



Kingsgate
Consolidated Limited

**ASX APPENDIX 4D and
HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Kingsgate Consolidated Limited

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CORPORATE INFORMATION

Directors

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

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.



Kingsgate Consolidated Limited (ASX Code: KCN)
ASX APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half-year ended 31 December 2017

			6 months 31 Dec 2017 \$'000	6 months 31 Dec 2016 \$'000
Revenue from ordinary activities	Revenue decreased	100%	-	158,216
(Loss)/profit from ordinary activities after tax attributable to members	Loss increased	186%	(18,229)	21,118
Net (loss)/profit for the period attributable to members	Loss increased	186%	(18,229)	21,118

Dividends

No final dividend was paid in relation to the year ended 30 June 2017.

No interim dividend will be paid in relation to the half-year ended 31 December 2017.

Net Tangible Assets

	31 Dec 2017	31 Dec 2016
Net tangible asset backing per ordinary share: \$ per share	0.30	0.44

Review of Results

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



DIRECTORS' REPORT

Your Directors' present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2017.

DIRECTORS

The following persons were Directors of Kingsgate Consolidated Limited during the half-year ended 31 December 2017 and up to the date of this report:

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

REVIEW OF OPERATIONS AND RESULTS

Operational performance

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

Akara Resources Public Company Limited ("Akara"), a subsidiary of Kingsgate, ceased operating the Chatree Gold Mine on 31 December 2016 in accordance with the closure order by the Thai Government. Chatree was placed on Care and Maintenance effective 1 January 2017. Approximately 25 full time staff remain at the Chatree Gold Mine to manage the ongoing Care and Maintenance and some rehabilitation work.

At mine closure, approximately \$8.3 million of gold and silver inventory in the form of high-grade sludge remains at the Chatree site. Akara has not yet been given permission to transport the material for treatment and refining. However, Kingsgate has now made several requests as part of the Australia Thailand Free Trade Agreement ("TAFTA") consultations that this issue be resolved, and the sludge be released to Kingsgate for processing and sale.

In April 2017, as part of its response to forced closure, Kingsgate advised that it would be seeking a range of remedies, including compensation, from the Thai Government for the measures taken against the Chatree Gold Mine in violation of TAFTA.

As a first step, Kingsgate notified the Prime Minister of the Kingdom of Thailand that it wished to engage in consultations as required under TAFTA. On 27 June 2017, the first meeting between Kingsgate and representatives from the Thai Government occurred in Bangkok. A second meeting was held on 16 August 2017 in Bangkok.

The consultations period expired on 27 July 2017, and despite Kingsgate's best efforts to do so, it has been unable to achieve any settlement of its claim against the Kingdom of Thailand for the unlawful expropriation of the Chatree Gold Mine.

Accordingly, arbitral proceedings were commenced against the Kingdom of Thailand under the Australia Thailand Free Trade Agreement on 2 November 2017, in order to recover the substantial losses that it has suffered, and continues to suffer, as a result of the measures taken by the Thai Government.

Kingsgate has appointed leading international law firm Clifford Chance to represent it, and Dr Andrew Bell S.C. as Senior Counsel on the matter.

Such proceedings could take an undetermined time to resolve, and could involve significant expenditure by Kingsgate. As with any legal proceedings, the outcome cannot be guaranteed. The Board of Kingsgate considers that the Company has excellent prospects of successfully recovering very substantial damages against the Kingdom of Thailand, and will vigorously prosecute its claim.

It should be noted however, that the commencement of arbitration still allows both parties to engage in dialogue to settle the matter on mutually agreeable terms, at any point in the proceedings.



Political Risk Insurance

Kingsgate successfully operated the Chatree Gold Mine in Thailand for 15 years, and during that time it took prudent measures to seek to protect its investments in the event of an expropriatory act or similar by the host country's government. At the time of the Thai Government's expropriation of the Chatree Gold Mine in May 2016, the Company had a Political Risk Insurance Policy with a maximum cover of US\$200 million in place.

The Political Risk Insurance Policy contains confidential provisions. Their disclosure was required by Kingsgate's decision to instigate legal proceedings against the insurers in the Supreme Court of New South Wales, following their declinature of Kingsgate's claim under the policy.

While the outcome of the proceedings cannot be guaranteed, the Board considers that the terms of the Policy respond to the actions taken by the Thai Government against the Company in 2016.

The claim is progressing and Kingsgate is scheduled to participate in mediation with Zurich Insurance Australia Ltd, and the other named insurers on 27 and 28 March 2018.

