



Quarterly Report

For the period ending 30 September 2016

SIGNIFICANT MATTERS

- ▶ On 16 September 2016, Northern Gulf Petroleum International Pte. Ltd. (“NGPI”) announced an unsolicited proportional takeover offer to Kingsgate shareholders.
 - ▶ The Kingsgate Board unanimously⁽¹⁾ recommends that shareholders **REJECT** the offer. Information setting out the reasons to **REJECT** the offer can be found in “Kingsgate’s Target’s Statement” which is being sent to shareholders on 17 October 2016, and can be viewed at www.kingsgate.com.au
 - ▶ Kingsgate’s shares will be reinstated to trading on 17 October 2016.
 - ▶ Kingsgate continues to push for clarity and remedies to the situation in Thailand.
 - ▶ The Chatree Gold Mine delivered a strong September 2016 quarter, with higher grades being accessed.
 - ▶ A total of 39,026 ounces of gold was produced during the quarter with 39,742 ounces of gold poured.
 - ▶ In September alone, 20,073 ounces of gold was poured which represents the highest ever gold pour for a single month since the Chatree Gold Mine commenced operations.
 - ▶ Gold sold for the quarter was 29,905 ounces at an All-in Sustaining Cash Cost of \$US596 per ounce with an average gold price received of US\$1,335 per ounce.
 - ▶ Chile - Kingsgate pushed ahead with its 100% owned Nueva Esperanza Project in Chile, with the spring exploration program commencing on 1 September 2016.
 - ▶ A drilling program comprising firstly of air blast drill holes and then RC drilling is expected to commence in November 2016.
 - ▶ As part of a regional exploration initiative, Kingsgate have made applications for 11 new concessions in the Maricunga District, covering large areas of high-level epithermal alteration similar to that seen at Nueva Esperanza and nearby La Coipa.
 - ▶ Bowdens – for Silver Mines Limited to purchase the remaining 15% of the Bowdens Silver Project by way of an amendment to the Deed of Variation, Kingsgate received a non-refundable payment of A\$1 million on 30 September 2016, with the residual amount of A\$4 million to be paid on or prior to 30 December 2016.
 - ▶ Cash and bullion/doré totaled A\$69.2 million (June Qtr: A\$55.2 million), comprising cash of A\$51.8 million (including restricted cash of A\$3.7 million) and bullion/doré of A\$17.4 million.
 - ▶ Debt facilities of A\$72 million which comprise an A\$5 million corporate facility and an A\$67 million equivalent loan facility against the Chatree Gold Mine.
 - ▶ Kingsgate will be making a discretionary payment of approximately US\$11.6 million against the Chatree loan facility on 21 October 2016. This is in addition to the next scheduled repayment of US\$5 million in November 2016.
1. Peter McAleer has been granted extended leave of absence from February 2016 due to ill health, and has not participated in any board deliberations (including deliberations relating to the Offer) since that date.

Detailed Production Report – Chatree Gold Mine

Production Summary	Units	September Quarter 2016	June Quarter 2016
Ore Mined	bcm	456,795	438,714
Waste to Ore Ratio		1.02:1	1.7:1
Ore Mined	tonnes	1,189,784	1,149,431
Ore Treated	tonnes	1,344,796	1,235,604
Head Grade - Gold	Au g/t	1.08	0.79
Head Grade - Silver	Ag g/t	23.3	13.2
Gold Recovery	%	83.9	77.9
Silver Recovery	%	41.9	32.0
Gold Poured	ounces	39,742	23,711
Silver Poured	ounces	403,839	164,410
Financial Summary			
Cost Summary			
Mining Cost	US\$/oz	275	409
Milling Cost	US\$/oz	251	482
Administration & Other	US\$/oz	54	82
Stockpile Adjustments	US\$/oz	88	(79)
By Product Credit *	US\$/oz	(152)	(105)
Cash Operating Cost	US\$/oz	516	789
Gold Royalty	US\$/oz	89	113
Total Cash Cost	US\$/oz	605	902
Depreciation & Amortisation - Operating	US\$/oz	448	318
Depreciation & Amortisation – Deferred Stripping	US\$/oz	44	67
Total Production Cost	US\$/oz	1,097	1,287
Total Cash Cost per Tonne of Ore Treated	US\$/tonne	17.89	17.31
Revenue Summary			
Gold Sold	ounces	29,905	24,435
Silver Sold	ounces	341,204	166,232
Average Gold Price Received	US\$/oz	1,335	1,211
Average Silver Price Received	US\$/oz	20	17
Revenue from Metal Production	US\$M	46.6	32.4

