Company and hope for his safe recovery.

Silver Mines Limited (ASX:SVL) successfully completed the acquisition of the remaining 15% of the Bowdens Silver Project and the final payment of A\$4.1 million (which included an interest payment of 10% per annum calculated from 30 September 2016 until the date of final payment) was received on 23 December 2016.

Finance

At the end of December 2016, following debt repayment during the quarter equivalent to A\$67.0 million, Kingsgate’s Group cash and debt facilities consisted of:

Cash and Bullion/doré

- ◆ Cash and bullion/doré totalled A\$51.2 million (September quarter: A\$69.2 million), comprising cash of A\$33 million and bullion/doré of A\$18.2 million.

Senior Corporate Facility

- ◆ Kingsgate has A\$5 million owing against a Revolving Credit Facility that is scheduled for repayment at the end of January 2017.

Multi-currency, syndicated loan facility

- ◆ Kingsgate’s Thai operating subsidiary, Akara Resources Public Company Limited (“Akara”), as of December 2016 is now debt free. Akara repaid A\$67 million in a combination of discretionary and scheduled payments against an amortising multi-currency (non-recourse) loan facility to extinguish the debt.
- ◆ Kingsgate estimates that by the end of January 2017 following the repayment of the corporate bank debt facility of A\$5 million, Group cash will be approximately A\$38 million.

Staff

Mr Leonardo Hermosilla was appointed as Vice President – Project Development in December 2016. Leonardo will be based in Santiago, Chile, and his responsibilities will include the delivery of feasibility and development outcomes for the 100% owned Nueva Esperanza Project in Chile. Leonardo is a highly experienced Metallurgical Engineer with over 30 years of operational and development experience in South America, Canada and South Africa having worked for various multi-national mining and EPCM firms including Barrick, Anglo American, Hatch, Kvaerner and Ausenco. Leonardo’s project leadership, technical experience and extensive industry knowledge in South America make him a valuable addition and key member of the executive team.

Acknowledgements

In particular, the Kingsgate Board and Senior Management would like to thank Brennan Lang and his team at Chatree for delivering excellent production results when faced with on-going uncertainties surrounding the future of the operation. Their performance and dedication, through the last quarter in particular, has been sincerely appreciated.



Corporate Directory



Board of Directors

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

Senior Management

Greg Foulis	Chief Executive Officer
Ross Coyle	Chief Financial Officer & Company Secretary
Alistair Waddell	Vice President, Corporate Development & Exploration
Leonardo Hermosilla	Vice President, Project Development

Investor Relations Contact

Jamie Gibson	General Manager, Corporate and External Relations
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Exchange Details

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Share Details

As at 31 December 2016, there were 223,584,937 ordinary shares on issue.

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Notes for Mineral Equivalents

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

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.