



Kingsgate

Consolidated Limited

**ASX APPENDIX 4D and
HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

Kingsgate Consolidated Limited

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CORPORATE INFORMATION

Directors

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

Company Secretary

Ross Coyle

Chief Executive Officer

Greg Foulis

Stock Exchange Listing

Kingsgate Consolidated Limited is a Company limited by shares, listed on the Australian Securities Exchange (ASX) under the code KCN. The Company's shares also trade in the United States of America over-the-counter (OTC) as an American Depository Receipt (ADR) under the code OTC: KSKGY.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Kingsgate Consolidated Limited (ASX Code: KCN)
ASX APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half-year ended 31 December 2016

			6 months 31 Dec 2016 \$'000	6 months 31 Dec 2015 \$'000
Revenue from ordinary activities	Revenue increased	70%	158,216	93,128
Revenue from discontinued operation	Revenue decreased	100%	-	57,377
Revenue from ordinary activities and discontinued operation	Revenue increased	5%	158,216	150,505
Profit/(loss) from ordinary activities after tax attributable to members	Profit increased	206%	21,118	(19,911)
Net profit for the period attributable to members	Profit increased	31,419%	21,118	67

Dividends

No final dividend was paid in relation to the year ended 30 June 2016.

No interim dividend will be paid in relation to the half-year ended 31 December 2016.

Net Tangible Assets

	31 Dec 2016	31 Dec 2015
Net tangible asset backing per ordinary share: \$ per share	0.44	1.35

Review of Results

Refer to Review of Operations and Results included in the Directors' Report.



DIRECTORS' REPORT

Your Directors' present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2016.

DIRECTORS

The following persons were directors of Kingsgate Consolidated Limited during the half-year ended 31 December 2016 and up to the date of this report, except where noted otherwise:

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

** granted leave of absence from February 2016 due to ill health and resigned 24 November 2016.*

REVIEW OF OPERATIONS AND RESULTS

Operational performance

Kingsgate is a gold and silver mining, development and exploration company based in Sydney, Australia. The Company owns the Chatree Gold Mine ("Chatree") in Thailand and an advanced development project; the Nueva Esperanza Gold/Silver Project, in the highly prospective Maricunga Gold/Silver Belt in Chile.

Group gold production for the half-year was 89,875 ounces from Chatree (Dec 2015: 50,746 ounces from Chatree and 39,573 ounces from Challenger).

After 15 years of production, with approximately 2 million ounces of gold produced and a stunning last half-year, Kingsgate finds it incredibly disappointing that Chatree prematurely ceased operations on 31 December 2016. This follows in the wake of a Thai Government announcement in May 2016 that all gold mining in Thailand is to cease by 31 December 2016, which includes Chatree.

In addition, the Prime Minister of Thailand issued a Section 44 Order under the Thai Constitution in December 2016 that ordered all gold mining generally to cease by 31 December 2016.

Kingsgate and its Thai subsidiary Akara Resources Public Company Limited ("Akara") have complied with the Thai Government's position and Chatree was placed on Care and Maintenance effective 1 January 2017.

As a result of the early closure of Chatree, management will finalise and implement a rehabilitation plan which will be a revision from the initial plan submitted to the Thai Authorities in 2007. It had been assumed in calculating the rehabilitation costs under the 2007 plan that progressive rehabilitation of available mine landforms will occur during the operational life of the Project, which at May 2016, was expected to be at least an additional 7 years.

Management believes the revised plan will be commercially viable, cost effective and will meet all obligations in the context of the early mine closure that has been imposed on the Group. The overall objective is to leave the site in a safe and stable condition that is consistent with the surrounding physical environment, be of benefit to the local community, and not require significant ongoing maintenance.

Key impacts of the premature closure of Chatree has seen the loss of several thousand direct and indirect regional jobs, royalties to the Thai Government (with approximately US\$11 million paid in royalties in the last six months), and the loss of many community based health, education and infrastructure programs funded by Akara.

The closure of Chatree remains in effect for the time being, despite repeated commentary from the Thai Government in which they have publicly stated that the Health and Environment Committees established in October 2015 to investigate the operations of Chatree have found no evidence of any negative impacts on the surrounding communities. These comments were most recently repeated by the Thai Department of Industries and Mines in January 2017.



