



Kingsgate

Consolidated Limited

ASX APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 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
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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Share Registry

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Kingsgate Consolidated Limited (ASX Code: KCN)
ASX APPENDIX 4E - RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2018

			2018	2017
			\$'000	\$'000
Revenue from ordinary activities	Revenue decreased	100%	-	176,119
(Loss)/profit from ordinary activities after tax attributable to members	Loss increased	572%	(33,470)	7,088
Net (loss)/profit for the period attributable to members	Loss increased	572%	(33,470)	7,088

Sale of Dominion Metals Pty Ltd

On 1 March 2018, the Group completed the sale of its wholly owned subsidiary Dominion Metals Pty Ltd for a consideration of \$365,000.

Dividends

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

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

Net Tangible Assets

	2018	2017
Net tangible asset backing per ordinary share: \$ per share	0.24	0.38

Refer attached Operating and Financial Review for commentary on the results for the year.



OPERATING AND FINANCIAL REVIEW

Operational performance

Kingsgate is a gold and silver mining, development and exploration company based in Sydney, Australia. Kingsgate owns the Chatree Gold Mine (“Chatree”) in Thailand. In addition, the Company has an advanced development project; the Nueva Esperanza Gold/Silver Project (“Nueva”), 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 A\$7.1 million (net of government royalties) of gold and silver inventory in the form of high-grade sludge remained at the Chatree site. Akara has made some progress in having the sludge released for sale. Akara is currently working with the Thai Department of Industry and Mines, and the sludge has recently been assayed so that it may be released for processing and commercial sale. To assist with this process, Akara Resources has been negotiating terms and conditions with a Thai based refinery to process the sludge. 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 liability 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, and Dr. Andrew Bell S.C. as Senior Counsel on both claims. There can be no guarantee that Kingsgate will be successful with its claim.

Nueva Esperanza Gold/Silver Project

Nueva Esperanza is a feasibility-stage development project in Chile with a resource base of approximately 1.9 million ounces gold equivalent (see ‘Notes for Mineral Equivalents’). A Corporate Adviser has been appointed to advise and assist in the sale of the Project. The reason for the sale is to:

- repay the Company’s \$15 million loan which is due for repayment in November 2018;
- 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. The Company anticipates that any remaining balance of the proceeds, after expenses of the sale and after providing for the aforementioned expenditure, will be distributed to shareholders. Expressions of interest for the sale of the project are currently being sought from interested parties.

As expressions of interest have been sought for the proposed sale of the project, the impairment assessment of the Nueva Esperanza Gold/Silver Project has been deferred until the finalization of June 2018 Financial Statements. At that time the Board will undertake an impairment review in light of the then status of the sale process. Depending on the then status of the sale process, it may be necessary to take to account an impairment with respect to the project.

Feasibility:

Given that expressions of interest in the project are currently being sought, work has been suspended on the Definitive Feasibility Study (“DFS”), which remains substantially incomplete, pending the outcome of this process. There is still material modelling/assumptions that require further investigation (both CAPEX and OPEX related) before the DFS can be completed.

Permitting:

Kingsgate is pleased to advise that the Environmental Impact Assessment (“EIA”) for Nueva Esperanza was completed on time and was submitted to the Chilean regulatory agencies on 29 June 2018. The Chilean regulatory agencies publicly confirmed their acceptance of the EIA for assessment in early August 2018.

Exploration:

Nine Reverse Circulation (“RC”) follow-up drill holes totalling 1,136 metres were completed on the Cerro Blanco West target in late 2017, 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.

In addition to these RC holes, additional exploration work completed during the year concentrated on three key areas in and around the project footprint:

- North-East Nueva Esperanza where abundant siliceous material is evident as a surface lag (bedrock-derived stony material selectively sampled and analyzed as an indicator of bedrock geochemistry);
- Chimberos East, along the boundary with Kinross Gold Corporation’s Huemul claims where a strong quartz stockwork appears to be widespread; and
- The Antonella claims/tenements surrounding the neighbouring ‘Atletico Madrid’ block located approximately 6kms to the south of the Nueva Esperanza Project, which contain abundant siliceous breccia and vuggy-silica.

Assay results:

A total of 796 rock chip samples were collected during 2017 – 2018.

Notable highlights include more recent results from the Antonella exploration tenements:

- 2 rock chip assays with **23.9g/t Au** and **7.93g/t Ag** and **5.39g/t Au** and **26.5g/t Ag;**
- 2 rock chip assays with **764g/t Ag** and **719g/t Ag** respectively; and
- 5 rock chip samples greater than **10g/t Ag** including a sample with **34g/t Ag.**

These results were reported in the June 2018 quarterly activities report released 31 July 2018.



