

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 31 March 2017

SIGNIFICANT MATTERS

CHILE

- ▶ Kingsgate continues to progress its 100% owned Nueva Esperanza Project, with work continuing on a seasonal exploration program as well as permitting and feasibility related activities.
- ▶ Exploration drilling, comprising a total of 7,756 metres (43 holes) of Reverse Circulation (RC) drilling and 2,322 metres (8 holes) of diamond drilling, has been completed at Nueva Esperanza during the field season that commenced at the beginning of September 2016.
- ▶ To date, there have been encouraging drill intercepts from both the Huantajaya and Carachitas exploration targets. (See ASX:KCN release titled “Chile – Drill Results from District Exploration”, dated 27 February 2017).
- ▶ Drilling is in progress on exciting new geophysical targets.
- ▶ Some large-scale mergers and acquisitions in the Maricunga Belt in March 2017 have firmly cemented its claim as a highly prospective region.

THAILAND

- ▶ The Chatree Gold Mine was placed on Care and Maintenance following cessation of production under Thai Government orders on 31 December 2016.
- ▶ On 3 April 2017, Kingsgate advised that it will be seeking a range of remedies, including compensation, from the Government of Thailand for the measures taken against the Chatree Gold Mine in violation of the Thai-Australia Free Trade Agreement (“TAFTA”).
- ▶ As a first step, Kingsgate notified the Prime Minister of Thailand that it wishes to engage in consultations as required under TAFTA.
- ▶ TAFTA consultations can take up to three months and, failing a mutual outcome, international arbitration proceedings may follow.

FINANCIAL

- ▶ Kingsgate is well funded to meet its planned calendar 2017 expenditures in Chile and Thailand.
- ▶ Cash at 31 March 2017 totaled A\$28.7 million (\$0.13 per share).
- ▶ Corporate debt at 31 March 2017 is zero following the repayment of an A\$5 million corporate bank debt facility on 3 February 2017. Kingsgate retains a \$10 million Thai related preference share liability classified as debt.

CHATREE GOLD MINE, Thailand

Care and Maintenance

Akara Resources, a subsidiary of Kingsgate Consolidated Limited, ceased operating the Chatree Gold Mine on 31 December 2016 in accordance with the closure order by the Thai Government. Chatree was placed on Care and Maintenance effective 1 January 2017. The plant was progressively decommissioned during the March Quarter including the cleaning of mills, circuits and tanks to ensure that the site is environmentally safe and that the infrastructure is secured. Stores and inventory have been managed from an environmental and financial perspective.

Akara staffing levels were reduced at the completion of the plant decommissioning phase. From a peak workforce of over 1,000 people, including contractors, Akara now has less than 40 full time employees. Mine related redundancies of A\$3.6 million were paid in the quarter. Akara has now met all staff related redundancy obligations with respect to closure. Approximately A\$2 million was also spent on plant decommissioning and rehabilitation works during the quarter. The holding cost for the Akara business has been reduced to approximately A\$1.5 million per quarter (which includes dividend payments to the Thai preference shareholder) and will be reviewed subject to outcomes of the pending consultation discussions with the Thai Government.

At the point of decommissioning, approximately US\$6 million of gold and silver inventory in the form of high-grade sludge remains at the Chatree site. Akara has not been given permission to transport the material for treatment and refining.

Closure Remedies

On 3 April 2017, as part of its response to forced closure, Kingsgate advised that it will be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against the Chatree Gold Mine in violation of the Thai-Australia Free Trade Agreement (“TAFTA”).

As a first step, Kingsgate notified the Prime Minister of the Kingdom of Thailand that it wishes to engage in consultations as required under TAFTA.

For nearly a year, Kingsgate has made sustained, good faith efforts to engage with the Thai Government in relation to the measures against the Chatree Gold Mine that ultimately resulted in its premature closure on 31 December 2016. These efforts included numerous unanswered requests for meetings with Thailand’s Prime Minister and members of his Cabinet. Regrettably, Kingsgate believes that the only option to resolve the situation is to exercise its rights as a protected Australian investor under TAFTA.

TAFTA was signed in 2004 between Thailand and Australia to promote and improve the environment for bilateral services, trade and investment. TAFTA entered into force in 2005. TAFTA contains a range of provisions specifically relating to investment protection. Amongst other things, these provisions guarantee certain rights to Australian investors in Thailand, including the right to seek impartial resolution of disputes with the Thai Government relating to covered investments by way of arbitration before an international tribunal.