Going concern

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

Since the closure of the Chatree Gold Mine on 31 December 2016, the Group has been relying on its existing cash reserves to continue as a going concern. The cash reserves of the Group decreased by \$11,638,000 during the six-month period to 31 December 2017 to \$9,729,000 at balance sheet date.

In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy ("PRI") that has a maximum cover of US\$200 million and was held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016. Mediation between Kingsgate and the insurers for a settlement of the claim will take place in late March 2018. The results of that mediation are uncertain.

Sludge containing approximately 4,750 ounces of gold and 34,800 ounces of silver with a value of around \$8,300,000 continue to be stored at the Chatree Gold Mine. Following extensive discussions with the Thai Authorities, the Group has now lodged a formal request for a license to transport the sludge for processing. It is uncertain whether the request will be approved.

Based on cash flow forecasts, the directors believe that if the Group is not successful in the short-term in its claim under the PRI and/or is not successful in realising value from the sale of the stored gold sludge, further funding will be required to continue as a going concern. The Group has also considered the funds that will be required in the longer term including the funding of the rehabilitation obligations of the Chatree Gold Mine and the continued funding of the Nueva Esperanza Gold/Silver Project.

If the Group is not successful in settling its PRI claim or realising value from the gold and silver sludge in the short term, the continuing viability of the Group and its ability to continue as a going concern and to meet its commitments as and when they fall due is dependent upon the Group implementing a plan which may involve an equity raising and/or the sale or part sale of the Nueva Esperanza Project, which may involve the Group drawing on the \$15 million Standby Loan Facility ("SLF") in place. This facility is required to be repaid six months from the date of drawdown and can only be drawn down for agreed purposes.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

In addition, the Group will continue:

- identifying expenditure that can be reduced and/or deferred;
- 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; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government under the Australia Thailand Free Trade Agreement ("TAFTA"); which may include



entering into an agreement with a litigation funder on a non-recourse basis to fund the legal and other ancillary costs associated with the TAFTA process.

The Directors believe that the Group will be successful in managing the above matters and accordingly, they have prepared the half-year financial report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the consolidated half-year financial statements at 31 December 2017.

Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The attached interim financial report for the half-year ended 31 December 2017 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern as well an emphasis of matter paragraph in regard to a significant uncertainty in relation to the carrying amount of assets and liabilities associated with the Chatree Gold Mine. For further information, refer to Note 1 (a) (i) to the interim financial report, together with the auditor's report.

Metal Tiger Spill Motion

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

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

Nueva Esperanza Gold/Silver Project

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

The spring field campaign commenced in October 2017, when the team was remobilised to the Nueva Esperanza camp and fieldwork initiated.

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

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

Full details of these drill results can be found as reported (See Kingsgate ASX Release titled "Step-out Drilling Expands New Silver Rich Zone at Nueva Esperanza, Chile" dated 8 January 2018).

These results follow a number of encouraging drill intercepts in calendar 2017. The principal focus of this exploration program remains to further unlock the excellent potential of the Cerro Blanco West exploration target.

Work continues on the Feasibility Study for Nueva Esperanza, and as it enters its final stages, it remains on schedule to be completed in the first half of calendar 2018.

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



FINANCIAL RESULTS

Kingsgate recorded an after tax loss of \$18.2 million for the half-year compared to an after tax profit of \$21.1 million for the previous corresponding period.

EBITDA before significant item was (\$16.4 million), which decreased from \$61.7 million in the previous period.

	Half-Year	
	2017 \$'000	2016 \$'000
(Loss)/profit after income tax	(18,229)	21,118
Income tax expense	-	1,046
(Loss)/profit before income tax	(18,229)	22,164
(Loss)/profit before tax	(18,229)	22,164
Net finance costs	1,697	2,657
Depreciation and amortisation	91	36,921
EBITDA	(16,441)	61,742

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

Dividends

No dividend was declared with respect of the half-year ended 31 December 2017.



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 31 December 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.

