

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 31 December 2017

HIGHLIGHTS

CHILE

- ▶ Kingsgate continues to progress its 100%-owned Nueva Esperanza Gold-Silver Project in Chile.
- ▶ Nine Reverse Circulation ("RC") follow-up drill holes totalling 1,136 metres were completed on the Cerro Blanco West target in late 2017, following up on eight initial exploration holes previously reported (See Kingsgate ASX Release titled "New Silver Discovery at Nueva Esperanza, Chile" dated 17 July 2017). The best holes were:
 - KRC-066, intercepted 18 metres at 207.54 grams/tonne silver;
 - KRC-058, intercepted 42 metres at 41.58 grams/tonne silver;
 - KRC-059, intercepted 30 metres at 32.26 grams/tonne silver;
 - KRC-063, intercepted 12 metres at 44.35 grams/tonne silver; and
 - KRC-065, intercepted 22 metres at 46.01 grams/tonne silver.
- ▶ Full details of these drill results can be found as reported (See Kingsgate ASX Release titled "Step-out Drilling Expands New Silver Rich Zone at Nueva Esperanza, Chile" dated 8 January 2018).
- ▶ These results follow a number of encouraging drill intercepts in calendar 2017. The principal focus of the spring exploration program remains to further unlock the excellent potential of the Cerro Blanco West exploration target.
- ▶ Work continues on the Feasibility Study for Nueva Esperanza, and as it enters its final stages, it remains on schedule to be completed in the first half of calendar 2018.
- ▶ Work also continues on the Environmental Impact Assessment ("EIA") for Nueva Esperanza, and following the Chilean regulatory agencies request to better outline measures to ameliorate the impact of noise and dust on flora and fauna in the project footprint, it remains on schedule to be submitted in the first half of calendar 2018.

CORPORATE

- ▶ 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.
- ▶ Mediation between Kingsgate and Zurich Insurance Australia Ltd, and the other named insurers will take place in late March 2018.
- ▶ On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement in order to recover the substantial losses that it has suffered, and continues to suffer, as a result of the measures taken by the Thai Government. The Kingsgate Board remains committed to seeking a negotiated settlement of the investment dispute with the Kingdom of Thailand.
- ▶ Kingsgate has appointed the leading international law firm Clifford Chance to represent it, and Dr. Andrew Bell S.C. as Senior Counsel on both matters.

FINANCIAL

- ▶ Cash at 31 December 2017 totalled A\$9.7 million.
- ▶ Corporate debt at 31 December 2017 remains at zero.

December 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 not yet been given permission to transport the material for treatment and refining. However, Kingsgate continues to seek to have this issue resolved, and the sludge released to Kingsgate for processing and sale.

Metal Tiger Spill Motion

On 15 November 2017, Metal Tiger plc requisitioned a General Meeting of the Company for the purpose of removing Ross Smyth-Kirk, Sharon Skeggs and Peter Warren as directors of the Company, and electing five persons nominated by Metal Tiger to replace them.

The Meeting was held on 9 January 2018, and none of the resolutions proposed by Metal Tiger were passed, with the result that there were no changes to the Kingsgate Board.

Following Metal Tiger’s unsuccessful attempt to replace the Board and take control of Kingsgate, it is necessary to address a matter of concern that arose in the lead up to the General Meeting of 9 January 2018.

Metal Tiger referred to an alleged Press Release from the Thai Department of Primary Industries dated 22 December 2017 making a number of claims about Kingsgate and its engagement with the Thai Government that are untrue.

Kingsgate has made enquiries into the so called “Press Release” and has determined that:

- It was never released to the media (enquiries have revealed that the media were generally unaware of it);
- It was written in English only, not in Thai. Official documents issued by the Thai Government are invariably prepared first in Thai, and then translated into English;
- It was only posted on the DPIM website and does not appear anywhere else; and
- It is unsigned, and enquiries are continuing into which DPIM officer authorised its content and subsequent publication.

The so called “Press Release” was referred to only by Metal Tiger and would have assisted Metal Tiger to take control of Kingsgate.

Metal Tiger’s plans for Chatree only became clear in the lead up to the General Meeting. They were to negotiate a deal with the Thai Government to reopen Chatree without necessarily obtaining any compensation for the significant losses suffered by Kingsgate as a result of the mine’s unlawful closure.

