

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 30 June 2018

KEY ISSUES

CHILE

- ▶ Following the appointment of a corporate advisor to identify advantageous options to monetise the Nueva Esperanza Project, expressions of interest are currently being sought from interested parties.
- ▶ The RCA 151/13 permit was renewed during May 2018, which prescribes the relevant environmental conditions (including water usage) that the project must comply with in order to continue development.
- ▶ The Environmental Impact Assessment (“EIA”) for Nueva Esperanza has been completed on time and was submitted to the Chilean regulatory agencies on 29 June 2018.
- ▶ As Kingsgate is currently seeking to monetise the Nueva Esperanza Project, work on the Feasibility Study for the Nueva Esperanza Project has been suspended pending the outcome of that process.

CORPORATE

- ▶ **Political Risk Insurance Claim (“PRI”)** - In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy (with a maximum liability of US\$200 million) that was held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016.
- ▶ On 6 July 2018, a Directions Hearing was held in the Supreme Court of New South Wales for the Company’s PRI claim.
- ▶ The Court listed the Proceedings for trial, for up to fifteen days commencing on 3 June 2019.
- ▶ Kingsgate remains open to achieving a settlement, but in the meantime will continue to prosecute its claim against the insurers in the Supreme Court of New South Wales.
- ▶ **TAFTA Claim** - The Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA (“Australia Thailand Free Trade Agreement”) Claim will be heard on 18 November to 29 November 2019.
- ▶ However, the Tribunal has also ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.
- ▶ Kingsgate remains committed to seeking a settlement of the matter with the Thai Government.

FINANCIAL

- ▶ Cash at 30 June 2018 totaled A\$11.2 million.
- ▶ Corporate debt at 30 June 2018 is A\$15.0 million.

SUCCESSFUL RESCUE OF THE WILD BOARS SOCCER TEAM - JULY 2018

The Board and Management of Kingsgate Consolidated Limited, would like to join with well-wishers from around the world in congratulating the rescuers, Thai officials, and the international team of supporters on their successful rescue of the 12 boys and their football coach stranded in the flooded Tham Luang cave in the Chiang Rai province for 17 days. Kingsgate offered financial and logistical support in the form of water pumps to assist with the rescue.

We also offer our sincere condolences to the family of Thai ex-Navy SEAL diver Saman Kunan who died a hero during the early stages of the rescue.

We wish the boys and their coach all the very best as their life returns to normal, and we commend the coordination of this truly global rescue, especially the successful outcome.

June Quarter Review

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 remained at the Chatree site. Akara has made some progress in having the sludge released for sale. Akara is currently working with the Thai Department of Industry and Mines, and the sludge has recently been assayed so that it may be released for processing and commercial sale. To assist with this process, Akara Resources has been negotiating terms and conditions with a Thai based refinery to process the sludge. However, there can be no guarantee that this will occur.

NUEVA ESPERANZA PROJECT, Chile

Nueva Esperanza is a feasibility-stage development project with a resource base of approximately 1.9 million ounces gold equivalent (see “Notes for Mineral Equivalents”). Kingsgate Consolidated has appointed a corporate advisor to advise and assist it in identifying advantageous options to monetise the project. Expressions of interest are being sought from interested parties.

Feasibility

As stated above, given that Expressions of Interest in the project are currently being sought, work has been suspended on the Definitive Feasibility Study (“DFS”), which remains substantially incomplete, pending the outcome of this process. There is still some material modelling/assumptions that require further investigation (both CAPEX and OPEX related) before the DFS can be completed.

Permitting

Kingsgate is pleased to advise that the Environmental Impact Assessment (“EIA”) for Nueva Esperanza was completed on time and was submitted to the Chilean regulatory agencies on 29 June 2018.

Exploration

Exploration expenditure for the June quarter was approximately US\$450,961.