It has also been reported that despite this favourable outcome, including seventeen months of Committee investigations and the mine closure, that the Health and Environment Committees will not submit their final reports until April 2017, at which time they will be referred to the newly established National Mineral Management Committee.

Akara will continue with rehabilitation activities in 2017, and Kingsgate will continue to focus on ways to rectify the situation through various legal, diplomatic and other remedies.

Funding of Future Operations

Based on cash flow forecasts, the directors believe the Group has sufficient cash resources to settle its liabilities and commitments and ongoing activities for at least 12 months from date of this report.

Group cash and bullion/dore at the end of December, following repayment of the Akara bank debt, was \$50.7 million. This comprised cash of \$33.0 million and \$17.7 million of bullion/dore that was brought to account as revenue in January 2017. In addition to the bullion and dore there is approximately 4,700 ounces of gold sludge stored in the Chatree Gold Mine vault which, currently under the Thai authorities' instructions, is not able to be processed into dore.

In the longer term, funds will be required for the Group to:

- Fund the net rehabilitation obligations of the Chatree Gold Mine after taking into account the already established cash backed rehabilitation fund. Management will finalise and implement a rehabilitation plan for the Chatree Gold Mine that it believes is commercially viable, cost effective and will meet all obligations in the context of the early mine closure that has been imposed on the Group.
- Continue to progress development of the Nueva Esperanza Gold/Silver Project.

The Group will utilise current cash reserves to fund these activities and in addition is confident further funds can be initiated by any or all of the following:

- realising the value of assets including reviewing the possibility of the sale of Chatree Gold Mine infrastructure assets which include plant and equipment and non-strategic land and property;
- realising value from the sale of the stored gold sludge;
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government;
- reducing, if necessary, the Group's currently planned ongoing expenditure;
- reviewing the potential for and timing of an equity raising; and/or
- considering options that might include the sale of assets, or entering into farm-in agreements with other parties.

The Directors believe that the Group will be successful in managing the above matters and on this basis the financial report has been prepared on a going concern basis.

Chatree

Chatree's production for the half-year was an impressive 89,875 ounces of gold and 808,100 ounces of silver. Chatree benefited from consistent access to 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 were significantly improved.

Total ore mined for the half-year was 992,136 tonnes @ 1.23 g/t. Overall strip ratios continued to decline as the operation worked to a revised plan to cease mining operations by 31 December 2016. The orebody performance with respect to grade delivered strong results especially towards the latter part of the half-year.

Mill throughput was positively impacted mainly by favourable ore characteristics during the half-year and overall gold recovery was 83.8%.

Total cash costs for the half-year were US\$500 per ounce (US\$398 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was US\$102 per ounce of gold. Total production costs including depreciation and amortisation were US\$926 per ounce of gold produced.



Chatree was also able to retire A\$75 million in project level bank debt during the half-year, which highlights its stellar production performance.

Nueva Esperanza Gold/Silver Project

Kingsgate's focus remained firmly on the development of the Nueva Esperanza Project throughout the half-year, which has the potential to provide Kingsgate with a solid platform for growth in Chile and other strategic areas of South America.

The spring field campaign commenced in September 2016 when the team was remobilised to the Nueva Esperanza camp and fieldwork initiated. The principal focus was a Reverse Circulation ("RC") drill program which tested a number of targets on the eastern side of the Nueva Esperanza district.

Twenty RC holes totalling 4,378 metres were completed during the half-year, with the principal focus being in the Chimberos district testing a number of silver-gold targets north and south of the Chimberos pit. In addition to the RC drilling, a 322-hole Rotary Air-Blast ("RAB") drill program totalling 3,908 metres was concluded during the half-year which followed-up on the initial campaign completed in March 2016. A further three diamond drill holes were also drilled under the Huantajaya hill in January 2017, approximately 200 metres apart, below several historical workings exploited for gold.

As at the end of this reporting period, there have been no material values received from the RC drill holes, and the remaining results will be reported when available. Approximately 40% of the RAB drill holes have been analysed to date, and there have been two notable anomalies reported. Assay results for the two diamond holes are currently awaited. (For more information on the drill hole results, including hole location and the RAB drill hole anomalies please see: ASX:KCN Quarterly Activities Report for the period ending 31 December 2016 at <http://www.kingsgate.com.au/quarterly-reports/>).

