Kingsgate
Consolidated Limited

ABN 42 000 837 472

2017 ANNUAL REPORT

2017
Annual Report


LotusHall
CATERPILLAR
TR-71
71
THAILAND
CHATREE
NUEVA ESPERANZA
CHILE

Contents

Photo:
Akara and Lotus Hall staff, local community members and schools paying their respects to King Bhumibol the Great (King Rama IX) at the Chatree Gold Mine

Cover Photo:
Geological field assistant outcrop sampling at Nueva Esperanza

Chairman's Review

After I discussed in some detail last year the sheer disappointment at the Thai Government's decision to close the Chatree Gold Mine prematurely on 31 December 2016, I am heartened by the stoic efforts of your Board and Management over the course of the year, which in simple terms, from the announcement of closure in May 2016 managed to completely repay an A$80 million debt and end up with A$38 million in cash at 31 December 2016.

This was no mean feat either, with an ageing mining fleet, geotechnical issues, rainfall events and a fast approaching closure date it really was a herculean effort, but it was aided by an already known slightly higher grade portion of the deposit and the sale of some assets.

The results speak for themselves, with Chatree operating under a revised mine plan up until 31 December 2016, produced 89,875 ounces of gold, and 808,100 ounces of silver. The process plant treated 2.8 million tonnes of ore at a head grade of 1.23 grams per tonne gold with a recovery of 83.8%. Chatree benefited from consistent access to higher grades and reduced strip ratios. Of course, the premature closure meant that all meaningful capital investment was halted, and as a consequence operational margins improved.

Total cash costs for the year were US$549 per ounce (US$436 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was US$113 per ounce of gold. Total production costs after depreciation and amortisation were US$975 per ounce of gold produced.

It is interesting to note that royalties from Chatree over the previous year totalled over 10% of the total mining royalties received by the Thai Government.

So the logical question for Chatree is what happens now?

Your Board and Management have been diligently working through a range of scenarios to remedy the situation.

As a consequence on 3 April 2017, as part of its response to forced closure, your Company advised that it will be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against Chatree in violation of the Thai-Australia Free Trade Agreement ('TAFTA').

TAFTA was signed in 2004 between Thailand and Australia to promote and improve the environment for bilateral services, trade and investment. TAFTA came into force in 2005, and contains provisions specifically relating to investment protection.

Amongst other things, the provisions guarantee certain rights to Australian investors in Thailand, including the right to seek impartial resolution of disputes with the Thai Government relating to covered investments by way of arbitration before an international tribunal.

As part of the requirements relating to expropriation of assets, your Company is entitled to full compensation from the Thai Government. No such compensation has been forthcoming.

As a first step, Kingsgate has notified the Prime Minister of the Kingdom of Thailand that it wishes to engage in consultations as required under TAFTA. Over the past several months your Company has been in consultations with the Thai Government, to seek both restitution and compensation with respect to Chatree.

While the consultations period has now expired Kingsgate has reserved its rights under TAFTA.

Your Board is confident that this is the right mechanism to seek the amount of compensation your Company deserves.

Kingsgate field crews fly camping in the northern Maricunga as part of the regional exploration program

On a brighter note, work is continuing at Nueva Esperanza with exciting, generative exploration aimed at unlocking the full potential of the district, and it continues to impress with a new silver discovery in calendar 2017, at Cerro Blanco West. Cerro Blanco West is a priority drill-target to be followed up in the spring of 2017/2018 with a view to expanding the foot-print of the currently defined mineralisation.

In total during the 2016–17 field season that started in September 2016, your Company completed 57 RC exploration drill holes totalling 11,398 metres and 10 diamond holes totalling 1,830 metres.

Your Company was also pleased to appoint Ausenco to complete the detailed engineering and technical components for the Nueva Esperanza Project Feasibility Study during the year.

The Ausenco appointment comes after a rigorous selection process that considered economic, technical, and other key project related criteria. The work is scheduled for completion in the first half of 2018.

In the year ahead your Company will be focused on improving the value of the Nueva Esperanza Project, motivating our people to do more with less, and optimising our structure to rebuild shareholder wealth. Those of you who have been long term shareholders will know that this has always been the philosophy of this Company.

As Kingsgate continues to push for restitution/compensation for Chatree, the Board remains more resolute than ever to ensure your Company continues to rebuild and reposition itself and delivers shareholder wealth.

I would once again like to thank all the Management and personnel of Kingsgate, Akara and Nueva Esperanza, for their sustained efforts in delivering an outstanding operational performance in what we hope will be the last of our difficult years for some time to come.

I look forward to updating shareholders on our progress in the near future.

Ross Smyth-Kirk
Director

Five Year Summary

	2013	2014	2015	2016	*2017 (6 months to 31/12/16 – see note below)
PRODUCTION – Chatree					
Ore mined ('000 bank cubic metres)	2,709	2,378	1,831	1,208	**992**
Waste mined ('000 bank cubic metres)	3,521	2,193	1,133	2,965	**876**
Waste to ore ratio	1.3	0.9	0.6	2.5	**0.9**
Ore mined ('000 tonnes)	7,051	6,176	4,768	3,168	**2,589**
Ore treated ('000 tonnes)	5,699	6,235	5,283	5,515	**2,773**
Head grade - Gold grams/tonne	0.9	0.9	0.9	0.7	**1.2**
Head grade - Silver grams/tonne	11.9	12.9	13.1	11.5	**22.2**
Gold recovery (%)	79.9	79.4	79.3	79.8	**83.8**
Gold poured (ounces)	133,681	134,546	125,094	97,510	**89,875**
Silver poured (ounces)	1,000,569	992,255	850,003	675,579	**808,100**
PRODUCTION – Challenger	(12 months)	(12 months)	(12 months)	(*8.5 months)	–
Ore mined ('000 tonnes)	502	500	509	518	–
Ore treated ('000 tonnes)	557	506	515	386	–
Head grade - Gold grams/tonne	3.9	4.8	5.0	4.0	–
Gold recovery (%)	94.5	96.1	96.7	96.0	–
Gold poured (ounces)	66,216	74,954	80,151	48,992	–
PROFIT & LOSS (A$'000)					
Sales revenue	329,282	328,326	313,162	253,328	**176,119**
Operating expenses	(192,538)	(244,366)	(225,175)	(196,244)	**(97,925)**
Administration expenses	(15,516)	(15,304)	(13,825)	(14,372)	**(11,964)**
Other (expenses)/income	(24,804)	(4,449)	(4,704)	(2,848)	**(3,188)**
EBITDA	96,424	64,207	69,458	39,864	**63,042**
Impairment losses	(332,808)	(86,698)	(148,181)	(210,969)	–
Depreciation & amortisation	(90,965)	(58,986)	(53,950)	(46,177)	**(51,307)**
EBIT	(327,349)	(81,477)	(132,673)	(217,282)	**11,735**
Net finance (costs)/income	(16,222)	(13,250)	(14,319)	(12,129)	**(3,631)**
Profit/(loss) before income tax	(343,571)	(94,727)	(146,992)	(229,411)	**8,104**
Income tax (expense)/benefit	16,504	(2,886)	(651)	(40)	**(1,016)**
Net profit/(loss) after income tax	(327,067)	(97,613)	(147,643)	(229,451)	**7,088**
Non-controlling interests	–	–	–	–	–
Net profit/(loss) attributable to owners of Kingsgate Consolidated Limited	(327,067)	(97,613)	(147,643)	(229,451)	**7,088**
BALANCE SHEET (A$'000)					
Current assets - cash and cash equivalent	30,494	53,632	55,472	36,314	**22,007**
Current assets - other	99,087	82,170	75,905	56,796	**6,544**
Non-current assets	628,870	505,293	413,633	159,395	**105,750**
Total assets	758,451	641,095	545,010	252,505	**134,301**
Liabilities - borrowings	199,758	153,632	142,623	98,097	**11,571**
Liabilities - other	95,594	76,790	77,754	62,044	**21,870**
Total liabilities	295,352	230,422	220,377	160,141	**33,441**
Shareholders' equity	463,099	410,673	324,633	92,364	**100,860**
OTHER INFORMATION					
Average gold price received (US$/ounce)	1,588	1,291	1,208	1,135	**1,250**
Cash cost (US$/ounce)	869	936	833	851	**549**
Total cost (US$/ounce)	1,311	1,167	1,023	1,085	**975**
Operating cashflow (A$'000)	92,734	38,608	76,646	46,493	**56,952**
Dividends paid (Cash & DRP) (A$'000)	22,738	–	–	–	–
Number of ordinary shares ('000)	152,192	223,585	223,585	223,585	**223,585**
Basic earnings per share (A$ Cents)	(215.0)	(56.7)	(66.0)	(102.6)	**3.2**
Dividends per share declared for the year (A$ Cents)	5.0	–	–	–	–

** The Thai Government announced on 10 May 2016, that Chatree must cease operations by 31 December 2016.*

Akara Resources Public Company Limited ('Akara') a subsidiary of Kingsgate Consolidated Limited ceased operating at Chatree on 31 December 2016 in accordance with the closure orders. As a result, Chatree was placed on Care and Maintenance effective 1 January 2017.

Finance Report

Summary

- Revenue of $176.1 million;
- EBITDA (before significant items) of $63.0 million;
- Gross profit of $27.3 million generated from Chatree Gold Mine;
- No dividends have been declared.

Revenue

Total sales revenue for the Group was $176.1 million for the year, down from $253.3 million in the previous year though sales revenue generated from Chatree increased by 1%, reflecting consistent access to higher grade ore and higher gold and silver prices. Production from Chatree was for only six months following the Thai Government announcement on 10 May 2016 that Chatree must cease operations by 31 December 2016. The overall decrease in sales revenue reflected nil contribution from Challenger following the sale of this operation in March 2016.

The average gold price received was US$1,250 per ounce (2016: US$1,135 per ounce). The average silver price received was US$18 per ounce (2016: US$15 per ounce).

Cost of sales

The overall decrease in cost of sales to $148.9 million also reflects Chatree ceasing operations on 31 December 2016 and nil contribution from Challenger.

Income tax

On 18 June 2010, Kingsgate's Thai subsidiary company, Akara Resources Public Company Limited ('Akara'), received approval from The Royal Thai Board of Investment ('BOI'), for a promotion in respect of the Chatree North gold processing plant. Based on an annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara is entitled to:

a) an eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;

b) a 25% investment allowance on the capital cost of certain assets of the new processing plant; and

c) other benefits.

The taxable losses from the Australian operations are only recognised to the extent of deferred tax liabilities. The balance of tax losses has been added to the Group's brought-forward tax losses, leaving a balance of $295 million of taxable losses (unrecognised tax asset of $89 million) to be carried forward to future years.

A tax expense of $1.0 million was incurred which related to withholding tax on dividends received by Kingsgate from the Thailand operations.

Cash flow

Net operating cash inflow was $57.0 million (2016: $46.5 million). The increase of $10.5 million reflects a decrease in mining costs in Chatree, lower interest payments due to the reduction in borrowings over the year. Net investing cash inflow was $15.0 million (2016: cash outflow $17.1 million), up $32.1 million, representing lower project work at the Nueva Esperanza Gold/Silver Project offset by proceeds of $5 million from the sale of the Bowdens Silver Project and $11.5 million decrease in deposits and restricted cash. Net cash outflow from financing activities was $85.9 million (2016: $48.6 million), including debt repayment of $85.0 million with $75.0 million against the Akara multi-currency loan facility and $10.0 million against the corporate revolving credit facility. As a result both of these facilities were repaid in full.

Financial position

Cash at year end was $22.0 million with a further $2.8 million of deposits which subsequent to year end have been released for general use.

On 29 August 2017, Kingsgate executed a $15.0 million Standby Loan Facility ('SLF'). The SLF is available to be drawn against within a 12 month period from the date of the agreement subject to demonstrating an acceptable repayment plan. It has a minimum draw of $10.0 million and is to be repaid in full six months after drawdown.

Dividends

No dividends were declared for the year ended 30 June 2017 (2016: nil).

Operations Report

Chatree Gold Mine

Thailand

Summary

Akara Resources Public Company Limited ('Akara'), a subsidiary of Kingsgate Consolidated Limited, ceased operating the Chatree Gold Mine ('Chatree') on 31 December 2016 in accordance with the closure order by the Thai Government. As previously reported by Kingsgate, the Thai Government announced in May 2016, that it would end all gold mining in Thailand by 31 December 2016, which includes 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. Akara has complied with the Thai Government's position and Chatree was placed on Care and Maintenance, effective 1 January 2017.

Final night of operations

Notably, Akara generated sufficient cash flow prior to the mine closure to meet all of its obligations and extinguish its debt.

Approximately A$2.0 million was spent on progressively decommissioning the plant during the first three months of 2017, which included the cleaning of mills, circuits and tanks to ensure that the site is environmentally safe and that the remaining infrastructure is properly secured. The disposal of stores and inventory has been done in accordance with the relevant environmental regulations and where possible surplus/re-usable consumables have been on-sold to third parties.

Akara staffing levels were also reduced at the completion of the plant decommissioning phase, down from a peak workforce of over 1,000 people, including contractors. Akara now has approximately 25 full time employees. Mine related redundancies were paid during the year, and Akara has now met all staff related redundancy obligations with respect to closure.

Key impacts of the premature closure of Chatree in addition to the loss of several thousand direct and indirect regional jobs include the forfeiture of significant royalty payments to the Thai

Empty A Pit as Chatree placed on Care and Maintenance

Government, and the discontinuation of many community-based health, education and infrastructure programs funded by Akara.

At the point of decommissioning, approximately US$6.5 million of gold and silver inventory in the form of high-grade sludge (equivalent to approximately 4,750 ounces of gold and 34,800 ounces of silver) remains at the Chatree site. To date, Akara has not been given permission to transport the material for treatment and refining.

On 3 April 2017, as part of its response to forced closure, Kingsgate advised that it will be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against Chatree in violation of the Thai-Australia Free Trade Agreement ('TAFTA').

As a first step, Kingsgate notified the Prime Minister of the Kingdom of Thailand that it wishes to engage in consultations as required under TAFTA.

For more than a year, Kingsgate has made sustained, good faith efforts to engage with the Thai Government in relation to the measures against Chatree that ultimately resulted in its premature closure on 31 December 2016.

These efforts included numerous unanswered requests for meetings with Thailand's Prime Minister and members of his Cabinet.

Regrettably, Kingsgate believes that the only option to resolve the situation is to exercise its rights as a protected Australian investor under TAFTA.

TAFTA was signed in 2004 between Thailand and Australia to promote and improve the environment for bilateral services, trade and investment. TAFTA entered into force in 2005.

TAFTA contains a range of provisions specifically relating to investment protection. Amongst other things, these provisions guarantee certain rights to Australian investors in Thailand, including the right to seek impartial resolution of disputes with the Thai Government relating to covered investments by way of arbitration before an international tribunal.

On 20 April 2017, Kingsgate received a formal response from the Government of Thailand acknowledging the request for consultations under TAFTA. The letter signed by the Thai Minister of Industry stated that the Thai Government was currently considering Kingsgate's request for consultations and that relevant government agencies would require some time for internal consultation and to seek the necessary policy outcomes. The letter further stated that they were predisposed to seek an amicable solution to the matter.

Since receiving this letter Kingsgate has met with representatives of the Thai Government on two occasions in Bangkok, the first on 27 June 2017, and the second on 16 August 2017. At both meetings Kingsgate asserted its claim for both financial compensation and restitution of Chatree.

continued

While these negotiations are still in the early stages there has been some initial steps taken by the Thai Government to restore the mine. Restitution of the mine in the first instance would allow Kingsgate to process the gold and silver sludge secured at the mine, which would improve the balance sheet. If however, a mutually agreeable outcome is not reached with respect to Chatree, Kingsgate can exercise its rights under TAFTA to proceed to international arbitration. Kingsgate continues to reserve its rights under the TAFTA for such an eventuality.

It is important to note, that the Thai Government has throughout the year expressed that the closure is in no way a reflection of the way the mine is operated which validates Kingsgate's view that the mine is and always has been a socially responsible, internationally accredited mining operation employing modern techniques. Chatree even while on Care and Maintenance continues to comply with stringent health and environmental laws, and remains one of the most heavily regulated mining operations in the world.

Community support also remains very high for the mine and a number of private and government sponsored surveys taken around Chatree throughout the year have shown favourable levels of support levels of ~75% or greater for the mine to continue/-reopen.

Production and costs

Despite its premature closure, the Chatree Gold Mine continued as Kingsgate's primary production asset throughout the year. Kingsgate successfully implemented a revised mine plan up until 31 December 2016 that generated sufficient cash flow to cover all of Akara's liabilities and obligations.

Up until 31 December 2016, Chatree produced 89,875 ounces of gold and 808,100 ounces of silver.

The process plant treated 2.8 million tonnes of ore at a head grade of 1.23 grams per tonne gold with a recovery of 83.8%.

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, and as a consequence operational margins improved.

Total cash costs for the year were US$549 per ounce (US$436 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was US$113 per ounce of gold. Total production costs after depreciation and amortisation were US$975 per ounce of gold produced.

Safety

There were two Lost Time Injuries recorded during the year. The first, on 21 November 2016, related to a mechanic receiving minor leg burns from a caustic solution released under pressure from a valve on Elution Circuit Number 2 and the second, also on 21 November, relates to a forklift driver getting his boot stuck under a foot pedal resulting in a hairline fracture in his right leg.

Management would once again like to commend employees and contractors for their attention to safety and care for each other.

Akara Officers inspecting gold doré bars at Chatree

Acacia seedlings on the waste rock piles

Rehabilitation

Akara completed the rehabilitation work on waste rock piles in A-West (located to the west of A Pit) at the end of May 2017. Bulldozers were used to adjust the slope of the pile to the appropriate angle. A trial planting of vegetation (Acacia species) has shown positive germination in rocky areas with little or no topsoil. In addition, Acacia seeds have also been sown along the embankment of Q Pit, and additional trees covering a total of 1,000 square metres have been planted in the area. This flora regeneration will be monitored periodically and additional hardy, fast growing species like Neem, Burma, Padauk and Cassie trees will be planted in areas where Acacia germination is low.

The same species have also been planted along the embankment of TSF2 to increase natural foliage in the area. These trees cover an area of approximately 1,300 square metres.

Akara has a regular dialogue with the Department of Industries and Mines in relation to the ongoing Care and Maintenance of Chatree and other ongoing rehabilitation measures that may be required.

Akara Officers inspecting the germination of Acacia seeds on the waste rock piles (A-west)

Projects Report

Nueva Esperanza

Chile

Summary

Kingsgate's focus remains firmly on the development of the exciting Nueva Esperanza Project which, subject to financing and approvals, provides Kingsgate with a solid platform for growth potential in Chile, and indeed South America.

The Nueva Esperanza Project was acquired by Kingsgate in 2012 (100% owned) through the consolidation of tenements and resources in 2011. The Project is located in the Maricunga Gold Belt near Copiapó, a regional mining centre in Northern Chile. The gold and silver-rich mineralisation is hosted by the Esperanza high-sulphidation epithermal alteration system associated with the Cerros Bravos volcanic complex.

The highly prospective Maricunga Belt in Chile which has already delivered defined total resources of ~100 Moz is known for its historic bonanza silver and large scale gold production and is further characterised by epithermal gold styles in the north.

The next step is to complete the mine design with new parameters that will lead to a cost update which will deliver a Bankable Feasibility Study in 2018.


Chimberos Pit

continued

Nueva Esperanza - Exploration RC drill rig

Engineering studies

During the period 2016–17, an update of the previous Pre-Feasibility Study was carried out, and was delivered in December 2016. This update confirmed that the Project is technically and economically feasible.

During February–March 2017, the bidding for the tender to complete the Feasibility Study was released and companies recognised in the engineering and EPC/EPCM projects market were invited to apply.

After a rigorous evaluation process, the Feasibility Study was awarded to Ausenco, and works commenced in May on a range of works which include but are not limited to:

- geological modelling and a review of current reserves and resources;
- process plant design and flowsheet;
- power line & water line optimal routes and availability;
- infrastructure associated with the Project; and
- supervision of metallurgical tests, to confirm previous results at ALS in Perth.

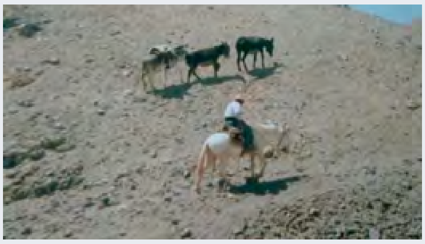
The Feasibility Study results are expected to be received in late 2017 or early 2018.

Community studies

During this period, work with the six identified communities within the Project footprint also continued. The final modification of the Arqueros Project was presented to the six communities and the protocol process started with four of those communities. Several meetings have been carried out with the aim of seeking feedback that can then be incorporated into the protocol process to better define individual areas of claim for use in the preparation of the Environmental Impact Assessment.

