



# Quarterly Report

For the period ending 30 September 2015

## HIGHLIGHTS

- ▶ Group quarterly gold production of 43,012 ounces at a total cash cost of US\$842/oz.
- ▶ Both Chatree and Challenger operations remain within FY16 production guidance, noting that scheduled overburden stripping activities at Chatree will result in a staggered production profile skewed towards a strong second half.
- ▶ Challenger quarterly gold production of 20,523 ounces at a total cash cost of US\$802/oz was 8% ahead of budget reflecting a strong all-round operating and cost performance.
- ▶ Chatree gold production of 22,489 ounces at a total cash cost of US\$879/oz lower quarter on quarter production is a direct reflection of lower grades during a planned mine cut back phase.
- ▶ An optimisation study on the Nueva Esperanza development project, Chile, is due for completion in November 2015. The study will provide refreshed economic and technical data, updated reserves and inform the next steps on permitting and feasibility input.
- ▶ Exploration around the Nueva Esperanza project area recommenced in October following a winter season break. The FY16 objective is to continue to define and drill gold targets on the ~45km<sup>2</sup> alteration system with the aim of increasing the 1.9Moz AuEq Nueva Esperanza resource.
- ▶ Cash and bullion/doré totalled A\$59.8 million (June Qtr: A\$82.1 million), comprising cash of A\$47.9 million (including restricted cash of A\$12.7 million) and bullion/doré of A\$11.9 million.

## Group Operating Summary

Operation	September 2015 Quarter	
	Production	Total Cash Costs
	(ounces)	(US\$/ounce)
Chatree	22,489	879
Challenger*	20,523	802
<b>Total</b>	<b>43,012</b>	<b>842</b>

*\*Includes mine development costs*

# Detailed Production Report

	Units	September Quarter 2015		
		Chatree	Challenger	Consolidated
<b>Production Summary</b>				
Ore Mined	bcm	125,559		
Waste Mined	bcm	403,727		
Waste to Ore Ratio		3.2 : 1		
Ore Mined	tonnes	329,248	191,179	520,427
Ore Treated	tonnes	1,463,560	144,429	1,607,989
Head Grade - Gold	Au g/t	0.66	4.59	1.01
Head Grade - Silver	Ag g/t	10.3	-	-
Gold Recovery	%	80.1	96.5	81.7
Silver Recovery	%	33.4	-	-
Gold Poured	ounces	22,489	20,523	43,012
Silver Poured	ounces	166,244	406	166,650
<b>Financial Summary</b>				
<b>Cost Summary</b>				
Mining Cost	US\$/oz	240	583	404
Milling Cost	US\$/oz	520	164	349
Administration & Other	US\$/oz	76	90	83
Stockpile Adjustments	US\$/oz	63	(65)	2
By Product Credit *	US\$/oz	(113)	-	(59)
<b>Cash Operating Cost</b>	<b>US\$/oz</b>	<b>786</b>	<b>772</b>	<b>779</b>
Gold Royalty	US\$/oz	93	30	63
<b>Total Cash Cost</b>	<b>US\$/oz</b>	<b>879</b>	<b>802<sup>^</sup></b>	<b>842</b>
Depreciation & Amortisation - Operating	US\$/oz	306	25	172
Depreciation & Amortisation - Deferred Stripping **	US\$/oz	12	-	6
<b>Total Production Cost</b>	<b>US\$/oz</b>	<b>1,197</b>	<b>827</b>	<b>1,020</b>
<b>Total Cash Cost per Tonne of Ore Treated</b>	<b>US\$/tonne</b>	<b>13.51</b>	<b>114.03</b>	<b>22.54</b>
<b>Revenue Summary</b>				
Gold Sold	ounces	24,018	19,929	43,947
Silver Sold	ounces	192,126	406	192,532
Average Gold Price Received	US\$/oz	1,111	1,115	1,113
Average Silver Price Received	US\$/oz	14.8	14.9	14.8
Revenue from Metal Production	US\$m	29.5	22.3	51.8
Average exchange rate [A\$/US\$]				0.73

\* Net of Silver Royalties    ^ Includes mine development costs    \*\* Change in Accounting Standard (IFRIC 20)

# September Quarter Review

September quarter Group gold production was 43,012 ounces with total cash costs of US\$842/ounce. Chatree produced 22,489 ounces at a total cash cost of US\$879/oz. Challenger had another strong quarter with production of 20,523 ounces at US\$802/oz.