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

Ross Smyth-Kirk
Director
Sydney
28 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'M Upcroft', written over the printed name.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
28 February 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2017

	Note	Half-Year 2017 \$'000	2016 \$'000
Continuing operations			
Sales revenue	3a	-	158,216
Costs of sales	3b	-	(123,702)
Gross profit		-	34,514
Exploration and technical expenses		(5,418)	(3,296)
Care and maintenance expenses		(1,637)	-
Corporate and administration expenses	3c	(7,039)	(9,791)
Other income and expenses	3d	(2)	416
Foreign exchange (loss)/gain		(2,436)	2,978
(Loss)/profit before finance costs and income tax		(16,532)	24,821
Finance income		111	265
Finance costs	3e	(1,808)	(2,922)
Net finance costs		(1,697)	(2,657)
(Loss)/profit before income tax		(18,229)	22,164
Income tax expense		-	(1,046)
(Loss)/profit after income tax		(18,229)	21,118
Other comprehensive income			
<i>Item that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		1,159	566
Total other comprehensive income for the half-year		1,159	566
Total comprehensive (loss)/income for the half-year		(17,070)	21,684
(Loss)/profit attributable to:			
Owners of Kingsgate Consolidated Limited		(18,229)	21,118
Total comprehensive (loss)/income attributable to:			
Owners of Kingsgate Consolidated Limited		(17,070)	21,684
Earnings per share		Cents	Cents
Basic and diluted (loss)/earnings per share	10	(8.15)	9.45

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		9,729	22,007
Receivables		1,508	1,959
Other assets	4	1,262	4,585
Total current assets		12,499	28,551
Non-current assets			
Receivables		5,212	4,748
Property, plant and equipment		2,718	2,597
Exploration, evaluation and development		82,926	83,767
Other assets	4	14,374	14,638
Total non-current assets		105,230	105,750
TOTAL ASSETS		117,729	134,301
LIABILITIES			
Current liabilities			
Payables		4,051	3,742
Borrowings	5	435	657
Provisions		325	947
Total current liabilities		4,811	5,346
Non-current liabilities			
Payables		3,886	3,946
Borrowings	5	10,977	10,914
Provisions		14,221	13,235
Total non-current liabilities		29,084	28,095
TOTAL LIABILITIES		33,895	33,441
NET ASSETS		83,834	100,860
EQUITY			
Contributed equity	6	677,015	677,015
Reserves	7	53,587	52,384
Accumulated losses		(646,768)	(628,539)
TOTAL EQUITY		83,834	100,860

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016		677,042	50,949	(635,627)	92,364
Profit after income tax		-	-	21,118	21,118
Total other comprehensive income for the half-year		-	566	-	566
Total comprehensive income for the half-year		-	566	21,118	21,684
Transaction with owners in their capacity as owners:					
Movement in contributed equity		(27)	-	-	(27)
Movement in share-based payment reserve		-	95	-	95
Total transaction with owners		(27)	95	-	68
Balance at 31 December 2016		677,015	51,610	(614,509)	114,116

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017		677,015	52,384	(628,539)	100,860
Loss after income tax		-	-	(18,229)	(18,229)
Total other comprehensive income for the half-year		-	1,159	-	1,159
Total comprehensive income/(loss) for the half-year		-	1,159	(18,229)	(17,070)
Transaction with owners in their capacity as owners:					
Movement in share-based payment reserve		-	44	-	44
Total transaction with owners		-	44	-	44
Balance at 31 December 2017		677,015	53,587	(646,768)	83,834

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2017

	Half-Year	
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	-	158,216
Payments to suppliers and employees	(13,910)	(86,272)
Interest received	111	264
Finance costs paid	(1,066)	(3,822)
Net cash inflow from operating activities	(14,865)	68,386
Cash flows from investing activities		
Payments for property, plant and equipment	(153)	(45)
Payments for exploration, evaluation and development	-	(6,995)
Decrease in deposits	3,211	3,184
Decrease in restricted cash	-	7,004
Proceeds from sale of Bowdens	-	5,000
Proceeds from sale of Challenger	-	500
Proceeds from sale of available-for-sale financial assets	-	432
Net cash inflow from investing activities	3,058	9,080
Cash flows from financing activities		
Repayment of corporate borrowings	(244)	(6,137)
Repayment of subsidiary (Akara Resources PCL) borrowings	(206)	(74,803)
Settlement of vested deferred rights	-	(27)
Net cash outflow from financing activities	(450)	(80,967)
Net decrease in cash held	(12,257)	(3,501)
Cash at the beginning of the half-year	22,007	36,314
Effects of exchange rate on cash and cash equivalents	(21)	229
Cash at the end of the half-year	9,729	33,042

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



NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Kingsgate in its annual financial report for the year ended 30 June 2017.

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

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

New Accounting Standards for Application in Future Periods

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

Note 1 (a) Critical accounting estimates and judgements

(i) Going concern

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

Since the closure of the Chatree Gold Mine on 31 December 2016, the Group has been relying on its existing cash reserves to continue as a going concern. The cash reserves of the Group decreased by \$11,638,000 during the six-month period to 31 December 2017 to \$9,729,000 at balance sheet date.