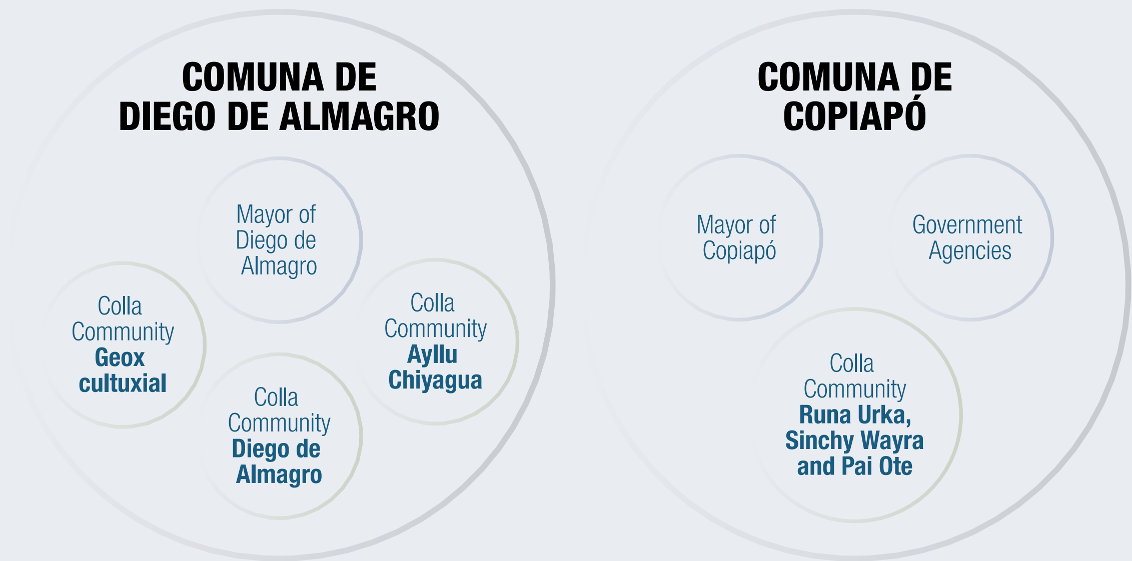
The communities were very grateful for the support and ongoing communication provided by Kingsgate during and after a period of major flooding in May 2017. Petrol, bales, non-perishable food were all donated to flood affected communities.

Kingsgate supported Mr. Manuel Quispe by signing a petition requesting that he be recognised as a member of the Colla community and further recognised as a "Living Human Treasure", as awarded by the Council of Arts and Culture every year.



Environmental studies

During 2016–2017, Kingsgate's work continued with its consultants on the Environmental Impact Assessment ('EIA'). The EIA was delivered to the SEIA ('Social and Environmental Impact Assessment') on 5 July 2017. Kingsgate will continue to liaise with SEIA about the ongoing requirements of the EIA to ensure that any issues arising are addressed.



Stakeholders and communities

Exploration Report

Overview

Given the current situation in Thailand, exploration was entirely focused in Chile during the year. The focus was primarily on exploration in and around the Nueva Esperanza Project. Kingsgate also initiated a Greenfields regional exploration program in the northern Maricunga belt in Chile exploring for other epithermal systems with similar characteristics to Nueva Esperanza.

Brownfields exploration Nueva Esperanza

The FY17 exploration strategy was to continue the FY16 program and step back and evaluate the Nueva Esperanza district in a systematic manner. This approach involved compiling various datasets and building detailed layers of geological information to generate new drill targets.

Blast hole drill program

As a result of the previous year's successful blast hole drill program a second phase was completed. An additional 322 short holes were drilled to infill to a higher density anomalous areas identified by the phase I program. Several additional areas of interest were also infilled to provide more complete coverage in areas considered prospective for mineralisation.

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

Table 1: Cerro Blanco West drill results

Hole Id	Interval (m)	AuEq60 (g/t)	Ag (g/t)	Au (g/t)	From (m)	To (m)	Dip (°)	Azimuth (°)
KRC-036	42	0.60	35.60	NSV	76	118	-70	090
KRC-046	**60**	**1.13**	**67.57**	**NSV**	**40**	**100**	**-70**	**270**
including	**32**	**1.91**	**114.66**	**NSV**	**68**	**100**	**-70**	**270**
KRC-051	30	0.12	7.09	NSV	40	70	-70	090
KRC-052	60	0.36	21.18	NSV	40	100	-70	270
including	20	0.56	33.42	NSV	72	92	-70	270
KRC-053	8	0.74	44.17	NSV	20	28	-70	270
KRC-053	22	0.24	13.76	NSV	58	80	-70	270
KRC-054	**8**	**1.08**	**64.85**	**NSV**	**18**	**26**	**-70**	**090**
KRC-054	14	0.42	24.91	NSV	68	82	-70	090
KRC-055	**50**	**1.40**	**84.04**	**NSV**	**62**	**112**	**-70**	**270**
KRC-056	**18**	**1.38**	**82.32**	**NSV**	**46**	**64**	**-70**	**270**
KRC-057	40	0.65	45.27	NSV	42	82	-70	270
SCB-011	44	0.63	36.95	NSV	136	180	-60	270

Note: Hole SCB-011 was not drilled by Kingsgate and the historical result noted above cannot be verified.

NSV – No significant values.

The drill program was designed to explore for new targets under post-mineral cover comprising of scree and colluvium. The targets are based on multi-element geochemical and geological vectors in combination with surface lithological and structural mapping.

Numerous gold and silver anomalies were generated or better defined by the phase II program some of which will be systematically explored in the 2017–18 field season. The most exciting result was a sample that returned 8.8g/t gold from the Carachitas zone.

Geophysical survey

A combined IP/Resistivity Survey was conducted in early 2017 over the core of the Nueva Esperanza property. Approximately 40 line kilometres were surveyed along nine east-west lines spaced at 500 metres. The survey has highlighted a number of highly resistive features, consistent with silicic alteration, some of which have been drill tested with encouraging results received. Several resistivity targets remain to be drill tested in the 2017-18 field season.

Drilling

During the 2016-17 field season, which started in September 2016, the Company completed 57 RC exploration drill holes totalling 11,398 metres and 10 diamond holes totalling 1,830 metres. Nine principal target areas were drill tested throughout the field season. The most encouraging new zone of mineralisation is Cerro Blanco West.

Cerro Blanco West:

Eight Reverse Circulation ('RC') holes (See Figure 2) totalling 1,226 metres were completed on the new Cerro Blanco West target prior to drilling being halted by the early onset of winter conditions in May 2017.

Initial drilling returned the following intercepts:

- Hole KRC-046 intercepted **60 metres** grading 67.57g/t Ag (**1.13g/t AuEq60**[2]) from 40 metres to 100 metres, including **32 metres** at 114.66g/t Ag (**1.91g/t AuEq60**) from 68 metres to 100 metres;
- Hole KRC-055 intercepted **50 metres** grading 84.04g/t Ag (**1.40g/t AuEq60**) from 62 metres to 112 metres; and
- Hole KRC-056 intercepted **18 metres** grading 82.32g/t Ag from (**1.38g/t AuEq60**) 46 metres to 64 metres.

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

Drilling targeted the northern part of a 0.4 km by 1.4 km, north striking geophysical anomaly defined by the 2017 IP and Resistivity Survey. The anomaly comprises a corridor of shallow (<200 metres depth) high resistivity response, lying within the favourable 4,000 to 4,200 metre elevation interval which hosts most of the significant mineralisation defined to date in the Nueva Esperanza and adjacent La Coipa districts. No historic drilling was previously completed within the immediate footprint of the target geophysical anomaly.

Follow-up drilling, designed to expand the mineralised footprint and ascertain the geometry of mineralisation was completed on three east-west fences spaced 50 metres apart.

All drill-holes intersected similar style silver mineralisation, with sectional interpretation indicating a broadly sub-horizontal, oxidised, 'manto' like zone generally ranging from 20 metres to 60 metres in thickness (See Figure 3). Results of the drilling are summarised in Table 1.

Drilling was completed on the following targets; Carachitas Central, Arqueros, Arqueros SW, Teterita, Huantajaya, Cerro Blanco, Potosí, Cerro Gaston, and Cerro Blanco West (See Figure 1). The most encouraging exploration results to-date have come from Cerro Blanco West.

Mineralisation, characterised by strong pervasive iron-oxide development, is hosted in silicic and advanced-argillic altered, variably shallow-dipping, stratified dacitic tuffs immediately above their contact with underlying strongly pyritized, 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 remains open to the north, west and south although weaker silver intersections in some of the more eastern holes suggest possible local attenuation of mineralisation towards the east. Silver intersections from two RC drill holes collared approximately 200 metres further to the east on the lower western flanks of Cerro Blanco (Hole KRC-036 and historical Hole SCB-011) probably occur at the same stratigraphic horizon and suggest possible improvement of Ag grades further to the east.

Excellent potential is considered to remain over some 400 metres of untested strike of the resistive corridor immediately south of the current drilling, where the high resistivity feature projects towards an approximate north striking silicic ledge 'feeder' system controlling Au-Ag mineralisation in the Rifle Ridge prospect area.

Historic drill-intercepts reported from the Rifle Ridge prospect include 25 metres grading at 1.47g/t Au, 17.4g/t Ag (1.93g/t AuEq60) in Hole ERFR-1, and 16 metres grading at 1.71g/t Au and 51.75g/t Ag (for 2.57g/t AuEq60) in Hole SRR-006.

The notable increase in gold values associated with mineralisation to the south at the Rifle Ridge prospect is thought to augur well for improved gold tenor in any potential southern extension to the mineralisation so far intersected at Cerro Blanco West.

Cerro Blanco West is a priority drill-target to be followed up in the 2017–18 field season with a view to expanding the foot-print of the currently defined mineralisation.

Carachitas:

Carachitas is located approximately 2.3 km southeast of the Arqueros deposit.

Ten shallow RC holes totalling 1,062.10 metres were completed in the vicinity of several Air-blast anomalies and the earlier scout RC drilling. Results from the most encouraging drill hole are noted below.

- Hole KRC-023 returned **10 metres** grading 6.66g/t Au and 31.81g/t Ag or **7.13g/t AuEq60** from 12 metres (the interval is oxidised).

Figure 2: Cerro Blanco West drill hole location map

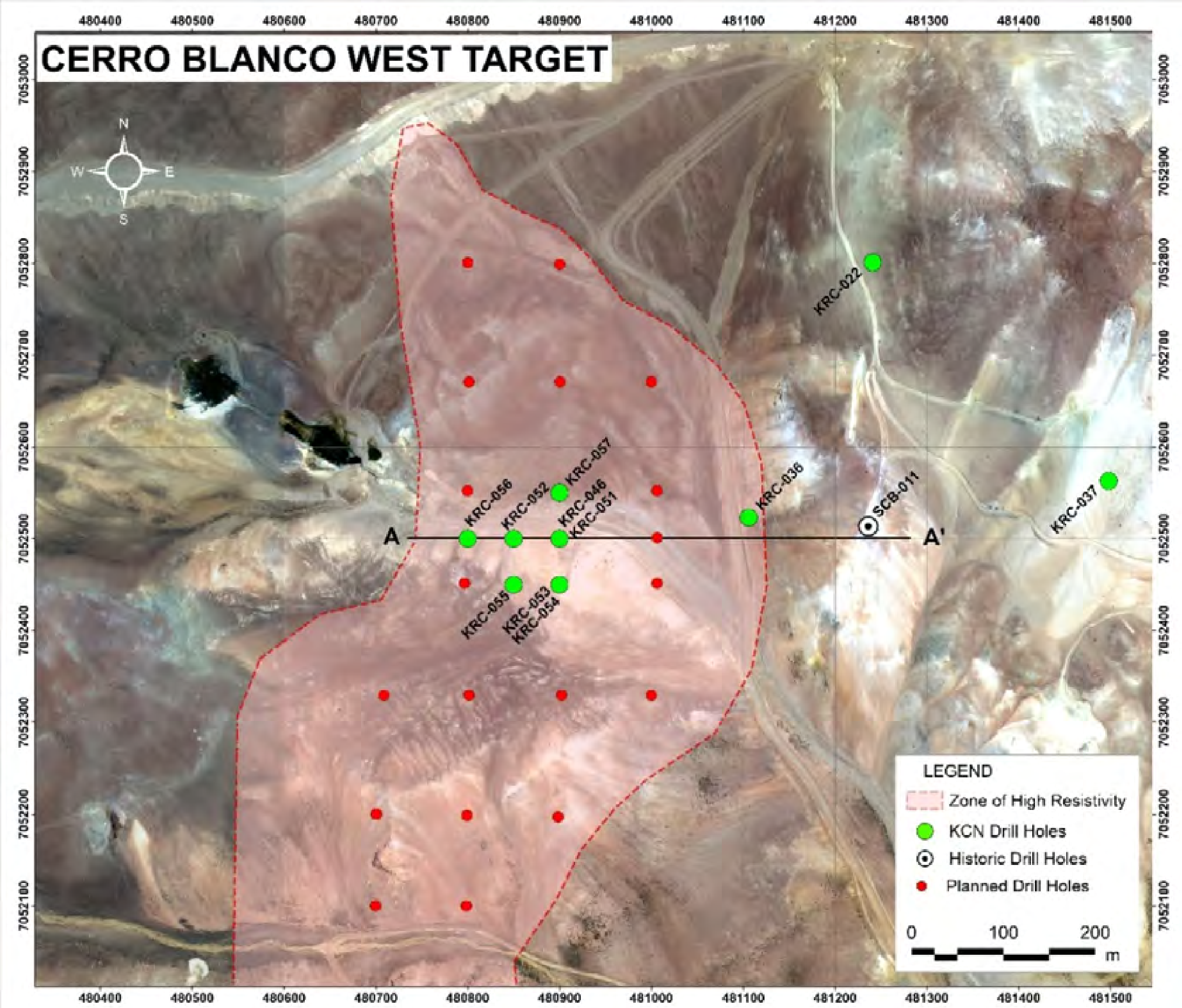
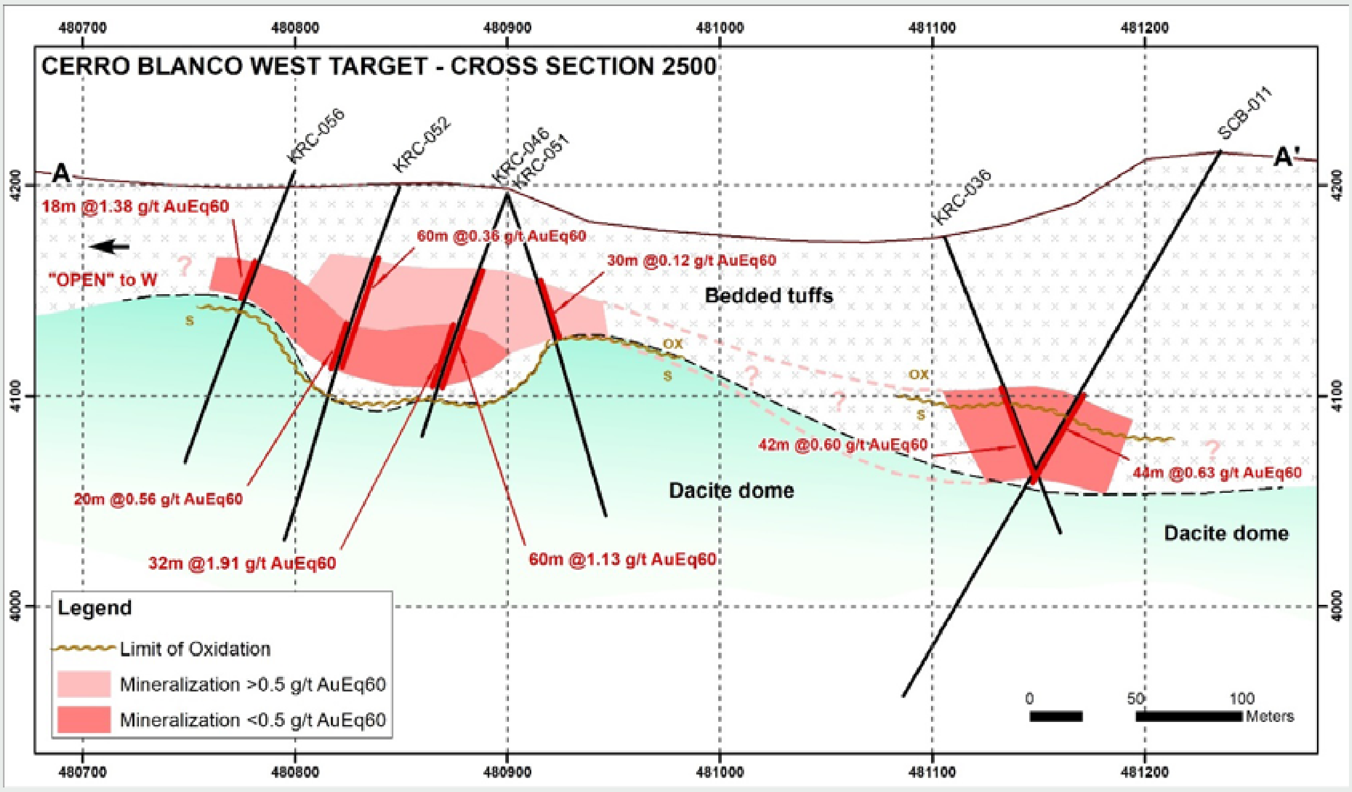


Figure 3: Cerro Blanco West geological cross section



Carachitas was historically highlighted by limited RC scout-drilling in 2015, which returned an intercept of 38 metres grading 2.30g/t Au and 22.0g/t Ag (Hole ECCR-02) from a depth of 14 metres – see Kingsgate ASX Release titled 'New Gold Discovery at Nueva Esperanza Project, Chile' dated 15 December 2015.

Further work will be completed at Carachitas in the upcoming 2017-18 field season to better understand the zone.

Huantajaya:

This target is located approximately 600 metres southwest of the Chimberos Gold deposit.

Several diamond drill holes testing the depth projection of outcropping zones of mineralised breccia's. Three holes intercepted the targeted silicified and oxidised breccia at depth with the following intercepts:

- Hole KDD-1 intercepted **24.0 metres** grading 1.81g/t Au and 86.24g/t Ag or **3.25g/t AuEq60**[2] from 101 metres;
- Hole KDD-2 intercepted **11.0 metres** grading 2.07g/t Au and 57.03g/t Ag or **3.02g/t AuEq60** from 153 metres; and
- Hole KDD-3 intercepted **3.0 metres** grading 3.33g/t Au and 31.48g/t Ag or **3.85g/t AuEq60** from 146 metres.

Additional drilling along strike from the holes noted above produced disappointing results and the target has been downgraded.

Regional exploration, Chile

The northern part of the belt is emerging as a relatively underexplored area that contains a number of significant precious metal deposits including Gold Field's Salares Norte Project and Kinross's La Coipa mine.

Over the last year the area has been investigated by compiling various geological data in conjunction with analysing updated satellite imagery and claim information. Areas of high-level epithermal alteration were investigated and numerous concessions were applied for. All areas were explored, several areas were voluntarily relinquished, others prioritised for follow-up in the 2017–18 field season. Several additional areas have since been applied for which will be investigated in the coming months.

The Company is also in discussions with a number of third parties regarding possible exploration Joint Ventures in the northern Maricunga.

Forward program, Chile

Kingsgate remains committed to progressing exploration, feasibility studies and permitting aspects into FY18. In addition to the ongoing exploration program a yet to be defined number of infill drill holes will be completed on the three resource zones, Arqueros, Teterita and Chimberos to increase the confidence in the resources and geological models.

Follow up exploration will continue on the various targets already identified including Cerro Blanco West and focus on building a target pipeline at Nueva Esperanza and elsewhere in Chile. It is anticipated fieldwork will recommence at Nueva Esperanza in September 2017.

Notes:

1. Gold Equivalent: AuEq (g/t) = Au (g/t) + (Ag (g/t) ÷ 60).

Ore Reserves and Mineral Resources

as at 30 June 2017

Chatree and Nueva Esperanza Ore Reserves

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Proved	–	–	–	–	–	–	–	–	–
	Probable	–	–	–	–	–	–	–	–	–
	Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Nueva Esperanza	Proved	–	–	–	–	–	–	–	–	–
	Probable	17.1	0.5	87	2.0	117	0.30	47.8	1.10	64.3
	Total	**17.1**	**0.5**	**87**	**2.0**	**117**	**0.30**	**47.8**	**1.10**	**64.3**
Total	Proved	–	–	–	–	–	–	–	–	–
	Probable	17.1	0.5	87	2.0	117	0.30	47.8	1.10	64.3
	Total	**17.1**	**0.5**	**87**	**2.0**	**117**	**0.30**	**47.8**	**1.00**	**64.3**

Chatree and Nueva Esperanza Mineral Resources (inclusive of Ore Reserves)

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Measured	73.2	0.69	6.20	0.74	100	1.63	14.6	1.74	237
	Indicated	49.8	0.64	5.58	0.68	93	1.02	8.9	1.09	148
	Inferred	40.6	0.59	4.50	0.62	85	0.77	5.9	0.81	111
	Total	**163.6**	**0.65**	**5.59**	**0.69**	**94**	**3.42**	**29.4**	**3.64**	**496**
Nueva Esperanza	Measured	1.6	0.01	93	1.56	94	0.0005	4.8	0.08	4.8
	Indicated	27.2	0.46	73	1.67	100	0.40	63.8	1.46	87.9
	Inferred	10.6	0.3	43	1.0	60	0.09	14.8	0.33	20.0
	Total	**39.4**	**0.39**	**66**	**1.48**	**89**	**0.49**	**83.4**	**1.88**	**112.7**
Total	Measured	74.8	0.68	8.06	0.76	100	1.63	19.4	1.82	241
	Indicated	77.0	0.58	29.4	1.03	95	1.42	72.7	2.55	236
	Inferred	51.2	0.53	12.5	0.70	80	0.86	20.7	1.14	131
	Total	**203.0**	**0.60**	**17.3**	**0.85**	**93**	**3.91**	**112.8**	**5.51**	**608**

Notes to the Ore Reserves and Mineral Resources Tables on page 18:

(1) *Rounding of figures causes some numbers to not add correctly.*

(2) *Nueva Esperanza Equivalent factors:*
Silver Equivalent: AgEq (g/t) = Ag (g/t) + Au (g/t) x 60.
Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t) / 60.
Calculated from prices of US$1200/oz Au and US$19.00/oz Ag, and metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate.