On 20 April 2017, Kingsgate received a formal response from the Government of Thailand acknowledging the request for consultations under TAFTA. The letter signed by the Thai Minister of Industry stated that the Thai Government was currently considering Kingsgate’s request for consultations and that relevant government agencies would require some time for internal consultation and to seek the necessary policy outcomes. The letter further stated that they were pre-disposed to seek an amicable solution to the matter.

NUEVA ESPERANZA PROJECT, Chile (100% Kingsgate)

Kingsgate continues to progress its 100% owned Nueva Esperanza Project in Chile, with work continuing on feasibility, permitting and seasonal exploration activities. Kingsgate aims to have permitting and feasibility outcomes in hand by the end of the second quarter of 2018 to be in a position to progress the project to development.

Expenditure for the March Quarter was approximately A\$3.5 million including approximately A\$1.2 million on feasibility, permitting and administrative activities and A\$2.3 million on exploration.

Feasibility

A number of feasibility work streams continued during the quarter including metallurgical sampling. Kingsgate completed a tender process for the engineering and technical components of the Feasibility Study with an award expected by mid-May 2017 and completion of the engineering components of the Feasibility Study in the March Quarter, 2018.

Ahead of the detailed engineering for the Feasibility Study, consultant Ausenco completed two short processing trade-off studies in the quarter:

- A Heap Leach versus Agitated Leach Trade-off Study recommended that the project continue on an agitated leach basis; and
- A SAG mill versus HPGR Comminution Circuit Trade-off Study favoured a continuation of the existing SAG flowsheet.

A 17-hole diamond drilling program to provide infill metallurgical data across the Arqueros, Chimberos and Teterita deposits commenced with 10 holes, totalling 1,443 metres, completed in the March Quarter. It is anticipated the remaining holes will be completed by the end of the drilling season in the June Quarter. The metallurgical drilling program is planning to produce approximately 1,000 kilograms of samples for variability and filtration testwork by ALS laboratories in Perth, Australia. These holes will also provide useful geotechnical and geological information.