In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy ("PRI") that has a maximum cover of US\$200 million and was held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016. Mediation between Kingsgate and the insurers for a settlement of the claim will take place in late March 2018. The results of that mediation are uncertain.

Sludge containing approximately 4,750 ounces of gold and 34,800 ounces of silver with a value of around \$8,300,000 continue to be stored at the Chatree Gold Mine. Following extensive discussions with the Thai Authorities, the Group has now lodged a formal request for a license to transport the sludge for processing. It is uncertain whether the request will be approved.

Based on cash flow forecasts, the directors believe that if the Group is not successful in the short-term in its claim under the PRI and/or is not successful in realising value from the sale of the stored gold sludge, further funding will be required to continue as a going concern. The Group has also considered the funds that will be required in the longer term including the funding of the rehabilitation obligations of the Chatree Gold Mine and the continued funding of the Nueva Esperanza Gold/Silver Project.

If the Group is not successful in settling its PRI claim or realising value from the gold and silver sludge in the short term, the continuing viability of the Group and its ability to continue as a going concern and to meet its commitments as and when they fall due is dependent upon the Group implementing a plan which may involve an equity raising and/or the sale or part sale of the Nueva Esperanza Project, which may involve the Group drawing on the \$15 million Standby Loan Facility ("SLF") in place. This facility is required to be repaid six months from the date of drawdown and can only be drawn down for agreed purposes.



As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

In addition, the Group will continue:

- identifying expenditure that can be reduced and/or deferred;
- 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; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government under the Australia Thailand Free Trade Agreement (“TAFTA”); which may include entering into an agreement with a litigation funder on a non-recourse basis to fund the legal and other ancillary costs associated with the TAFTA process.

The Directors believe that the Group will be successful in managing the above matters and accordingly, they have prepared the half-year financial report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the consolidated half-year financial statements at 31 December 2017.

Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

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

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

In preparing the consolidated half-year financial statements of the Group, with the exceptions of certain assets which are available for sale in their current conditions and current receivables which are expected to be received in the short-term, all assets of the Chatree Gold Mine have been written down to nil value. In respect of rehabilitation liabilities, management revised its previous estimates and the Group reduced its total rehabilitation liability to approximately \$14,142,000. 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 on a rehabilitation plan, costing and timing;
- potential re-opening of the mine if permitted by the Thai Government; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government.

As noted above there is also uncertainty regarding the outcome of the proceedings against Zurich Insurance Australia Ltd, and other named insurers, under the PRI that has a maximum cover of US\$200 million and was held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016. Mediation between Kingsgate and the insurers for a settlement of the claim will take place in late March 2018. No asset has been recognised on the balance sheet for this matter.



(iii) Nueva Esperanza Gold/Silver Project impairment consideration

The carrying value of the cash generating unit for Nueva Esperanza Gold/Silver Project amounted to \$98,118,000 at balance sheet date. In accordance with the accounting standards for exploration assets, management has considered if facts and circumstances existed at balance sheet date that would require the Group to test the Nueva Esperanza Gold/Silver Project for impairment. Management determined that no impairment indicators existed at balance sheet date and therefore no impairment assessment was performed at 31 December 2017. In reaching that conclusion, management has taken into consideration potential changes in the key assumptions used in the previous impairment assessment analysis including gold and silver prices at balance sheet date, initial information from the Feasibility Study, results of the exploration activities during the period, and the current market capitalisation of the Group. The cash generating unit for Nueva Esperanza Gold/Silver Project was last tested for impairment as at 30 June 2017 and the results of that impairment assessment which remain valid at balance sheet date, were included in the financial statements of the Group for the year ended 30 June 2017.

2. SEGMENT INFORMATION

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

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



2. SEGMENT INFORMATION (Continued)

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

2017	Care and Maintenance Chatree \$'000	Development Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	-	-	-	-
Other income	133	-	-	133
Total segment revenue	133	-	-	133
Segment EBITDA	(2,234)	(5,418)	(8,789) ¹	(16,441)
Depreciation and amortisation	-	-	(91)	(91)
Segment result (Operating EBIT)	(2,234)	(5,418)	(8,880)	(16,532)
Finance income	-	-	-	111
Finance costs	-	-	-	(1,808)
Net finance costs	-	-	-	(1,697)
Loss before tax	(2,234)	(5,418)	(8,880)	(18,229)
Other segment information				
Segment assets	5,475	102,148	10,106	117,729
Segment liabilities	(26,658)	(5,664)	(1,573)	(33,895)

¹ includes foreign exchange loss of \$2,436,000 for the Group.