(3) *Chatree Equivalent factors:*
Gold Equivalent: AuEq/t = Au (g/t) + Ag (g/t) /136.
Silver Equivalent: AgEq g/t = Au (g/t) x 136 + Ag g/t.
Calculated from prices of US$1200/oz Au and US$19.00/oz Ag and metallurgical recoveries of 83.3% Au and 38.7% Ag based on metallurgical testwork and plant performance.

(4) *Cut-off grades for Resources are:*
Chatree 0.30 g/t Au, Nueva Esperanza 0.5g/t AuEq.

(5) *Nueva Esperanza Reserves are based on a floating cut-off grade method. In this method each Resource block is subjected to a series of estimates to generate revenue and cost fields that are used to determine a breakeven cut-off grade.*

(6) *Cut-off grade for Chatree Ore Reserves is 0.35 g/t Au.*

(7) *It is in the Company's opinion that all the elements included in the metal equivalent calculations have a reasonable potential to be recovered.*

(8) *Please refer to ASX:KCN release published 14 April 2016 titled, "Nueva Esperanza Pre-Feasibility Study Confirms Kingsgate Growth Strategy" for details on Mineral Resources, Ore Reserves and JORC 2012 Table 1.*

Chatree Ore Reserves (with a Metallurgical Licence granted)

The table below shows what the Chatree Reserve would be if the Metallurgical Licence was granted in the future.

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Proved	26.1	0.77	6.70	0.82	102	0.65	6.2	0.70	95
	Probable	9.3	0.80	7.04	0.85	116	0.24	2.1	0.25	34.6
	Total	**35.4**	**0.78**	**6.79**	**0.83**	**106**	**0.89**	**8.3**	**0.95**	**130**

Notes to the Chatree Ore Reserves Table above:

(1) *For the material in the table above to become a JORC 2012 Ore Reserve, the Thai Department of Primary Industries and Mines need to grant the Chatree Gold Mine a Metallurgical Licence.*

(2) *The information in the table above is not currently an Ore Reserve under JORC reporting requirements.*

Competent Persons Statement

The information relating to Nueva Esperanza Ore Reserves is extracted from an ASX announcement by Kingsgate titled "Nueva Esperanza Pre-Feasibility Study" published 14 April 2016. The information relating to Nueva Esperanza Mineral Resources is extracted from an ASX announcement by Kingsgate titled "Nueva Esperanza Mineral Resource Update" published 14 April 2016.

Previous announcements referred to in this report are available to view on Kingsgate's public website (www.kingsgate.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement, and in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially altered from the original announcements.

The information in this report that relates to the Chatree Mineral Resource is based on information compiled by Ron James and Maria Muñoz, who were previously employees of the Kingsgate Group. Both Ron James and Maria Muñoz who are now consultant geologists, are members of The Australasian Institute of Mining and Metallurgy and qualify as Competent Persons. Mr James and Ms Muñoz have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves." Mr James and Ms Muñoz have consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

The information in this report that relates to the Chatree Ore Reserve estimates is based on information compiled by Saowalak Tantakoon, a mining engineer who is a full time employee of Akara Resources, and who is under the supervision of Ron James, who is a member of the Australasian Institute of Mining and Metallurgy. Mr James is a former employee and now a consultant to the Kingsgate Group, and has sufficient relevant experience in the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves." Ms Tantakoon and Mr James have consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

Senior Management

Kingsgate's executives have a comprehensive range of skills and experience including mine development and operations, exploration, finance and administration. They are supported by highly qualified specialists, whose backgrounds cover the full scope of mining resources activities.

Senior members of Kingsgate's management team as at the time of this report are:

Ross Coyle
BA, FCPA, FGIA

Chief Financial Officer and Company Secretary

Ross Coyle joined Kingsgate in March 2011 following the Company's acquisition of Dominion Mining Limited and was with the Dominion group for over 25 years. He is a qualified accountant and has over 35 years' experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Chief Financial Officer in November 2014.

Alistair Waddell
BSc (Hons), MAusIMM

Vice-President Corporate Development & Exploration

Alistair Waddell joined Kingsgate in April 2016 as Vice-President Corporate Development & Exploration. He is a Geologist with over 20 years' of diverse resource industry experience, including senior roles with both junior and senior mining companies providing a broad vision of many aspects of the business. He was a founder and former President and CEO of TSX-V listed GoldQuest Mining Corp. principally focused on exploration in the Dominican Republic. Most recently, he was Vice President - Greenfields Exploration for Kinross Gold Corp. responsible for all global Greenfields exploration.

Alistair brings with him excellent experience and a broad knowledge of Latin America and is a key driver of the Nueva Esperanza Project.

Leonardo Hermosilla
M.Eng Metallurgical Engineer

General Manager – Kingsgate Chile NL Vice-President – Project Development

Leonardo Hermosilla was appointed as Vice President – Project Development in December 2016. Leonardo is based in Santiago, Chile, and his responsibilities include the delivery of feasibility and development outcomes for the 100% owned Nueva Esperanza Project in Chile. Leonardo is a highly experienced Metallurgical Engineer with over 30 years' of operational and development experience in South America, Canada and South Africa having worked for various multi-national mining and EPCM firms including Barrick, Anglo American, Hatch, Kvaerner and Ausenco. Leonardo's project leadership, technical experience and extensive industry knowledge in South America make him a valuable addition and key member of the executive team.

Directors' Report

for the year ended 30 June 2017

Corporate Governance Statement

Kingsgate Consolidated Limited is committed to ensuring that its policies and practices reflect the highest standard of corporate governance.

The Board has adopted a comprehensive framework of Corporate Governance Guidelines which can viewed at www.kingsgate.com.au/corporate-governance

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 year ended 30 June 2017.

Directors

The following persons were Directors of Kingsgate Consolidated Limited during the financial year and up to the date of this report, except where noted otherwise:

- Ross Smyth-Kirk[1] Executive Chairman
- Peter Alexander Non-Executive Director
- Peter McAleer[2] Non-Executive Director
- Peter Warren Non-Executive Director
- Sharon Skeggs Non-Executive Director

1 role changed from Non-Executive Chairman to Executive Chairman on 2 May 2017.

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

Principal activities

The principal activities of Kingsgate Consolidated Limited during the reporting period were mining, project development and mineral exploration in Thailand and Chile.

Dividends

- No final dividend was declared for the year ended 30 June 2016 (30 June 2015: nil).
- No interim dividend was declared for the year ended 30 June 2017 (30 June 2016: nil).

Review of operations and results

Operational performance

Kingsgate is a gold and silver mining, development and exploration company based in Sydney, Australia. Kingsgate owns the Chatree Gold Mine ('Chatree') in Thailand. In addition, the Company has 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 full-year was 89,875 ounces from Chatree.

The Thai Government announced on 10 May 2016, that Chatree must cease operations by 31 December 2016. 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.

It is important to note, that the Thai Government has throughout the year expressed that the closure is in no way a reflection of the way the mine is operated which validates Kingsgate's view that the mine is and always has been a socially responsible, internationally accredited mining operation employing modern techniques. Chatree even while on Care and Maintenance continues to comply with stringent health and environmental laws, and remains one of the most heavily regulated mining operations in the world.

Akara Resources Public Company Limited ('Akara') a subsidiary of Kingsgate Consolidated Limited ceased operating at Chatree on 31 December 2016 in accordance with the closure orders. As a result, Chatree was placed on Care and Maintenance effective 1 January 2017. Notably, Akara generated sufficient cash flow prior to the mine closure to meet all of its obligations and extinguish its debt. This included repayment of the equivalent of A$75.0 million in a combination of discretionary and scheduled payments against an amortising multi-currency (non-recourse) loan facility and the payment of mine related redundancies totalling the equivalent of A$5.0 million. Approximately A$2.0 million was spent on progressively decommissioning the plant, which included the cleaning of mills, circuits and tanks to ensure that the site is environmentally safe and that the infrastructure is properly secured. The disposal of stores and inventory has been done in accordance with relevant environmental regulations, and where possible surplus/re-usable consumables have been sold to third parties.

There were 25 full time employees remaining at Akara at the completion of the plant decommissioning phase, down from a peak workforce of over 1,000 people, including contractors. At the point of decommissioning, approximately $8.3 million of gold and silver inventory in the form of high-grade sludge (equivalent to approximately 4,750 ounces of gold and 34,800 ounces of silver) remains at the Chatree site. To date, Akara has not been given permission to transport the material for treatment and refining.

On 3 April 2017, as part of its response to forced closure, Kingsgate advised that it will be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against Chatree in violation of the Thai-Australia Free Trade Agreement ('TAFTA'). As a first step, Kingsgate has notified the Prime Minister of the Kingdom of Thailand that it wishes to engage in consultations as required under TAFTA.

For more than a year, Kingsgate has made sustained, good faith efforts to engage with the Thai Government in relation to the measures against Chatree that ultimately resulted in its premature closure on 31 December 2016. These efforts included numerous unanswered requests for meetings with Thailand's Prime Minister and members of his Cabinet. Regrettably, Kingsgate believes that the only option to resolve the situation is to exercise its rights as a protected Australian investor under TAFTA.

TAFTA was signed in 2004 between Thailand and Australia to promote and improve the environment for bilateral services, trade and investment. TAFTA came into force in 2005. TAFTA contains a range of provisions specifically relating to investment protection. Amongst other things, these provisions guarantee certain rights to Australian investors in Thailand, including the right to seek impartial resolution of disputes with the Thai Government relating to covered investments by way of arbitration before an international tribunal. On 20 April 2017, Kingsgate received a formal response from the Government of Thailand acknowledging the request for consultations under TAFTA.

Since receiving this letter Kingsgate has met with representatives of the Thai Government on two occasions in Bangkok, the first on 4 July 2017, and the second on 16 August 2017. At both meetings Kingsgate asserted its claim for both financial compensation and restitution of Chatree. While these negotiations are still in the early stages, Kingsgate has reserved its legal position under TAFTA and allowed a further limited period of dialogue with the Thai Government.

Just prior to the meeting of 16 August 2017 Kingsgate was informed that the Thai Government had lifted the 'temporary suspension' of all unexpired gold mining licences in Thailand, including those held by the Company's subsidiary, Akara Resources Public Company Limited. Further, Kingsgate was advised that Akara's application for renewal of its Metallurgical Processing Licence, which expired on 31 December 2016, could now be processed.

While these developments appeared positive, it became clear during the course of discussions with the Government's representatives, that the Government would not be offering any monetary compensation for the substantial losses that Kingsgate has already suffered as a result of the unlawful closure and expropriation of the Chatree Mine, nor for the substantial expenses that would be incurred in connection with restarting operations at Chatree.

As part of this process Kingsgate has formally requested the Thai Government to immediately grant the authorisations and licences required to process the gold and silver sludge which has a value of around $8.3 million.

Group available cash at the end of June 2017 was $22.0 million with a further $2.8 million of deposits which subsequent to year end have been released for general use.

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

In the short-term the Group will continue negotiations with the Thai Government to re-open the Chatree Gold Mine which includes realising value from the sale of the stored gold and silver sludge which will improve the cash position of the Group.

The Group has also considered 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;
- 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 can also reduce its current planned ongoing expenditure to suit available cash resources and the timing of cash flows.

On 29 August 2017 Kingsgate executed a $15.0 million Standby Loan Facility ('SLF'). The SLF is available to be drawn against within a 12 month period from the date of the agreement subject to demonstrating an acceptable repayment plan. It has a minimum draw of $10.0 million and is to be repaid in full six months after drawdown. It is currently envisaged that use of this facility will not be required during the 2018 financial year.

Chatree operations

Notwithstanding the current situation in Thailand with Chatree, Kingsgate successfully implemented a revised mine plan up until 31 December 2016 that generated sufficient cash flow to cover all of Akara's liabilities and obligations.

Up until 31 December 2016, Chatree produced 89,875 ounces of gold and 808,100 ounces of silver. The process plant treated 2.8 million tonnes of ore at a head grade of 1.23 grams per tonne of gold with a recovery of 83.8%.

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, and as a consequence operational margins improved.

Total cash costs for the year were US$549 per ounce (US$436 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was US$113 per ounce of gold. Total production costs after depreciation and amortisation were US$975 per ounce of gold produced.

continued

Nueva Esperanza Gold/Silver Project

At Nueva Esperanza, Kingsgate is continuing the exciting, generative exploration aimed at unlocking the full potential of the district. The highly prospective 45 square kilometre alteration footprint at Nueva Esperanza hosts three existing deposits and numerous exploration targets that Kingsgate is systematically exploring through surface sampling, geophysical surveys and drilling.

The exploration drilling campaign commenced in September 2016, when the team was remobilised to the Nueva Esperanza camp and fieldwork was initiated. The field season generally runs from September to May each year when winter snowfalls restrict site activities from June through August.

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. In addition to the RC drilling, an Air-Blast drill ('RAB') program was concluded which followed-up on the initial campaign completed in quarter 1, 2016. A total of 322 RAB holes were completed to infill anomalous areas identified during the initial program, and test several new targets.

By the end of the field season, a total of 11,398 metres (57 holes) of Reverse Circulation drilling for exploration, and 1,830 metres (10 holes) of diamond drilling for exploration and metallurgical sampling had been completed at Nueva Esperanza.

As a result, calendar 2017 has produced some encouraging drill intercepts from the Huantajaya, Carachitas and more recently the new Cerro Blanco West exploration targets. (See ASX:KCN releases titled 'Chile – Drill Results from District Exploration' dated 27 February 2017, and 'New Silver Discovery at Nueva Esperanza, Chile' dated 17 July 2017).

The environmental impact submission ('DIA') for Nueva Esperanza was submitted to Chilean regulatory agencies on 5 July 2017. The DIA is essentially a process to amend the existing permit footprint and incorporate a dry stacked tailing design. Kingsgate was also pleased to appoint Ausenco to complete the detailed engineering and technical components for the Nueva Esperanza Project Feasibility Study in June 2017, with this work expected to be completed in early calendar 2018.

Regional exploration

Kingsgate has been building its regional exploration portfolio in the northern Maricunga Belt. The Company currently has a number of licences and areas under application to the north of Nueva Esperanza. The concessions and concession applications cover large areas of intense, high-level alteration considered prospective for epithermal precious-metal deposits.

Kingsgate has also initiated some preliminary discussions in relation to possible exploration Joint Ventures in the northern Maricunga.

Financial results

	2017	2016	2015	2014	2013
Net profit/(loss) after tax ($'000)	**7,088**	(229,451)	(147,643)	(97,613)	(327,067)
EBITDA ($'000)	**63,042**	39,864	69,458	64,207	96,424
Dividends paid (Cash & DRP) ($'000)	**–**	–	–	–	22,739
Share price 30 June ($)	**0.20**	*0.41	0.70	0.86	1.27
Basic earnings/(loss) per share (Cents)	**3.17**	(102.6)	(66.0)	(56.7)	(215.0)
Diluted earnings/(loss) per share (Cents)	**3.17**	(102.6)	(66.0)	(56.7)	(215.0)

* *Price at 10 May 2016 as shares were suspended from 13 May 2016 to 16 October 2016.*

EBITDA before significant items

The pre-tax profit for the Group before significant items was $8.1 million up from a loss of $18.4 million in the previous year.

EBITDA before significant items was $63.0 million (2016: $39.9 million).

Significant items are detailed below.

	2017 $'000	2016 $'000
Profit/(loss) after income tax	**7,088**	(229,451)
Income tax expense	**1,016**	40
Profit/(loss) before income tax	**8,104**	(229,411)
Significant items		
Impairment of Chatree Gold Mine	–	227,564
Impairment reversal of Challenger Gold Mine	–	(411)
Impairment reversal of Bowdens Silver Project	–	(16,645)
Impairment of capitalised exploration	–	461
Profit/(loss) before tax and significant items	**8,104**	(18,442)
Net finance costs	**3,631**	12,129
Depreciation and amortisation	**51,307**	46,177
EBITDA before significant items	**63,042**	39,864

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

Revenue

Total sales revenue for the Group was $176.1 million for the year, down from $253.3 million in the previous year. Sales revenue generated from Chatree increased by 1%, reflecting consistent access to higher grade ore and higher gold and silver prices.

The average US dollar gold price received was US$1,250 per ounce (2016: US$1,135 per ounce). The average silver price received was US$18 per ounce (2016: US$15 per ounce).

Costs

The overall decrease in cost of sales to $148.9 million (including royalties, depreciation and amortisation) attributable to Chatree reflects Chatree ceasing operations on 31 December 2016.

Total cash costs per ounce	2017 US$/oz	2016 US$/oz	Movement in unit cost US$/oz
Group	**549**	851	(302)
Chatree	**549**	895	(346)
Challenger	–	763	–

Depreciation and amortisation

The increase in depreciation and amortisation to $51.1 million is a result of Chatree ceasing operations on 31 December 2016.

Cash flow

Net operating cash inflow was $57.0 million (2016: $46.5 million). The increase of $10.5 million reflects an increase in sales revenue and a decrease in mining costs in Chatree, lower interest payments due to the reduction in borrowings over the year, offset by Challenger cash inflow generated in the previous year. Net investing cash inflow was $15.0 million (2016: $17.1 million outflow), up $32.1 million, representing lower project work at the Nueva Esperanza Gold/Silver Project offset by proceeds of $5 million from the sale of the Bowdens Silver Project and $11.5 million decrease in deposits and restricted cash. Net cash outflow from financing activities was $85.9 million (2016: $48.6 million), including repayment of $85.0 million of the multi-currency loan facility and revolving credit facility.

Material business risks

The Group uses a range of assumptions and forecasts in determining estimates of production and financial performance. There is uncertainty associated with these assumptions that could result in actual performance differing from expected outcomes.

The material business risks that may have an impact on the operating and financial prospects of the Group are:

Revenue

Revenue, and hence operating margins, were exposed to fluctuations in the gold price and to a degree in the silver price including foreign currency rate movement affecting US dollar denominated metal prices.

Changes in the gold and silver price also impact assessments of the feasibility of exploration and the Group's development project, Nueva Esperanza.

Mineral resources and ore reserves

Ore reserves and mineral resources are estimates. These estimates are substantially based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted and as a consequence there is a risk that any part, or all of the mineral resources, will not be converted into reserves.

Market price fluctuations of gold and silver as well as increased production and capital costs, may render ore reserves unprofitable to develop at a particular site for periods of time.

Replacement of depleted reserves

The Group aims to continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions.

As a result, there is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base may decline if reserves are mined without adequate replacement and, as a consequence, the Group may not be able to sustain production beyond the current mine lives based on current production rates.

Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and unplanned equipment failures. These risks and hazards could result in significant costs or delays that could have a material adverse impact on the Group's financial performance and position.

The Group maintains insurance to cover some of these risks and hazards at levels that are believed to be appropriate for the circumstances surrounding each identified risk. However, there remains the possibility that the level of insurance may not provide sufficient coverage for losses related to specific loss events.

Reliance on contractors

Some aspects of Kingsgate's production, development and exploration activities are conducted by contractors. As a result, the Group's business, operating and financial performance and results are impacted upon by the availability and performance of contractors and the associated risks.

Production and cost estimates

The Group prepares estimates of future production, cash costs and capital costs of production for each operation, though there is a risk that such estimates will not be achieved. Failure to achieve production or cost estimates could have an adverse impact of future cash flows, profitability, results of operations and financial position.

Maintaining title

The Group's production, development and exploration activities are subject to obtaining and maintaining the necessary titles, authorisations, permits and licences, and associated land access arrangements with the local community, which authorise those activities under the relevant law ('Authorisations'). There can be no guarantee that the Group will be able to successfully obtain and maintain relevant Authorisations to support its activities, or that renewal of existing Authorisations will be granted in a timely manner or on terms acceptable to the Group.

Authorisations held by or granted to the Group may also be subject to challenge by third parties which, if successful, could impact on Kingsgate's exploration, development and/or mining activities.

