

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 30 September 2017

SIGNIFICANT MATTERS

CORPORATE

- ▶ Kingsgate has commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016.
- ▶ The Political Risk Insurance Policy has a maximum liability of US\$200 million.
- ▶ Kingsgate made a claim under the Policy which was denied, and while the outcome of the proceedings cannot be guaranteed, the Board considers that the terms of the Policy respond to the actions taken by the Thai Government against the Company in 2016.
- ▶ Kingsgate has appointed the leading international law firm Clifford Chance to represent it, and Dr. Andrew Bell S.C. as Senior Counsel on the matter.
- ▶ Kingsgate announced a Share Buy-Back Scheme of up to 10% of the Company's shares, given the Board's concern that the share price does not accurately reflect the value of the Company's assets.
- ▶ The Share Buy-Back Scheme should increase the net asset backing per share, therefore providing a benefit to shareholders. Bell Potter Securities has been appointed to conduct the buy-back.

CHILE

- ▶ Kingsgate continues to progress its 100%-owned Nueva Esperanza Gold-Silver Project in Chile, with work commencing on a seasonal exploration program as well as permitting and feasibility related activities.
- ▶ Following a number of encouraging drill intercepts earlier in calendar 2017, the principal focus of the spring exploration program will be to further unlock the excellent potential of the Cerro Blanco West exploration target. (See ASX:KCN "New Silver Discovery at Nueva Esperanza, Chile" dated 17 July 2017).
- ▶ The Environmental Impact Statement ("DIA") for Nueva Esperanza was submitted to Chilean regulatory agencies in July 2017 and, at their request, this has now been upgraded to a more comprehensive Environmental Impact Assessment ("EIA") to better outline measures to ameliorate the impact of noise and dust on flora and fauna in the project footprint.
- ▶ As the majority of the work for the EIA has already been completed, it is expected to be submitted in early 2018.

THAILAND

- ▶ After notifying the Thai Government, in April 2017, that Kingsgate would be seeking a range of remedies including compensation for the measures taken against the Chatree Gold Mine in violation of The Australia - Thailand Free Trade Agreement ("TAFTA"), the Company has had meetings with the Thai Government on 27 June and 16 August 2017. (Noting however, that the consultations period which is the first step required under a TAFTA claim expired on 27 July 2017).
- ▶ While the dialogue continues in good faith, if at any point in the future Kingsgate considers that a mutual outcome is not able to be reached, Kingsgate has reserved its rights under TAFTA and is free to commence international arbitral proceedings.

FINANCIAL

- ▶ Cash at 30 September 2017 totaled A\$15.8 million.
- ▶ Corporate debt at 30 September 2017 remains at zero.

CHATREE GOLD MINE, Thailand

Care and Maintenance

Akara Resources Public Company Limited (“Akara”), a subsidiary of Kingsgate, 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. Approximately 25 full time staff remain at the Chatree Gold Mine to manage the ongoing Care and Maintenance and rehabilitation works.

At mine closure, approximately US\$6 million of gold and silver inventory in the form of high-grade sludge remains at the Chatree site. Akara has not yet been given permission to transport the material for treatment and refining. However, Kingsgate has now made several requests as part of The Australia - Thailand Free Trade Agreement (“TAFTA”) consultations that this issue be resolved, and the sludge be released to Kingsgate for processing and sale.

Closure Remedies

In April 2017, as part of its response to forced closure, Kingsgate advised that it would be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against the Chatree Gold Mine in violation of TAFTA.

As a first step, Kingsgate notified the Prime Minister of the Kingdom of Thailand that it wished to engage in consultations as required under TAFTA. On 27 June 2017, the first meeting between Kingsgate and representatives from the Thai Government occurred in Bangkok. A second meeting was held on 16 August in Bangkok.

The consultations period expired on 27 July 2017, and while Kingsgate’s discussions with the Thai Government are continuing, the Company reiterates that if a satisfactory outcome is not able to be reached, it has reserved its rights under TAFTA and is free to commence international arbitral proceedings.

Political Risk Insurance

Kingsgate successfully operated the Chatree Gold Mine in Thailand for 15 years, and during that time it took prudent measures to seek to protect its investments in the event of an expropriatory act or similar by the host country’s government. At the time of the Thai Government’s expropriation of the Chatree Gold Mine in May 2016, the Company had a Political Risk Insurance Policy with a maximum liability of US\$200 million in place.

The Political Risk Insurance Policy contains confidential provisions. Their disclosure was required by Kingsgate’s decision to instigate legal proceedings against the insurers in the Supreme Court of New South Wales, following their declinature of Kingsgate’s claim under the policy. While the outcome of the proceedings cannot be guaranteed, the Board considers that the terms of the Policy respond to the actions taken by the Thai Government against the Company in 2016.

NUEVA ESPERANZA PROJECT, Chile (100% Kingsgate)

Kingsgate continues to progress its 100%-owned Nueva Esperanza Project in Chile. Exploration, permitting and feasibility remain the primary focus. Exploration expenditure for the September quarter was approximately A\$0.678 million with expenditure of \$A1.138 million on feasibility, permitting and administrative activities.