*Net of silver royalties

December 2016 Quarterly Guidance⁽²⁾

	Units	Dec 2016 Quarter (Forecast)
Gold Production Guidance	ounces	40,000 – 45,000
Gold Sales Guidance	ounces	45,000 – 50,000
Total Operating Cash Costs	A\$ million	45

As set out above, gold production and sales are expected to increase in the December 2016 quarter as compared with the results achieved in the September 2016 quarter, continuing the upward trend achieved over the course of the September quarter. This guidance is largely the result of pit optimisation work carried out by Akara, and higher grades and lower strip ratio that have been achieved. Furthermore, gold sales during the December 2016 quarter are expected to benefit from the gold produced but not sold during the September 2016 quarter (hence the positive difference between the sales and production guidance noted above).

2. More detailed information in relation to December 2016 quarterly guidance can be found in Kingsgate's Target's Statement at Section 4.3(c) Projected Operating performance and cash flows on page 21 - released to the ASX on 17 October 2016 or at www.kingsgate.com.au

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. Kingsgate since that time has been 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 complex.

Chatree General

September quarter gold poured at Chatree was 39,742 ounces at a total cash cost of US\$605/oz. Gold sales for the quarter was 29,905 ounces at an average gold price received of US\$1,335/oz with the All-in Sustaining Cash Cost (AISC) of US\$596/oz.

The operation is working to a 31 December 2016 operating plan in accordance with the reduced term of the Metallurgical Licence.

Chatree is now benefiting from the investment with respect to accessing 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 have improved.

A major cross cutting shear structure slowed production in July and August, with geotechnical and process plant recovery impact. However, mining through this zone has been completed and the operating plan is back on track, with improved month-on-month performance in the quarter, with very strong production in the month of September.

Safety

There were no Lost Time Injuries recorded for the quarter. The Chatree Gold Mine to date has a 12 month rolling Lost Time Injury Frequency Record ("LTIFR" = the number of lost time injuries occurring in a workplace per 1 million man-hours worked) of 0.0.

There were no reportable environmental incidents during the quarter and it remains in compliance with all environmental regulations.

Mining Operations

Total ore mined for the quarter was 1,189,784 tonnes @ 1.08g/t.

Overall strip ratios continue to decline as the operation works to a revised plan to cease mining operations by 31 December 2016.

The orebody performance with respect to grade delivered strong results in the month of September, and mining fleet availability has improved.

In late August, there was a wall slip which caused a short term disruption with respect to haul road access and ore production. Remediation action was completed in September.

Processing

Mill performance including throughput and recoveries improved month on month during the quarter as the mine processed all remaining carbonaceous ore by the end of July 2016 and grades improved. Ore sources were primary ore supplemented by stockpile materials and small quantities from the Q Pit.

The plant produced 39,036 ounces of gold, with gold poured and shipped totalling 39,742 ounces. Silver production was 421,930 ounces. Overall gold recovery for the quarter was 83.9% (77.9% June quarter) with higher quarter on quarter recoveries largely a result of higher feed grades.

NUEVA ESPERANZA PROJECT, CHILE (100% KINGSGATE)

Exploration

Fieldwork during the quarter was limited due to the winter field season. Harsh weather conditions and snow on the ground made surface sampling and geological mapping difficult. The spring field campaign commenced on 1 September when the team was remobilised to camp and fieldwork initiated.

The technical team working on the project was materially strengthened by the addition of two new Senior Geologists. Both Geologists complement the current team and have extensive experience working in the high Andean environment and on large epithermal deposits.

Surface Sampling

A surface sampling campaign took place in September following-up several new target areas in the vicinity of dacitic domes. An area East of Cerro Gaston was sampled in detail following up several highly anomalous boulder float samples taken prior to the winter shutdown. The float samples returned maximum values of 366 and 251g/t silver from vuggy quartz located in a small drainage below the new target area. The target area was systematically rock sampled and geologically mapped.

The Potosi area was also sampled and geologically mapped in detail following up some historical samples with anomalous silver values. All rock sample results from the Cerro Gaston and Potosi areas are expected in October.

Project Data

A new topographic base map and high resolution satellite image was acquired for the project. The topographic data and associated image is being used for general development and exploration activities.