Group gold sales for the quarter was 43,947 ounces at an average gold price received of US\$1,113/ounce and the Group All-in Sustaining Cash Cost (AISC) was US\$1,055/ounce.

## CHATREE GOLD MINE, THAILAND (100% KINGSGATE)

### Mining Operations

Mining continued from Stage 2 of A pit during the September quarter. Total ore mined was 329,248 tonnes grading 0.66g/t Au. Total ex-pit ore and waste movement was 1,513,465 tonnes.

The stockpiled ore at the end of the quarter including the crushed ore stockpile was 8,007,422 tonnes at 0.47g/t for 121,550 ounces of contained gold.

Gold poured at Chatree was 22,489 ounces, and total cash costs were US\$879/ounce (including US\$93/ounce royalty). In addition 166,244 ounces of silver was poured.

Total production costs after deferred stripping costs, depreciation and amortisation were US\$ 1,197/ounce.

### Processing

Mill throughput for the quarter was 1,463,560 tonnes. At the beginning of the quarter mill feed consisted mainly of low grade stockpiled ore. The volume of mined ore processed increased over the quarter as Stage 2 pit deepened.

The mill feed grade was 0.66g/t gold and 10.3 g/t silver with recoveries for gold and silver of 80.1% and 33.4% respectively. Recovery issues due to carbonaceous ore encountered in the June quarter were not repeated.

During the quarter a number of business improvement projects were implemented which include:

- improved automation in the milling circuit to help optimise control over throughput, grind size and reduce mill liner wear rates; and
- acquisition of specialised equipment to separate grit from the carbon which will improve gold and silver stripping efficiencies.

### Resource Drilling

Three holes were drilled to test the underground potential with two holes down dip from A pit and one hole down dip from C Pit. Results confirmed the continuation of a major alteration zone in A pit.

### Safety, Environment and Community

There was one lost time injury at Chatree during the quarter. (The injury related to a back strain that occurred when an employee was moving a water pipe). The employee has since made a full recovery. The 12-month total recordable injury frequency rate of Chatree is 2.0 per million man-hours.

There were no reportable environmental incidents in the quarter, and Chatree remains in compliance with all environmental regulations. Chatree has further improved the transparency of its environmental monitoring by publishing monitoring results on the Akara Resources Public Company Limited ("Akara") website ([www.akararesources.com](http://www.akararesources.com)) and through other channels in the local community.

Local media has made reference to contamination and health issues outside the mine area. Kingsgate rebuts all such allegations and continues to remind authorities and communities that the Chatree mine site is a heavily regulated and best practise site with a zero discharge off-lease framework.

Capital expenditure for the quarter at Chatree was A\$8.4 million, including A\$8.0 million on Tailings Storage Facility #2.

## CHALLENGER GOLD MINE, SA (100% KINGSGATE)

### Mining Operations

Total ore mined for the quarter was 191,179t @ 4.59g/t for 22,071 ounces. Ore was mined from multiple levels in Challenger West between the 990 and 330 Levels as well as the 310 Aminus Level. Grades from underground were better than expected, particularly on the 590 and 750 Challenger West Levels.

Development of the SEZ/M3 pit continued over the quarter with material movement rates above budget.

Gold poured at Challenger was 20,523 ounces, and total cash costs were \$US802/ounce (including US\$30/ounce royalty). This represents a 21% cost reduction on the June quarter.

Total production costs after depreciation and amortisation were US\$827/ounce.

### Processing

Milled tonnes through the plant were below budget, but the lower throughput was offset by higher grades.

Milled grades for the quarter were 13% higher than budget largely due to better stoping performance and better than expected grades from the 590 and 750 Challenger West levels.

### Resource Development Drilling

A total of 12,331 metres of underground exploration diamond drilling was completed. No development drilling was completed due to the focus on resource drilling targets. Drilling targeted:

- Challenger West at 155, 330 to 360, 385, 405 and 435mRL;
- Challenger South-Southwest at 600, 860 and 930 to 955mRL; and
- Aminus at 160mRL.

A total of 5,949 metres of sludge drilling was used to assist with delineation of Challenger West at 450, 490, 710, 850, 950, 970 levels, Aminus at 530 level and CSSW at 955 level.

### Safety, Environment and Community

At the end of the quarter, Challenger was 51 days Lost Time Injury (LTI) Free.

### Outlook

Under the current mine plan, Challenger will be placed on Care and Maintenance by the end of the March 2016 quarter.