Political, economic, social and security risks

Kingsgate's production, development and exploration activities are subject to the political, economic, social and other risks and uncertainties in the jurisdictions in which those activities are undertaken. Such risks are unpredictable and have become more prevalent in recent years. In particular, in recent years there has been an increasing social and political focus on:

- the revenue derived by governments and other stakeholders from mining activities; and
- resource nationalism, greater limits on foreign ownership of mining or exploration interests and/or forced divestiture (with or without adequate compensation), and broad reform agenda in relation to mining legislation, environmental stewardship and local business opportunities and employment.

As evidenced by the decision by the Thai Government that the Chatree Gold Mine must cease operation by 31 December 2016 there can be no certainty as to what changes, if any, will be made to relevant laws in the jurisdictions where the Company has current interests, or other jurisdictions where the Company may have interest in the future, or the impact that relevant changes may have on Kingsgate's ability to own and operate its mining and related interests and to otherwise conduct its business in those jurisdictions.

Environmental, health and safety regulations

The Group's mining and processing operations and exploration activities are subject to extensive laws and regulations. Delays in obtaining, or failure to obtain government permits and approvals may adversely affect operations, including the ability to continue operations.

Community relations

The Group has established community relations functions that have developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities.

A failure to appropriately manage local community stakeholder expectations may lead to disruptions in production, development and exploration activities.

Risk management

The Group manage the risks listed above, and other day-to-day risks through an established management framework. The Group has policies in place to manage risk in the areas of health and safety, environment and equal employment opportunity.

Management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

Significant change in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Matters subsequent to the end of the financial year

On 29 August 2017 Kingsgate executed a $15.0 million Standby Loan Facility ('SLF') to assist with working capital requirements and for general corporate purposes. The SLF is available to be drawn against within a 12 month period from the date of the agreement subject to demonstrating an acceptable repayment plan. It has a minimum draw of $10.0 million and is to be repaid in full six months after drawdown. It is currently envisaged that use of this facility will not be required during the 2018 financial year.

On 16 August 2017 Kingsgate was informed that the Thai Government had lifted the 'temporary suspension' of all unexpired gold mining licences in Thailand, including those held by the Company's subsidiary, Akara Resources Public Company Limited. Further, Kingsgate was advised that Akara's application for renewal of its Metallurgical Processing Licence, which expired on 31 December 2016, could now be processed.

In light of the foregoing, the Kingsgate Board has determined that it is in the interests of the Company to further explore this matter, together with a number of other unresolved issues. Accordingly, Kingsgate has reserved its legal position under TAFTA and allowed a further limited period of dialogue with the Thai Government.

No matter or circumstance has arisen since 30 June 2017 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.

Likely developments and expected results of operations

Kingsgate continues to reserve its rights under the Thai-Australia Free Trade Agreement as it continues to negotiate with the Thai Government for both restitution of the Chatree Gold Mine and associated compensation. While these negotiations are still in the early stages there has been some initial steps taken by the Thai Government to restore the mine. Restitution of the mine in the first instance would allow Kingsgate to process the gold and silver sludge secured at the mine, which would improve the balance sheet.
If however, a mutually agreeable outcome is not reached with respect to the Chatree Gold Mine, Kingsgate can exercise its rights under TAFTA to proceed to international arbitration. Work will continue on the Nueva Esperanza Gold/Silver Development Project in Chile, with further targeted exploration drilling undertaken in conjunction with advancement of feasibility works. Exploration works will recommence in September 2017, following the winter recess and will be aimed at following up on some positive results in calendar 2017 from several targets including Cerro Blanco West, Huantajaya, and Carachitas. The Nueva Esperanza Feasibility Study has commenced and it is expected to be completed by early calendar 2018.

Kingsgate remains focused on ongoing cost saving initiatives. Further cost reductions will be implemented in FY18.

Environmental regulation

The Group is subject to environmental regulations in respect to its gold mining operations and exploration activities in Thailand, Chile and the Lao PDR. For the year ended 30 June 2017, the Group has operated within all environmental laws.

continued

Directors' meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

Directors	Board Meetings		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Ross Smyth-Kirk	16	16	2	2	1	1	–	–
Peter Alexander	16	16	–	–	–	–	–	–
Peter McAleer *	–	–	–	–	–	–	–	–
Peter Warren	16	16	2	2	1	1	–	–
Sharon Skeggs	16	16	2	2	1	1	–	–

A Number of meetings attended
B Number of meetings held during the time the Director held office or was a member of the committee during the year
** granted leave of absence from February 2016 due to ill health and resigned 24 November 2016*

Information on Directors/Company Secretary

Ross Smyth-Kirk
B Com, CPA, F Fin

Executive Chairman

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He has been a Director of a number of companies over the past 37 years in Australia and the United Kingdom. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited and retired in May 2013 as a Director of Argent Minerals Limited. Mr Smyth-Kirk is Chairman of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities

Chairman of the Board, member of the Audit Committee, Chairman of the Nomination and Remuneration Committees.

Peter Alexander
Ass. Appl. Geol

Non-Executive Director

Peter Alexander has had 44 years' experience in the Australian and offshore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr Alexander is a Non-Executive Director of the ASX listed companies Doray Minerals Limited and Caravel Minerals Limited. He was previously Chairman of Doray Minerals Limited and a Director of Fortunis Resources Limited.

Responsibilities

Member of the Remuneration Committee.

Sharon Skeggs

Non-Executive Director

Sharon Skeggs has had a distinguished career in business management, in London and Australia, for over 37 years. She is an expert in business strategy and communications.

For the past seven years Ms Skeggs has consulted to a number of major companies including Telstra, Westpac, News Limited, Visa (Australia & Asia) and Woolworths on a variety of corporate matters including business and marketing strategies, change management, communication programs and cost reduction initiatives. She was previously a Director for Saatchi & Saatchi (Australia) for 15 years and the Australian Jockey Club.

Responsibilities

Member of the Audit, Remuneration and Nomination Committees.

Peter Warren
B Com, CPA

Non-Executive Director

Peter Warren was Chief Financial Officer and Company Secretary of Kingsgate Consolidated Limited for six years up until his retirement in 2011. He is a CPA of over 40 years standing, with an extensive involvement in the resources industry. He was Company Secretary and Chief Financial Officer for Equatorial Mining Limited and of the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources and Hamersley Iron. Mr Warren is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities

Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Ross Coyle
BA, FCPA, FGIA

Company Secretary

Ross Coyle is a CPA with over 30 years' experience in the resources sector. He joined Kingsgate in March 2011 and was reappointed Company Secretary on 7 December 2015, having previously served in this office from September 2011 to November 2014. He is also Kingsgate's Chief Financial Officer.

Remuneration Report

Dear Shareholder

I am pleased to present our Remuneration Report for 2017.

During the 2017 financial year, the Company's remuneration practices have reflected the market conditions in which we operate.

We are confident our remuneration practices are sound, market competitive and demonstrate a clear link between executive's performance and shareholder returns. Benchmarking of salaries for all roles is routinely undertaken to ensure that we remain a competitive employer in the market while continuing to meet all legislative and regulatory requirements.

The Group's framework for awarding Long Term Incentives ('LTI') was subject to a comprehensive review by the Board during the 2016 financial year with the decision made to reintroduce the previously implemented Employee Share Option Plan ('ESOP'). No options were granted during the year and no Short Term Incentives were awarded during the year.

We will continue to consider your feedback as shareholders and review our remuneration and incentive policies and framework to meet future market changes.

Thank you for your interest in this report.

Ross Smyth-Kirk
Chairman
Remuneration Committee

continued

Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel ('KMP'). KMP are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and Executive Management.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and Executives are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

Remuneration Policy

The Remuneration Policy remains unchanged from last financial year. The Remuneration Policy has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and aligned with to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Remuneration Governance

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and Executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration level of Executive Directors and other KMP;
- the executive remuneration framework and operation of the incentive plan;
- key performance indicators and performance hurdles for the executive team; and
- the engagement of specialist external consultants to design or validate methodology used by the Company to remunerate Directors and employees.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

The Remuneration Committee engaged the services of Godfrey Remuneration Group Pty Ltd in the 2013/2014 financial year to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design methodology and standards. These recommendations covered the remuneration of the Group's Non-Executive Directors and KMP.

Godfrey Remuneration Group Pty Ltd confirmed that the recommendations from that review were made free from undue influence by members of the Group's KMP.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- any remuneration recommendations by Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations contained in the report were made free from undue influence from any members of the Group's KMP.

Executive Director and Key Management Personnel Remuneration

The executive pay and reward framework is comprised of three components:

- fixed remuneration including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Executive Rights Plan and Options.

Fixed remuneration

Total fixed remuneration ('TFR') is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits at the Executive's discretion.

Executives are offered a competitive base pay. Base pay for executives is reviewed annually to ensure their pay is competitive with the market. An executive's pay is also reviewed on promotion.

The Board annually reviews and determines the fixed remuneration for the CEO. The CEO does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO's approval. There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements. **There were no remuneration increases for KMP during the 2016/2017 financial year.**

The following summarises the performance of the Group over the last five years:

	2017	2016	2015	2014	2013
Revenue ('000s)	**176,119**	253,328	313,162	328,326	329,282
Net profit/(loss) after income tax ('000s)	**7,088**	(229,451)	(147,643)	(97,613)	(327,067)
EBITDA ('000s)	**63,042**	39,864	69,458	64,207	96,424
Share price at year end ($/share)	**0.20**	0.41	0.70	0.86	1.27
Dividends paid (cent/share)	**Nil**	Nil	Nil	Nil	5.0
KMP short term employee benefits ('000s)	**2,099***	2,358	3,425	4,471	4,671

** see page 36 for table outlining the short term employee benefits*

Short-Term Incentives

Linking current financial year earnings of executives to their performance and the performance of the Group is the key objective of our Short-Term Incentive ('STI') Plan. The Remuneration Committee set key performance measures and indicators for the individual executives on an annual basis that reinforce the Group's business plan and targets for the year. **No short-term incentives were awarded during the financial year.**

The Board has discretion to issue cash bonuses to employees for individual performance outside the STI Plan.

The structure of the STI Plan remains unchanged from financial year 2015/2016 and its key features are outlined in the table below:

What is the STI plan and who participates?	The STI Plan is a potential annual reward for eligible Executive Key Management Personnel for achievement of predetermined individual Key Performance Indicators ('KPIs') aligned to the achievement of business objectives for the assessment period (financial year commencing 1 July).
How much can the executives earn under the STI Plan?	**Threshold** – represents the minimum acceptable level of performance that needs to be achieved before any Individual Award would be payable in relation to that performance measure. Managing Director/CEO – up to 15% of TFR. COO & CFO – up to 12.5% of TFR. Other KMP – up to 10% of TFR. **Target** – represents a challenging but achievable level of performance relative to past and otherwise expected achievements. It will normally be the budget level for financial and other quantitative performance objectives. Managing Director/CEO – up to 30% of TFR. COO & CFO – up to 25% of TFR. Other KMP – up to 20% of TFR. **Stretch (Maximum)** – represents a clearly outstanding level of performance which is evident to all as a very high level of achievement. Managing Director/CEO – up to 60% of TFR. COO & CFO – up to 50% of TFR. Other KMP – up to 40% of TFR. *(TFR – Total Fixed Remuneration)*
Is there Board discretion in the payment of an STI benefit?	Yes, the plan provides for Board discretion in the approval of STI outcomes.
What are the performance conditions?	For KMP between 70% - 80% of potential STI weighting (dependent upon role) is assessed against specific predetermined KPIs by role with 20% – 30% being based on company performance indicators.
How are performance targets set and assessed?	Individual performance targets are set by the identification of key achievements required by role in order to meet business objectives determined for the upcoming assessment period in advance. The criteria for KMP are recommended by the Managing Director/CEO for sign off by the Remuneration Committee and in the case of the Managing Director/CEO, are recommended by the Chairman by sign off by the Remuneration Committee. The relative achievement at the end of the financial period is determined by the above authorities with final sign off by the Remuneration Committee after confirmation of financial results and individual/company performance against established criteria. The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The Committee has the discretion to adjust STIs in lights of unexpected or unintended circumstances.

continued

How is the STI delivered?	STIs are paid in cash after the conclusion of the assessment period and confirmation of financial results/individual performance and subject to tax in accordance with prevailing Australian taxation laws. The STIs are then in effect paid and expensed in the financial year subsequent to the measurement year.
What happens in the event of cessation of employment?	Executives are required to be employed for the full 12 months of the assessment period before they are eligible to be considered to receive benefits from the STI Plan.

Long-Term Incentives

The objectives of the LTI Plan are to retain key executives and to align an at-risk component of certain executives' remuneration with shareholder returns. The previously operating Kingsgate Long-Term Incentive ('LTI') plan, also referred to as the Executive Rights Plan, has been terminated. All outstanding performance rights and deferred rights vested on 1 July 2016 and the performance rights subsequently lapsed. The Executive Rights Plan was replaced by the Kingsgate Employee Share Option Plan ('ESOP'). The rules and terms and conditions of the ESOP have been independently reviewed.

Under the terms of the ESOP long-term incentives can be provided to certain employees through the issue of options to acquire Kingsgate shares. Options are issued to employees to provide incentives for employees to deliver long-term shareholder returns.

No executive was the recipient of options during the 2016/2017 financial year.

Key features of the ESOP LTI Plan are outlined in the following table:

What is the LTI Plan and who participates?	Kingsgate executives and other eligible employees can be granted options to acquire Kingsgate Consolidated Limited fully paid shares. In granting the options the Board takes into account such matters as the position of the eligible person, the role they play in the Company, their current level of fixed remuneration, the nature of the terms of employment and the contribution they make to the Group.
What are the performance and vesting conditions?	The period over which the options vest is at the discretion of the Board though in general it is 1–3 years. The executive and eligible employee must still be employed by the Company at vesting date.
Is there a cost to participate?	The options may at the discretion of the Board be issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee and approved by the Board.
What happens in the event of bonus shares, rights issues or other capital reconstructions?	If between the grant date and the date of conversion of options into shares there are bonus shares, rights issues or other capital reconstructions that affect the value of Kingsgate Consolidated shares, the Board may, subject to the ASX Listing Rules make adjustments to the number of rights and/or the vesting entitlements to ensure that holders of rights are neither advantaged or disadvantaged by those changes.

Options

Options are issued to executives to provide long-term incentives for executives to deliver long-term shareholder returns. Details of options issued as remuneration to the Key Management Personnel (Alistair Waddell, Vice-President Corporate Development & Exploration) are set out below.

Grant date	Exercise period	Exercise price ($)	Number of options granted	Value of option at grant date ($)	Number of options vested during the year
29 Apr 2016	1 July 2017 - 30 June 2019	0.40	500,000	0.23	–
29 Apr 2016	1 July 2018 - 30 June 2020	0.50	500,000	0.24	–
29 Apr 2016	1 July 2019 - 30 June 2021	0.60	500,000	0.22	–

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. Further information on the options is set out in Note 24 to the financial statements.

Directors and Key Management Personnel

Except where noted, the named persons held their current positions for the whole of the year and up to the date of this report.

Chairman

Ross Smyth-Kirk	Executive Chairman – *Role changed from Non-Executive Chairman 2 May 2017*

Non-Executive Directors

Peter Alexander	Non-Executive Director
Peter McAleer*	Non-Executive Director
Peter Warren	Non-Executive Director
Sharon Skeggs	Non-Executive Director

Senior Executives

Ross Coyle	Chief Financial Officer and Company Secretary
Jamie Gibson	General Manager Corporate and External Relations
Alistair Waddell	Vice President Corporate Development & Exploration Chile
Leonardo Hermosilla	Vice President Project Development Chile – *commenced 12 December 2016*
Greg Foulis	Chief Executive Officer – *resigned 30 April 2017 and relinquished his responsibilities as KMP on that date.*
Tim Benfield	Chief Operating Officer – *ceased employment 9 August 2016*

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

Changes since the end of the reporting period

There have been no changes to Directors and Key Management Personnel since the end of the reporting period.

continued

Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Senior Executives are summarised in the following table.

Name	Term of agreement	Fixed annual remuneration including superannuation		Notice period by Executive	Notice period by the Company[8]
		FY 2017[1]	FY 2016[1]		
Ross Smyth-Kirk	Open	$157,680[2]	–	N/A[9]	N/A[9]
Ross Coyle	Open	$405,000[3]	$405,000[3]	3 months	6 months
Jamie Gibson	Open	$190,000	N/A	1 month	1 month
Alistair Waddell	Open	C$370,000[4]	C$370,000[4]	3 months	6 months
Leonardo Hermosilla	Open	CLP168,497,304[5]	N/A	1 month	1 month
Greg Foulis	Open	$600,000[6]	$600,000	3 months	12 months
Tim Benfield	Open	$500,504[7]	$450,504[7]	3 months	6 months

1 *Amount shown are annual salaries as at year end or date ceased employment with the Group.*

2 *Amount shown includes a voluntary 10% reduction in fixed remuneration effective from 1 October 2013. Role changed from Non-Executive Chairman to Executive Chairman on 2 May 2017. Refer to 'details of remuneration' table on page 36 for remuneration for the period while serving as Non-Executive Chairman.*

3 *A voluntary 10% reduction in fixed remuneration effective from 1 October 2015.*

4 *Canadian dollars. Commenced 1 April 2016.*

5 *Chilean pesos. Commenced 12 December 2016.*

6 *Resigned 30 April 2017 and relinquished his responsibilities as KMP on that date.*

7 *A voluntary 10% reduction in fixed remuneration effective from 1 October 2015 to 30 April 2016. Ceased employment 9 August 2016.*

8 *Notice period by the Company in respect of benefits payable in the event of an early termination only.*

9 *Temporary role as Executive Chairman. Role reverts to Non-Executive Chairman at the discretion of the Board.*

Fixed annual remuneration, inclusive of the required superannuation contribution amount is reviewed annually by the Board following the end of the financial year.

In the event of the completion of a takeover (relevant interest exceeds 50%) certain executives will receive a lump sum gross payment equal to between six to twelve months of the Total Remuneration Package. If within six months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Non-Executive Directors fees

Non-Executive Directors are paid fixed fees for their services to the Company plus statutory superannuation contributions the Company is required by law to make on their behalf. Those fees are inclusive of any salary-sacrificed contribution to superannuation that a Non-Executive Director wishes to make.

The level of Non-Executive Directors fees is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Board may also seek the advice of independent remuneration consultants, including survey data, to ensure Non-Executive Directors' fees and payments are consistent with the current market.

Non-Executive Directors' base fees inclusive of committee membership but not including statutory superannuation are outlined as follows. Note that from the period 1 October 2013, all Non-Executive Directors fees were voluntarily reduced by 10% and this reduction is still in place as at the date of this report.

	Financial year ended 30 June 2017 [1] $	Financial year ended 30 June 2016 [1] $
Chairman	**120,329**[2]	144,000
Directors	**270,000**	360,000
	390,329	504,000

1 *On an annualised basis for all Directors and excludes Director fees paid by subsidiary.*

2 *Amount shown is for the period up to 2 May 2017, being the date the Chairman's role changed from Non-Executive to Executive.*

The aggregate remuneration of Non-Executive Directors is set by shareholders in general meeting in accordance with the Constitution of the Company, with individual Non-Executive Directors remuneration determined by the Board within the aggregate total. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is $1,000,000.

Non-Executive Directors do not receive any additional fees for serving on committees of the Company.