Ground-truthing of a number of concession applications located in the northern Maricunga Belt commenced, subsequent to December 2016. The northern part of the belt is emerging as a relatively under-explored 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. The concession applications cover large areas of high-level epithermal alteration similar to that seen at Nueva Esperanza and La Coipa. Work will continue through the first quarter of 2017.

Feasibility work, including metallurgical, hydrological and dry stack tailings studies, is ongoing.

The technical base line studies for the environmental impact submission ("DIA"), which is essentially a process to amend the existing permit footprint and incorporate a dry-stacked tailing design, are continuing. Documentation is on track for submission in April 2017.

Bowdens Silver Project

Kingsgate 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. During the period a A\$1 million initial payment was received on 30 September 2016. The terms of the Deed of Variation were subsequently satisfied and the final payment of A\$4.1 million (which includes an interest payment of 10% per annum calculated from 30 September 2016 until the date of final payment) was received from Silver Mines Limited (ASX:SVL) on 23 December 2016.



FINANCIAL RESULTS

Kingsgate recorded an after tax profit of \$21.1 million for the half-year compared to an after tax profit of \$0.067 million for the previous corresponding period.

EBITDA before significant item was \$61.7 million, which increased from \$24.1 million in the previous period.

	Half-Year	
	2016 \$'000	2015 \$'000
Profit after income tax	21,118	67
Income tax expense	1,046	304
Profit before income tax	22,164	371
<i>Significant item</i>		
Impairment reversal of Challenger Mine	-	(7,806)
Profit/(loss) before tax and significant item	22,164	(7,435)
Net finance costs	2,657	8,920
Depreciation and amortisation	36,921	22,653
EBITDA before significant item	61,742	24,138

EBITDA before significant item is a financial measure which is not prescribed by International Financial Reporting Standards ("IFRS") and represents the profit under IFRS adjusted for specific significant item. The table above summarises key items between statutory profit after tax and EBITDA before significant item. The EBITDA before significant item has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half-year report.

Dividends

No dividend was declared with respect of the half-year ended 31 December 2016.

FINANCE

Revolving Credit Facility

Kingsgate has a Revolving Credit Facility with \$5 million drawn against this facility at 31 December 2016. The facility was fully repaid on 3 February 2017.

Multi-currency loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL, had an amortising multi-currency loan facility in place during the period. The balance of this loan at the beginning of the period was the equivalent of \$75.3 million. This loan was fully repaid during the period.



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods;
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Directors' Report and Financial Report are rounded to the nearest thousand dollars except where otherwise indicated.

This report is made in accordance with a resolution of Directors.

Ross Smyth-Kirk
Director
Sydney
27 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kingsgate Consolidated Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'M Upcroft', is written over a faint, light blue grid background.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
27 February 2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2016

	Note	Half-Year	
		2016	2015
		\$'000	\$'000
Continuing operations			
Sales revenue	3a	158,216	93,128
Costs of sales	3b	(123,702)	(99,626)
Gross profit/(loss)		34,514	(6,498)
Exploration administration expenses		(3,296)	(360)
Corporate and administration expenses	3c	(9,791)	(9,378)
Other income and expenses	3d	416	1,054
Foreign exchange gain		2,978	4,321
Profit/(loss) before finance costs and income tax		24,821	(10,861)
Finance income		265	215
Finance costs	3e	(2,922)	(8,961)
Net finance costs		(2,657)	(8,746)
Profit/(loss) before income tax		22,164	(19,607)
Income tax expense		(1,046)	(304)
Profit/(loss) from continuing operations after income tax		21,118	(19,911)
Discontinued operations			
Profit from discontinued operations after income tax		-	19,978
Profit for the half-year		21,118	67
Other comprehensive income			
<i>Item that will never be reclassified to profit and loss</i>			
Change in fair value of employee provisions (net of tax)		-	193
<i>Item that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		566	(4,614)
Total other comprehensive income/(loss) for the half-year		566	(4,421)
Total comprehensive income/(loss) for the half-year		21,684	(4,354)
Profit/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited			
- Continuing operations		21,118	(19,911)
- Discontinued operations		-	19,978
Total comprehensive income/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited			
- Continuing operations		21,684	(24,332)
- Discontinued operations		-	19,978
Earnings per share			
Basic and diluted earnings/(loss) per share from continuing operations	11	9.45	(8.91)
Basic and diluted earnings per share from discontinued operations	11	-	8.94
Basic and diluted earnings per share from continuing operations and discontinued operations		9.45	0.03