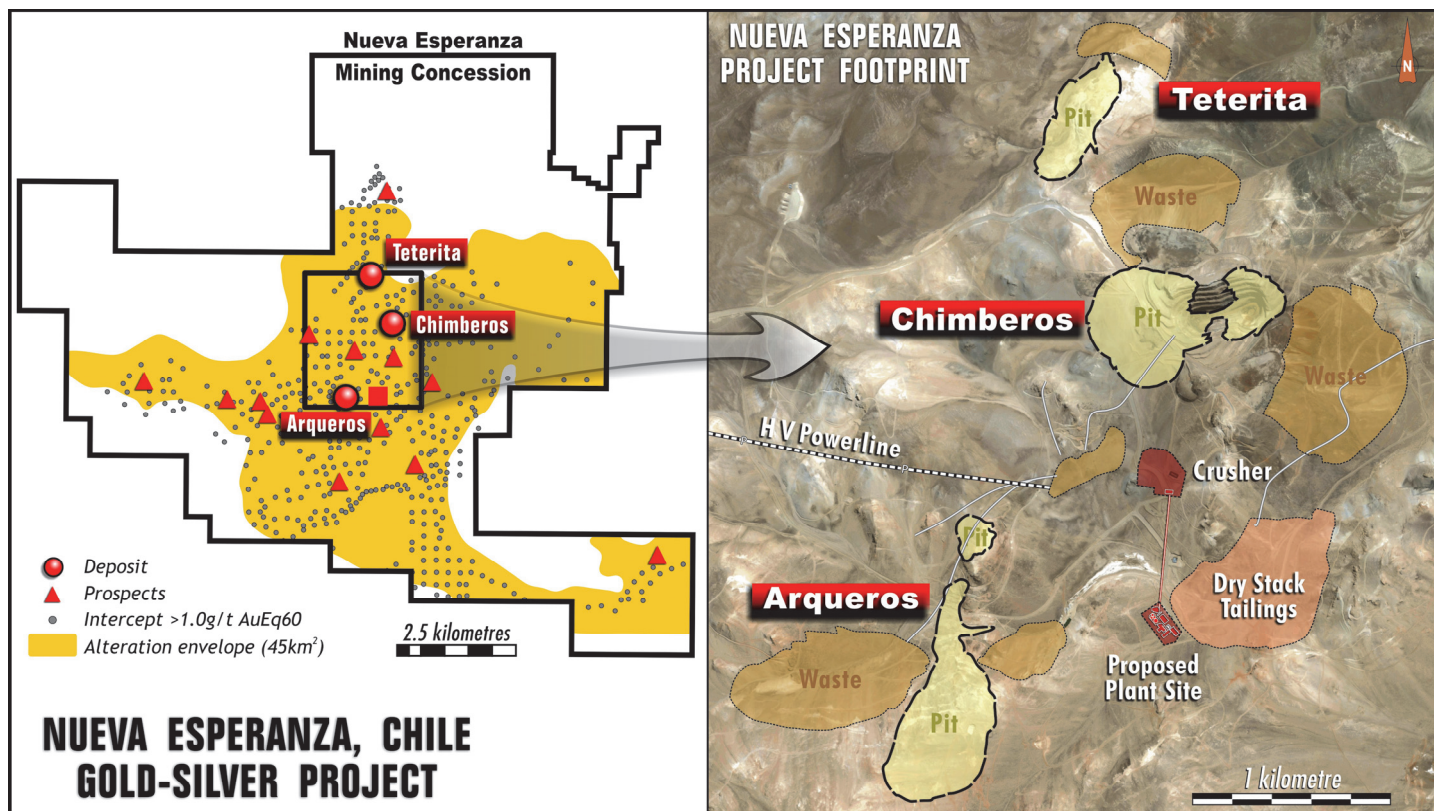
Permitting

Documentation for the environmental impact submission (“DIA”) is being prepared for presentation to the Chilean regulatory agencies in May 2017. The DIA is essentially a process to amend the existing permit footprint and incorporate a dry-stacked tailing design.



Kingsgate's Chilean Team discussing project status and community relations for the Nueva Esperanza Project with the Chilean Mining Minister, Aurora Williams, in March 2017. Left to Right: Maria Ines Araya (Kingsgate Community Relations Co-ordinator), Juanita Galaz Palma (MYMA consultant), Chilean Mining Minister, Aurora Williams, and Leonardo Hermosilla (Kingsgate VP Project Development).

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 6 community groups identified in the area. Kingsgate is looking to finalise new “protocols” with the 6 identified community groups in the coming months. Community protocols are an important component of the permitting process. The protocols are legally binding agreements with respect to structured community benefits.



Exploration

At Nueva Esperanza, Kingsgate is continuing the exciting, generative exploration aimed at unlocking the full potential of the district. The highly prospective 45 square kilometre alteration footprint at Nueva Esperanza hosts 3 existing deposits and numerous exploration targets that Kingsgate is systematically exploring through surface sampling, geophysical surveys and drilling.

Kingsgate has deployed a number of geological disciplines and techniques to prioritise and guide drill targeting including geological mapping, shallow RAB drilling below surface cover, surface sampling and geophysics. Targeting has also focused around the peripheries of dacitic domes that are prospective areas where mineralisation is known to occur.

A total of 10,078 metres of exploration drilling has been completed at Nueva Esperanza during the field season commenced at the beginning of September 2016. Total drilling is comprised of 2,322m diamond (8 holes) and 7,756m RC (43 holes).