There are no retirement allowances for Non-Executive Directors.

continued

Additional statutory disclosures

Details of remuneration

Details of the nature and amount of each major element of the remuneration of the Directors and the Group Key Management Personnel are set out in the following tables:

Year ended 30 June 2017	Short-term benefits				Long-term benefits	Post-employment	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Other benefits[2] $	Non-monetary benefits[1] $	Other benefits[2] $	Super-annuation $	Options $	Total $
Non-Executive Chairman								
Ross Smyth-Kirk[3]	120,329	–	–	1,308	–	11,431	–	133,068
Non-Executive Directors								
Peter Alexander	90,000	–	–	–	–	8,550	–	98,550
Peter McAleer[4]	–	–	–	–	–	–	–	–
Peter Warren	90,000	–	–	–	–	8,550	–	98,550
Sharon Skeggs	90,000	–	–	–	–	8,550	–	98,550
Sub-total Non-Executive Directors Compensation	390,329	–	–	1,308	–	37,081	–	428,718
Executive Chairman								
Ross Smyth-Kirk[3]	23,671	–	–	257	–	2,249	–	26,177
Other KMPs								
Ross Coyle	370,000	–	7,018	–	8,733	35,000	–	420,751
Jamie Gibson	173,516	–	40	–	1,209	16,484	–	191,249
Alistair Waddell	376,390	–	26,518	–	964	–	189,813	593,685
Leonardo Hermosilla[5]	187,105	–	3,025	–	–	–	–	190,130
Greg Foulis[6]	470,833	–	13,161	–	(1,553)	29,167	–	511,608
Tim Benfield[7]	51,966	–	4,249	–	–	3,218	–	59,433
Sub-total other KMP Compensation	1,653,481	–	54,011	257	9,353	86,118	189,813	1,993,033
TOTAL	2,043,810	–	54,011	1,565	9,353	123,199	189,813	2,421,751

1 *Non-monetary benefits relate primarily to car parking.*

2 *Represents annual leave (short term), health insurance supplement (short term), and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.*

3 *Total remuneration for the year for Ross Smyth-Kirk for Non-Executive and Executive roles was $159,245, including cash salary and fees of $144,000, non-monetary benefits of $1,565 and superannuation of $13,680.*

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

5 *Commenced 12 December 2016.*

6 *Resigned 30 April 2017 and relinquished his responsibilities as KMP on that date.*

7 *Ceased employment 9 August 2016.*

Year ended 30 June 2016	Short-term benefits				Long-term benefits	Post-employment benefits		Share-based payment		
Name	Cash salary and fees $	Cash bonus $	Other benefits[2] $	Non-monetary benefits[1] $	Other benefits[2] $	Super-annuation $	Termination benefits[3] $	Amortised value of rights[4] (accounting expense) $	Options $	Total $
Non-Executive Chairman										
Ross Smyth-Kirk										
Paid by Company	144,000	–	–	2,617	–	13,680	–	–	–	160,297
Paid by subsidiary[5]	25,414	–	–	–	–	–	–	–	–	25,414
Non-Executive Directors										
Peter Alexander	90,000	–	–	–	–	8,550	–	–	–	98,550
Peter McAleer[6]	90,000	–	–	–	–	–	–	–	–	90,000
Sharon Skeggs	90,000	–	–	–	–	8,550	–	–	–	98,550
Peter Warren										
Paid by Company	90,000	–	–	–	–	8,550	–	(35,910)[12]	–	62,640
Paid by subsidiary[5]	18,125	–	–	–	–	–	–	–	–	18,125
Sub-total Non-Executive Directors Compensation	547,539	–	–	2,617	–	39,330	–	(35,910)	–	553,576
Other KMPs										
Greg Foulis	565,000	–	26,792	–	1,499	35,000	–	–	–	628,291
Ross Coyle[7]			–		–					
Paid by Company	381,250	–	(24,906)	–	6,940	35,000	–	58,539	–	456,823
Paid by subsidiary[5]	3,940	–	–	–	–	–	–	–	–	3,940
Tim Benfield[8]	443,696	–	(15,173)	–	5,967	19,308	254,102	75,049	–	782,949
Alistair Waddell	95,950	–	9,219	–	137	–	–	–	31,636	136,942
Ron James[9]	317,083	–	(86,782)	–	87,169	35,000	–	(53,682)[12]	–	298,788
Joel Forwood[10]	53,877	–	3,959	–	(10,324)	28,750	216,099	(46,337)[12]	–	246,024
Paul Mason[11]	35,000	–	(1,003)	–	(3,675)	35,000	–	–	–	65,322
Sub-total other KMP Compensation	1,895,796	–	(87,894)	–	87,713	188,058	470,201	33,569	31,636	2,619,079
TOTAL	2,443,335	–	(87,894)	2,617	87,713	227,388	470,201	(2,341)	31,636	3,172,655

1 Non-monetary benefits relate primarily to car parking.

2 Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.

3 Benefits paid were in accordance with employment contract.

4 Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. This is an accounting expense and does not reflect the value to the executive of rights that vested in the financial year. Refer to the table on page 39 for the value of rights that have vested.

5 Fees paid by subsidiary relate to director fees paid by Akara Resources PCL. The payment of these fees ceased in November 2015.

6 Consulting Fees of $90,000 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.

7 Appointed Company Secretary 7 December 2015.

8 Ceased employment 9 August 2016.

9 Ceased employment 31 May 2016.

10 Ceased employment 30 September 2015.

11 Resigned Company Secretary 7 December 2015.

12 Amortised value is net of write-back of expense incurred in prior periods relating to unvested rights that were forfeited during the year.

continued

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2017	STI/cash bonus 2017	At risk – LTI 2017
Non-Executive Director			
Peter Warren	100%	–	–
Executive Director			
Ross Smyth-Kirk	100%	–	–
Other Key Management Personnel			
Ross Coyle	100%	–	–
Jamie Gibson	100%	–	–
Alistair Waddell	68%	–	32%[1]
Leonardo Hermosilla	100%	–	–
Greg Foulis	100%	–	–
Tim Benfield	100%	–	–

1 *The percentages disclosed reflect the value of options expensed during the year.*

Share rights held by Key Management Personnel

Details of each grant of share rights included in the Key Management Personnel remuneration tables are noted in the following tables. Note that no deferred or performance rights were granted in the 2016/2017 financial year. All outstanding performance rights and deferred rights vested on 1 July 2016; the performance rights subsequently lapsed.

The percentage of rights granted to Key Management Personnel on issue that have vested is set out below:

Name	Financial year granted	Number granted	Vested %	Vested number	Lapsed %	Lapsed number	Forfeited %	Forfeited number	Financial year that rights may vest
P Warren									
Performance	2014	95,000	–	–	100	(95,000)	–	–	2017
R Coyle									
Deferred	2014	38,538	100	38,538	–	–	–	–	2017
Performance	2014	77,075	–	–	100	(77,075)	–	–	2017
T Benfield									
Deferred	2014	49,407	100	49,407	–	–	–	–	2017
Performance	2014	98,814	–	–	100	(98,814)	–	–	2017

Value of share rights

Name	Financial year that rights may vest	Number granted	Fair value per right at grant date[1] $	Total fair value at grant date[1] $	Maximum value yet to vest[2] $	Value at vesting date[3] $	Value at lapse date[4] $
P Warren							
Performance	2017	95,000	1.26	119,700	–	–	38,950
R Coyle							
Deferred	2017	38,538	1.47	56,651	–	15,801	–
Performance	2017	77,075	0.74	56,650	–	–	31,601
T Benfield							
Deferred	2017	49,407	1.47	72,628	–	20,257	–
Performance	2017	98,814	0.74	72,628	–	–	40,514

The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the Key Management Personnel fails to meet a vesting condition.

1 *The fair value of the performance rights was estimated using Monte Carlo simulation; taking into account the terms and conditions upon which the awards were granted.*

2 *The maximum value of the share rights yet to vest has been determined as the fair value of the rights at the grant date that is yet to be expensed.*

3 *The value at vesting date (1 July 2016) is the number of rights vesting multiplied by the Company's share price on the vesting date. As rights convert to ordinary shares on the vesting date, this date is also the exercise date. No payment by the holder of the right is required on vesting of the right.*

4 *The value at lapse date is the number of rights lapsing multiplied by the Company's share price at the close of business on that day.*

Movement in LTI Rights for the year ended 30 June 2017

Performance rights

The number of performance rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2017	Balance at start of year	Granted during the year	Converted during the year	Lapsed/ forfeited during the year	Balance at year end	Vested and exercisable at year end
Non-Executive Director						
Peter Warren	95,000	–	–	(95,000)	–	–
Other Key Management Personnel						
Ross Coyle	77,075	–	–	(77,075)	–	–
Tim Benfield	98,814	–	–	(98,814)	–	–

Deferred rights

The number of deferred rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2017	Balance at start of year	Granted during the year	Converted during the year	Forfeited during the year	Balance at year end	Vested and exercisable at year end
Other Key Management Personnel						
Ross Coyle	38,538	–	(38,538)	–	–	–
Tim Benfield[1]	49,407	–	–	–	49,407[1]	–

1 *The closing balance represents the balance at the date of departure from the Group. The deferred rights were subsequently converted to shares in February 2017.*

continued

Options

The number of options held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2017	Balance at start of year	Granted during the year	Converted during the year	Forfeited during the year	Balance at year end	Vested and exercisable at year end
Other Key Management Personnel						
Alistair Waddell	1,500,000	–	–	–	1,500,000	–

Share holdings

2017	Balance at start of year	Received during year on conversion of deferred rights	Other changes during the year[1]	Balance at year end
Executive Chairman				
Ross Smyth-Kirk	5,076,725	–	–	**5,076,725**
Non-Executive Directors				
Peter Alexander	46,487	–	–	**46,487**
Peter McAleer	100,000	–	(100,000)	**–**
Sharon Skeggs	19,347	–	–	**19,347**
Peter Warren	145,000	–	–	**145,000**
Other Key Management Personnel				
Ross Coyle	46,415	38,538	–	**84,953**
Greg Foulis[2]	100,000	–	(100,000)	**–**
Tim Benfield	12,816	–	(12,816)	**–**

1 *Other changes during the year relates to departure from the Group.*

2 *Greg Foulis ceased to be a KMP as at 30 April 2017 and shares held by his spouse were subsequently sold on 3 May 2017.*

Loan to Director

There were no loans made to Directors or other Key Management Personnel at any time during the year.

Insurance of officers

During the financial year, the Group paid premiums to insure Directors and Officers of the Group. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

Directors' interest in contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 30: Auditors Remuneration. The Directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in Note 30: Auditors Remuneration to the financial statements do not compromise the external auditor's independence, based on the Auditors' representations and advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307c of the *Corporations Act 2001* is set out on page 42.

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.

Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Ross Smyth-Kirk
Director

Sydney
31 August 2017

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2017, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
31 August 2017

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Financial Statements

for the year ended 30 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Sales revenue	5a	**176,119**	174,412
Costs of sales	5b	**(148,850)**	(184,867)
Gross profit/(loss)		**27,269**	(10,455)
Exploration expenses		**(9,035)**	(552)
Care and maintenance expenses		**(894)**	–
Corporate and administration expenses	5c	**(18,837)**	(17,449)
Other income and expenses	5d	**16,311**	(2,612)
Foreign exchange (loss)/gain		**(3,079)**	3,655
Impairment losses – Chatree Gold Mine	5i	**–**	(227,564)
Impairment losses – exploration assets	5i	**–**	(461)
Profit/(loss) before finance costs and income tax		**11,735**	(255,438)
Finance income		**385**	406
Finance costs	5e	**(4,016)**	(12,359)
Net finance costs		**(3,631)**	(11,953)
Profit/(loss) before income tax		**8,104**	(267,391)
Income tax (expense)/benefit	6	**(1,016)**	3,209
Profit/(loss) from continuing operations after income tax		**7,088**	(264,182)
Discontinued operations			
Profit from discontinued operations after income tax	34	**–**	34,731
Profit/(loss) for the year		**7,088**	(229,451)
Other comprehensive income			
Items that will never be reclassified to profit and loss			
Change in fair value of employee provisions (net of tax)	19a	**–**	201
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations (net of tax)	19a	**1,245**	(3,000)
Total other comprehensive income/(loss) for the year		**1,245**	(2,799)
Total comprehensive income/(loss) for the year		**8,333**	(232,250)
Profit/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited			
Continuing operations		**7,088**	(264,182)
Discontinued operations		**–**	34,731
Total comprehensive income/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited			
Continuing operations		**8,333**	(266,981)
Discontinued operations		**–**	34,731

Earnings per share		Cents	Cents
Basic and diluted earnings/(loss) per share from continuing operations	31	**3.17**	(118.1)
Basic and diluted earnings per share from discontinued operations	31	**–**	15.5
Basic and diluted earnings/(loss) per share from continuing operations and discontinued operations		**3.17**	(102.6)

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 30 June 2017

	Note	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	7	**22,007**	36,314
Restricted cash	7	**–**	7,004
Receivables	8	**1,959**	12,273
Inventories	9	**–**	26,060
Available-for-sale financial assets	11	**–**	540
Other assets	10	**4,585**	10,919
Total current assets		**28,551**	93,110
Non-current assets			
Receivables	8	**4,748**	4,015
Property, plant and equipment	12	**2,597**	44,278
Exploration, evaluation and development	13	**83,767**	96,972
Other assets	10	**14,638**	14,130
Total non-current assets		**105,750**	159,395
TOTAL ASSETS		**134,301**	252,505
Liabilities			
Current liabilities			
Payables	15	**3,742**	21,313
Borrowings	16	**657**	98,097
Provisions	17	**947**	10,555
Total current liabilities		**5,346**	129,965
Non-current liabilities			
Payables	15	**3,946**	4,074
Borrowings	16	**10,914**	–
Deferred tax liabilities	6	**–**	119
Provisions	17	**13,235**	25,983
Total non-current liabilities		**28,095**	30,176
TOTAL LIABILITIES		**33,441**	160,141
NET ASSETS		**100,860**	92,364
Equity			
Contributed equity	18	**677,015**	677,042
Reserves	19a	**52,384**	50,949
Accumulated losses	19b	**(628,539)**	(635,627)
TOTAL EQUITY		**100,860**	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 year ended 30 June 2017

	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
Loss after income tax		–	–	(229,451)	(229,451)
Total other comprehensive loss for the year		–	(2,799)	–	(2,799)
Total comprehensive loss for the year		–	(2,799)	(229,451)	(232,250)
Transaction with owners in their capacity as owners:					
Movement in contributed equity	18	(67)	–	–	(67)
Movement in share-based payment reserve		–	48	–	48
Total transaction with owners		(67)	48	–	(19)
Balance at 30 June 2016		677,042	50,949	(635,627)	92,364
Balance at 1 July 2016		**677,042**	**50,949**	**(635,627)**	**92,364**
Profit after income tax		**–**	**–**	**7,088**	**7,088**
Total other comprehensive income for the year		**–**	**1,245**	**–**	**1,245**
Total comprehensive income for the year		**–**	**1,245**	**7,088**	**8,333**
Transaction with owners in their capacity as owners:					
Movement in contributed equity	**18**	**(27)**	**–**	**–**	**(27)**
Movement in share-based payment reserve		**–**	**190**	**–**	**190**
Total transaction with owners		**(27)**	**190**	**–**	**163**
Balance at 30 June 2017		**677,015**	**52,384**	**(628,539)**	**100,860**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**176,285**	255,082
Payments to suppliers and employees		**(115,382)**	(203,241)
Interest received		**385**	427
Finance costs paid		**(3,275)**	(5,775)
Income tax paid		**(1,061)**	–
Net cash inflow from operating activities	25	**56,952**	46,493
Cash flows from investing activities			
Payments for property, plant and equipment		**(30)**	(275)
Payments for exploration, evaluation and development		**(2,692)**	(35,898)
Decrease/(increase) in deposits		**4,526**	(1,139)
Decrease in restricted cash		**7,004**	–
Proceeds from sale of Bowdens		**5,000**	20,000
Proceeds from sale of Challenger		**750**	250
Proceeds from sale of available-for-sale financial assets		**432**	–
Net cash outflow from investing activities		**14,990**	(17,062)
Cash flows from financing activities			
Proceeds from corporate borrowings, net of transaction costs		**586**	3,051
Repayment of corporate borrowings		**(11,479)**	(19,043)
Repayment of subsidiary (Akara Resources PCL) borrowings		**(75,015)**	(32,528)
Share acquisition for the settlement of vested deferred rights		**(27)**	(67)
Net cash outflow from financing activities		**(85,935)**	(48,587)
Net decrease in cash held		**(13,993)**	(19,156)
Cash at the beginning of the year		**36,314**	55,472
Effects of exchange rate on cash and cash equivalents		**(314)**	(2)
Cash at the end of the year	7	**22,007**	36,314

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

Notes to the Financial Statements

for the year ended 30 June 2017

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the 'Company') for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of Directors on 29 August 2017.

Kingsgate is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'group entities'). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

1. Basis of preparation

Funding of future operations of the Group

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As previously advised, on 10 May 2016 the Thai Government announced that the Chatree Gold Mine operated by Kingsgate's subsidiary Akara Resources Public Company Limited ('Akara') would only be able to continue to operate until 31 December 2016.

The Chatree Gold Mine in its capacity as Kingsgate's primary production asset was the main cash contributor for the Group.

On 3 April 2017, as part of its response to forced closure, Kingsgate advised that it will be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against the Chatree Gold Mine in violation of the Australia-Thai Free Trade Agreement ('TAFTA'). Kingsgate has since met with representatives of the Thai Government on two occasions in Bangkok, the first on 4 July 2017, and the second on 16 August 2017. During the second meeting Kingsgate was informed that the Thai Government had lifted the 'temporary suspension' of the Chatree Gold Mine and that the application for renewal of its Metallurgical Processing Licence, which expired on 31 December 2016, could now be processed. In light of the foregoing, Kingsgate has determined that it is in the interests of the Group to further explore this matter and accordingly, Kingsgate has allowed a further limited period of dialogue with the Thai Government.

As part of this process Kingsgate has formally requested the Thai Government to immediately grant the authorisations and licences required to process the gold and silver sludge containing approximately 4,750 ounces of gold and 34,800 ounces of silver with a value of around $8.3 million which is stored at the Chatree Gold Mine processing plant.

Group available cash at the end of June 2017 was $22.0 million with a further $2.8 million of deposits which subsequent to year end have been released for general use.

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

In the short-term the Group will continue negotiations with the Thai Government to re-open the Chatree Gold Mine which includes realising value from the sale of the stored gold and silver sludge which will improve the cash position of the Group.

The Group has also considered 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;
- 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 can also reduce its current planned ongoing expenditure to suit available cash resources and the timing of cash flows.

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.

The general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit or loss.

Functional and presentation currency

The financial statements of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated statements are presented in Australian dollars, which is the Company's functional currency and presentation currency.

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.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

a. Principles of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred does not include amounts related to the settlement of a pre-existing relationship. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The non-controlling interest in the acquiree is based on the fair value of the acquiree's net identifiable assets. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary. The acquisition of an asset or group of assets that is not a business is accounted for by allocating the cost of the transaction to the net identifiable assets and liabilities acquired based on their fair values.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

b. Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of the Group entities at exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss; except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or, are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets are included in the fair value reserve in equity.

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intra-group balances are in substance part of the Group's net investment. Where as a result of a change in circumstances, a previously designated intra-group balance is intended to be settled in the foreseeable future, the intra-group balance is no longer regarded as part of net investment. The exchange differences for such balance previously taken directly to the foreign currency translation reserves are recognised in the profit or loss.

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the year-end exchange rate;
- the income and expenses of foreign operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

c. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue represents the net proceeds receivable from the buyer.

Gold and silver sales

Gold and silver revenue is recognised when the refinery process has been finalised at which point the sale transaction to a third party is also completed. Transportation and refinery costs are expensed when incurred.

d. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the liability method,

continued

d. Income tax continued

providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and, they relate to income taxes levied by the same tax authority on the same taxable entity.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly owned Australian resident entities formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is Kingsgate Consolidated Limited.

Current tax expense or benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the ‘stand alone taxpayer’ approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax assets or liabilities and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidation group, are recognised as amounts receivable or payable to other entities in the tax-consolidation group in conjunction with any tax funding agreement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Tax funding and sharing agreements

The members of the tax-consolidation group have entered into a funding agreement that sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to or from the head entity and any deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable or payable in the separate financial statements of the members of the tax-consolidation group equal in amount to the tax liability or asset assumed. The intra-group receivables or payables are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities or assets adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities or assets are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

The members of the tax-consolidation group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

e. Leases

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

f. Divestment transaction costs

Transaction costs directly relating to the partial divestment of an interest in a subsidiary are expensed as incurred in the year prior to the disposal where control is retained.

g. Impairment of assets

Assets other than goodwill and indefinite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset’s fair value in use. 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

i. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments more than 60 days overdue are considered indicators that the trade and other receivable is impaired.
The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade and other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

j. Inventories

Raw materials and stores, work in progress and finished goods (including gold bullion), are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to whether the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the reporting date, it is included within non-current assets. Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays, and truck counts.

k. Non-derivative financial assets

Classification and recognition

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Attributable transaction costs are recognised in the profit or loss when incurred. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity net of attributable tax. When an asset is derecognised the cumulative gain or loss in equity is transferred to the income statement.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

continued

k. Non-derivative financial assets continued

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

l. Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. The Group does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the profit or loss.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

m. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation

Depreciation and amortisation of mine buildings, plant, machinery and equipment is provided over the assessed life of the relevant mine or asset, whichever is the shorter.

Depreciation and amortisation is determined on a units-of-production basis over the estimated recoverable reserves from the related area. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. For mine plant, machinery and equipment, which have an expected economic life shorter than the life of the mine, a straight line basis is adopted.

The expected useful lives are as follows:

- mine buildings – the shorter of applicable mine life and 25 years;
- plant, machinery and equipment – the shorter of applicable mine life and 3–15 years depending on the nature of the asset.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during the period, depreciation and amortisation rates are adjusted prospectively from the beginning of the reporting period.

Major spares purchased specifically for a particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2g).

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

n. Deferred stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory in the period or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to the ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'production stripping asset', if the following criteria are all met:

- future economic benefits (being improved access to the ore body) associated with the stripping activity are probable;
- the component of the ore body for which access has been improved can be accurately identified; and
- the costs associated with the stripping activity associated with that component can be reliably measured.

The amount of stripping costs deferred is based on the ratio obtained by dividing the volume of waste mined by the volume of ore mined for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected waste to ore ('life of component') ratio.

A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is typically a subset of the total ore body of the mine. It is considered that each mine may have several components, which are identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of the ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.