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		33,042	36,314
Restricted cash		-	7,004
Receivables		5,700	12,273
Inventories		9,887	26,060
Available-for-sale financial assets		-	540
Other assets	4	7,546	10,919
Total current assets		56,175	93,110
Non-current assets			
Receivables		4,399	4,015
Property, plant and equipment		2,952	44,278
Exploration, evaluation and development		89,186	96,972
Other assets	4	16,566	14,130
Total non-current assets		113,103	159,395
TOTAL ASSETS		169,278	252,505
LIABILITIES			
Current liabilities			
Payables		13,116	21,313
Borrowings	5	16,695	98,097
Provisions		6,952	10,555
Total current liabilities		36,763	129,965
Non-current liabilities			
Payables		4,211	4,074
Deferred tax liabilities		1,161	119
Provisions		13,027	25,983
Total non-current liabilities		18,399	30,176
TOTAL LIABILITIES		55,162	160,141
NET ASSETS		114,116	92,364
EQUITY			
Contributed equity	6	677,015	677,042
Reserves	7	51,610	50,949
Accumulated losses		(614,509)	(635,627)
TOTAL EQUITY		114,116	92,364

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015		677,109	53,700	(406,176)	324,633
Profit after income tax		-	-	67	67
Total other comprehensive loss for the half-year		-	(4,421)	-	(4,421)
Total comprehensive (loss)/income for the half-year		-	(4,421)	67	(4,354)
Transaction with owners in their capacity as owners:					
Movement in contributed equity		(67)	-	-	(67)
Movement in share-based payment reserve		-	(31)	-	(31)
Total transaction with owners		(67)	(31)	-	(98)
Balance at 31 December 2015		677,042	49,248	(406,109)	320,181
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016		677,042	50,949	(635,627)	92,364
Profit after income tax		-	-	21,118	21,118
Total other comprehensive income for the half-year		-	566	-	566
Total comprehensive income for the half-year		-	566	21,118	21,684
Transaction with owners in their capacity as owners:					
Movement in contributed equity	6	(27)	-	-	(27)
Movement in share-based payment reserve		-	95	-	95
Total transaction with owners		(27)	95	-	68
Balance at 31 December 2016		677,015	51,610	(614,509)	114,116

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

	Half-Year	
	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	158,216	150,607
Payments to suppliers and employees	(86,272)	(111,630)
Interest received	264	215
Finance costs paid	(3,822)	(6,471)
Net cash inflow from operating activities	68,386	32,721
Cash flows from investing activities		
Payments for property, plant and equipment	(45)	(427)
Payments for exploration, evaluation and development	(6,995)	(25,142)
Decrease/(increase) in deposits	3,184	(483)
Decrease in restricted cash	7,004	-
Proceeds from sale of Bowdens	5,000	-
Proceeds from sale of Challenger	500	-
Proceeds from sale of available-for-sale financial assets	432	-
Net cash inflow/(outflow) from investing activities	9,080	(26,052)
Cash flows from financing activities		
Proceeds from corporate borrowings, net of transaction costs	-	1,102
Repayment of corporate borrowings	(6,137)	(12,195)
Repayment of subsidiary (Akara Resources PCL) borrowings	(74,803)	(16,638)
Settlement of vested deferred rights	(27)	(67)
Net cash outflow from financing activities	(80,967)	(27,798)
Net decrease in cash held	(3,501)	(21,129)
Cash at the beginning of the half-year	36,314	55,472
Effects of exchange rate on cash and cash equivalents	229	(147)
Cash at the end of the half-year	33,042	34,196

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Kingsgate in its annual financial report for the year ended 30 June 2016.

New or Revised Standards and Interpretations that are First Effective in the Current Reporting Period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period. None of the new and revised standards and interpretations adopted during the period had a material impact nor did they result in any changes to the Group's presentation of, or disclosure in, its half-year financial statements.