This deal was available to Kingsgate last August (See Kingsgate ASX Release titled “Update on Claim Against the Kingdom of Thailand” dated 18 August 2017) and was rejected.

Such a deal could only benefit the Thai Government, and would result in the abandonment of Kingsgate’s claim for compensation from the Government, as well as recovery under the Company’s Political Risk Insurance Policy.

Further, the alleged “Press Release” wrongly asserts that Kingsgate is not willing to continue to negotiate on the re-opening of the Chatree Gold Mine, and has adopted a hard line stance by going to arbitration.

Kingsgate advises that it first notified the Thai Government about taking action under the Australia-Thailand Free Trade Agreement (“TAFTA”) on 3 April 2017, after many months of requests for meetings to resolve the situation amicably were either ignored or did not eventuate.

After Kingsgate gave notice of its intentions under TAFTA, it followed up with two face-to-face meetings between Kingsgate officers and Government officials in Thailand in June and August 2017, and as a sign of good faith we granted an extension of the initial consultations period to try and reach a mutually beneficial outcome.

As no meaningful offer of either re-opening the mine or obtaining compensation for its closure was forthcoming from the Thai Government, Kingsgate was left with no other option but to proceed to arbitration under TAFTA (See Kingsgate ASX Release titled “Commencement of Arbitration Against Thailand” dated 2 November 2017).

The Kingsgate Board remains committed to reaching a negotiated outcome with the Thai Government, but not at the expense of giving up the Company’s right to compensation, and its rights under the Political Risk Insurance Policy.

As recently as 17 January 2018, the Prachachart Turakij newspaper in Thailand indicated that the Thai Government will proceed with arbitration while trying to engage in a dialogue to settle the matter in parallel, and that if both parties are able to agree on mutual terms, the arbitral proceedings will be terminated.

Now that the Company has seen off Metal Tiger’s spill motion, the Kingsgate Board will be re-engaging with the Thai Government to once again look for a mutually beneficial outcome.

NUEVA ESPERANZA PROJECT, Chile (100% Kingsgate)

Kingsgate continues to progress its 100%-owned Nueva Esperanza Project in Chile. Nueva Esperanza is a feasibility-stage development project with a resource base of approximately 1.9 million ounces gold equivalent¹.

Exploration, permitting and feasibility remain the primary focus. Exploration expenditure for the December quarter was approximately US\$0.4 million with expenditure of US\$0.54 million on feasibility, permitting and administrative activities.

Feasibility

Following Ausenco's appointment in July 2017 to complete the Feasibility Study for Nueva Esperanza, work to date remains both on time and on budget. The Feasibility Study is due in the first half of calendar 2018.

Permitting

Work continues on the Environmental Impact Assessment ("EIA") for Nueva Esperanza, and following the Chilean regulatory agencies request to better outline measures to ameliorate the impact of noise and dust on flora and fauna in the project footprint, it remains on schedule to be submitted in the first half of calendar 2018.

Exploration

Nine Reverse Circulation ("RC") follow-up drill holes totalling 1,136 metres were completed on the Cerro Blanco West target in late 2017 (See Figure 1) following up on eight initial exploration holes reported in July 2017 (See Kingsgate ASX Release titled "New Silver Discovery at Nueva Esperanza, Chile" dated 17 July 2017).

The best holes were:

- **KRC-066, intercepted 18 metres at 207.54g/t Ag;**
- **KRC-058, intercepted 42 metres at 41.58g/t Ag;**
- **KRC-059, intercepted 30 metres at 32.26g/t Ag;**
- **KRC-063, intercepted 12 metres at 44.35g/t Ag; and**
- **KRC-065, intercepted 22 metres at 46.01g/t Ag.**

Cerro Blanco West

Cerro Blanco West is a blind exploration target discovered in mid-2017 located approximately 800 metres southwest of Cerro Blanco, a large topographic high preserving shallow-level opaline and steam-heated alteration.

The Phase II Cerro Blanco West step-out drill program completed in Q4 2017 was designed to expand and de-limit the footprint of stratabound tuff-hosted silver oxide mineralisation identified in last year's initial eight hole campaign (See Kingsgate ASX Release titled "New Silver Discovery at Nueva Esperanza, Chile" dated 17 July 2017) by stepping out aggressively on approximately 100 metre spaced intervals.

Drilling has now confirmed that the oxide silver mineralised manto forms a sizeable blanket, extending continuously over 300 metres in an east-west sense, and over 600 metres along its length (NNE direction).