The identification of components is necessary for both the measurement of costs at the initial recognition of the production stripping asset, and the subsequent depreciation of the production stripping asset.

The life of component ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to the life of component ratio are accounted for prospectively from the date of change.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The production stripping asset is amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis. Economically recoverable reserves are used to determine the expected useful life of the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is included in 'Exploration, Evaluation and Development'. These costs form part of the total investment in the relevant cash generating unit to which they relate, which is reviewed for impairment in accordance with the Group's impairment accounting policy (Note 2g).

o. Deferred mining services costs

Provisions to the group of mining services by its contractor do not systematically align with the billing made by the contractor employed for these services. When there is a material difference between the provisions of the mining services and the amount paid for these services, a portion of the billing is deferred on the statement of financial position. These amounts are subsequently recognised in the profit or loss. Mining services are recognised in the profit or loss on a systematic basis based on bank cubic metres mined by the contractor.

p. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by, or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or;
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. The carrying value of exploration and evaluation assets is assessed in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's impairment policy (Note 2g).

Feasibility expenditure

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest and capitalised as incurred.

At the commencement of production; all past exploration, evaluation and feasibility expenditure in respect of an area of interest that has been capitalised is transferred to mine properties where it is amortised over the life of the area of interest to which it relates on a unit-of-production basis.

q. Mine properties

Mine properties represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established. Otherwise, such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the units-of-production method with separate calculations being made for each component. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Development and land expenditure still to be incurred in relation to the current recoverable reserves are included in the amortisation calculation. Where the life of the assets is shorter than the mine life, their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during a six month period, depreciation and amortisation rates are adjusted prospectively from the beginning of that reporting period.

r. Investment in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. The Group recognises its share of any changes and discloses this when applicable, in the statement of changes of equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is included in the income statement. This is the profit attributable to equity holders of the associate and therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

s. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference

continued

t. Borrowings continued

shares are recognised in the profit or loss as finance costs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

u. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalised represents the borrowing costs specific to those borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

v. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.

w. Restoration and rehabilitation provision

The estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a units-of-production basis.

The corresponding provision of an amount equivalent to the restoration asset created is reviewed at the end of each reporting period. The provision is measured at the best estimate of present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using national government bond rates at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recoded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the income statement on a prospective basis over the remaining life of the operation.

The unwinding of the effect of discounting on the rehabilitation provision is included within finance costs in the income statement.

Costs incurred that relate to an existing condition caused by past operations, but do not have a future economic benefit are expensed as incurred.

x. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits and annual leave) expected to be settled within 12 months of the reporting date are recognised in provisions for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave and severance pay

The liability for long service leave and severance pay is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Cash bonuses

Cash bonuses are expensed in the income statement at reporting date.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Directors or employees and the obligation can be estimated reliably.

(iv) Retirement benefit obligations

Defined contribution plan

Contributions to defined contribution superannuation plans are recognised as an expense in the income statement as they become payable.

Defined benefit plan

The Company's Thai subsidiary, Akara Resources Public Company Limited, have a defined benefit plan which is the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Retirement benefit

Under labour laws applicable in Thailand, employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other long-term benefits – Gold

The Company's Thai subsidiary, Akara Resources Public Company Limited, has a policy to give gold to employees who have worked for the Company for 10 years, 15 years and 20 years, in the amounts of Baht 0.5, Baht 1 and Baht 1.5 respectively.

The liability recognised in the statement of financial position in respect of other long-term benefit plan is the present value of the other long-term benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The other long-term benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the other long-term benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(v) Share-based payment transactions

The Group provides benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

The fair value of these equity settled transactions is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled.

The fair value at grant date is determined using a pricing model that takes into account the exercise price, the term, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate.

Upon the exercise of the equity settled reward, the related balance of the share-based payments reserve is transferred to share capital.

y. Dividends

Dividends are recognised as a liability in the period in which they are declared.

z. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa. Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction, net of tax from the proceeds.

bb. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

cc. Operating and segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 4.

dd. New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The Group has adopted the following new and revised accounting standards, amendments and interpretations as of 1 July 2016:

- *AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- *AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The adoption of these new and revised standards did not have a material impact on the Group's financial statements.

(ii) New accounting standards and interpretations not yet adopted

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below:

continued

dd. New accounting standards and interpretations continued

- ***AASB 9 Financial Instruments and AASB 2010-7 and AASB 2012-6 Amendments to AAS's arising from AASB 9***

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting treatment of financial liabilities.

The revised IFRS 9 will eventually replace AASB 139 and all previous versions of IFRS 9. The revised standard includes changes to the:

- classification and measurement of financial assets and financial liabilities;
- expected credit loss impairment model; and
- hedge accounting.

Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The application date for the Group is 1 July 2018.

- ***AASB 15: Revenue from Contracts with Customers***

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

(a) IAS 11 Construction Contracts; and

(b) IAS 18 Revenue.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group does not expect the adoption of this standard to have a significant impact as gold and silver sales are only made with reputable institutions using a market price and on relatively short trading terms.

The application date for the Group is 1 July 2018.

- ***AASB 16: Leases***

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group does not expect the adoption of this standard to have a significant impact as the Group does not expect to have any material lease contracts in place on the application date of this Standard.

The application date for the Group is 1 July 2019.

- ***AASB 2: Clarifications of classification and measurement of share based payment transactions***

This Standard amends IFRS 2: Share-based payment to clarify how to account for certain types of share based payment transactions.

The Group does not expect the adoption of this Standard to have a significant impact as the use of share-based payments by the Group in recent years had been minimal and any impact of a change in accounting for them would be immaterial.

The application date for the Group is 1 July 2018.

ee. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kingsgate.

Share-based payments

The issue by the Company of equity instruments to extinguish liabilities of a subsidiary undertaking in the Group is treated as a capital contribution to that subsidiary undertaking.

3. Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that could materially affect the financial position and results are discussed below:

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

As noted in the Directors' Report, following a decision made by the Thai Government, the Chatree Gold Mine ceased operations on 31 December 2016 when it was placed on Care and Maintenance effective 1 January 2017.

In preparing the consolidated 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 (an impairment charge of $227,564,000 was recorded against the Group's carrying value of Chatree Gold Mine assets in the year ended 30 June 2016).

In respect of rehabilitation liabilities, the Group revised its previous estimates and reduced its total rehabilitation liability to approximately $14 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 in the context of the early mine closure;
- 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.

The Group has considered the status of its discussions with the Thai Government and the status of its legal process and has concluded that the position adopted for financial reporting purposes and described above reflects a prudent approach in respect of its assets and liabilities including potential contingent assets and liabilities. At balance sheet date, the Group has not considered that it was appropriate to record a reversal of any impairment previously recognised. Additional Information regarding the Group's available legal and other avenues for compensation have not been disclosed on the basis that it could seriously prejudice the Group's position in these matters.

(ii) Mineral resources and ore reserves estimates

The Group estimates its ore reserves and mineral resources annually at 30 June each year, and reports in the following October, based on information compiled by Competent Persons as defined and in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources (JORC code 2012). The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment (including exploration and evaluation assets), the provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation charged to the income statement.

(iii) Exploration and evaluation assets

Judgement is required to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to these judgements, the Group has to make certain estimates and assumptions. The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Group capitalises exploration and evaluation expenditure. The capitalisation policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available.

The recoverable amount of capitalised expenditure relating to undeveloped mining projects (projects for which the decision to mine has not yet been approved at the required authorisation level within the Group) can be particularly sensitive to variations in key estimates and assumptions. If a variation in key estimates or assumptions has a negative impact on recoverable amount it could result in a requirement for impairment.

(iv) Impairment of non-current assets, determination of recoverable amounts

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. 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. For further details regarding the impairment testing refer to Note 14.

(v) Restoration and rehabilitation provision

Significant estimates and assumptions are required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known. The rehabilitation provision relating to the Chatree Gold Mine takes into account the premature shut-down of the mine.

continued

4. 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.

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

	Operation	Development	Corporate	Total
2017	Chatree $'000	Nueva Esperanza $'000	$'000	$'000
External sales revenue	176,119	–	–	176,119
Other income	15,425	–	994	16,419
Total segment revenue	191,544	–	994	192,538
Segment EBITDA	90,718	(9,035)	(18,641)[1]	63,042
Depreciation and amortisation	(51,205)	–	(102)	(51,307)
Segment result (Operating EBIT)	39,513	(9,035)	(18,743)	11,735
Finance income	–	–	–	385
Finance costs	–	–	–	(4,016)
Net finance costs	–	–	–	(3,631)
Profit/(loss) before tax	39,513	(9,035)	(18,743)	8,104
Other segment information				
Segment assets	12,342	103,164	18,795	134,301
Segment liabilities	(26,203)	(5,868)	(1,370)	(33,441)

1 *includes foreign exchange loss of $3,079,000 for the Group.*

2016	Operation Chatree $'000	Development Nueva Esperanza $'000	Exploration $'000	Corporate $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
External sales revenue	174,412	–	–	–	174,412	78,916	253,328
Other income	521	–	–	2	523	467	990
Total segment revenue	174,933	–	–	2	174,935	79,383	254,318
Segment EBITDA	29,830	(3)	(561)	(12,226)[1]	17,040	22,824	39,864
Impairment/impairment reversal*	(227,564)	–	(461)	–	(228,025)	17,056	(210,969)
Depreciation and amortisation	(44,370)	–	–	(83)	(44,453)	(1,724)	(46,177)
Segment result (Operating EBIT)	(242,104)	(3)	(1,022)	(12,309)	(255,438)	38,156	(217,282)
Finance income	–	–	–	–	406	33	439
Finance costs	–	–	–	–	(12,359)	(209)	(12,568)
Net finance costs	–	–	–	–	(11,953)	(176)	(12,129)
Loss before tax	(242,104)	(3)	(1,022)	(12,309)	(267,391)	37,980	(229,411)
Other segment information							
Segment assets	106,562	106,125	1,137	38,681	252,505	–	252,505
Segment liabilities	(141,354)	(6,038)	(53)	(12,696)	(160,141)	–	(160,141)

* *Related to the sale of Challenger Gold Mine.*

1 *Includes foreign exchange gain of $3,655,000 for the Group.*

	Revenue		% of External Revenue	
	2017 $'000	**2016** $'000	**2017** %	**2016** %
Customer A	**176,119**	174,412	**100**	69
Customer B	**–**	78,916	**–**	31

5. Revenue and expenses

	2017 $'000	**2016** $'000
a) Sales revenue		
Gold sales	**155,947**	159,972
Silver sales	**20,172**	14,440
Sales revenue from continuing operations	**176,119**	174,412
Sales revenue from discontinued operations	**–**	78,916

continued

5. Revenue and expenses continued

	2017 $'000	2016 $'000
b) Cost of sales		
Direct costs of mining and processing	60,162	112,854
Royalties	15,642	14,693
Inventory movements	22,121	12,950
Depreciation (operations)	50,925	44,370
Cost of sales from continuing operations	148,850	184,867
Cost of sales from discontinued operations	–	57,331
c) Corporate and administration expenses		
Administration	11,964	13,860
Technical support and business development	911	1,016
Statutory and professional fees	5,860	2,490
Depreciation	102	83
Corporate and administration expenses from continuing operations	18,837	17,449
Corporate and administration expenses from discontinued operations	–	903
d) Other income and expenses		
Net gain on sale of fixed assets	59	18
Realised loss on delivery against hedge contracts	–	(2,325)
Change in fair value of available-for-sale assets	(108)	(810)
Revision of rehabilitation provision	14,045	–
Other revenue	2,315	505
Other income and expenses from continuing operations	16,311	(2,612)
Other income and expenses from discontinued operations	–	467
e) Finance costs		
Interest and finance charges	3,507	6,795
Foreign exchange loss on loans	182	3,257
Unwinding of discount	246	748
Amortisation of deferred borrowing costs	81	1,559
Finance costs from continuing operations	4,016	12,359
Finance costs from discontinued operations	–	209
f) Depreciation and amortisation		
Property, plant and equipment	36,172	15,801
Mine properties	15,135	30,467
Less: depreciation capitalised	–	(91)
Depreciation and amortisation expenses	51,307	46,177
Included in:		
Costs of sales depreciation	50,925	45,954
Care and maintenance expenses	280	–
Corporate depreciation	102	223

	2017 $'000	2016 $'000
g) Employee benefits expenses		
Included in:		
Costs of sales	3,178	18,024
Care and maintenance expenses	3	–
Corporate and administration expenses	4,929	7,178
Total employee benefits expenses	8,110	25,202
h) Other items		
Operating lease rentals	339	457
Total other items	339	457
i) Significant items		
Impairment of Chatree Gold Mine	–	227,564
Impairment of capitalised exploration	–	461
Total significant items (pre-tax) from continuing operations	–	228,025
Total significant items (pre-tax) from discontinued operations	–	(17,056)

6. Income tax

	2017 $'000	2016 $'000
a) Income tax expense		
Current tax	1,135	309
Deferred tax	(119)	(269)
Total income tax expense	1,016	40
Income tax expense/(benefit) from continuing operations	1,016	(3,209)
Income tax expense from discontinued operations	–	3,249
Deferred tax expense/(benefit) included in tax expense comprises:		
Increase in deferred tax assets	2,067	14,465
Increase in deferred tax liabilities	(2,186)	(14,734)
Deferred tax	(119)	(269)

continued

6. Income tax continued

	2017 $'000	2016 $'000
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax	8,104	(267,431)
Profit/(loss) from discontinued operations before income tax	–	37,980
Total profit/(loss) before income tax	8,104	(229,411)
Tax at Australian rate of 30%	2,431	(68,823)
Tax effect of amounts not deductible/assessable in calculating taxable income		
Non-deductible expenses	226	468
Non-deductible amortisation	–	129
Non-deductible interest expense to preference shareholders	370	364
Share-based payment remuneration	(57)	100
Tax benefit of tax losses not brought to account in the prior year recognised this year	(3,015)	(3,620)
Tax benefit of tax losses not brought to account	–	6,719
Witholding tax on dividends received from Thailand operations	1,061	–
Temporary difference adjustment (Thailand)	–	1,046
Other temporary difference adjustment	–	271
impairment of Chatree Gold Mine	–	68,269
impairment reversal of Bowdens Silver Project	–	(4,994)
impairment of exploration	–	111
Income tax expense	**1,016**	40

Kingsgate's Thai controlled entity Akara Resources Public Company Limited ('Akara') received on 18 June 2010 approval from The Royal Thai Board of Investment ('BOI') for promotion of the Chatree North gold processing plant. Based on annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara is entitled to:

a. an eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;

b. 25% investment allowance on the capital cost of certain assets of the new processing plant; and

c. other benefits.

The start of the promotion period was 1 November 2012.

	2017 $'000	2016 $'000
c) Tax recognised in other comprehensive income		
Foreign exchange losses recognised directly in foreign currency translation reserves	–	–
Total tax recognised in other comprehensive income	–	–

d) Deferred tax liabilities offset

Deferred tax liabilities amounting to $8,181,000 (2016: $11,007,000) have been offset against deferred tax assets.

	2017 $'000	2016 $'000
e) Unrecognised deferred tax assets and tax liabilities		
Tax losses – Australian entities	**295,219**	301,841
Tax losses – other entities	**604**	502
Temporary difference	**1,278**	1,278
Subtotal	**297,101**	303,621
Unrecognised deferred tax assets	**88,674**	90,703[1]

1 *Amount excludes potential deductible temporary differences in respect of Akara for $45,350,000 arising from an impairment charge recognised during the year. It is not probable that there will be sufficient future assessable income available against which this deferred tax asset could be utilised.*

As at 30 June 2017 Akara has undistributed earnings of $15,042,000 which, if paid out as dividends, and if not paid out from one of the BOI activity, would be subject to withholding tax in the hands of its Australian parent entity.

f) Tax consolidation group

Kingsgate Consolidated Limited and its wholly owned Australian subsidiary have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 2d.

On adoption of the tax consolidation legislation, the entities in the tax-consolidation group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly owned entities in the case of default by the head entity, Kingsgate Consolidated Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Kingsgate for any current tax payable assumed and are compensated for any current tax receivable and deferred assets relating to the unused tax losses or unused tax credits that are transferred to Kingsgate under the tax legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

	Assets		Liabilities		Net	
g) Recognised deferred tax assets and liabilities	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets/(liabilities)						
Employee benefits	**91**	158	**–**	–	**91**	158
Unrealised exchange (gains)/losses	**3,998**	5,722	**(8,181)**	(10,824)	**(4,183)**	(5,102)
Other items	**255**	631	**–**	(302)	**255**	329
Available-for-sale financial assets	**321**	660	**–**	–	**321**	660
Tax losses	**3,516**	3,836	**–**	–	**3,516**	3,836
Total deferred tax assets/(liabilities)	**8,181**	11,007	**(8,181)**	(11,126)	**–**	(119)
Set off tax	**(8,181)**	(11,007)	**8,181**	11,007	**–**	–
Net deferred tax assets/(liabilities)	**–**	–	**–**	(119)	**–**	(119)
Deferred tax assets/(liabilities) expected to be recovered within 12 months	**–**	208	**–**	–	**–**	208
Deferred tax assets/(liabilities) expected to be recovered after more than 12 months	**8,181**	10,799	**(8,181)**	(11,126)	**–**	(327)
Total deferred tax assets/(liabilities)	**8,181**	11,007	**(8,181)**	(11,126)	**–**	(119)

continued

6. Income tax continued

Movement in deferred tax balances

2017	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets/(liabilities):					
Employee benefits	**158**	**(67)**	**–**	**–**	**91**
Unrealised exchange losses	**(5,102)**	**919**	**–**	**–**	**(4,183)**
Other items	**329**	**(74)**	**–**	**–**	**255**
Available-for-sale financial assets	**660**	**(339)**	**–**	**–**	**321**
Tax losses	**3,836**	**(320)**	**–**	**–**	**3,516**
Net deferred tax assets/(liabilities)	**(119)**	**119**	**–**	**–**	**–**

2016	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets/(liabilities):					
Employee benefits	1,009	(851)	–	–	158
Provision for restoration and rehabilitation	2,368	(2,368)	–	–	–
Unrealised exchange losses	(4,479)	(623)	–	–	(5,102)
Other items	308	21	–	–	329
Available-for-sale financial assets	417	243	–	–	660
Mine properties and exploration	(11)	(12)	–	23	–
Tax losses	–	3,836	–	–	3,836
Net deferred tax assets/(liabilities)	(388)	246	–	23	(119)

7. Cash and cash equivalents and restricted cash

	2017 $'000	2016 $'000
Current		
Cash on hand	**7**	13
Deposits at call	**22,000**	36,301
Restricted cash	**–**	7,004
Total current	**22,007**	43,318

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

These deposits are at call, interest bearing and may be accessed daily.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

8. Receivables

	2017 $'000	2016 $'000
Current		
Other debtors	1,959	7,273
Financial assets measured at fair value through profit or loss (Bowdens receivable)	–	5,000
Total receivables – current	1,959	12,273
Non-current		
Other debtors	4,748	4,015
Total receivables – non-current	4,748	4,015

Other debtors

Other debtors mainly relate to GST/VAT receivables.

Risk exposure

The Group's exposure to credit and currency risks are disclosed in Note 28.