Kingsgate estimates that Challenger will produce around 20,000 to 25,000 ounces of gold between the end of the September quarter and the completion of commercial production in the March 2016 quarter.

## Development Projects

### NUEVA ESPERANZA PROJECT, CHILE (100% KINGSGATE)

In the September quarter, the main focus was on planning and implementing the spring exploration program with the aim of increasing the gold inventory at Nueva Esperanza. This program followed up from the previous successful campaign at Chimberos Gold, where new mineralisation has added in the order of 250,000 ounces of gold and 5.1 million ounces of silver to the Chimberos Mineral Resource Estimate. It is anticipated that exploration drilling will recommence the week beginning 2 November 2015.

The recently discovered gold mineralisation, the availability of low cost electricity and a general softening in labour and steel prices has led to a review of the project via an optimisation study. Design parameters envisage a 2 million tonne per annum mill capacity, with annual production of around 100,000 gold equivalent ounces (\*GEO) over an 8 to 10 year mine life.

Indicative capital and operating cost estimates are pending, and relevant information for amendments to existing permits are being generated.

### BOWDENS SILVER PROJECT, NSW (100% KINGSGATE)

Environmental Impact Statement project work at Bowdens continues to be phased in line with current market conditions. Data collection for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels continue routinely.

Mapping and sampling are underway through the area to the south of Bowdens, within EL8168. This area has the potential for further mineralisation, and is in a similar geological setting to both the Bowdens Project and Coomber Prospect west of Rylstone.

The Company is currently reviewing the Bowdens Silver Project in terms of maximising value for shareholders, including development, joint venture or divestment opportunities.

## Finance and Corporate

### Finance

At the end of September 2015, following debt repayment of approximately A\$18.7 million, Kingsgate's cash and debt facilities consisted of:

#### Cash and Bullion/Doré

Cash and bullion/doré totalled A\$59.8 million (June Qtr: A\$82.1 million), comprising cash of A\$47.9 million (including restricted cash of A\$12.7 million) and bullion/doré of A\$11.9 million.

#### Senior Corporate Facility

Kingsgate has A\$15 million under a Revolving Credit Facility ("RCF"). This facility was restructured during the quarter with A\$10 million repaid against the original A\$25 million facility and the remaining \$15 million repayable in three A\$5 million instalments commencing 29 January 2016.

#### Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara, has an amortising multi-currency loan facility with three years remaining. The balance currently owing against this facility is the equivalent of A\$103 million (consisting of THB 1,037 million and US\$43 million).

## Hedging

The Group's hedge position as at 30 September 2015 consists of:

- 6,000 ounces of gold forward sold at an average price of US\$1,137/ounce in respect of Chatree production; and
- 14,900 ounces of gold forward sold at an average price of A\$1,561/ounce in respect of Challenger production.

The above hedge positions are scheduled to be delivered over the December quarter as part of the mitigation of Australian gold price risk and to satisfy the terms of the RCF.

## All-in Sustaining Cash Costs

September Quarter 2015, based on gold sales:

		Chatree	Challenger <sup>1</sup>	Group
<b>Adjusted Total Cash Cost<sup>3</sup> (incl royalties)</b>	US\$/oz	814	817	816
<b>Sustaining Capex</b>	US\$/oz	307	61	196
<b>Exploration Expense</b>	US\$/oz	-	-	-
<b>Corporate and Administration Costs<sup>2</sup></b>	US\$/oz			43
<b>All-in Sustaining Cash Cost</b>	US\$/oz	1,121	878	1,055

Notes: <sup>1</sup> Challenger Adjusted Cash Costs include underground mine development.

<sup>2</sup> Corporate and Administration costs have been allocated 60% to the operating assets. This allocation may vary from quarter to quarter.

<sup>3</sup> Adjusted operating costs are based on gold sales and include movements in gold inventory and stockpiles over the period.

## Corporate

### Update on Status of Thai IPO

Kingsgate is seeking clarification from the Thai Securities and Exchange Commission (SEC), with respect to the SEC's announcement on 2 October 2015, in relation to the status of the IPO of Akara. The SEC suggested that the IPO application had been rejected by the SEC. As far as the company was aware, the IPO application was still under consideration by the SEC.

The Board of Kingsgate was in any event, considering making an application to the SEC for deferral of the listing process due to ongoing market conditions and Akara has now submitted this request to the SEC. If granted, Akara will be able to re-activate the application for the IPO at any time. The SEC's position in relation to the IPO remains unclear.