All the various target specific exploration data is being compiled into district scale layers which can be interrogated as part of a dynamic GIS type system. The principal datasets include topographic information, spectral imagery, geology, geophysics, surface geochemistry and drilling.

The aim of the ongoing data compilation is to determine the principal controls on mineralisation such as district scale structures, large intrusive bodies and any associated alteration zonation.

Future plans

Reverse circulation (RC) drilling program comprising approximately 40 holes is scheduled to commence during the next quarter and will systematically test a number of different targets. The initial focus will be in the Chimberos district testing a number of deeper silver-gold targets north and south of the Chimberos pit.

A Phase 2 air blast hole (RAB) drill program will be initiated before the calendar year-end testing prospective areas covered by post-mineral cover. The shallow drill program comprising approximately 300 holes will follow up on the innovative and successful 485 hole Phase I program completed in March 2016. Certain prospective areas identified by the Phase I program will be infilled to a higher density.



View of the eastern Chimberos pit and Potosi target which was the focus of mapping and surface sampling during the quarter.

Regional Exploration, Chile

A desktop review of concession-free areas in the Maricunga Belt was completed. The northern part of the Belt is emerging as a relatively underexplored 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.

As a result of the investigation applications have been made for eleven new groups of concessions which are currently being processed by the Chilean authorities. The new concession applications cover large areas of high-level epithermal alteration similar to that seen at Nueva Esperanza and La Coipa. Ground truthing of these new projects will likely be initiated in early 2017.

BOWDENS SILVER PROJECT, NSW

On 30 June 2016, Kingsgate advised that it had entered into a Deed of Variation with Silver Mines Limited, for an additional payment of A\$5 million in return for the remaining 15% of the Bowdens Silver Project.

By way of an amendment to the Deed of Variation, both Kingsgate and Silver Mines Limited have now agreed to the following terms:

- Kingsgate has received a non-refundable payment of A\$1 million on 30 September 2016, with the residual amount to be paid on or prior to 30 December 2016;

- the remaining A\$4 million (plus interest of 10% per annum calculated from 30 September 2016 to the date payment is made) of the post completion amount is payable to Kingsgate; and
- should Silver Mines Limited not pay the final balance of A\$4 million by 30 December 2016, the parties will form an unincorporated 85% -15% Joint Venture with Kingsgate retaining 15% as contemplated under the original Agreement.

CORPORATE & FINANCE

Finance

At the end of September 2016, following debt repayment during the quarter of equivalent A\$12.0 million, the Kingsgate's group cash and debt facilities consisted of:

Cash and Bullion/doré

Cash and bullion/doré totaled A\$69.2 million (June Qtr: A\$55.2 million), comprising cash of A\$51.8 million (including restricted cash of A\$3.7 million) and bullion/doré of A\$17.4 million.

Senior Corporate Facility

Kingsgate has A\$5 million owing against a Revolving Credit Facility ("RCF") following a debt repayment of A\$5 million in July 2016.

Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL, has an amortising multi-currency (non-recourse) loan facility which under the revised mine plan that has been implemented following the Thai Government's decision to not extend the Metallurgical Licence beyond 31 December 2016, is now expected to be repaid in full by 31 December 2016. Following a debt repayment of equivalent A\$7.0 million in August 2016, the balance owing against this facility is the equivalent of A\$67 million (consisting of THB 718 million and US\$30 million). Kingsgate will be making a discretionary payment of approximately US\$11.6 million against the Chatree loan facility on 21 October 2016. This is in addition to the next scheduled repayment of US\$5 million in November 2016.

All-in Sustaining Cash Costs

		Chatree/Group
Adjusted Total Cash Cost (incl royalties)	US\$/oz	525
Sustaining Capex	US\$/oz	8
Corporate and Administration Costs	US\$/oz	63
All-in Sustaining Cash Cost	US\$/oz	596

Notes:

1. Corporate and administration costs have been allocated 60% to the operating asset. This allocation may vary from quarter to quarter.
2. Adjusted operating costs are based on gold sales and include movements in gold inventory and stockpiles over the period.
3. All the above figures are based on gold sold for the quarter.

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.



Kingsgate staff promoting the Nueva Esperanza Project at the Chile Explore Congress in Santiago - September 2016.

Corporate Directory

Board of Directors

Ross Smyth-Kirk	Chairman
Peter McAleer	Non-Executive Director
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

Principal and Registered Office

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Share Details

As at 30 September 2016, there were 223,584,937 ordinary shares on issue.

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