New Accounting Standards for Application in Future Periods

There are no new and revised Standards and amendments thereof and Interpretations effective for future reporting periods issued during the current reporting period that are relevant to the Group.

Note 1 (a) Critical accounting estimates and judgements

(i) Funding of future operations

The consolidated half-year financial statements of the Group have been prepared on a going concern basis. Based on cash flow forecasts, the directors believe the Group has sufficient cash resources to settle its liabilities and commitments and ongoing activities for at least 12 months from date of this report.

Directors have also considered the funds that will be required in the longer term including the funding of the rehabilitation obligations of the Chatree Gold Mine and the funding of the Nueva Esperanza Gold/Silver Project. In addition to the current cash reserves, further funds can be generated through various options that are available to the Group including:

- realising the value of assets including reviewing the possibility of the sale of Chatree Gold Mine infrastructure assets which include plant and equipment and non-strategic land and property;
- realising value from the sale of the stored gold sludge;
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government;
- reviewing the potential for and timing of an equity raising; and/or
- considering options that might include the sale of assets, or entering into farm-in agreements with other parties.

The Group, if necessary, can also reduce its current planned ongoing expenditure to suit available cash resources and the timing of cash flows.



(ii) Uncertainty in relation to Chatree Gold Mine assets and liabilities

As noted in the Directors' Report, the Chatree Gold Mine prematurely ceased operations on 31 December 2016 following a Thai Government announcement in May 2016 that all gold mining in Thailand is to cease by 31 December 2016 and a subsequent Section 44 Order issued by the Prime Minister of Thailand under the Thai Constitution in December 2016 that ordered all gold mining generally to cease by 31 December 2016. Kingsgate Consolidated Limited and its Thai subsidiary Akara Resources Public Company Limited have complied with the Thai Government's position and the Chatree Gold Mine was placed on Care and Maintenance effective 1 January 2017.

In preparing the consolidated half-year financial statements of the Group, with the exceptions of certain assets which are available for sale in their current conditions and current receivables which are expected to be received in the short-term, all assets of the Chatree Gold Mine have been written down to nil value. In respect of rehabilitation liabilities, management has revised its previous estimates and has reduced its total rehabilitation liability to approximately \$16 million. This is based on management's rehabilitation plan which will be a revision from the initial plan submitted to the Thai Authorities in 2007. Management believes the revised plan will be commercially viable, cost effective and will meet all obligations in the context of the early mine closure that has been imposed on the Group with the overall objective to leave the site in a safe and stable condition that is consistent with the surrounding physical environment, be of benefit to the local community, and not require significant ongoing maintenance.

The future of the Chatree Gold Mine remains unclear and there is a significant uncertainty around the carrying values of assets and liabilities. The ultimate impact on the Group's financial position will depend on the sale of plant and equipment and non-strategic land and property and outcomes from discussions with the Thai Government, including:

- agreeing a rehabilitation plan, costing and timing;
- potential re-opening of the mine if permitted by the Thai Government; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government.

(iii) Nueva Esperanza Gold/Silver Project impairment assessment

Management has determined the fair value of Nueva Esperanza as at 31 December 2016 is above its carrying value of \$105,232,000 resulting in no impairment. Refer note 12.

2. SEGMENT INFORMATION

The Group's operating segments are based on the internal management reports that are reviewed and used by the Board of Directors (chief operating decision maker). The operating segments represent the Group's operating mines and projects and include the following:

- Chatree Gold Mine, Thailand; and
- Nueva Esperanza Gold/Silver Project, Chile.



2. SEGMENT INFORMATION (Continued)

Information regarding the results of each reportable segment is included as follows:

2016	Operation	Development	Corporate	Continuing	Discontinued	Total
	Chatree \$'000	Nueva Esperanza \$'000		operations \$'000	operations \$'000	
External sales revenue	158,216	-	-	158,216	-	158,216
Other income	532	-	-	532	-	532
Total segment revenue	158,748	-	-	158,748	-	158,748
Segment EBITDA	70,392	(3,728)	(4,922) ¹	61,742	-	61,742
Depreciation and amortisation	(36,872)	-	(49)	(36,921)	-	(36,921)
Segment result (Operating EBIT)	33,520	(3,728)	(4,971)	24,821	-	24,821
Finance income	-	-	-	265	-	265
Finance costs	-	-	-	(2,922)	-	(2,922)
Net finance costs	-	-	-	(2,657)	-	(2,657)
Profit/(loss) before tax	33,520	(3,728)	(4,971)	22,164	-	22,164
Other segment information						
Segment assets	38,825	110,256	20,197	169,278	-	169,278
Segment liabilities	(33,611)	(5,331)	(16,220)	(55,162)	-	(55,162)

¹ includes foreign exchange gain of \$2,978,000 for the Group.