Mineralisation shows excellent spatial correlation with the broadly north-striking 0.4 km by 1.4 km, high-resistivity corridor identified by the 2017 geophysical survey (IP-Resistivity), and which comprised a key attribute for initial targeting of the sector. The anomaly also occurs within the favourable 4,000 to 4,200 metre elevation interval which hosts most of the significant mineralisation defined to date in both the Nueva Esperanza and adjacent La Coipa districts.

Mineralisation, characterised by strong pervasive iron-oxide development, is largely hosted in silicic and advanced-argillic altered, variably shallow-dipping, stratified dacitic tuffs immediately above their contact with underlying strongly pyritised, coherent to coarsely brecciated dacite porphyry. The dacite porphyry is interpreted to be a flow-dome forming the stratigraphic footwall to the bedded tuff sequence.

Mineralisation is of variable thickness, locally attaining up to 40 metres (e.g. KRC-058) in the main north-northeast striking axis of the zone, with somewhat reduced thicknesses ranging from 12 metres to 26 metres outboard to the east and west (Table 1). Hole KRC-064 on the northern-most drill section (7052650N) intersected only a four metre silver mineralised interval, suggesting the zone may attenuate on or near this section, perhaps due to (i) a reduction in the thickness of the favourable stratified tuff host, and (ii) reduced intensity of silicification within the tuff as suggested by weaker resistivity response in this northern segment of the geophysical anomaly.

The mineralised zone remains open, principally to the east and west, and further drilling is planned to evaluate the peripheral mineralisation in these directions, as well as define the limits to the zone. Mineralisation intersected in KRC-066 may very well be continuous with that intersected in Kingsgate hole KRC-036 located some 100 metres to the east of the former and historical drilling (SCB-11) collared 100 metres east again of KRC-036 (see section 7052550N on Figure 2 of press release 17th July, 2017).

December Quarter Review (continued)

Potential for additional mineralisation to the south towards the Rifle Ridge prospect may be limited by historic drilling collared some 200 metres south of the most southerly drill-section at Cerro Blanco West (7052200N) which returned few significant precious metal intersections although drilling in the area is sparse.

Two holes, KRC-060 and KRC-061 are still being analysed by ALS Global in Chile with results expected soon.

| Table 1. Cerro Blanco West - Phase II Drill Results | | | | | | |
|---|-----------------|--------|--------------|----------|---------|-------------|
| Hole ID | From (m) | To (m) | Interval (m) | Ag (g/t) | Dip (°) | Azimuth (°) |
| KRC-058 | 70 | 112 | 42 | 41.58 | -80 | 270 |
| KRC-059 | 76 | 106 | 30 | 32.26 | -80 | 270 |
| KRC-060 | Results pending | | | | -80 | 270 |
| KRC-061 | Results pending | | | | -80 | 270 |
| KRC-062 | 86 | 112 | 26 | 14.87 | -80 | 270 |
| KRC-063 | 72 | 84 | 12 | 44.35 | -80 | 270 |
| KRC-064 | 70 | 74 | 4 | 26.40 | -80 | 270 |
| KRC-065 | 42 | 64 | 22 | 46.01 | -80 | 270 |
| KRC-066 | 30 | 48 | 18 | 207.54 | -80 | 270 |

Nueva Esperanza District Exploration

In addition to follow-up drilling at Cerro Blanco West, Kingsgate is systematically exploring a number of other prospective targets within the 45km² zone of alteration. Nueva Esperanza is a large, highly prospective, multi-stage high-sulphidation mineralised system that probably encompasses several centres and which spread along structures as well as through permeable lithologies.

It is a high-level system associated with a dacitic volcanic dome field, with much of the known mineralisation interpreted to have formed close to the water table in the vicinity of the domes.

The margins of the dacite domes present opportunities for additional unexposed mineralisation concealed below their thin outer flanks such as the Chimberos West zone. Several target areas have been defined on the margins of domes in the vicinity of Huantajaya and Chimberos which Kingsgate will systematically drill test in the first quarter of 2018. The Huantajaya sector returned the previously reported (See Kingsgate ASX Release titled "Chile – Drill Results from District Exploration" dated 27 February 2017) 24 metres grading 1.81g/t Au and 86.24g/t Ag from Hole KDD-001 (3.25g/t AuEq60²).