Feasibility

Following Ausenco’s appointment in July 2017 to complete the Feasibility Study for Nueva Esperanza, work to date remains both on time and on budget. The Feasibility Study is due in the first half of calendar 2018.

Permitting

The Feasibility Study and permitting at Nueva Esperanza is continuing. The Environmental Impact Submission (“DIA”) was submitted to the Chilean regulatory agencies in July 2017. The DIA process aims to amend the existing permit footprint and incorporate a dry stacked tailing design. The Chilean Environmental Authority has recently requested that the Company submit an Environmental Impact Assessment (“EIA”) instead of the previously agreed DIA.

This request aims to seek some more detail around the potential impacts on flora and fauna in the proposed mine footprint, and the measures that the Company will undertake to ameliorate such impacts. Given that the majority of the work necessary for the EIA submission has already been completed, it is expected that this new information will be submitted in early 2018.

Nueva Esperanza Exploration

Following a number of positive drill intercepts already in calendar 2017, the focus of the spring exploration program will be to further unlock the excellent potential of the Cerro Blanco West exploration target.

Cerro Blanco West

Cerro Blanco West is a blind exploration target located approximately 800 metres southwest of Cerro Blanco, a large topographic high, preserving shallow-level opaline and steam-heated alteration.

Drilling targeted the northern part of a 0.4 km by 1.4 km, north-striking geophysical anomaly defined by the 2017 IP and Resistivity Survey. The anomaly comprises a corridor of shallow (< 200 metres depth) high-resistivity response, lying within the favourable 4,000 to 4,200 metre elevation interval which hosts most of the significant mineralisation defined to date in the Nueva Esperanza and adjacent La Coipa districts. No historic drilling was previously completed within the immediate footprint of the target geophysical anomaly.

Mineralisation, characterised by strong pervasive iron-oxide development, is hosted in silicic and advanced-argillic altered, variably shallow-dipping, stratified dacitic tuffs immediately above their contact with underlying strongly pyritised, coherent to coarsely brecciated dacite porphyry. The dacite porphyry is interpreted to be a flow-dome forming the stratigraphic footwall to the bedded tuff sequence.

Mineralisation remains open to the north, west and south although weaker silver intersections in some of the more eastern holes suggest possible local attenuation of mineralisation towards the east. Silver intersections from two Reverse Circulation drill holes collared approximately 200 metres further to the east on the lower western flanks of Cerro Blanco (Hole KRC-036 and historical Hole SCB-11) probably occur at the same stratigraphic horizon and suggest possible improvement of silver grades further to the east. (See ASX:KCN "New Silver Discovery at Nueva Esperanza, Chile" dated 17 July 2017).

Excellent potential is considered to remain over some 400 metres of untested strike of the resistive corridor immediately south of the current drilling, where the high resistivity feature projects towards an approximately north-striking silicic ledge "feeder" system controlling gold-silver (Au-Ag) mineralisation in the Rifle Ridge prospect area.

Historic drill-intercepts reported from the Rifle Ridge prospect include 25 metres grading at 1.47g/t Au, 17.4g/t Ag (1.93g/t AuEq60) in Hole ERFR-1, and 16 metres grading at 1.71g/t Au and 51.75g/t Ag (for 2.57g/t AuEq60) in Hole SRR-006.

The notable increase in gold values associated with mineralisation to the south at the Rifle Ridge prospect is thought to augur well for improved gold tenor in any potential southern extension to the mineralisation so far intersected at Cerro Blanco West.

Cerro Blanco West is a priority drill-target that is now being followed up with a view to expanding the foot-print of the currently defined mineralisation. Due to an unusually long winter season, follow-up drilling, comprised of an initial ten to twelve holes, has only recently commenced.



Figure 1:
Nueva Esperanza target location map.
(Resource areas in capital letters).

