



Kingsgate

Consolidated Limited

**ASX APPENDIX 4D and
HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

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

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

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Share Registry

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ADR Depository

(American Depository Receipts)

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Auditor

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Contents

ASX Appendix 4D – Results for Announcement to the Market	1
Directors’ Report	2
Auditor’s Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors’ Declaration	21
Independent Auditor’s Review Report	22

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 2018 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 2018

			6 months 31 Dec 2018 \$'000	6 months 31 Dec 2017 \$'000
Revenue from ordinary activities	Revenue	0%	-	-
Loss from ordinary activities after tax attributable to members	Loss increased	144%	(44,534)	(18,229)
Net loss for the period attributable to members	Loss increased	144%	(44,534)	(18,229)

Dividends

No final dividend was paid in relation to the year ended 30 June 2018.

No interim dividend will be paid in relation to the half-year ended 31 December 2018.

Net Tangible (Liabilities)/Assets

	31 Dec 2018	31 Dec 2017
Net tangible (liabilities)/asset backing per ordinary share: \$ per share	(0.08)	0.30

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 2018.

DIRECTORS

The following persons were directors of Kingsgate Consolidated Limited during the half-year ended 31 December 2018 and up to the date of this report, except where noted otherwise:

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

* Sharon Skeggs resigned as a Non-Executive Director on 17 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of Kingsgate Consolidated Limited during the reporting period was the continuation of a process to monetise the Nueva Esperanza Gold/Silver Project ("Nueva Esperanza") in Chile.

In addition, the Company continued to progress its claims with respect to the following matters:

1. Legal proceedings against named insurers for a claim under a Political Risk Insurance Policy that was held by the Company when the Thai Government unlawfully expropriated the Chatree Gold Mine in May 2016; and
2. Arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement.

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; Nueva Esperanza, in the highly prospective Maricunga Gold/Silver Belt in Chile.

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

At mine closure, approximately US\$6.6 million of gold and silver inventory in the form of high-grade sludge remained at the Chatree site. Akara is still working towards having the sludge released for sale. However, there can be no guarantee that this will occur.

Chatree Closure Remedies:

Political Risk Insurance ("PRI"): In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy (with a maximum cover of US\$200 million) that was held by the Company when the Thai Government unlawfully expropriated the Chatree Gold Mine in May 2016.

On 27 March 2018, Kingsgate engaged in the confidential Court-ordered mediation of its claim against Zurich Australia Limited, and other named insurers for recovery under its Political Risk Insurance Policy. The dispute was not settled during the course of the mediation.

On 6 July 2018, a Directions Hearing was held in the Supreme Court of New South Wales for the Company's PRI claim. The Court listed the Proceedings for trial, for up to fifteen days commencing on 3 June 2019.

The Kingsgate Board considers that Kingsgate is covered under the PRI Policy, but remains open to achieving a settlement. In the meantime the Company will continue to prosecute its claim against the insurers in the Supreme Court of New South Wales. There is no guarantee of a successful outcome for such proceedings.



Australia – Thailand Free Trade Agreement (“TAFTA”): On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement, in order to recover the substantial losses that it has suffered, and continues to suffer, as a result of the unlawful expropriation of the Chatree Mine by the Thai Government.

The TAFTA Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA Claim will be heard between 18 November and 29 November 2019.

However, the Tribunal has also ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.

The Kingsgate Board considers that the Company’s prospects of successfully prosecuting its claim against Thailand are excellent, but remains committed to seeking a negotiated settlement of the investment dispute with the Kingdom of Thailand.

Kingsgate has appointed the leading international law firm Clifford Chance to represent it on both claims. There can be no guarantee that Kingsgate will be successful with its claim.

Nueva Esperanza

Nueva Esperanza is a feasibility-stage development project in Chile with a resource base of approximately 1.9 million ounces gold equivalent¹. A Corporate Adviser has been appointed to advise and assist in the sale of Nueva Esperanza. The reasons for the sale are to:

- repay the Company’s \$22 million loan (\$18.75 million drawn down at balance sheet date) which is now due for repayment at the end of March 2019;
- fund both the Company’s ongoing TAFTA and PRI Claims; and
- provide the Company with ongoing working capital.