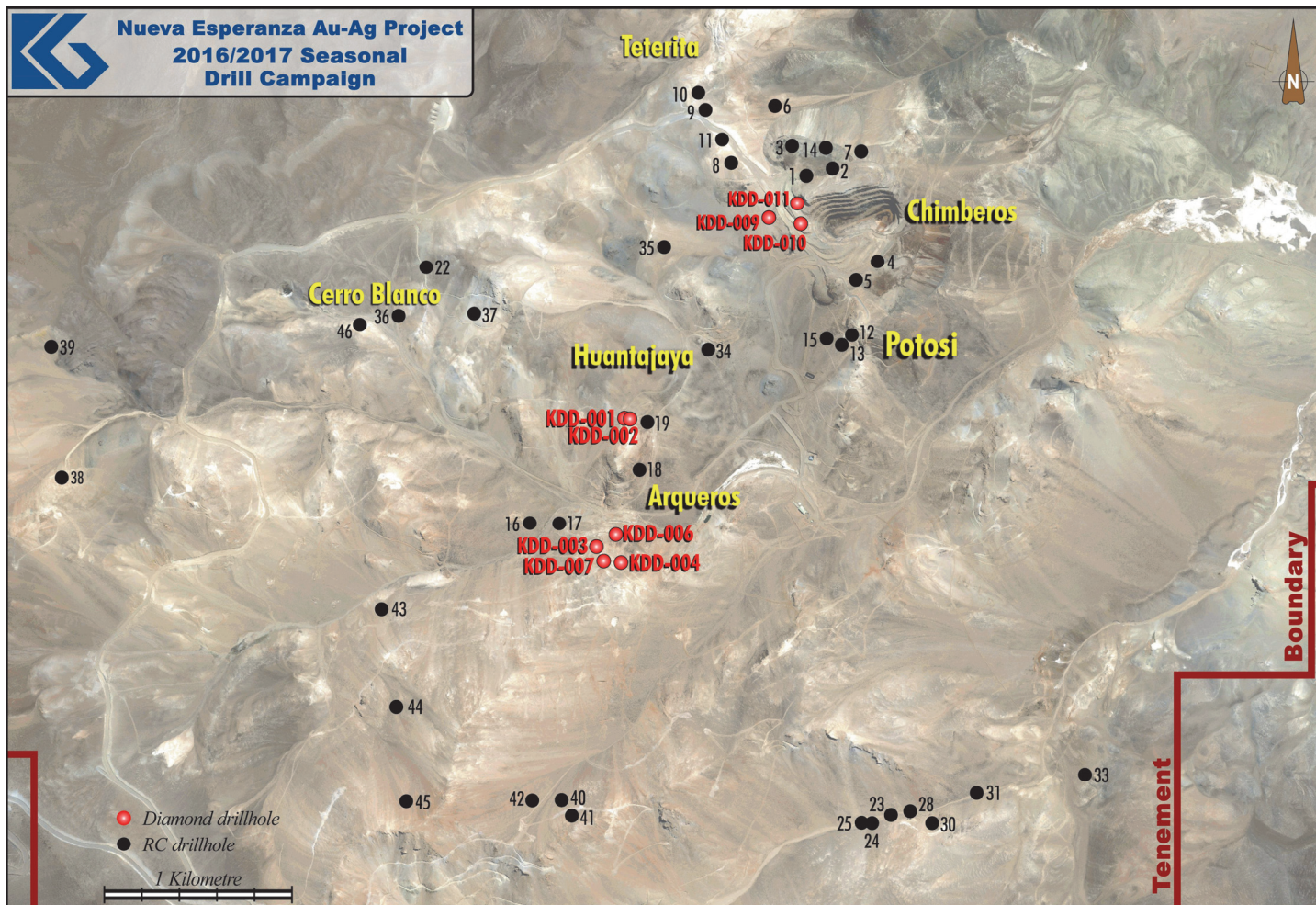
Highlights to date, as reported 27 February 2017, include a number of encouraging drill intercepts from both the Huantajaya and Carachitas targets described in the ASX:KCN release titled “Chile – Drill Results from District Exploration”.

Huantajaya follow-up drilling has not yet outlined material continuity of dimension to the previously reported results. Work at Huantajaya is continuing and additional drill results from the target are pending. Carachitas RC drill results received to date have not yet defined a coherent understanding of the mineralisation system. With the target located under post mineralisation cover, follow-up work to support additional RC drilling includes more extensive trenching and potential diamond drilling to better define geological controls of the target.

Exploration drilling during the quarter focused on a number of different district targets including Arqueros Sur, Cerro Gaston, Cerro Blanco and the Carachitas valley. The majority of drilling has been with the RC rig, with some diamond drilling completed as part of the metallurgical drill program.

Twenty new targets were generated, primarily based on 40 line-kilometres of geophysical IP/resistivity data acquired during the quarter. There appears to be excellent correlation between the known mineralisation at Nueva Esperanza and the geophysical resistivity anomalies, particularly to the south west of the Arqueros deposit where a large zone of alteration was discovered beneath post-mineral cover. The resistivity in particular, shows excellent correlation and appears to highlight silicification. Drilling of a number of geophysical targets is in progress.