The spring exploration program commencing in September/October will look to further investigate these promising results, and to continue to unlock the prospectivity around the Cerro Blanco West exploration target.

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

Cost Savings Measures

Your Directors are acutely aware of the need to further reduce costs while work continues to settle both the PRI and TAFTA claims. In that regard, the following measures have been implemented over the course of the financial year:

- closure of the corporate office in Bangkok;
- the ongoing rationalisation of superfluous land and equipment 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 taking effect in Sydney in August 2018.

FINANCIAL RESULTS

	2018	2017	2016	2015	2014
Net (loss)/profit after tax (\$'000)	(33,470)	7,088	(229,451)	(147,643)	(97,613)
EBITDA (\$'000)	(28,454)	63,042	39,864	69,458	64,207
Dividends paid (Cash & DRP) (\$'000)	-	-	-	-	-
Share price 30 June (\$)	0.28	0.20	*0.41	0.70	0.86
Basic (loss)/earnings per share (Cents)	(14.94)	3.17	(102.6)	(66.0)	(56.7)
Diluted (loss)/earnings per share (Cents)	(14.94)	3.17	(102.6)	(66.0)	(56.7)

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

EBITDA before significant items

The pre-tax loss for the Group before significant items was \$33.5 million down from a profit of \$8.1 million in the previous year.

EBITDA before significant items was (\$28.5) million (2017: \$63.0 million).

Significant items are detailed below.

	2018 \$'000	2017 \$'000
(Loss)/profit after income tax	(33,470)	7,088
Income tax expense	-	1,016
(Loss)/profit before income tax	(33,470)	8,104
Significant items	-	-
Profit/(loss) before tax and significant items	(33,470)	8,104
Net finance costs	3,189	3,631
Depreciation and amortisation	1,827	51,307
EBITDA before significant items	(28,454)	63,042

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



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 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.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Sales revenue	4a	-	176,119
Costs of sales	4b	-	(148,850)
Gross profit		-	27,269
Exploration expenses		(10,091)	(9,035)
Care and maintenance expenses		(4,402)	(894)
Corporate and administration expenses	4c	(15,517)	(18,837)
Other income and expenses	4d	(96)	16,311
Foreign exchange loss		(175)	(3,079)
(Loss)/ Profit before finance costs and income tax		(30,281)	11,735
Finance income		147	385
Finance costs	4e	(3,336)	(4,016)
Net finance costs		(3,189)	(3,631)
(Loss)/ profit before income tax		(33,470)	8,104
Income tax expense	5	-	(1,016)
(Loss)/ profit from continuing operations after income tax		(33,470)	7,088
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		1,662	1,245
Total other comprehensive income for the year		1,662	1,245
Total comprehensive (loss)/income for the year		(31,808)	8,333
(Loss)/profit attributable to:			
Owners of Kingsgate Consolidated Limited			
- Continuing operations		(33,470)	7,088
- Discontinued operations		-	-
Total comprehensive (loss)/income attributable to:			
Owners of Kingsgate Consolidated Limited			
- Continuing operations		(31,808)	8,333
- Discontinued operations		-	-
Earnings per share		Cents	Cents
Basic and diluted (loss)/earnings per share	11	(14.94)	3.17

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		11,239	22,007
Receivables		678	1,959
Other assets		1,966	4,585
Total current assets		13,883	28,551
Non-current assets			
Receivables		5,468	4,748
Property, plant and equipment		1,111	2,597
Exploration, evaluation and development		85,949	83,767
Other assets		15,124	14,638
Total non-current assets		107,652	105,750
TOTAL ASSETS		121,535	134,301
LIABILITIES			
Current liabilities			
Payables		6,063	3,742
Borrowings		15,297	657
Provisions		358	947
Total current liabilities		21,718	5,346
Non-current liabilities			
Payables		4,052	3,946
Borrowings		11,230	10,914
Provisions		14,841	13,235
Total non-current liabilities		30,123	28,095
TOTAL LIABILITIES		51,841	33,441
NET ASSETS		69,694	100,860
EQUITY			
Contributed equity	6	677,761	677,015
Reserves	7a	53,942	52,384
Accumulated losses	7b	(662,009)	(628,539)
TOTAL EQUITY		69,694	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 year ended 30 June 2018