Given Kingsgate's decision to seek to defer the IPO, the Akara Board, which was primarily established for the purposes of pursuing the listing, will be restructured as part of further cost savings measures.

Pakorn Sukhum, Chief Executive Officer of Akara, has advised that he will resign prior to the end of the December quarter, as his position was primarily geared to support an IPO.

### Thai Media Reports

On 1 October 2015, the Thai National Anti-Corruption Commission (NACC) announced an enquiry into allegations concerning Kingsgate's business practices in Thailand. Kingsgate intends to cooperate fully with any investigation.

However, Kingsgate and its directors are not aware of any basis for an investigation into any such matter.

Furthermore, the company is yet to be contacted by the NACC or informed of the nature of their enquiries other than through media reports.

Kingsgate and its mining operations are subject to a wide range of laws and government regulations and policies applying in Australia and a number of foreign jurisdictions, with respect to matters such as land use, employee health and safety, rehabilitation of mining properties, environmental damage, pollution and payments to government officials.

The company has operated successfully in Thailand for more than 14 years in compliance with applicable Thai and Australian laws, and will continue to do so.

## Outlook

Production from Chatree is expected to be in the range of 125,000 to 135,000 ounces; however the current stripping schedule will see the majority of ounces produced in the second half of the year.

The current Group production forecast for FY16 of 165,000 to 180,000 ounces was predicated on Care and Maintenance arrangements being put in place at Challenger. Therefore, the full-year forecast remains unchanged.

### *\*Notes for Mineral Resource Table and 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 Statements*

*In this report, information concerning Thailand operations and Lao exploration relates to Exploration Results, Mineral Resources and Ore Reserve estimates based on and fairly represents information compiled by the following Competent Persons: Ron James, Brendan Bradley, Maria Munoz, Rob Kinnard and Suphanit Suphananthi who are employees of the Kingsgate Group. All except Brendan Bradley are members of The Australasian Institute of Mining and Metallurgy; Brendan Bradley is a member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 edition) and possess relevant experience in relation to the mineralisation of being reported herein as Exploration Results, Mineral resources and Ore reserves. Each Competent Person has consented to the Public reporting of these statements and the inclusion of the material in the form and context in which it appears. In this report, the information concerning Challenger operations that relates to Exploration Results, Mineral Resources and Ore Reserves estimates based on and fairly represents information compiled by Stuart Hampton and Luke Phelps who are full-time employees of the Kingsgate Group. Stuart Hampton and Luke Phelps are members of The Australasian Institute of Mining and Metallurgy. These persons have sufficient experience that is relevant to the mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Stuart Hampton and Luke Phelps consent to the inclusion in the report of the matters based on their information in the form in which it appears. The information in this report that relates to Bowdens and Nueva Esperanza Mineral Resource estimation is based on and fairly represents work completed by Jonathon Abbott who is a full-time employee of MPR Geological Consultants and a member of the Australasian Institute of Geoscientists. Mr Abbott has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The information in this report that relates to data quality, comments on the resource estimates and economic potential of the estimated resources for Bowdens and Laguna Nueva Esperanza is based on and fairly represent information compiled by Ron James, a member of the Australasian Institute of Mining and Metallurgy. Mr James has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*



# Corporate Directory

## Board of Directors

<b>Ross Smyth-Kirk</b>	Executive Chairman
<b>Peter McAleer</b>	Non-Executive Director
<b>Peter Alexander</b>	Non-Executive Director
<b>Peter Warren</b>	Non-Executive Director
<b>Sharon Skeggs</b>	Non-Executive Director

## Senior Management

<b>Greg Foulis</b>	Chief Executive Officer
<b>Ross Coyle</b>	Chief Financial Officer
<b>Tim Benfield</b>	Chief Operating Officer
<b>Paul Mason</b>	Company Secretary

## Principal and Registered Office

Suite 801, Level 8  
14 Martin Place  
Sydney NSW 2000 Australia  
**Tel:** +61 2 8256 4800  
**Fax:** +61 2 8256 4810  
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## Exchange Details

**ASX Code:** KCN  
**OTC Code:** KSKGY

## Share Registry

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Web: www.linkmarketservices.com.au

## ADR Depository (American Depository Receipts)

**The Bank of New York Mellon**  
ADR Division  
101 Barclay Street, 22nd Floor  
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## Share Details

As at 30 September 2015, there were 223,584,937 ordinary shares on issue.

## Bangkok Office

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