Exploration work completed during the quarter concentrated on three key areas in and around the project footprint:

- North-East Nueva Esperanza where abundant siliceous material is evident as a surface lag (bedrock-derived stony material selectively sampled and analysed as an indicator of bedrock geochemistry);
- Chimberos East, along the boundary with Kinross Gold Corporation’s Huemul claims where a strong quartz stockwork appears to be widespread; and
- The Antonella claims/tenements surrounding the neighboring ‘Atletico Madrid’ block located approximately 6kms to the south of the Nueva Esperanza Project, which contain abundant siliceous breccia and vuggy-silica.

Assay Results

A total of 796 rock chip samples were collected during 2017 – 2018. A total of 20 samples were collected and assayed during the quarter.

Notable highlights include results from the Antonella exploration tenements:

- **2 rock chip assays with 23.9g/t gold, 7.93g/t silver and 5.39g/t gold, 26.5g/t silver respectively;**
- **2 rock chip assays with 764g/t gold and 719g/t silver respectively; and**
- **5 rock chip samples greater than 10g/t silver including a sample with 34g/t silver.**

The spring exploration program commencing in September/October will look to further investigate these promising results, and to continue to unlock the prospectivity around the Cerro Blanco West exploration target.

June Quarter Review

REGIONAL EXPLORATION, CHILE

Maricunga Generative Program

Kingsgate has been building its regional exploration portfolio in the northern Maricunga Belt. The Company currently has a number of 100% owned licences and areas under application north and south of the Nueva Esperanza Project. The concessions and concession applications typically cover large areas of intense, high-level alteration considered prospective for epithermal precious-metal deposits. The 2018 program is currently underway evaluating new target areas and prioritising others for more detailed follow-up fieldwork.

CORPORATE & FINANCE

Finance

At the end of June 2018, Kingsgate's Group Cash totalled A\$11.2 million excluding US\$6 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site.

With reference to its previous advice on 29 August 2017, Kingsgate executed a A\$15.0 million Standby Loan Facility ("SLF") and drew down on the SLF in full on 2 May 2018, to fund its working capital requirements.

The SLF is repayable in six months from drawdown and has been provided on standard commercial terms for a loan of this nature. The utilisation fee under the SLF has been satisfied by the issuance of 2,641,003 Kingsgate shares (See ASX:KCN Appendix 3B – "Issue of Shares" dated 7 May 2018).

The Company continues to pursue its claims against the Kingdom of Thailand under the Australia Thailand Free Trade Agreement and against Zurich Australia Limited and other named insurers under its Political Risk Insurance Policy.

The Company remains open to settlement of both claims.

Kingsgate continues to cut costs and reduce overheads across the Group, which included the closure of the Akara Resources Corporate Office in Bangkok, and the relocation of the Corporate Office in Sydney in the next quarter to a more cost effective alternative. A number of redundancies took effect during the quarter in Thailand, with further staff rationalisation scheduled for both Sydney and Thailand in the next quarter.



Water bore drilling, Nueva Esperanza, Chile

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
Leonardo Hermosilla	Vice President, Project Development & General Manager, Kingsgate Chile NL
Jamie Gibson	General Manager, Corporate and External Relations
Gavin Robertson	Manager Legal

Principal and Registered Office

Suite 801, Level 8, 14 Martin Place
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Exchange Details

ASX Code: KCN
OTC Code: KSKGY

Investor Relations Contact

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Share Details

As at 30 June 2018, there were 226,225,940 ordinary shares on issue.

Chile Office

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Share Registry

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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

Notes for Mineral Equivalents:

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. Gold Equivalent is based on the following: $AuEq(g/t) = Au(g/t) + Ag(g/t) / 60$. Calculated from prices of US\$1200/oz Au and US\$19.00/oz Ag, and metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate (See ASX:KCN released titled “Kingsgate Mineral Resources and Ore Reserves 2016” dated 7 October 2016).

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:

The information in this report that relates to Exploration Results at the Nueva Esperanza Project in Chile is based on information compiled by Ron James, who was previously an employee of the Kingsgate Group. Ron James is now a consultant geologist and a member of The Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person. Mr James has sufficient experience that is relevant to the style of mineralisation being reported herein as Exploration Results, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves.” Mr James has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.