Working capital will include continuing care and maintenance expenditure on the Chatree processing plant, and other areas at Chatree as required. It will also allow Kingsgate to investigate and assess other potential mining exploration and or development prospects. As a number of parties are still conducting due diligence, Kingsgate expects to be able to provide a further update on the process when a transaction has been initiated.

Work on the permitting process at Nueva Esperanza continued during the half-year, however all other non-essential functions have been deferred pending the sale of the Project.

¹ The resource base of 1.9 million ounces of gold equivalent is broken down as follows: Measured – 0.08 Moz, Indicated – 1.46 Moz and Inferred – 0.33 Moz. Gold Equivalent is based on the following: $AuEq (g/t) = Au (g/t) + Ag (g/t) / 60$. Calculated from prices of US\$1,200/oz Au and US\$19.00/oz Ag, and metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate (See ASX:KCN released titled “Kingsgate Mineral Resources and Ore Reserves 2018” dated 27 September 2018).

Cost Savings Measures

Your Directors are acutely aware of the need to further reduce costs while work continues to prosecute both the PRI and TAFTA claims. An independent corporate review has identified further cost cutting opportunities, and the following measures have been implemented during the half-year:

- the ongoing rationalisation of superfluous land and assets at Chatree;
- the relocation to a smaller more cost effective corporate office in Sydney;
- the review and cancellation of a number of corporate services that are no longer required;
- a further reduction in staff numbers both in Thailand and Sydney, including redundancies of senior management that took effect in Sydney at the end of August 2018; and
- deferral of the payment of Board fees.

The attached interim financial report for the half-year ended 31 December 2018 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) and (ii) to the interim financial report, together with the auditor’s report.



Financing

At the end of December 2018, Kingsgate's Group Cash totalled A\$1.1 million excluding approximately US\$6.6 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site.

With reference to its previous advice that on 29 August 2017, Kingsgate executed a \$15.0 million Standby Loan Facility ("SLF"). The Company drew down the SLF in full on 2 May 2018, in order to ensure continuing funding of its activities.

The SLF is on normal commercial terms for a loan of this nature, and includes a utilisation fee under the SLF which has been satisfied by the issuance of 2,641,003 Kingsgate shares. (See ASX:KCN "Appendix 3B – Issue of Shares" dated 7 May 2018).

The facility limit was increased by \$5.0 million to \$20 million during the half-year and in February 2019 the Group's financier increased the facility a further \$2 million to \$22 million and extended the repayment date to 28 March 2019 or as otherwise agreed by the financier at its absolute discretion. As at 31 December 2018, \$18.75 million of this facility had been drawn down, with a further \$1.25 million drawn down in January 2019. At the date of this report the additional \$2 million was yet to be drawn.

FINANCIAL RESULTS

Kingsgate recorded an after tax loss of \$44.5 million for the half-year compared to an after tax loss of \$18.2 million for the previous corresponding period.

EBITDA before significant item was (\$9.0 million), which increased from (\$16.4 million) in the previous period.

	Half-Year	
	2018	2017
	\$'000	\$'000
Loss after income tax	(44,534)	(18,229)
Income tax expense	-	-
Loss before income tax	(44,534)	(18,229)
Loss before tax	(44,534)	(18,229)
Significant items		
Impairment of capitalised exploration	31,851	-
Loss before tax and significant items	(12,683)	-
Net finance costs	3,310	1,697
Depreciation and amortisation	369	91
EBITDA before significant item	(9,004)	(16,441)

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 2018.



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Subsequent to balance sheet date, on 18 February 2019, the Group's financier increased the limit of the SLF to \$22 million and extended the repayment date to 28 March 2019 or as otherwise agreed by the financier at its absolute discretion. At the date of this report the additional \$2 million was yet to be drawn.

No other matter or circumstance has arisen since 31 December 2018 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 6.

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 2019



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 2018, 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 black ink, appearing to read 'M Upcroft', is written over a light blue horizontal line.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
28 February 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2018