March Quarter Review (continued)



Kingsgate's strategic focus is on the north of the Maricunga Belt which is emerging as a highly prospective region for high-grade epithermal mineralisation

Salares Norte¹

- 23Mt @ 4.2g/t Au & 45g/t Ag for 3.7Moz AuEq60
- Best hole reported 132m @ 53g/Au & 59g/t Ag

Nueva Esperanza

- 39Mt @ 0.39g/t Au & 66g/t Ag for 1.9Moz AuEq60²
- Best hole reported 48m @ 7.7g/Au & 94g/t Ag³

~US\$1B Consolidation in the Southern Maricunga (Apr 2017)⁴

- Goldcorp buys 25% stake in Cerro Casale from Barrick
- Goldcorp buys 25% stake in Cerro Casale from Kinross
- Goldcorp buys Caspiche (\$185M) from Exeter
- Goldcorp buys Quebrada Seca from Kinross

¹ Source: <https://www.goldfields.co.za/pdf/presentations/2017/salares-norte-30012017.pdf>

² The Nueva Esperanza resource base of 1.9 million ounces of gold equivalent is broken down as follows: Measured: 0.08 Moz, Indicated: 1.46 Moz and Inferred: 0.33 Moz. [See ASX:KCN release titled "Kingsgate Mineral Resources and Ore Reserves 2016" dated 7 October 2016.]

³ See ASX:KCN release titled "Further Strong Gold and Silver Assay Results from Chile", dated 28 January 2015.

⁴ Source: <http://www.goldcorp.com/English/Investor-Resources/News>



March Quarter Review (continued)

Nueva Esperanza Drilling

Hole ID	Type	Easting (mE)	Northing (mN)	Elevation (m ASL)	Azimuth (°)	Dip (°)	Depth (m)	Target
Exploration RC drillholes (Total: 7,756m)								
KRC-001	RC	483238	7053283	4157	155	-55	250.00	Chimberos N
KRC-002	RC	483383	7053312	4163	155	-55	258.00	Chimberos N
KRC-003	RC	483163	7053433	4158	155	-55	288.00	Chimberos N
KRC-004	RC	483613	7052832	4088	155	-55	234.00	Chimberos S
KRC-005	RC	483497	7052731	4100	155	-55	246.00	Chimberos S
KRC-006	RC	483070	7053643	4088	155	-55	174.00	Chimberos N
KRC-007	RC	483525	7053410	4119	180	-55	218.00	Chimberos N
KRC-008	RC	482843	7053354	4184	155	-55	248.00	Teteritas_S
KRC-009	RC	482705	7053623	4184	155	-55	206.00	Teteritas_S
KRC-010	RC	482676	7053709	4167	155	-55	206.00	Teteritas_S
KRC-011	RC	482796	7053472	4183	155	-55	206.00	Teteritas_S
KRC-012	RC	483346	7052424	4076	35	-55	180.00	Potosi
KRC-013	RC	483427	7052380	4092	35	-55	175.00	Potosi
KRC-014	RC	483341	7053418	4158	155	-55	282.00	Chimberos N
KRC-015	RC	483473	7052444	4032	35	-55	200.00	Potosi
KRC-016	RC	482057	7051453	4084	90	-55	200.00	Arqueros
KRC-017	RC	481788	7051456	4109	270	-55	144.00	Arqueros S
KRC-018	RC	482366	7051737	4164	270	-60	200.00	Arqueros N
KRC-019	RC	482405	7051986	4156	270	-60	150.00	Arqueros S
KRC-020	RC	481937	7051455	4082	270	-55	80.00	Arqueros S
KRC-021	RC	482055	7051450	4084	90	-55	50.00	Arqueros S
KRC-022	RC	481241	7052801	4249	110	-55	156.00	C° Blanco
KRC-023	RC	483532	7049875	4073	180	-55	112.00	Carachitas
KRC-024	RC	483531	7049887	4073	360	-55	76.00	Carachitas
KRC-025	RC	483580	7049906	4068	180	-55	96.00	Carachitas
KRC-026	RC	483686	7049921	4055	180	-55	100.00	Carachitas
KRC-027	RC	483687	7049929	4055	360	-55	102.00	Carachitas
KRC-028	RC	483786	7049940	4044	180	-55	84.00	Carachitas
KRC-029	RC	483890	7049955	4029	180	-55	94.00	Carachitas
KRC-030	RC	483897	7049912	4025	180	-55	76.00	Carachitas
KRC-031	RC	483936	7049976	4018	360	-55	66.00	Carachitas
KRC-032	RC	484130	7050040	3995	180	-55	66.00	Carachitas
KRC-033	RC	484700	7050140	3990	135	-55	162.00	Carachitas
KRC-034	RC	482724	7052378	4103	65	-55	204.00	Huantajaya
KRC-035	RC	482487	7052896	4163	65	-55	200.00	Huantajaya
KRC-036	RC	481106	7052523	4175	90	-70	150.00	C° Blanco
KRC-037	RC	481498	7052563	4200	15	-65	186.00	C° Blanco
KRC-038	RC	479335	7051700	4470	205	-55	300.00	C° Gaston
KRC-039	RC	479280	7052385	4400	110	-70	218.00	C° Gaston
KRC-040	RC	481953	7050000	4446	90	-75	352.00	Arqueros S.
KRC-041	RC	481951	7050002	4446	270	-60	374.00	Arqueros S.
KRC-042	RC	481800	7050000	4414	270	-70	340.00	Arqueros
KRC-043	RC	481000	7051000	4269	90	-65	252.00	Mira - Rifle
Diamond drillholes (Total: 2,322m)								
KDD-001	Diamond	482712	7052434	4113	65	-55	185.15	Huantajaya
KDD-002	Diamond	482529	7052593	4146	80	-45	227.75	Huantajaya
KDD-003	Diamond	482672	7052526	4139	65	-50	217.65	Huantajaya
KDD-004	Diamond	483120	7052899	4117	155	-65	260.00	Chimberos W
KDD-005	Diamond	483098	7053004	4118	155	-65	190.10	Chimberos W
KDD-006	Diamond	483071	7053122	4133	155	-60	247.90	Chimberos W
KDD-007	Diamond	482752	7052455	4126	65	-55	105.70	Huantajaya
KDD-008	Diamond	482613	7052608	4145	65	-45	160.00	Huantajaya