2015	Operation	Development	Exploration	Corporate	Continuing	Discontinued	Total	
	Chatree \$'000	Bowdens \$'000	Nueva Esperanza \$'000	South East Asia \$'000		operations \$'000		operations Challenger \$'000
External sales revenue	93,128	-	-	-	-	93,128	57,377	150,505
Other income	1,253	27	-	377	225	1,882	573	2,455
Total segment revenue	94,381	27	-	377	225	95,010	57,950	152,960
Segment EBITDA	14,981	23	(3)	20	(4,815) ¹	10,206	13,932	24,138
impairment reversal	-	-	-	-	-	-	7,806	7,806
Depreciation and amortisation	(20,926)	-	-	-	(141)	(21,067)	(1,586)	(22,653)
Segment result (Operating EBIT)	(5,945)	23	(3)	20	(4,956)	(10,861)	20,152	9,291
Finance income	-	-	-	-	-	215	-	215
Finance costs	-	-	-	-	-	(8,961)	(174)	(9,135)
Net finance costs	-	-	-	-	-	(8,746)	(174)	(8,920)
Profit/(loss) before tax	(5,945)	23	(3)	20	(4,956)	(19,607)	19,978	371
Other segment information								
Segment assets	355,397	7,934	101,969	1,379	24,721	491,400	20,970	512,370
Segment liabilities	(141,213)	(51)	(4,452)	(211)	(29,470)	(175,397)	(16,792)	(192,189)

¹ Include foreign exchange gain of \$4,321,000 for the Group.



3. REVENUE AND EXPENSES

	Half-Year	
	2016	2015
	\$'000	\$'000
a. Sales revenue		
Gold sales	139,721	85,534
Silver sales	18,495	7,594
Sales revenue from continuing operations	158,216	93,128
Sales revenue from discontinued operations	-	57,377
b. Cost of sales		
Direct costs of mining and processing	60,082	55,217
Royalties	14,199	7,680
Inventory movements	12,549	15,803
Depreciation	36,872	20,926
Cost of sales from continuing operations	123,702	99,626
Cost of sales from discontinued operations	-	45,604
c. Corporate and administration expenses		
Administration	5,840	7,256
Technical support and business development	531	734
Statutory and professional fees	3,371	1,247
Depreciation	49	141
Corporate and administration expenses from continuing operations	9,791	9,378
d. Other income and expenses		
Net (loss)/gain on sale of fixed assets	(8)	377
Realised gain on delivery against hedge contracts	-	999
Change in fair value of available-for-sale assets	(108)	(828)
Other income	532	506
Other income and expenses from continuing operations	416	1,054
Other income and expenses from discontinued operations	-	573
e. Finance costs		
Interest and finance charges	2,421	3,409
Foreign exchange loss on loans	182	4,612
Unwinding of discount	246	412
Amortisation of deferred borrowing costs	73	528
Finance costs from continuing operations	2,922	8,961
Finance costs from discontinued operations	-	174
f. Depreciation and amortisation		
Property, plant and equipment	22,683	8,026
Mine properties	14,238	14,627
Depreciation and amortisation expenses	36,921	22,653
<i>Included in:</i>		
Costs of sales depreciation	36,872	22,512
Corporate depreciation	49	141
g. Employee benefits expenses		
<i>Included in:</i>		
Costs of sales	3,177	10,559
Corporate and administration expenses	2,291	3,956
Total employee benefits expenses	5,468	14,515



3. REVENUE AND EXPENSES (Continued)

	Half-Year	
	2016 \$'000	2015 \$'000
h. Significant item		
Impairment reversal of Challenger Mine	-	(7,806)
Total significant item (pre-tax)	-	(7,806)

4. OTHER ASSETS

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
	Current	
Prepayments	2,215	2,365
Other deposits	5,331	8,554
Total other assets – current	7,546	10,919
Non-current		
Prepayments	16,496	14,060
Other deposits	70	70
Total other assets – non-current	16,566	14,130

Prepayments

Non-current prepayments include prepaid royalties and water rights in respect of the Nueva Esperanza Gold/Silver Project in Chile.