	Note	Half-Year	
		2018 \$'000	2017 \$'000
Exploration and technical expenses		(3,171)	(5,418)
Care and maintenance expenses		(1,225)	(1,637)
Corporate and administration expenses	3a	(6,252)	(7,039)
Other income and expenses	3b	239	(2)
Foreign exchange gain/(loss)		1,036	(2,436)
Impairment losses – Nueva Esperanza	3f	(31,851)	-
Loss before finance costs and income tax		(41,224)	(16,532)
Finance income		11	111
Finance costs	3c	(3,321)	(1,808)
Net finance costs		(3,310)	(1,697)
Loss before income tax		(44,534)	(18,229)
Income tax expense		-	-
Loss after income tax		(44,534)	(18,229)
Other comprehensive income			
<i>Item that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		132	1,159
Total other comprehensive income for the half-year		132	1,159
Total comprehensive loss for the half-year		(44,402)	(17,070)
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		(44,534)	(18,229)
Total comprehensive loss attributable to:			
Owners of Kingsgate Consolidated Limited		(44,402)	(17,070)
Loss per share			
Basic and diluted loss per share	10	Cents (19.69)	Cents (8.15)

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 2018

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,063	11,239
Receivables		373	678
Other assets	4	1,044	1,966
Total current assets		2,480	13,883
Non-current assets			
Receivables		5,480	5,468
Property, plant and equipment		869	1,111
Exploration, evaluation and development		13,612	43,297
Other assets	4	15,875	15,124
Total non-current assets		35,836	65,000
TOTAL ASSETS		38,316	78,883
LIABILITIES			
Current liabilities			
Payables		5,018	6,663
Borrowings	5	19,230	15,297
Provisions		267	358
Total current liabilities		24,515	22,318
Non-current liabilities			
Payables		4,254	4,052
Borrowings	5	11,724	11,230
Provisions		15,783	14,841
Total non-current liabilities		31,761	30,123
TOTAL LIABILITIES		56,276	52,441
NET (LIABILITIES)/ASSETS		(17,960)	26,442
EQUITY			
Contributed equity	6	677,761	677,761
Reserves	7	54,074	53,942
Accumulated losses		(749,795)	(705,261)
TOTAL EQUITY		(17,960)	26,442

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 2018

	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
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	677,761	53,942	(705,261)	26,442
Loss after income tax	-	-	(44,534)	(44,534)
Total other comprehensive income for the half-year	-	132	-	132
Total comprehensive income/(loss) for the half-year	-	132	(44,534)	(44,402)
Balance at 31 December 2018	677,761	54,074	(749,795)	(17,960)

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 2018

	Half-Year	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(12,032)	(13,910)
Interest received	11	111
Finance costs paid	(1,687)	(1,066)
Net cash outflow from operating activities	(13,708)	(14,865)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	145	-
Payments for property, plant and equipment	(5)	(153)
Decrease in deposits	370	3,211
Net cash inflow from investing activities	510	3,058
Cash flows from financing activities		
Proceeds from corporate borrowings	3,750	-
Repayment of corporate borrowings	(472)	(244)
Repayment of subsidiary (Akara Resources PCL) borrowings	(235)	(206)
Net cash inflow/(outflow) from financing activities	3,043	(450)
Net decrease in cash held	(10,155)	(12,257)
Cash at the beginning of the half-year	11,239	22,007
Effects of exchange rate on cash and cash equivalents	(21)	(21)
Cash at the end of the half-year	1,063	9,729

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 2018 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 2018 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 2018.

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 and material uncertainty

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 relied on its cash reserves and available loan facilities to continue as a going concern. At 31 December 2018, the Group's current liabilities exceeded its current assets by \$22,035,000. The Group currently does not have sufficient cash available to fully repay these liabilities which at balance sheet date included amounts payable under the \$20,000,000 Standby Loan Facility ("SLF") of \$18,750,000 which was required to be repaid in full in February 2019.

Standby Loan Facility ("SLF"): Subsequent to balance sheet date, on 18 February 2019, the Group's financier increased the limit of the SLF to \$22,000,000 and extended the repayment date to 28 March 2019 or as otherwise agreed by the financier at its absolute discretion. At the date of this report the additional \$2,000,000 was yet to be drawn.

Political Risk Insurance ("PRI"): In October 2017, the Group commenced proceedings in the New South Wales Supreme Court against insurers, under a Political Risk Insurance Policy that has a maximum cover of US\$200,000,000 and was held by the Group when the Thai Government expropriated the Chatree Gold Mine in May 2016. Mediation between the Group and the insurers for a settlement of the claim took place in late March 2018. No settlement was reached.

On 6 July 2018, a Directions Hearing was held in the Supreme Court of New South Wales for the Company's PRI claim. The Court listed the Proceedings for trial, for up to fifteen days commencing on 3 June 2019.