9. Inventories

	2017 $'000	2016 $'000
Current		
Raw materials and stores	–	12,664
Stockpiles and work in progress	–	69,812
Gold bullion	–	6,525
Provision for obsolescence	–	(4,763)
Impairment	–	(58,178)*
Total inventories – current	–	26,060

* *Impairment relates to ore stockpiles and work in progress at Chatree Gold Mine.*

10. Other assets

	2017 $'000	2016 $'000
Current		
Prepayments	690	2,365
Other deposits	3,895	8,554
Total other assets – current	4,585	10,919
Non-current		
Prepayments	14,568	14,060
Other deposits	70	70
Total other assets – non-current	14,638	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 $3,468,000 of security deposits in Thailand.

continued

11. Available-for-sale financial assets

	2017 $'000	2016 $'000
Equity securities – current		
At the beginning of the financial year	**540**	1,350
Revaluation	**(108)**	(810)
Disposal	**(432)**	–
At the end of the financial year	**–**	540

12. Property, plant and equipment

	2017 $'000	2016 $'000
Opening balance		
Cost	**263,453**	365,349
Accumulated depreciation and amortisation	**(34,915)**	(111,958)
Accumulated impairment	**(184,260)**	(64,897)
Net book amount	**44,278**	188,494
Year ended 30 June		
Opening net book amount	**44,278**	188,494
Additions	**63**	619
Reclassified	**(18,837)**	(7,491)
Disposals	**(99)**	(77)
Disposal group	**–**	(834)*
Impairment	**–**	(119,363)
Depreciation and amortisation expense	**(36,172)**	(15,710)
Foreign currency differences	**13,364**	(1,360)
Closing net book amount	**2,597**	44,278
Cost	**244,466**	263,453
Accumulated depreciation and amortisation	**(57,609)**	(34,915)
Accumulated impairment	**(184,260)**	(184,260)
Net book amount	**2,597**	44,278

** Related to the sales of Challenger Gold Mine and Bowdens Silver Project.*

13. Exploration, evaluation and development

	Exploration & evaluation $'000	Feasibility expenditure $'000	Mine properties $'000	Total $'000
At 30 June 2015				
Cost	50,298	175,439	720,474	946,211
Accumulated depreciation and amortisation	–	–	(300,923)	(300,923)
Accumulated impairment	(49,418)	(97,337)	(355,498)	(502,253)
Net book amount	880	78,102	64,053	143,035
Year ended 30 June 2016				
Opening net book amount	880	78,102	64,053	143,035
Additions	91	5,816	29,710	35,617
Reclassified	(510)	601	7,400	7,491
Disposal groups	–	–	(8,599)*	(8,599)
Impairment	(461)	–	(50,023)	(50,484)
Depreciation and amortisation expense	–	–	(30,467)	(30,467)
Foreign currency exchange differences	–	1,436	(1,057)	379
Closing net book amount	–	85,955	11,017	96,972
At 30 June 2016				
Cost	39,991	160,649	327,638	528,278
Accumulated depreciation and amortisation	–	–	(26,750)	(26,750)
Accumulated impairment	(39,991)	(74,694)	(289,871)	(404,556)
Net book amount	–	85,955	11,017	96,972
Year ended 30 June 2017				
Opening net book amount	**–**	**85,955**	**11,017**	**96,972**
Additions	**–**	**1,669**	**–**	**1,669**
Reclassified	**–**	**–**	**18,837**	**18,837**
Disposal	**–**	**(2,782)**	**(13,812)**	**(16,594)**
Depreciation and amortisation expense	**–**	**–**	**(15,135)**	**(15,135)**
Foreign currency exchange differences	**–**	**(1,866)**	**(116)**	**(1,982)**
Closing net book amount	**–**	**82,976**	**791**	**83,767**
At 30 June 2017				
Cost	**39,991**	**157,670**	**332,953**	**530,614**
Accumulated depreciation and amortisation	**–**	**–**	**(42,291)**	**(42,291)**
Accumulated impairment	**(39,991)**	**(74,694)**	**(289,871)**	**(404,556)**
Net book amount	**–**	**82,976**	**791**	**83,767**

* *Related to the sales of Challenger Gold Mine and Bowdens Silver Project.*

continued

14. 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 2018 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 0.77 based on exchange rates current at period end.

	Post tax real discount rate
Nueva Esperanza Gold/Silver Project	8.5%

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 12.3%. 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 30 June 2017 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 30 June 2017 is assessed as being above its carrying value of $97,296,000 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 30 June 2017:

	Nueva Esperanza Gold/ Silver Project $'000
US$100/oz increase/decrease in gold price	14,630
US$1/oz increase/decrease in silver price	24,065
5% increase/decrease in operating costs	24,449
5% increase/decrease in capital expenditure	11,925

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 and a likely impairment.

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.

15. Payables

	2017 $'000	2016 $'000
Current		
Trade payables	**1,103**	12,342
Other payables and accruals	**2,639**	8,971
Total payables – current	**3,742**	21,313
Non-current		
Other payables	**3,946**	4,074
Total payables – non-current	**3,946**	4,074

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

continued

16. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see Note 28.

	2017 $'000	2016 $'000
Current		
Secured bank loans	–	85,240
Preference shares in controlled entity	–	10,171
Finance lease liabilities	413	1,549
Other loan	244	1,137
Total borrowings – current	**657**	98,097
Non-current		
Finance lease liabilities	736	–
Preference shares in controlled entity	10,178	–
Total borrowings – non-current	**10,914**	–
Borrowings		
Secured bank loans	–	85,240
Preference shares in controlled entity	10,178	10,171
Finance lease liabilities	1,149	1,549
Other loan	244	1,137
Total borrowings	**11,571**	98,097

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	10,168	10,178

The terms of the preference shares were amended during the year through a change made to the Shareholders Agreement of Akara Resources Public Company Limited resulting in the preference shares being repayable at the earliest on 30 July 2019.

Finance lease liabilities

The Group has various items of plant and equipment with a carrying amount of $1,150,000 under finance leases.

Finance lease liabilities are payable as follows:

	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Within 1 year	461	48	413
Later than 1 year but not later than 5 years	770	34	736
Total	**1,231**	**82**	**1,149**

17. Provisions

	Note	2017 $'000	2016 $'000
Current			
Employee benefits	2x,24	**309**	6,280
Restoration and rehabilitation		**638**	4,275
Total provisions – current		**947**	10,555
Non-current			
Employee benefits	2x,24	**86**	66
Restoration and rehabilitation	2w	**13,149**	25,917
Total provisions – non-current		**13,235**	25,983
Movements in the restoration and rehabilitation provision:			
Restoration and rehabilitation			
At the beginning of the financial year		**30,192**	34,641
Revision of rehabilitation provision		**(14,045)**	2,691
Current year use of rehabilitation		**(2,631)**	–
Unwind of discount rate for provision		**246**	952
Disposal on sale of Challenger Gold Mine		**–**	(7,851)
Foreign currency exchange differences		**25**	(241)
At the end of the financial year		**13,787**	30,192

18. Contributed equity

	2017 Shares	2016 Shares	2017 $'000	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

During the year, the Company acquired 110,683 shares in Kingsgate Consolidated Limited on market for consideration of $27,000. These shares were distributed to rights holders as settlement of vested deferred rights.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets. The Group's focus over the financial year was to utilise surplus cash from operations and asset sale to repay all outstanding liabilities and obligations relating to the Chatree Mine operation, repay corporate debt and fund development and exploration activities, for the Nueva Esperanza Project in Chile.

continued

19. Reserves and accumulated losses

(a) Reserves

	2017 $'000	2016 $'000
Foreign currency translation reserve	46,479	45,234
Share-based payment reserve	9,246	9,056
General reserve	(3,341)	(3,341)
Total reserves	52,384	50,949
Movements:		
Foreign currency translation reserve		
At the beginning of the financial year	45,234	48,234
Exchange differences on translation of foreign controlled entities (net of tax)	1,245	(3,000)
At the end of the financial year	46,479	45,234
Share-based payment reserve		
At the beginning of the financial year	9,056	9,008
Share-based payment expense	190	48
At the end of the financial year	9,246	9,056
General reserve		
At the beginning of the financial year	(3,341)	(3,542)
Net change	–	201
At the end of the financial year	(3,341)	(3,341)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2b.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of deferred rights, performance rights and options issued but not exercised.

General reserve

The general reserve represents changes in equity as a result of changes in non-controlling interests in prior periods and revaluation of employee benefit obligations in current year.

(b) Accumulated losses

	2017 $'000	2016 $'000
Accumulated losses at the beginning of the year	(635,627)	(406,176)
Net profit/(loss) attributable to members of Kingsgate Consolidated Limited	7,088	(229,451)
Accumulated losses	(628,539)	(635,627)

20. Commitments for expenditure

	2017 $'000	2016 $'000
Operating leases		
Within one year	**309**	343
Later than one year but not later than five years	**40**	373
Total operating leases	**349**	716

21. Controlled entities

Entity	Country of Incorporation	Class of shares	Equity holding 2017 %	Equity holding 2016 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Ltd	Australia	Ordinary	**100**	100
Gawler Gold Mining Pty Ltd	Australia	Ordinary	**100**	100
Dominion Metals Proprietary Ltd	Australia	Ordinary	**100**	100
Kingsgate Treasury Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Capital Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Chile NL	Australia	Ordinary	**100**	100
Laguna Exploration Pty Ltd	Australia	Ordinary	**100**	100
Akara Resources Public Company Limited	Thailand	Ordinary	**100**	100
Issara Mining Limited	Thailand	Ordinary	**100**	100
Suan Sak Patana Ltd	Thailand	Ordinary	**100**	100
Phar Mai Exploration Ltd	Thailand	Ordinary	**100**	100
Richaphum Mining Ltd	Thailand	Ordinary	**100**	100
Phar Lap Ltd	Thailand	Ordinary	**100**	100
Phar Rong Ltd	Thailand	Ordinary	**100**	100
Asia Gold Ltd	Mauritius	Ordinary	**100**	100
Dominion (Lao) Co., Ltd	Laos	Ordinary	**100**	100
Laguna Chile Ltda	Chile	Ordinary	**100**	100

22. Dividends

No final dividend was declared for the year ended 30 June 2016 (30 June 2015: nil).

No interim dividend was declared for the year ended 30 June 2017 (30 June 2016: nil).

23. Related parties

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 29 and the Remuneration Report.

Controlling entity

The ultimate parent entity of the Group is Kingsgate Consolidated Limited.

continued

24. Employee benefits and share-based payments

	2017 $'000	2016 $'000
Employee benefits and related on-costs liabilities		
Provision for employment benefits – current	**309**	6,280
Provision for employee benefits – non-current	**86**	66
Total employee provisions	**395**	6,346

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2017 were $417,000 (2016: $1,423,000).

Retirement benefit and other long-term benefits (Akara Resources PCL)	2017 $'000	2016 $'000
Opening balance	**5,417**	4,091
Service costs	**–**	1,637
Interest	**–**	145
Actuarial gain	**–**	–
Benefits paid	**(5,343)**	(405)
Foreign currency exchange differences	**(62)**	(51)
Other changes	**(12)**	–
Closing balance	**–**	5,417
The principal actuarial assumptions used were as follows:		
Discount rate	**–**	4.1%
Inflation rate	**–**	3%

Executive Rights Plan

On 1 July 2012, the Company introduced an Executive Rights Plan which involves the grant of two types of rights being performance rights and deferred rights. Subject to the satisfaction of the performance condition at the end of a three year measurement period in respect of performance rights and the service condition at the end of the three year vesting period in respect of deferred rights, the rights will vest. The first $1,000 of value per individual award is settled by cash with the balance settled by shares.

Performance rights

Kingsgate issued the following performance rights during financial year 2013/2014:

	Grant date	Vesting date	Number
Performance rights	7/13 November 2013	1 July 2016	479,643
Performance rights	26 November 2013	1 July 2016	768,380

The Executives Rights Plan entitles participants to receive rights to fully paid ordinary shares in the Company (performance rights). The performance measures for the performance rights issued in the 2013 and 2014 financial years is subject to a hurdle derived from a three year vesting period using the internal performance measuring metric, TSR Alpha™. This measure is based on total shareholder return over that vesting period.

The fair value of the performance rights was estimated using Monte Carlo simulations, taking into account the terms and conditions upon which the awards were granted.

The following table lists the inputs to the model used for the performance rights granted for the year:

Number of rights issued	**479,643**	**768,380**
Grant date	7/13 November 2013	26 November 2013
Spot price ($)	1.24	1.24
Risk-free rate (%)	2.9	2.9
Term (years)	2.6	2.6
Volatility (%)	60–65	60–65
Exercise price	–	–
Fair value ($)	0.72–0.75	0.72–0.75

The volatility above was determined with reference to the historical volatility of the Company's share price from June 2008 to November 2013.

The balance of the performance rights is summarised in the table below:

	2017 Number	2016 Number
Outstanding balance at the beginning of the year	**270,889**	507,202
Performance rights granted during the year	**–**	–
Vested during the year	**–**	–
Lapsed during the year	**(270,889)**	(92,045)
Forfeited during the year	**–**	(144,268)
Outstanding balance at the end of the year	**–**	270,889

Deferred rights

Kingsgate issued the following deferred rights during financial year 2013/2014:

	Grant date	Vesting date	Fair value	Number
Deferred rights	7 November 2013	1 July 2016	$1.47	215,874
Deferred rights	13 November 2013	1 July 2016	$1.34	63,241
Deferred rights	4 November 2013	1 July 2016	$1.39	49,407
Total				**328,522**

The fair value of the deferred rights was estimated based on the share price less the present value of projected dividends over the expected term of each deferred right using Monte Carlo simulations model.

The following table lists the inputs to the model used for the deferred rights granted for the year:

Number of rights issued	**215,874**	**63,241**	**49,407**
Grant date	7 November 2013	13 November 2013	4 November 2013
Spot price ($)	$1.47	$1.34	$1.39
Term (years)	2.6	2.6	2.6
Dividends ($)	–	–	–

continued

24. Employee benefits and share-based payments continued

The outstanding balance of the deferred rights is summarised in the table below:

	2017 Number	2016 Number
Outstanding balance at the beginning of the year	**111,660**	236,637
Deferred rights granted during the year	**–**	–
Vested during the year	**(111,660)**	(52,842)
Lapsed during the year	**–**	–
Forfeited during the year	**–**	(72,135)
Outstanding balance at the end of the year	**–**	111,660

Employee Share Option Plan

On 29 April 2016, Kingsgate granted 1,500,000 employee options. The terms of the options issued pursuant to the plan are as follows:

- Each option will entitle the holder to subscribe for one ordinary share of the Company;
- Options are granted under the plan for no consideration; and
- Options granted under the plan carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Balance start of year Number	Granted during year Number	Expired during year Number	Balance end of year Number	Vested and exercisable at end of year Number
29 Apr 2016	30 June 2019	$0.40	500,000	–	–	500,000	–
29 Apr 2016	30 June 2020	$0.50	500,000	–	–	500,000	–
29 Apr 2016	30 June 2021	$0.60	500,000	–	–	500,000	–

Fair value of options granted

The fair value at grant date of the options is determined using the Black-Scholes option pricing model which incorporates the following inputs:

Number of options issued	500,000	500,000	500,000
Term (years)	3.17	4.17	5.17
Exercise price ($)	0.40	0.50	0.60
Dividend yield ($)	–	–	–
Spot price ($)	0.455	0.455	0.455
Volatility (%)	65–75	65–75	65–75
Risk free rate (%)	1.86	1.85	1.85
Fair value ($)	0.23	0.24	0.22
Outstanding balance at the beginning of the year	500,000	500,000	500,000
Options granted during the year	–	–	–
Vested during the year	–	–	–
Lapsed during the year	–	–	–
Forfeited during the year	–	–	–
Outstanding balance at the end of the year	500,000	500,000	500,000

The volatility above was determined with reference to the historical volatility of the Company's share price from April 2013 to April 2016.

25. Reconciliation of loss after income tax to net cash flow from operating activities

	2017 $'000	2016 $'000
Profit/(loss) for the year	**7,088**	(229,451)
Depreciation and amortisation	**51,307**	46,177
Share-based payments	**190**	48
Impairment	**–**	210,969
Unwind of discount rate for provision	**246**	952
Amortisation of deferred borrowing costs	**81**	1,559
Unrealised losses/(gains)	**–**	810
Net exchange differences	**3,888**	123
Other revenue	**(14,045)**	–
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**3,738**	9,039
(Increase)/decrease in prepayments	**1,658**	3,736
(Increase)/decrease in inventories	**25,758**	13,622
Increase/(decrease) in creditors	**(16,956)**	(9,244)
Increase/(decrease) in provisions	**(5,882)**	(1,578)
Increase/(decrease) in deferred tax liabilities	**(119)**	(269)
Net cash inflow from operating activities	**56,952**	46,493

26. Events occurring after reporting date

On 29 August 2017 Kingsgate executed a $15.0 million Standby Loan Facility ('SLF') to assist with working capital requirements and for general corporate purposes. The SLF is available to be drawn against within a 12 month period from the date of the agreement subject to demonstrating an acceptable repayment plan. It has a minimum draw of $10.0 million and is to be repaid in full six months after drawdown. It is currently envisaged that use of this facility will not be required during the 2018 financial year.

On 16 August 2017 Kingsgate was informed that the Thai Government had lifted the "temporary suspension" of all unexpired gold mining licences in Thailand, including those held by the Company's subsidiary, Akara Resources Public Company Limited. Further, Kingsgate was advised that Akara's application for renewal of its Metallurgical Processing Licence, which expired on 31 December 2016, could now be processed.

In light of the foregoing, the Kingsgate Board has determined that it is in the interests of the Company to further explore this matter, together with a number of other unresolved issues. Accordingly, Kingsgate has reserved its legal position under TAFTA and allowed a further limited period of dialogue with the Thai Government.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

27. Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2017.

28. Financial risk management and instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, fair value risk and interest rate risk), credit risk and liquidity risk.

At this point, the Directors believe that it is in the interest of shareholders to expose the Group to foreign currency risk and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks. The Directors and management monitors these risks, in particular market forecasts of future movements in foreign currency and, if it is to be believed to be in the best interests of shareholders, will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

continued

28. Financial risk management and instruments continued

Risk management is carried out by the senior executive team. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

The Group holds the following financial instruments:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	22,007	36,314
Receivables	6,707	16,288
Restricted cash	–	7,004
Available-for-sale financial assets	–	540
Other financial assets	3,965	8,624
Total financial assets	32,679	68,770
Financial liabilities		
Payables	(7,688)	(25,387)
Borrowings	(11,571)	(98,097)
Total financial liabilities	(19,259)	(123,484)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Thai Baht and as discussed earlier, no financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board. Currently foreign exchange risks arise primarily from:

- payables denominated in US dollars; and
- cash balances in US dollars.

The functional currency of the Thai subsidiaries is Thai Baht. The Company's functional currency is Australian dollars.

The Group's exposure to US dollar foreign currency risk at the reporting date was as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents	671	1,819
Restricted cash	–	7,004
Receivables	53	59
Payables	(1,671)	(4,493)
Total exposure to foreign currency risk	(947)	4,389

The Group's sale of gold produced from Chatree Gold Mine are in US dollars, however the functional currency of the subsidiary company that owns Chatree Gold Mine is Thai Baht and therefore, the Group's profit is sensitive to movement in those currencies.

The Group's current exposure to other foreign exchange movements is not material.

	Impact on post tax loss		Impact on other comprehensive income	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
One cent weakened in Australian dollar against the US dollar	**2,292**	1,743	**–**	–
One cent strengthened in Australian dollar against the US dollar	**(2,292)**	(1,743)	**–**	–

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2017 and 30 June 2016 are set out as follows:

	Floating interest rate $'000	Fixed interest maturing in			Non-interest bearing $'000	Total $'000
		1 year or less $'000	1–2 years $'000	2–5 years $'000		
2017						
Financial assets						
Cash and cash equivalents	**22,000**	**–**	**–**	**–**	**7**	**22,007**
Receivables	**–**	**–**	**–**	**–**	**6,707**	**6,707**
Other financial assets	**3,694**	**–**	**–**	**–**	**271**	**3,965**
Total financial assets	**25,694**	**–**	**–**	**–**	**6,985**	**32,679**
Financial liabilities						
Payables	**–**	**–**	**–**	**–**	**(7,688)**	**(7,688)**
Borrowings	**(1,393)**	**–**	**–**	**(10,178)**	**–**	**(11,571)**
Total financial liabilities	**(1,393)**	**–**	**–**	**(10,178)**	**(7,688)**	**(19,259)**
Net financial assets/(liabilities)	**24,301**	**–**	**–**	**(10,178)**	**(703)**	**13,420**
2016						
Financial assets						
Cash and cash equivalents	36,303	–	–	–	11	36,314
Receivables	–	–	–	–	16,288	16,288
Restricted cash	7,004	–	–	–	–	7,004
Available-for-sale financial assets	–	–	–	–	540	540
Other financial assets	8,316	–	–	–	308	8,624
Total financial assets	51,623	–	–	–	17,147	68,770
Financial liabilities						
Payables	–	–	–	–	(25,387)	(25,387)
Borrowings	(87,859)	(10,171)	–	–	(67)	(98,097)
Total financial liabilities	(87,859)	(10,171)	–	–	(25,454)	(123,484)
Net financial liabilities	(36,236)	(10,171)	–	–	(8,307)	(54,714)

continued

28. Financial risk management and instruments continued

A change of 100 basic points ('bps') in interest rate at the reporting date would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain constant.

	100 bps increase Profit $'000	100 bps decrease Profit $'000
Variable rate instrument – 2017	–	–
Variable rate instrument – 2016	853	(853)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including, outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying value of the Group's financial assets in the statement of financial position. The maximum exposure to credit risk at reporting date was:

	2017 $'000	2016 $'000
Cash and cash equivalents	**22,007**	36,314
Receivables	**6,707**	16,288
Restricted cash	**–**	7,004
Other financial assets	**3,965**	8,624
Total exposure to credit risk at year end	**32,679**	68,230

Liquidity risk

The Group's liquidity requirements are based upon cash flow forecasts which are based upon exploration and capital projections. Liquidity management, including debt/equity management, is carried out under policies approved by the Board and forecast material liquidity changes are discussed at Board meetings. The following table analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed are the contractual undiscounted cash flows. The borrowings of the Group are repayable on demand, however the contractual amounts for borrowings also include the interests that are expected to be repaid until the repayment of these debts based on the cash flow forecast prepared by the Group.