Other deposits

Other deposits current includes \$4,896,000 of security deposits in Thailand.

5. BORROWINGS

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
	Secured bank loan	4,992
Preference shares in controlled entity	10,334	10,171
Finance lease liabilities	1,369	1,549
Other loan	-	1,137
Total borrowings	16,695	98,097

Secured bank loans

Terms and conditions of outstanding loan were as follows:

	Currency	Nominal interest	Financial year of maturity	Face value \$'000	Carrying amount \$'000
Revolving Credit Facility	AUD	BBSY ¹ + margin	2017	5,000	5,000
Less capitalised borrowing costs					(8)
Total					4,992

¹BBSY means bank bill swap bid rate

The Revolving Credit Facility was fully repaid on 3 February 2017.



5. BORROWINGS (Continued)

Preference shares in controlled entity

Terms and conditions of outstanding preference shares in controlled entity were as follows:

	Currency	Interest rate	Financial year of maturity	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai Baht	12%	n/a	10,401	10,334

These shares may be put to Kingsgate after 180 days' notice at par value.

Finance lease liabilities

The Group has various items of plant and equipment with a carrying amount of \$1,369,000 under finance leases.

6. CONTRIBUTED EQUITY

	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Opening balance	223,584,937	223,584,937	677,042	677,109
Share acquisition for the settlement of vested deferred rights	-	-	(27)	(67)
Closing balance	223,584,937	223,584,937	677,015	677,042

7. RESERVES

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Foreign currency translation reserve	45,800	45,234
Share-based payment reserve	9,151	9,056
General reserve	(3,341)	(3,341)
Total reserves	51,610	50,949

8. EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods;
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

9. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 December 2016 in respect of guarantees. Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the corporate loan facility. The corporate loan guarantee may give rise to liabilities in the parent entity if the controlled entities do not meet their obligations under the terms of the loans subject to guarantees. The corporate loan facility was repaid after period end, following which the guarantees were extinguished (see Note 5).



10. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Fair value measurements

The carrying value of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and/or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table following analyses financial instruments carried at fair value, by the valuation method. The different levels in the hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as process) or indirectly (derived from prices); and
 Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016				
Available-for-sale financial assets	-	-	-	-
30 June 2016				
Available-for-sale financial assets	540	-	-	540
Receivable	-	-	5,000	5,000

11. EARNINGS PER SHARE

	Half-Year	
	2016 Cents	2015 Cents
Basic and diluted earnings/(loss) per share from continuing operations	9.45	(8.91)
Basic and diluted earnings per share from discontinued operations	-	8.94
Basic and diluted earnings per share from continuing operations and discontinued operations	9.45	0.03
	\$'000	\$'000
Net profit/(loss) used to calculate basic and diluted earnings per share		
- Continuing operations	21,118	(19,911)
- Discontinued operations	-	19,978
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	223,578,889	223,584,937
Adjustment for dilutive effect	-	151,186
Weighted average number of ordinary shares used as the denominator: diluted	223,578,889	223,736,123



12. IMPAIRMENT ASSESSMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units “CGUs”).

Methodology

An impairment is recognised when the carrying amount exceeds the recoverable amount.

The recoverable amount of the Nueva Esperanza Gold/Silver Project has been estimated using a fair value less costs of disposal basis. The costs of disposal have been estimated by management based on prevailing market conditions.

The recoverable amounts of the CGUs has been estimated based on discounted cash flows using market based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on latest life of mine plans.

The recoverable amount estimate for Nueva Esperanza Gold/Silver Project is considered to be level 3 fair value measurement (as defined by accounting standards) as it is derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Significant judgements and assumptions are required in making estimates of the recoverable amounts. This is particularly so in the assessment of long life assets. It should be noted that the CGU recoverable amounts are subject to variability in key assumptions including, but not limited to, gold and silver prices, currency exchange rates, discount rates, production profiles and operating and capital costs. A change in one or more of the assumptions used to estimate the recoverable amounts would result in a change in the CGU’s recoverable amounts.