Australia – Thailand Free Trade Agreement ("TAFTA"): On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under the TAFTA, in order to recover the substantial losses that it



has suffered, and continues to suffer, as a result of the expropriation of the Chatree mine by the Thai Government.

The TAFTA Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA Claim will be heard between 18 November and 29 November 2019. However, the Tribunal has also ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.

Litigation funding: The Group is in advanced discussions with an International litigation financier to pursue its claims against the Kingdom of Thailand under the TAFTA and against its insurers. If this option is adopted, historical costs incurred to date would be reimbursed, with future funding available to see these claims through to completion.

Sale of Nueva Esperanza: The Group has appointed a corporate advisor to identify options to monetise the Nueva Esperanza Project which may include an outright sale, partial sale or farm in joint venture. A number of parties are continuing to complete due diligence and at this stage no final offer has been received by the Group. The sale of the Project may, depending on what sale option is accepted, require shareholders' approval. There remains uncertain as to the timing of the finalisation of the sale process.

Gold Sludge: Gold sludge containing approximately 4,750 ounces of gold and 34,800 ounces of silver with a value of around US\$6,600,000 continues to be stored at the Chatree Gold Mine. Following the grant of the initial ore possession permit in July 2018 further discussions have been initiated with the Thai Authorities, for a license to transport the sludge for processing. There is no certainty that the Thai Authorities will permit the sludge to be processed.

Considering the financial position of the Group at 31 December 2018 and based on the cash flow forecast prepared for the Group further funding will be required to continue as a going concern. In the short term, and in order to continue as a going concern, the Group will need to be successful in the following actions:

1. Achieving a settlement of either the TAFTA Claim or the PRI Claim. While the Company remains open to achieving a settlement of either or both of such claims, it will not do so on unreasonable terms.
2. Finalising an agreement with the potential PRI and TAFTA litigation financier to provide immediate funding for historical costs incurred to date (around \$10,000,000 of costs have been incurred to date for the PRI and TAFTA claims) and provide funding for future costs to be incurred for both of the claims.
3. Monetising the Nueva Esperanza Project to provide sufficient funding to repay the SLF, subject to the previous point fund the future costs for the ongoing PRI and TAFTA Claims, and provide the Group with ongoing working capital; or enter into an agreement that will reduce the required future expenditure on the Project.
4. Continuing to extend the maturity of the SLF to suit available resources and the timing of the cash flows from the actions noted above.

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 interim financial report.

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 the Chatree Gold Mine infrastructure assets, which include plant and equipment and non-strategic land and property; and
- realising the value from the sale of the stored gold sludge.

The Directors believe that the Group will be successful in managing the above matters and they have prepared the interim financial report on a going concern basis. Accordingly no adjustments have been made to the interim



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

The Chatree Gold Mine prematurely ceased operations on 31 December 2016 following the Thai Government's expropriation of the Chatree mine. Kingsgate Consolidated Limited and its Thai subsidiary Akara Resources Public Company Limited have complied with the Thai Government's measures and the Chatree Gold Mine was placed on Care and Maintenance effective 1 January 2017.

In preparing the consolidated financial statements of the Group with the exception of some assets that were assessed as being recoverable independently from the re-opening of the mine, 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 reduced its total rehabilitation liability to approximately \$15,750,000. This is based on management's rehabilitation plan which is 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 Chatree Gold Mine 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 legal avenues for compensation including action for damages for the expropriation of the Chatree mine by the Government through arbitral proceedings against the Kingdom of Thailand under the TAFTA.

As noted above there is also uncertainty regarding the outcome of the proceedings against the insurers under the PRI that has a maximum cover of US\$200 million and that was held by Kingsgate when the Thai Government expropriated the Chatree Gold Mine in May 2016.

On 27 March 2018, Kingsgate engaged in the confidential Court-ordered mediation of its claim against Zurich Australia Limited, and other named insurers. The dispute was not settled during the course of the mediation.

On 6 July 2018, a Directions Hearing was held in the Supreme Court of New South Wales for the Company's PRI claim. The Court listed the Proceedings for trial, for up to fifteen days commencing on 3 June 2019.

No asset has been recognised on the balance sheet for this matter.



(iii) Nueva Esperanza impairment consideration

The carrying value of the cash generating unit before impairment for Nueva Esperanza amounted to \$61,851,000 at balance sheet date. In accordance with the accounting standards for exploration assets, management is required to consider if facts and circumstances existed at balance sheet date that would require Nueva Esperanza be tested for impairment (see Note 11 for impairment assessment).