Strategically, Kingsgate is building its Chilean portfolio and is targeting exploration and advanced projects. As a first move, Kingsgate is building its presence in the Maricunga Belt.



The Maricunga Belt has a rich history of discovery and has been the subject of recent gold industry discoveries and consolidation such as:

- The discovery by Goldfields of the Salares Norte deposit located north of Nueva Esperanza;
- The Goldcorp-Barrick-Kinross joint venture agreement covering the Cerro Casale deposit; and
- Goldcorp's acquisition of Exeter Resource Corp for CDN\$247 million.

Kingsgate applied for a number of concessions in the northern Maricunga Belt in 2016 which have been granted. All of Kingsgate's regional exploration targets were reviewed during field campaigns undertaken in January, February and March 2017. The work was performed with two teams and a mobile fly camp which was relocated several times throughout the target areas. The weather during the review was highly variable and included several lost days due to snow, although all targets were eventually visited and sampled.

A total of 164 rock samples and 27 stream sediment samples was taken from the targets. All samples have been sent to ALS for analysis and we are currently awaiting the results.

Additional areas in the Maricunga are currently being reviewed in preparation for additional claiming.

*Regional Exploration.
Typical fly camp located
at 4,400m ASL.*



Finance

Cash at 31 March 2017 totaled A\$28.7 million (\$0.13 per share). Please note this does not include the approximate US\$6 million of gold and silver inventory in the form of high-grade sludge secured at the Chatree site.

Corporate debt at 31 March 2017 is zero following the repayment of an A\$5 million corporate bank debt facility on 3 February 2017. Kingsgate retains a \$10 million Thai related preference share liability classified as debt.

Kingsgate is well funded to meet its planned calendar 2017 expenditures in Chile and Thailand. Estimated net cash demand for the June Quarter is approximately A\$4.6 million with a forecast cash balance at 30 June 2017 of A\$24 million.

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 listing rules, the company undertakes any obligation to publicly update or revise any of the forward looking statements, changes in events, conditions or circumstances on which any such statement is based.

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.

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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OTC Code: KSKGY

Share Details

As at 31 March 2017, there were 223,584,937 ordinary shares on issue.

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