	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2017						
Payables	**7,688**	**3,742**	**–**	**3,946**	**–**	**7,688**
Borrowings	**11,571**	**1,925**	**1,990**	**10,270**	**–**	**14,185**
Total financial liabilities	**19,259**	**5,667**	**1,990**	**14,216**	**–**	**21,873**
2016						
Payables	25,387	21,313	–	4,074	–	25,387
Borrowings	98,097	100,610	–	–	–	100,610
Total financial liabilities	123,484	121,923	–	4,074	–	125,997

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
30 June 2017				
Available-for-sale financial assets	**–**	**–**	**–**	**–**
Receivable	**–**	**–**	**–**	**–**
30 June 2016				
Available-for-sale financial assets	540	–	–	540
Receivable	–	–	5,000	5,000

29. Key Management Personnel disclosures

Executive Chairman

Ross Smyth-Kirk	Executive Chairman – Role changed from Non-Executive Chairman 2 May 2017

Non-Executive Directors

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.*

Key Management Personnel

Ross Coyle	Chief Financial Officer and Company Secretary
Jamie Gibson	General Manager Corporate and External Relations
Alistair Waddell	Vice President Corporate Development & Exploration Chile
Leonardo Hermosilla	Vice President Project Development Chile – *commenced 12 December 2016*
Greg Foulis	Chief Executive Officer – *resigned 30 April 2017 and relinquished his responsibilities as KMP on that date.*
Tim Benfield	Chief Operating Officer – *ceased employment 9 August 2016*

continued

29. Key Management Personnel disclosures continued

Key Management Personnel Compensation	2017 $	2016 $
Short-term employee benefits	**2,099,386**	2,358,058
Post-employment benefits	**123,199**	227,388
Termination benefits	**–**	470,201
Share-based payments	**189,813**	29,295
Other long term benefits	**9,353**	87,713
Total Key Management Personnel compensation	**2,421,751**	3,172,655

30. Auditors' remuneration

	2017 $	2016 $
Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**284,000**	592,840
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**146,462**	295,782
Total remuneration for audit services	**430,462**	888,622
Other services		
PricewaterhouseCoopers Australian Firm		
Other services	**–**	35,401
Related practices of PricewaterhouseCoopers Australian Firm		
Other services	**–**	42,205
Total remuneration for non-audit related services	**–**	77,606
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**79,500**	30,600
Related practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**55,769**	47,164
Total remuneration for tax related services	**135,269**	77,764

31. Earnings per share

	2017 Cents	2016 Cents
Basic and diluted earnings/(loss) per share from continuing operations	3.17	(118.1)
Basic and diluted earnings/(loss) per share from discontinued operations	–	15.5
Basic and diluted earnings/(loss) per share from continuing operations and discontinued operations	**3.17**	(102.6)

	$'000	$'000
Net profit/(loss) used to calculate basic and diluted earnings per share		
Continuing operations	7,088	(264,182)
Discontinued operations	–	34,731

	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	223,584,937	223,575,540
Adjustment for dilutive effect	–	–
Weighted average number of ordinary shares used as the denominator: diluted	**223,584,937**	223,575,540

32. Parent entity financial information

As at, and throughout the financial year ending 30 June 2017, the parent entity of the Group was Kingsgate.

Summary of financial information

	2017 $'000	2016 $'000
Results of parent entity		
Loss for the year	(1,420)	(18,442)
Other comprehensive loss	–	–
Total comprehensive loss	**(1,420)**	(18,442)
Financial position of parent entity at year end		
Current assets	16,791	37,271
Total assets	126,170	136,149
Current liabilities	66,127	74,869
Total liabilities	66,255	74,977
Total equity of the parent entity comprising:		
Issued capital	677,015	677,042
Reserve	8,567	8,377
Accumulated losses	(625,667)	(624,247)
Total equity	**59,915**	61,172

continued

32. Parent entity financial information continued

Contingent liabilities of the parent entity

There are cross guarantees given by Kingsgate, Dominion Mining Limited and Gawler Gold Mining Pty Ltd as described in Note 33. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the Group in relation to this guarantee, as the fair value of the guarantees is immaterial.

As at 30 June 2017, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

33. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ('Deed'). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt on the event of the winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001.* If a winding up occurs under other provisions of the *Corporations Act 2001,* the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Dominion Mining Limited; and
- Gawler Gold Mining Pty Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kingsgate Consolidated Limited, they also represent the 'extended closed group'.

A consolidated income statement and other comprehensive income, a summary of movements in consolidated accumulated losses, and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out as follows:

Income statement and other comprehensive income

Income statement and other comprehensive income	2017 $'000	2016 $'000
Sales revenue	–	78,916
Costs of sales	–	(57,331)
Gross profit	–	21,585
Exploration expenses	–	(80)
Corporate and administration expenses	(9,595)	(10,196)
Other income and expenses	5,563	30,979
Foreign exchange (loss)/gain	(3,219)	1,962
Impairment losses – investment in Chatree Gold Mine	–	(2,091)
Impairment losses – investment in Bowdens Silver Project	–	(9,217)
Impairment losses – investment in Nueva Esperanza Gold/Silver Project	(4,247)	(6,750)
Impairment reversal – investment in Challenger Gold Mine	–	411
Reversal/(write-off) on loan to subsidiaries	11,599	(41,180)
Loss before financial costs and income tax	101	(14,577)
Finance income	292	271
Finance costs	(1,389)	(4,337)
Net finance costs	(1,097)	(4,066)
Loss before income tax	(996)	(18,643)
Income tax expense	–	–
Loss after income tax	(996)	(18,643)
Total comprehensive loss for the year	(996)	(18,643)
Loss attributable to:		
Owners of Kingsgate Consolidated Limited	(996)	(18,643)
Total comprehensive loss attributable to:		
Owners of Kingsgate Consolidated Limited	(996)	(18,643)

Summary of movements in consolidated retained earnings

Summary of movements in consolidated retained earnings	2017 $'000	2016 $'000
Accumulated losses		
Accumulated losses at beginning of the financial year	(621,885)	(603,242)
Loss for the year	(996)	(18,643)
Accumulated losses at end of the financial year	(622,881)	(621,885)

continued

33. Deed of cross guarantee continued

Statement of financial position	2017 $'000	2016 $'000
Assets		
Current Assets		
Cash and cash equivalents	15,726	30,356
Receivables	3,433	78,950
Other assets	422	543
Total current assets	19,581	109,849
Non-current assets		
Property, plant and equipment	52	68
Investment in subsidiaries	109,257	28,528
Other assets	70	70
Total non-current assets	109,379	28,666
TOTAL ASSETS	128,960	138,515
Liabilities		
Current liabilities		
Payables	65,667	63,452
Borrowings	244	11,069
Provisions	220	352
Total current liabilities	66,131	74,873
Non-current liabilities		
Payables	43	43
Provisions	85	65
Total non-current liabilities	128	108
TOTAL LIABILITIES	66,259	74,981
NET ASSETS	62,701	63,534
Equity		
Contributed equity	677,015	677,042
Reserves	8,567	8,377
Accumulated losses	(622,881)	(621,885)
TOTAL EQUITY	62,701	63,534

34. Discontinued operations

a. Accounting for discontinued operations

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

b. Details of discontinued operations

Challenger Gold Mine

On 30 October 2015, Kingsgate announced an Option Agreement was reached with a 50/50 Joint Venture between Diversified Minerals Pty Ltd and WPG Resources Limited ('Purchasers'), whereby the Purchasers would acquire 100% of the Challenger Gold Mine and certain exploration licences for consideration of $1,000,000 and a $25 per ounce revenue royalty on future production in excess of 30,000 ounces from the Challenger SSW Zone. The Option Agreement was exercised on 11 December 2015. A Share Purchase Agreement was executed on 19 February 2016 and the sale was completed on 15 March 2016.

Bowdens Silver Project

On 25 February 2016, Kingsgate announced a Share Purchase Agreement was entered into to sell an 85% interest in the Bowdens Silver Project for a cash consideration of $20 million to Silver Investment Holdings Australia Limited ('SIHA'). This arrangement was subsequently varied with SIHA agreeing to purchase 100% of the project for a total consideration of $25 million. On 29 June 2016, the Company completed the sale of the project. At that date $5 million of the consideration was outstanding and was paid in September.

Challenger Gold Mine and Bowdens Silver Project were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

c. Results of the discontinued operations

The results of the discontinued operations for the year until disposal are presented below:

	2016 $'000
Sales revenue	78,916
Cost of sales	(57,331)
Gross profit	21,585
Exploration expenses	(49)
Corporate and administration expenses	(903)
Other income and expenses	467
Reversal of impairment/(impairment)	17,056
Profit/(loss) before finance costs and income tax from discontinued operations	38,156
Finance income	33
Finance cost	(209)
Net finance costs	(176)
Profit before income tax	37,980
Income tax expense	(3,249)
Profit/(loss) after income tax from discontinued operations	34,731

Earnings per share for profit from discontinued operations	Cents
Basic earnings per share (Note 31)	15.5
Diluted earnings per share (Note 31)	15.5

continued

34. Discontinued operations continued

d. Cash flow information of the discontinued operations

The net cash flows of discontinued operations are as follows:

	2016 $'000
Net cash flows from operating activities	13,610
Net cash flows from investing activities	(2,742)
Net cash flows for the year	10,868

e. Details of the sale of the discontinued operations

	2016 $'000
Consideration	26,000
Carrying amount of net assets sold	(26,000)
Gain on sale before income tax	–
Income tax expense	–
Gain on sale after income tax	–

The carrying amounts of assets and liabilities of the discontinued operations as at the date of the sale were:

	2016 $'000
Receivables	35
Inventories	4,339
Exploration, evaluation and development	22,331
Property, plant and equipment	873
Other assets	3,069
Deferred tax asset	3,249
Provisions	(7,896)
Net assets	26,000

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 44 to 88 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001,* including:

 (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

 (ii) complying with Australian Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 33.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2017.

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

Ross Smyth-Kirk
Director

Dated at Sydney on 31 August 2017
On behalf of the Board

Independent Auditor's Report

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

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Kingsgate Consolidated Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $1.3 million, which represents approximately 1% of the Group's total assets.
- We chose Group's total assets because, in our view, it is the benchmark which best reflects the expected requirements of users of the Group's financial report. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets as the materiality benchmark rather than a profit measure given the closure of the Chatree Gold Mine and the Group's focus on the development of the Nueva Esperanza Gold/Silver Project.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Australian engagement team directed the involvement of the Thai component audit team, which performed audit procedures on the financial information of Akara Resources Public Company Limited, given its financial significance to the Group.
- The component auditor in Chile, operating under instructions, also performed specified audit procedures over the Group's Chilean operations' financial information.
- The Australian engagement team determined the required level of involvement in the work performed by the Thai and Chilean component audit teams, in order to be satisfied that sufficient appropriate audit evidence had been obtained for our opinion on the Group financial report as a whole.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Recoverable amount of Nueva Esperanza Gold/Silver Project
  - Carrying amount of assets and liabilities associated with the Chatree Gold Mine
  - Funding of future operations of the Group.
- These are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Recoverable amount of Nueva Esperanza Gold/Silver Project
 	
(Refer to Critical accounting estimates, assumptions and judgements in note 3(ii) and 3(iii) and to note 14 of the financial report)
 	
The assessment of the recoverable amount of the Nueva Esperanza Gold/Silver Project was a key audit matter given the significance of the carrying value of this CGU, which amounted to $97.2 million as at 30 June 2017, including the largest non-current asset in the balance sheet.
 	
The determination of the recoverable amount of an exploration CGU is subject to significant judgements and assumptions by the Group as described in the notes to the financial report.
 	
Impairment testing was required to be completed by the Group at balance sheet date because the net assets of the Group are currently significantly higher than its market capitalisation and the results of the previous impairment testing highlighted the sensitivity of the results to the valuation assumptions made.
	We considered the Group's assessment of the recoverable amount of the Nueva Esperanza Gold/Silver CGU and its conclusion that no impairment was required at 30 June 2017. We considered a recent independent valuation of the project and the internal assessment made by the Group.
	
	An Independent Expert's Report was prepared for the Target's Statement issued in October 2016 in response to a take-over offer in relation to the Group. This Report included a valuation of the Nueva Esperanza Gold/Silver project which indicated a value for the project up to $98.8 million. We considered the relevance of that report at 30 June 2017 in light of potential changes to the project economics and key assumptions made since that date.
	
	In respect of the internal assessment of the recoverable amount made by the Group, we performed the following:
	› Considered whether the discounted cash flows model used to estimate the "fair value less costs of disposal" (the impairment model) was consistent with the requirements of Australian Accounting Standards.
	› Considered whether the forecast cash flows used in the impairment model were reasonable and based on supportable assumptions by:
	  › comparing long term gold/silver pricing data used in the impairment model to independent analyst forecasts
	  › comparing the project and operating parameters, including capital and operating costs, used in the model, to the pre-feasibility studies completed by the Group
	  › assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, and risk free rate, assisted by PwC valuation experts
	  › reconciling the costs until commencement of construction of the project to the latest cash flows forecast prepared by the Group, and
	  › obtaining an understanding from management of the status and results of the work being undertaken as part of the Definitive Feasibility Study.
	› Tested the internal mathematical accuracy of the impairment model's calculations.
	› Considered the value and valuation methods used to assess the additional resource and exploration potential of the Nueva Esperanza Gold/Silver project.
	› Evaluated the adequacy of the disclosures made in note 14, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Carrying amount of assets and liabilities associated with the Chatree Gold Mine (Refer to note 3 (i) of the financial report) The Group's Chatree Gold Mine in Thailand was placed on care and maintenance as a result of a decision made by the Thai Government to cease all gold mining activities in Thailand by 31 December 2016. An impairment charge of $227.6 million was recorded against the Group's carrying value of Chatree Gold Mine assets in the year ended 30 June 2016 as a result of that decision. The Group also revised the related rehabilitation liability to reflect the early closure of the mine. The total rehabilitation liability, amounting to approximately $14 million at 30 June 2017, is based on management's rehabilitation plan which is a revision from the initial plan submitted to the Thai Authorities in 2007. On 16 August 2018, the Group was advised that the "temporary suspension" of the Chatree Gold Mine had been lifted. The Group is continuing its negotiations with the Thai Government on this matter. The Group is also pursuing available legal and other avenues for compensation, including action for damages against the Thai Government. We focused our current year audit on whether any assets should be recognised at 30 June 2017 and on whether contingent assets should be disclosed in the financial statements as a result of these activities. The carrying amount of assets and liabilities of the Chatree Gold Mine and associated disclosures were considered to be a key audit matter because there remains significant uncertainty in respect of the rights and obligations of the Group in relation to the mine and the potential magnitude of a potential reversal of impairment, changes in the rehabilitation liability and potential recognition of contingent assets on the financial statements and the financial position of the Group.	We updated our understanding in respect of the situation regarding the Chatree Gold Mine by making enquiries of management and the directors as to their knowledge and understanding of the situation and by reading selected material correspondence between the Group and the Thai Government. We assessed the adequacy of the overall accounting position adopted by the Group at 30 June 2017 as described in note 3(i) in respect of the carrying amount of assets and liabilities in light of the requirements of the Australian Accounting Standards. In respect of the carrying amount of the assets associated with the Chatree Gold Mine, we performed the following: › Assessed the Group's judgement as to whether the circumstances that led to the previously recognised impairment charge have changed and whether a reversal of this impairment should be recognised. › Considered whether remaining assets such as inventory, plant and equipment, and gold/silver sludge should be recognised at nil. › Assessed if other assets which have been recognised at their short-term realisable value have a carrying amount based on supportable assumptions. In respect of the carrying amount of the liabilities associated with the Chatree Gold Mine, we assessed the Group's rehabilitation plans prepared in the context of the early closure of the mine and the overall accounting positon adopted by the Group at year end in respect of the Chatree Gold Mine obligations. We checked the mathematical accuracy of the underlying calculations. We considered the status in respect of the Group pursuing available legal and other avenues for compensation, including action for damages against the Thai Government, and in light of the requirement to disclose contingent assets in the financial report in accordance with Australian Accounting Standards.

continued

Key audit matter	How our audit addressed the key audit matter
Funding of future operations of the Group (Refer to note 1 of the financial report) The Group's operations changed significantly during the year as a result of the Chatree Gold Mine being placed on care and maintenance. As the Group currently has no revenue generating activities, we focused on the Group's preparation of the financial report on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. This was a key audit matter due to the level of cash available at balance sheet date, the level of judgement involved in the Group forecasting future cash flows for a period of at least 12 months from the date of the financial report (cash flow forecasts), the uncertainties associated with the future of the Chatree Gold Mine, and due to the importance of the going concern assumption when preparing the financial report.	In assessing the appropriateness of the Group's going concern assumption used in preparing the financial report, we have performed the following: › Evaluated the Group's plans and its assessment of the going concern assumption, including considering the main assumptions in the Group's cash flow forecast until end of September 2018. › Selected elements of the cash flow forecasts to existing contracts and agreements requiring payments to be made. › Considered the forecast expenditure in the cash flow forecast and the extent to which it is committed or could be considered as discretionary. › Considered the cash inflows included in the cash flows forecast, including (where possible) reconciling these elements to actual cash flows received subsequent to year end. › Examined the documentation relating to the preference share liability and tested the Group's assessment that it has the unconditional right to defer payment of this liability such that there are no capital repayments required within the cash flow forecast period. › Enquired of management and the directors as to their knowledge of events and conditions, beyond the current cash flows forecast prepared that may impact the going concern assumption. › Considered post-balance sheet date events to the extent they were relevant to the going concern assumption. › Evaluated the adequacy of the disclosures made in note 1 of the financial report, including the basis for the directors' conclusion that the Group is a going concern.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Director's report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including Chairman's review, Five year summary, Finance report, Operations report, Project report, Exploration report, Ore reserves and mineral resources, Senior Management, Shareholder information and Corporate information.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

pwc

Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 40 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
31 August 2017

Shareholder Information

As at 28 September 2017

Distribution of equity securities

Size of Holding	Number of shareholders of fully paid ordinary shares	Number of option holders	Number of vested deferred rights holders
1 – 1,000	4,654	–	–
1,001 – 5,000	3,348	–	–
5,001 – 10,000	1,096	–	–
10,001 – 100,000	1,530	–	–
100,001 +	184	1	–
Total	**10,812**	**1**	**–**

20 largest shareholders

20 largest shareholders of quoted ordinary shares

	Shareholder	Number of shares	Percentage
1	HSBC Custody Nominees (Australia) +	33,110,524	14.81
2	J P Morgan Nominees Australia Limited	21,068,629	9.42
3	Merrill Lynch (Australia) Nominees Pty Limited	14,274,277	6.38
4	Citicorp Nominees Pty Limited	13,964,851	6.25
5	Argonaut Securities Pty Limited	7,159,303	3.20
6	L&M Group Limited	5,000,000	2.24
7	Arinya Investments Pty Ltd	4,996,944	2.23
8	Elizabeth Anne Bird	4,249,943	1.90
9	BT Portfolio Services Limited	3,100,000	1.39
10	Lujeta Pty Ltd	2,068,063	0.92
11	Jamari Pty Ltd	1,612,794	0.72
12	Philip Storr	1,500,000	0.67
13	Elizabeth Aprieska	1,412,590	0.63
14	Frank Markert Pty Ltd	1,220,000	0.55
15	Ian Gillespie-Jones	1,200,722	0.54
16	Ali Beydoun	1,200,000	0.54
17	Andrew Lenox Hewitt	1,000,000	0.45
18	Yandal Investments Pty Ltd	1,000,000	0.45
19	Slick Solutions Pty Ltd	950,000	0.42
20	Rellav Pty Ltd	896,368	0.40

Unquoted equity securities

There was one option holder holding 1,500,000 options.

Unquoted equity security holdings greater than 20%

Options

On 29 April 2016, Kingsgate granted 1,500,000 employee options.

Grant Date	Expiry date	Exercise price	Number
29 Apr 2016	30 June 2019	$0.40	500,000
29 Apr 2016	30 June 2020	$0.50	500,000
29 Apr 2016	30 June 2021	$0.60	500,000

Voting rights

a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Options

No voting rights.

c) Deferred rights (vested)

No voting rights.

Corporate Information

Kingsgate Consolidated Limited
ABN 42 000 837 472

Directors

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

Company Secretary

Ross Coyle

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.

Registered Office and Principal Business Address

Kingsgate Consolidated Limited

Suite 801, Level 8, 14 Martin Place
Sydney NSW 2000
Australia

Tel: +61 2 8256 4800
Email: info@kingsgate.com.au
Web: www.kingsgate.com.au

Bangkok Office

Akara Resources Public Company Limited

19th Floor, Sathorn Thani Building 2
No. 92/54-55 North Sathorn Road
Kwaeng Silom, Khet Bangrak
Bangkok 10500
Thailand

Tel: +66 2 233 9469
Fax: +66 2 236 5512

Chile Office

Laguna Resources Chile Ltda

San Pio X 2460 oficina 1202
Providencia, Santiago
Chile

Tel: +56 2 2231 7565

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
Australia

Postal address:
Locked Bag A14
Sydney South NSW 1235
Australia

Tel: +61 1300 554 474
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

ADR Depository

(American Depository Receipts)
The Bank of New York Mellon
ADR Division
101 Barclay Street, 22nd Floor
New York NY 10286
USA

Tel: +1 212 815 2293

Auditor

PricewaterhouseCoopers

One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
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