As noted above a process to sell the Project is underway and as a result a fair value less costs of disposal (FVLCD) approach to assessing the recoverable amount of the Project is most appropriate. In determining FVLCD management has used and considered:

- an assessment of the Project value based on a discounted cash flows model 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; and additional value attributable to resources and exploration potential; and
- information to date in relation to the process supporting the proposed sale of the Project including a non-binding indicative offer received acknowledging that:
 - offer received to date to purchase the Project is non-binding and indicative only;
 - further due diligence is required by potential purchasers;
 - shareholder approval for the Project sale is required.

Based on the discounted cash flow methodology, the fair value of Nueva Esperanza was assessed to be approximately \$30,000,000 including exploration upside of approximately \$8,000,000 as at 31 December 2018 which was below its carrying value of \$61,851,000. This has resulted in an impairment of \$31,851,000. The main factor contributing to the impairment charge was a lower silver price (US\$17.43/ounce) used in this impairment assessment compared to 30 June 2018 (US\$18/ounce) and an increased discount rate to recognise the specific circumstances of the sale process for this Project.

As a comparison to the sale process information received to date, the carrying value after impairment based on the discounted cash flow is consistent with the non-binding indicative offer so far received for the proposed sale of the Project and falls at the lower end of the range of the anticipated sale price as assessed by the Company's financial advisers. The price expectation is a factor of weak equity/M&A markets in North America for resource companies and a subdued silver price.

The Group will continue to work with potential bidders for the Project and its advisers with a view to achieving sale proceeds in excess of the current book value.

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:

2018	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	-	-	-	-
Other income	191	-	48	239
Total segment revenue	191	-	48	239
Segment EBITDA	(907)	(3,171)	(4,926) ¹	(9,004)
Depreciation and amortisation	(312)	-	(57)	(369)
Impairment	-	(31,851)	-	(31,851)
Segment result (Operating EBIT)	(1,219)	(35,022)	(4,983)	(41,224)
Finance income				11
Finance costs				(3,321)
Net finance costs				(3,310)
Loss before tax				(44,534)
Other segment information				
Segment assets	2,628	34,347	1,341	38,316
Segment liabilities	(30,197)	(4,899)	(21,180)	(56,276)
¹ includes foreign exchange gain of \$1,036,000 for the Group.				
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.				



3. REVENUE AND EXPENSES

	Half-Year	
	2018	2017
	\$'000	\$'000
a. Corporate and administration expenses		
Administration	3,855	3,888
Technical support and business development	-	338
Statutory and professional fees	2,340	2,722
Depreciation	57	91
Total corporate and administration expenses	6,252	7,039
b. Other income and expenses		
Other income	(184)	(133)
(Gain)/loss on sale of assets	(55)	135
Total other income and expenses	(239)	2
c. Finance costs		
Interest and finance charges	2,665	1,083
Unused commitment fee (Investec)	-	525
Amortisation of deferred borrowing costs	656	200
Total finance costs	3,321	1,808
d. Depreciation and amortisation		
Property, plant and equipment	369	91
Total depreciation and amortisation expenses	369	91
<i>Included in:</i>		
Care and maintenance expenses	312	-
Corporate depreciation	57	91
e. Employee benefits expenses		
<i>Included in:</i>		
Care and maintenance expenses	346	329
Corporate and administration expenses	1,733	1,873
Total employee benefits expenses	2,079	2,202
f. Significant item		
Impairment losses – Nueva Esperanza	31,851	-
Total significant item	31,851	-



4. OTHER ASSETS

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Current		
Prepayments	157	760
Other deposits	887	1,206
Total other assets – current	1,044	1,966
Non-current		
Prepayments	15,875	15,124
Total other assets – non-current	15,875	15,124

Prepayments

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

5. BORROWINGS

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Secured bank loans	18,721	14,360
Preference shares in controlled entity	11,637	10,907
Finance lease liabilities	596	788
Other loan	-	472
Total borrowings	30,954	26,527
Total current borrowings	19,230	15,297
Total non-current borrowings	11,724	11,230

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	11,704	11,704

¹the preference shares are repayable at the earliest on 30 July 2022.

