

Chairman's Address - 2017

The year in review has been one that has seen great highs and lows for your Company, highlighted by the incredible job your Board and Management did in turning an \$80m debt into a \$38m cash balance over the final 7 months of operation of the Chatree Mine.

This has allowed us to stabilise the Company and develop a clear strategy

- With respect to our corporate costs by continuing to make savings on expenses.
- Our approach to the risk versus the reward on our Political Risk Insurance claim and our claim under the Australia Thailand Free Trade Agreement.
- Our appointment of leading international law firm, Clifford Chance and Dr Andrew Bell S.C. to prosecute the Company's interests under its PRI Policy and under TAFTA.
- Our continuation with our feasibility and exploration activities in Chile.

The \$200m claim under the Political Risk Insurance Policy (which your Board had the foresight to increase cover under from \$30 million following the temporary shutdown of Chatree in 2015) has reached a critical stage with pleadings to be completed before Christmas and with parties planning for court ordered mediation to take place during March 2018. Representatives of the insurers will be travelling to Australia for the mediation and your Company will be represented by its Directors who have an extensive background and deep understanding of the policy and the circumstance giving rise to the claim.

So far as your Company's claim against the Royal Thai Government is concerned, this has also reached a critical stage. It was unfortunately not possible to negotiate a settlement of the claim without commencing arbitral proceedings. The commencement of proceedings was a tactical step taken by your Company with a view to elevating the claim to the political level in Thailand, where we expect a satisfactory resolution could ultimately be achieved. We are currently working on a confidential strategy which could result in a significant early procedural win, further improving the prospects for settlement.

In Chile we have maintained a healthy exploration budget which appears to have made a significant discovery at Cerro Blanco West. We are now well progressed with the Nueva Esperanza Feasibility Study.

It has been suggested in certain quarters that your Board has no plan for the Company. This is clearly not the case. Our plan which is coherent and has been well articulated is:

- To prosecute our rights under our Political Risk Insurance Policy – if necessary by taking the matter to a court hearing by June or July 2018.
- To continue to seek a settlement of our claim against the Kingdom of Thailand against a backdrop of vigorously prosecuting our rights under TAFTA.
- By continuing with our exploration program and feasibility study in Chile, while at the same time exploring opportunities to capitalise on its value at an optimum time.

I'm proud of the relevant and diverse skills your Board possesses to successfully advance the critical issues which are now before it. Your Board has been working tirelessly to address a myriad of complex issues as they arise, and has been meeting on short notice at all hours of the day and night.

Last week we received a S249D Notice requesting a spill of the Board from a small UK outfit called Metal Tiger PLC. Not very well known in the City of London, Metal Tiger is an A.I.M. listed company selling at 2p per share.

Metal Tiger has recently accumulated a small 6.7% stake in your Company. Whilst some might consider it a little arrogant and gain control of the Company's assets with such a small commitment, no doubt its backers would consider such action to be quite smart.

Metal Tiger has a motley portfolio of rather insignificant assets, with the one highlight being a 30% joint venture with MOD Resources Ltd, which has an interesting copper/silver prospect in Botswana.

It also has some applications for exploration licences over a couple of former zinc mines in northern Thailand. This apparently qualifies the company as an expert on Thailand. The Company, like all others in Thailand, has had trouble getting licences, and the prospect has environmental uncertainties surrounding it. The company has told the market that it has delayed a proposed IPO of these assets till the first quarter of next year so they can review the new Minerals Act.

Mr McNeilly, the CEO of the company, would do well to actually read the iniquitous new Minerals Act, and he may find that in the unlikely event it ever got into production he may well be up for royalties of up to 30%.

One would have to sincerely hope that it is not one of Metal Tiger's real intentions to try to dump these inferior assets into your Company.

Metal Tiger has already made gratuitous comments regarding your Board, predictably that it has overseen the destruction of assets, conveniently forgetting that at least half of the Board were involved in the creation of them in the first place, and ignoring completely the dedication and commitment that has been exhibited by the current Board trying to remedy the ills that were not of its own making. Your Board is determined to restore value to your Company and to your investment and you would all know that, consistent with the past record of your Company, shareholder value and returns are the paramount concern of your Board. When we achieve results from our legal actions, which we fully expect to do, shareholder benefits will be at the forefront.

Metal Tiger has not spelt out any specifics as to what it might do if it got control, preferring to talk in generalisations. Undoubtedly the Company is inundated with people telling them they can fix Kingsgate's problems if they can get control. Interestingly Thailand is awash with people that can "fix" your problems. We've met most of them. For those who are young and lacking in relevant experience it can be a real costly and dangerous experience at that.

Let's look at some of the facts, Chatree was closed down arbitrarily based on totally false claims, many originally made by another former employee, who coincidentally left our Company due to dishonesty. These were taken up by a small gaggle of protestors, not ever representative of the local population, and a bunch of professional anti-mining NGO's.

Any claim they made, despite no evidence whatsoever, was reported by a sensationalist and compliant press, and soon became too much for the bureaucrats and politicians.

The rest is history. But even that seems to be moveable; when Chatree mine was closed we were instructed to rehabilitate it immediately. To get the land back to how it was before we started mining. Strangely, following the announcement of us taking action under the Australia Thai Free Trade Agreement (TAFTA), and clearly under instructions from their new US lawyers, the Government is insisting the order was only ever temporary.

The trouble is, the closure order was only the last of many impediments put up against your Company by successive governments. When, many years ago, the royalty regime changed overnight to the highest royalties in the world, the death knell for the gold industry in Thailand was sounded. We could survive it because we were such efficient operators, and

we had sunk capital, but no other genuine international gold company would come; and they haven't!

So whilst we are negotiating with the Government still at the present time they wish to impose further impediments to a viable industry. What does not seem to be realised by the Government, and certainly not Metal Tiger, is that the combined new Minerals Act, and the accompanying "Gold Policy" are so draconian, and unworkable that they will ensure that there will never be a proper mining industry in Thailand. Having seen how we've been treated no real mining companies will come.

It is very easy to say I have been around too long. However, age, and longevity are a real asset when negotiating in Thailand. Besides other people have observed that my continued presence has been the glue that has kept this Company together through the adversities of the last few years. I wish to see it through, and restore the value to this Company that has been so cruelly taken away in recent years.

One thing is for certain, this Company will always be run for the benefit of its Shareholders, not Management. It will be run for the benefit of all shareholders, not the selfish interests of one minority shareholder.

I thank all those who have been loyal, and supportive over a long period both inside and outside the Company, and would urge all shareholders to completely reject this recent opportunistic attempt to "steal" the assets of your Company.

Vote "AGAINST" to all the Resolutions put up by Metal Tiger!!

Ross Smyth-Kirk

Executive Chairman

THE CHAIRMAN'S ADDRESS MAY ALSO BE VIEWED ON THE COMPANY'S WEBSITE