Key assumptions

In determining each key assumption, management has used external sources of information and utilised experts within the Group to validate entity specific assumptions such as reserves and resources. Production and capital costs are based on the Group’s estimate of forecast geological conditions, capacity of existing plant and equipment and future production levels. This information is obtained from external experts where applicable, internally maintained budgets, mine models and project evaluations performed by the Group in its ordinary course of business.

The table below summarises the key assumptions used in the carrying value assessments.

	+FY 2017
	long term
	average
Gold (US\$ per ounce)	US\$1,250
Silver (US\$ per ounce)	US\$20

The Group receives long term forecast price data from multiple externally verifiable sources when determining its pricing forecasts. For the Nueva Esperanza Project, gold and silver prices forecast that result in the recoverable amount exceeding the book value are generally achieved when the high end of the range is adopted.

The foreign exchange rates used in the models are AUD/USD of 0.72 based on exchange rates current at period end.

	Discount rate
Nueva Esperanza Gold/Silver Project	8.5%



12. IMPAIRMENT ASSESSMENT (Continued)

The Group has applied post-tax real discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax real discount rates applied to the Nueva Esperanza Gold/Silver Project is 10.9%. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specified to the asset for which the future cash flow estimate have not been adjusted.

The recoverable amount of Nueva Esperanza at 31 December 2016 was determined based on a fair value less costs of disposal model. Based on the assumption noted above, the fair value of Nueva Esperanza as at 31 December 2016 is assessed as being above its carrying value of \$105,232,000 resulting in no impairment.

In reaching the conclusions regarding the carrying value of the Nueva Esperanza Project, the Directors consider that the Nueva Esperanza concession offers additional value from:

- identified resources for Aqueros, Chimberos and Teterita not currently included in the life of mine plan; and
- exploration potential from the area immediately surrounding these three established projects.

In assessing additional value, the Directors note that In the Independent Expert's report dated 13 October 2016 contained in the Target's Statement released on 17 October 2016 it was stated that the value a willing and knowledgeable buyer would place on both of these options would be between \$16.3 million to \$22.2 million.

The analysis undertaken by management on Nueva Esperanza does not currently include the potential reduction in capital expenditure of US\$13 million by using certain plant and equipment from the Chatree Gold Mine that was applied in the Independent Expert's Report. Management is continuing its assessment of the viability of this option.

The key assumptions to which the model is most sensitive includes:

- gold and silver prices;
- production and capital costs;
- discount rate; and
- reserves and resources.

Sensitivity analysis

Any variation in the key assumptions used to determine the recoverable amount would result in a change of the estimated recoverable amount. If the variation in assumption had a negative impact on the recoverable amount it could indicate a requirement for an impairment of non-current assets.

It is estimated that the following reasonably possible changes in the key assumptions would have the following approximate post-tax impact on the recoverable amount of the CGU as at 31 December 2016:

	Nueva Esperanza Gold/Silver Project
	\$'000
US\$100/oz increase/decrease in gold price	15,949
US\$1/oz increase/decrease in silver price	26,246
5% increase/decrease in operating costs	26,493
5% increase/decrease in capital expenditure	12,513

In respect of Nueva Esperanza, although the recoverable amount exceeds the carrying amount, applying any negative sensitivity to the cash flow forecasts would result in a material decrease in the recoverable amount.

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'ROSS SMYTH-KIRK', written in a cursive style.

Ross Smyth-Kirk
Director

Dated at Sydney on 27 February 2017
On behalf of the Board



Independent auditor's review report to the members of Kingsgate Consolidated Limited

Report on the Financial Report

We have reviewed the accompanying financial report of Kingsgate Consolidated Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, selected explanatory notes and the directors' declaration for Kingsgate Consolidated Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Kingsgate Consolidated Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Significant Uncertainty

We draw attention to note 1 (a) (ii) to the financial statements which describes the significant uncertainty in relation to the carrying amount of assets and liabilities associated with the Chatree Gold Mine. Our review conclusion is not modified in respect of this matter.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Marc Upercroft'.

Marc Upercroft
Partner

Sydney
27 February 2017