Figure 1:
Nueva Esperanza target location map.
(Resource areas in capital letters).

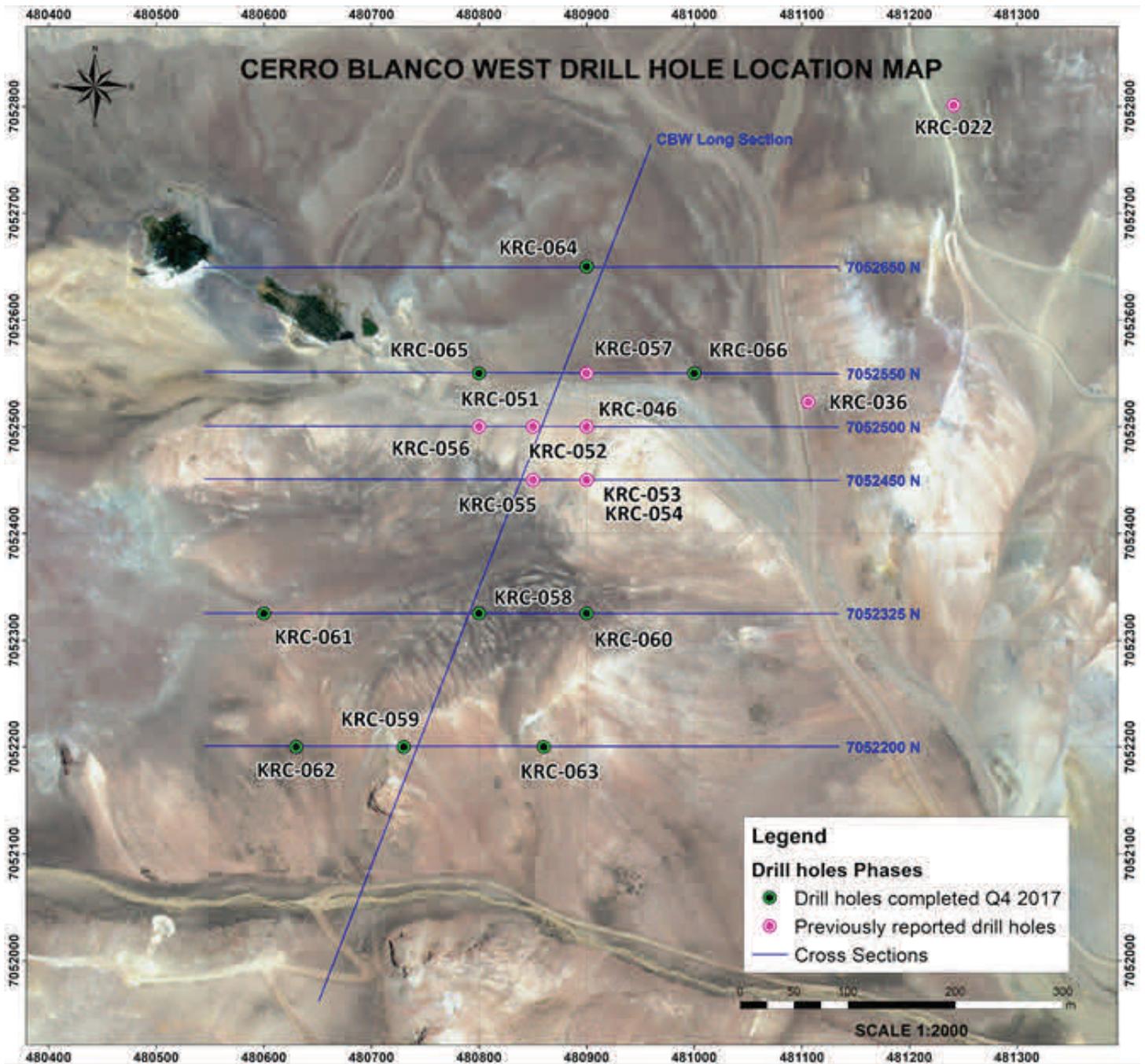


Figure 2: Cerro Blanco West drill hole location map.