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

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



3. REVENUE AND EXPENSES

	Half-Year	
	2017	2016
	\$'000	\$'000
a. Sales revenue		
Gold sales	-	139,721
Silver sales	-	18,495
Total sales revenue	-	158,216
b. Cost of sales		
Direct costs of mining and processing	-	60,082
Royalties	-	14,199
Inventory movements	-	12,549
Depreciation	-	36,872
Total cost of sales	-	123,702
c. Corporate and administration expenses		
Administration	3,888	5,840
Technical support and business development	338	531
Statutory and professional fees	2,722	3,371
Depreciation	91	49
Total corporate and administration expenses	7,039	9,791
d. Other income and expenses		
Net loss on sale of fixed assets	-	(8)
Change in fair value of available-for-sale assets	-	(108)
Other income	133	532
Loss on sale of assets	(135)	-
Total other income and expenses	(2)	416
e. Finance costs		
Interest and finance charges	1,083	2,421
Foreign exchange loss on loans	-	182
Unwinding of discount	-	246
Unused commitment fee (Investec)	525	-
Amortisation of deferred borrowing costs	200	73
Total finance costs	1,808	2,922
f. Depreciation and amortisation		
Property, plant and equipment	91	22,683
Mine properties	-	14,238
Total depreciation and amortisation expenses	91	36,921
<i>Included in:</i>		
Costs of sales depreciation	-	36,872
Corporate depreciation	91	49
g. Employee benefits expenses		
<i>Included in:</i>		
Costs of sales	-	3,177
Care and maintenance expenses	329	-
Corporate and administration expenses	1,873	2,291
Total employee benefits expenses	2,202	5,468



4. OTHER ASSETS

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Current		
Prepayments	108	690
Other deposits	804	3,895
Other assets	350	-
Total other assets – current	1,262	4,585
Non-current		
Prepayments	14,345	14,568
Other deposits	-	70
Other assets	29	-
Total other assets – non-current	14,374	14,638

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 \$288,000 of security deposits in Thailand.

5. BORROWINGS

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Preference shares in controlled entity	10,442	10,178
Finance lease liabilities	970	1,149
Other loan	-	244
Total borrowings	11,412	11,571
Total current borrowings	435	657
Total non-current borrowings	10,977	10,914

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 ¹	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai Baht	12%	n/a	10,509	10,442

¹the preference shares are 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 \$970,000 under finance leases.

6. CONTRIBUTED EQUITY

	31 Dec 2017 Shares	30 Jun 2017 Shares	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Opening balance	223,584,937	223,584,937	677,015	677,015
Movements in contributed equity	-	-	-	-
Closing balance	223,584,937	223,584,937	677,015	677,015



7. RESERVES

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Foreign currency translation reserve	47,638	46,479
Share-based payment reserve	9,290	9,246
General reserve	(3,341)	(3,341)
Total reserves	53,587	52,384

8. EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 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.

9. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets or liabilities at 31 December 2017.

10. EARNINGS PER SHARE

	Half-Year	
	2017 Cents	2016 Cents
Basic and diluted (loss)/earnings per share	(8.15)	9.45
	\$'000	\$'000
Net (loss)/profit used to calculate basic and diluted earnings per share	(18,229)	21,118
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	223,578,889	223,578,889
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	223,578,889	223,578,889



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

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

Ross Smyth-Kirk
Director

Dated at Sydney on 28 February 2018
On behalf of the Board



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsgate Consolidated Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Kingsgate Consolidated Group. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

We draw attention to Note 1 (a) (i) to the half-year financial report which indicates that, since the closure of the Chatree Gold Mine on 31 December 2016, the Group has been relying on its existing cash reserves to continue as a going concern and that based on the cash flow forecasts further funding will be required to continue as a going concern

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in the short-term in its claim under the Political Risk Insurance Policy and/or successful in realising value from the sale of the gold sludge stored at the Chatree Gold Mine. If not successful in either of these matters, the continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group implementing a plan which may involve an equity raising and/or the sale or part sale of the Nueva Esperanza project, which may involve the Group drawing on the \$15 million Standby Loan Facility that is in place.

These conditions, along with other matters as set out in Note 1 (a) (i), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

Emphasis of Matter – Significant Uncertainty

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


PricewaterhouseCoopers


Marc Upcroft
Partner

Sydney
28 February 2018