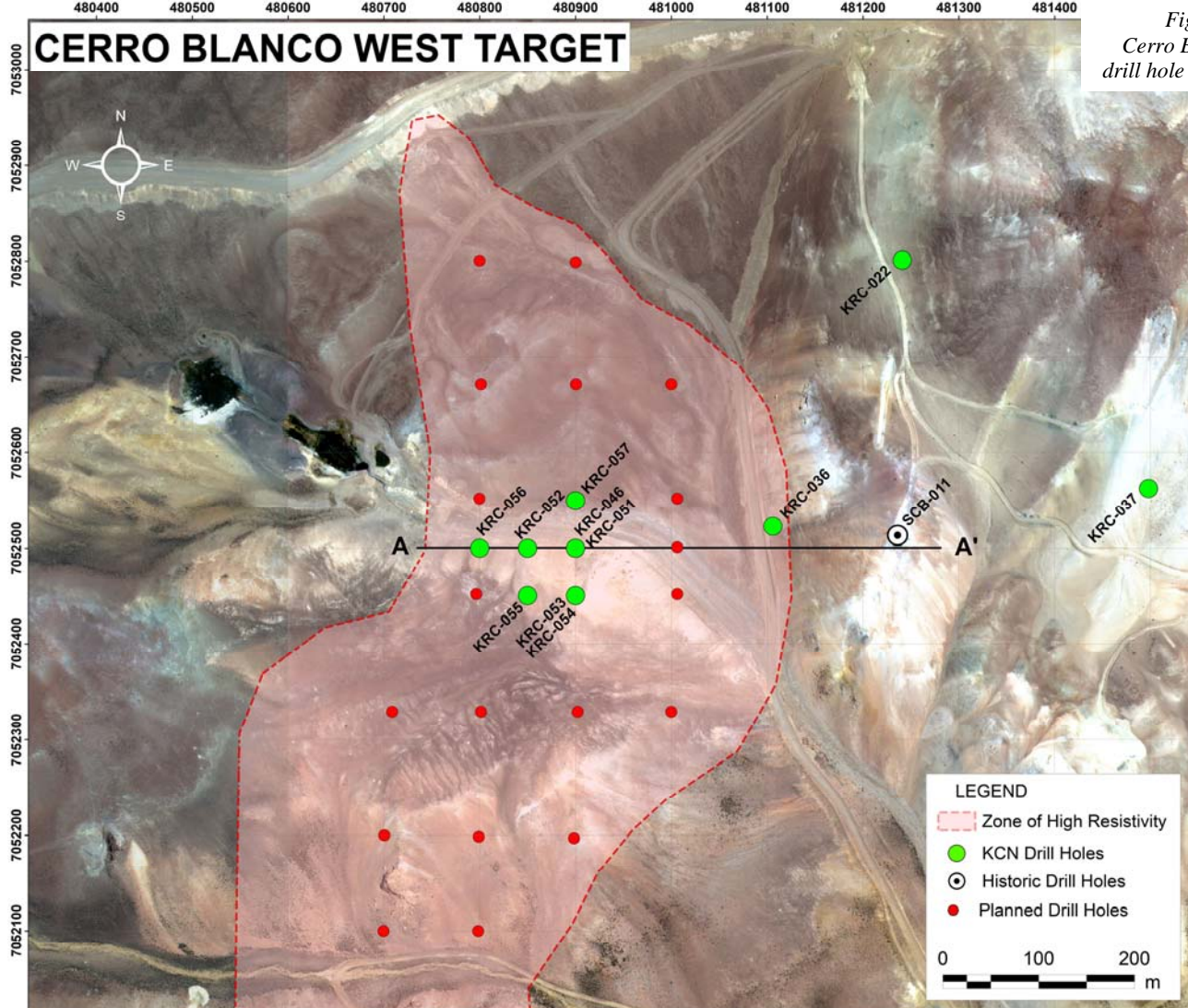


Figure 2:
Cerro Blanco West drill hole location map.

Maricunga Generative Program

Kingsgate has been building its regional exploration portfolio in the northern Maricunga Belt. The Company currently has a number of licences and areas to the north of Nueva Esperanza under application.

The concessions and concession applications cover large areas of intense, high-level alteration considered prospective for epithermal precious-metal deposits. While several areas have already been explored and geologically mapped, which has resulted in some concessions being voluntarily relinquished due to disappointing sample results, a number of applications have been submitted for several other areas of interest.

The Company is engaged in some preliminary discussions in relation to possible exploration Joint Ventures in the northern Maricunga.

Corporate and Finance

Finance

At the end of September 2017, Kingsgate's Group Cash totalled:

- A\$15.8 million.

(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 mine site.)

Condolences

It is with great sadness that King Bhumibol Adulyadei of Thailand (also known as King Bhumibol the Great, and King Rama IX as the ninth monarch of the Chakri Dynasty) passed away at the age of 88, on 13 October 2016, after a long illness. A year-long period of mourning was subsequently announced and, on 26 October 2017, the cremation was held at the public square, Sanam Luang. Thence followed a five-day Royal Cremation Ceremony, until the end of October, after which the King's ashes are to be taken to the Grand Palace and later enshrined at two Buddhist temples in Bangkok. The late King Bhumibol is remembered as a good friend of Australia and will be greatly missed. The coronation of Thailand's new King Maha Vajiralongkorn (King Rama X) is likely to take place at the end of this year, and both Kingsgate and Akara Resources wish him a long and peaceful reign.



Corporate Directory

Board of Directors

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

Senior Management

Ross Coyle	Chief Financial Officer & Company Secretary
Alistair Waddell	Vice President, Corporate Development & Exploration
Leonardo Hermosilla	Vice President, Project Development & General Manager, Kingsgate Chile NL
Jamie Gibson	General Manager, Corporate and External Relations Tel: +61 2 8256 4800 Email: jgibson@kingsgate.com.au

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Investor Relations Contact

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Share Details

As at 30 September 2017, there were 223,584,937 ordinary shares on issue.

Notes for Mineral Equivalents: (1&2)

1. The 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 released titled "Kingsgate Mineral Resources and Ore Reserves 2017" dated 5 October 2017).

2. 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): $AuEq(g/t) = Au(g/t) + Ag(g/t) \div 60$, 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 other projects.

Forward Looking Statement:

These materials include forward looking statements. Forward looking statements inherently involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and 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 and 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 Person(s): 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

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ADR Depository

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