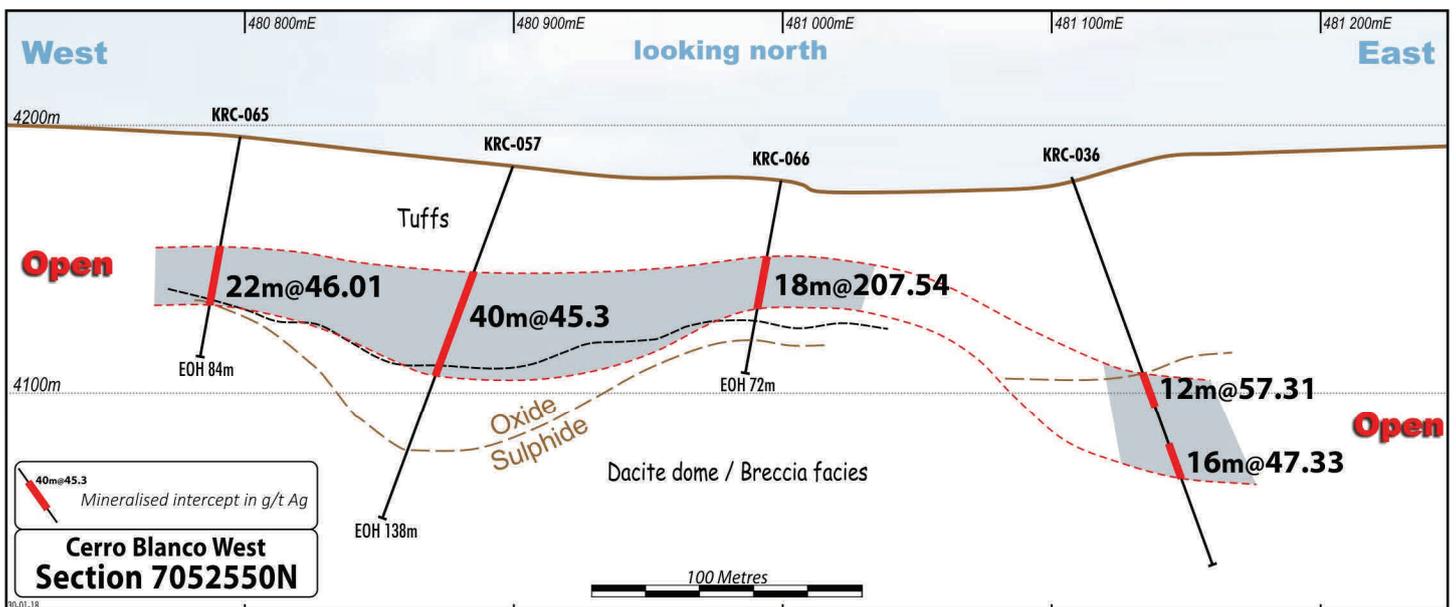


Figure 3: Cerro Blanco West 7052,550N geological cross section.

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 some new target areas and prioritising others for more detailed fieldwork.

Corporate and Finance

Finance

At the end of December 2017, Kingsgate's Group Cash totalled:

- A\$9.7 million.

(Please note, this does not include the approximate US\$6 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site.)

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 |
| Alistair Waddell | Vice President, Corporate Development & Exploration |
| Leonardo Hermosilla | Vice President, Project Development & General Manager, Kingsgate Chile NL |
| Jamie Gibson | General Manager, Corporate and External Relations |

Principal and Registered Office

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Exchange Details

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Investor Relations Contact

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General Manager, Corporate and External Relations
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Email: jgibson@kingsgate.com.au

Share Details

As at 31 December 2017, there were 223,584,937 ordinary shares on issue.

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Email: registrars@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

ADR Depository (American Depositary Receipts)

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ADR Division
101 Barclay Street, 22nd Floor
New York NY 10286 USA
Tel: +1 212 815 2293

Notes for Mineral Equivalents: (1&2)

1. 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. (See ASX:KCN released titled “Kingsgate Mineral Resources and Ore Reserves 2016” dated 7 October 2016).

2. 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): $AuEq(g/t) = Au(g/t) + Ag(g/t) \div 60$, 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 other projects.

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:

In this report, information relating to Exploration Results at the Nueva Esperanza Project in Chile is based on information compiled by the following Competent Person: Alistair Waddell, who is an employee of the Kingsgate Group. Alistair Waddell qualifies as a Competent Person as defined in the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (the JORC Code, 2012 Edition) and is a Member of The Australasian Institute of Mining and Metallurgy. Alistair Waddell possesses relevant experience in relation to the mineralisation being reported herein as Exploration Results. Alistair Waddell has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.