Finance lease liabilities

The Group has various items of plant and equipment with a carrying amount of \$114,898 under finance leases.

6. CONTRIBUTED EQUITY

	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Opening balance	226,225,940	226,225,940	677,761	677,015
Issue of ordinary shares in satisfaction of utilisation fee on draw down of \$15 million Standby Loan Facility	-	-	-	750
Share issue cost	-	-	-	(4)
Closing balance	226,225,940	226,225,940	677,761	677,761



7. RESERVES

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Foreign currency translation reserve	48,273	48,141
Share-based payment reserve	9,142	9,142
General reserve	(3,341)	(3,341)
Total reserves	54,074	53,942

8. EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to balance sheet date, on 18 February 2019, the Group's financier increased the limit of the SLF to \$22 million and extended the repayment date to 28 March 2019 or as otherwise agreed by the financier at its absolute discretion. At the date of this report the additional \$2 million was yet to be drawn.

No other matter or circumstance has arisen since 31 December 2018 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 2018.

10. LOSS PER SHARE

	Half-Year	
	2018 Cents	2017 Cents
Basic and diluted loss per share	(19.69)	(8.15)
	\$'000	\$'000
Net loss used to calculate basic and diluted earnings per share	(44,534)	(18,229)
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	226,225,940	223,578,889
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	226,225,940	223,578,889



11. 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”).

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

The recoverable amount estimate for Nueva Esperanza 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.

Key assumptions used in the discounted cash flows

In determining each key assumption, management has used external sources of information and utilised experts available to 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.

	31 December 2018 +FY 2019 long term average	30 June 2018 +FY 2019 long term average
Gold (US\$ per ounce)	US\$1,240.00	US\$1,200.00
Silver (US\$ per ounce)	US\$17.43	US\$18.00

The Group receives long term forecast price data from multiple externally verifiable sources when determining its pricing forecasts.

The foreign exchange rates used in the models are AUD/USD of 0.70 based on exchange rates current at period end.

	31 December 2018 Post tax real discount rate	30 June 2018 Post tax real discount rate
Nueva Esperanza Gold/Silver Project	9.5%	8.5%

The Group has applied post-tax real discount rates to discount the forecast future attributable post-tax cash flows. 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.

In reaching the conclusions regarding the carrying value of Nueva Esperanza, the Directors consider that Nueva Esperanza concession offers additional value from identified resources for Arqueros, Chimberos and Teterita not currently included in the life of mine plan; and exploration potential from the area immediately surrounding these three established projects. The fair value of Nueva Esperanza includes approximately \$8,000,000 relating to this exploration upside.



11. IMPAIRMENT ASSESSMENT (Continued)

Sensitivity

Significant judgements and assumptions are required in making estimates of the recoverable amounts.

This is particularly so in the assessment of long life assets which are measured using a discounted cash flows model. 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.

The estimates made are also impacted by the status of the sale process and the offer that has been received by the Group which is at this stage non-binding and indicative.

The carrying value of Nueva Esperanza after impairment is recorded in the following balance sheet line items of the statement of financial position of the Group.

Statement of financial position	31 Dec 2018
	\$'000
ASSETS	
Non-current receivable and other assets	21,356
Property, plant and equipment	189
Exploration, evaluation and development (feasibility expenditure)	12,709
TOTAL ASSETS	34,254
LIABILITIES	
Non-current payables	4,254
TOTAL LIABILITIES	4,254
NET ASSETS	30,000



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

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

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

Ross Smyth-Kirk
Director

Dated at Sydney on 28 February 2019
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 2018, 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, selected 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 2018 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 2018 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 related to going concern

We draw attention to Note 1 (a) (i) to the half-year financial report, which indicates that the Group's current liabilities exceeded its current assets by \$22 million at 31 December 2018. The Group currently does not have sufficient cash available to fully repay these liabilities which include the \$22 million Standby Loan Facility ("SLF") drawn to \$18.7 million at balance sheet date which is required to be repaid in full in March 2019. The Group is dependent on being successful in implementing the plan it has put in place which includes achieving a settlement of claims made by the Group, finalising an agreement for litigation funding, completing the monetisation of the Nueva Esperanza Gold/Silver project and continuing to receive the support of its lenders. These conditions, along with other matters set forth in Note 1 (a) (i), indicate that a material uncertainty exists that may cast significant doubt on 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.

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

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
28 February 2019