	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		-	-	7,088	7,088
Total other comprehensive income for the year		-	1,245	-	1,245
Total comprehensive income for the year		-	1,245	7,088	8,333
Transaction with owners in their capacity as owners:					
Movement in contributed equity	6	(27)	-	-	(27)
Movement in share-based payment reserve		-	190	-	190
Total transaction with owners		(27)	190	-	163
Balance at 30 June 2017		677,015	52,384	(628,539)	100,860

	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		-	-	(33,470)	(33,470)
Total other comprehensive income for the year		-	1,662	-	1,662
Total comprehensive income for the year		-	1,662	(33,470)	(31,808)
Transaction with owners in their capacity as owners:					
Movement in contributed equity	6	746	-	-	746
Movement in share-based payment reserve		-	(104)	-	(104)
Total transaction with owners		746	(104)	-	642
Balance at 30 June 2018		677,761	53,942	(662,009)	69,694

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		-	176,285
Receipts from workers compensation insurance claim		500	-
Payments to suppliers and employees		(26,943)	(115,382)
Interest received		147	385
Finance costs paid		(2,483)	(3,275)
Income tax paid		-	(1,061)
Net cash inflow from operating activities	9	(28,779)	56,952
Cash flows from investing activities			
Payments for property, plant and equipment		(167)	(30)
Payments for exploration, evaluation and development		-	(2,692)
Decrease in deposits		2,930	4,526
Decrease in restricted cash		-	7,004
Proceeds from sale of property, plant and equipment		72	-
Proceeds from sale of Dominion Metals		365	-
Proceeds from sale of Bowdens		-	5,000
Proceeds from sale of Challenger		-	750
Proceeds from sale of available-for-sale financial assets		-	432
Net cash outflow from investing activities		3,200	14,990
Cash flows from financing activities			
Proceeds from corporate borrowings, net of transaction costs		16,132	586
Repayment of corporate borrowings		(905)	(11,479)
Repayment of subsidiary (Akara Resources PCL) borrowings		(429)	(75,015)
Share acquisition for the settlement of vested deferred rights		-	(27)
Payments for share issue costs		(4)	-
Net cash outflow from financing activities		14,794	(85,935)
Net decrease in cash held		(10,785)	(13,993)
Cash at the beginning of the year		22,007	36,314
Effects of exchange rate on cash and cash equivalents		17	(314)
Cash at the end of the year		11,239	22,007

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



NOTES TO THE PRELIMINARY FINAL REPORT

1. BASIS OF PREPARATION

This report has been prepared in accordance with Appendix 4E of the Australian Stock Exchange Listing Rules and is in accordance with Australian Accounting standards and other authoritative pronouncements of the Australian Accounting Standards Board other than in relation to impairment considerations for the Group's exploration asset as noted in 1 (a) (iii). This financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during the year ended 30 June 2018. The accounting policies adopted are consistent with those of the previous year.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that instrument, amounts in the preliminary final report are rounded to the nearest thousand dollars except where otherwise indicated.

Note 1 (a) Critical accounting estimates and judgements

(i) *Going concern*

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

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 30 June 2018, the Group's current liabilities exceeded its current assets by \$7,835,000. The Group currently does not have sufficient cash available to fully repay these liabilities which include the Standby Loan Facility ("SLF") of \$15,000,000 which is required to be repaid in full in November 2018.

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 million and was held by the Group when the Thai Government unlawfully 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 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.

To date, Kingsgate has not been able to achieve 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.

Gold Sludge: Gold sludge containing approximately 4,750 ounces of gold and 34,800 ounces of silver with a value of around \$7,100,000 (net of government royalties) 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 30 June 2018 and absent of any settlement in the short term of either the PRI Claim, the TAFTA Claim, or realisation of the value from the sale of the stored gold sludge, a process has been initiated for the sale of the Nueva Esperanza Gold/Silver Project.



1. BASIS OF PREPARATION (Continued)

The sale of the Nueva Esperanza Gold/Silver Project will require shareholders' approval. It is anticipated that the Group will be able to submit its proposal to the shareholders prior to the end of the 2018 calendar year. There is an uncertainty as to whether the sale of the project will be completed within the required timeframe and whether the shareholders will approve the sale.

Based on the cash flow forecast prepared for the Group and based on the timing of the expected sale of the project, the Group will also need to obtain additional funding of approximately \$5,000,000 and in addition will need to renegotiate the terms of the SLF.

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.

It is anticipated that the proceeds from the sale of the Nueva Esperanza Gold/Silver Project will allow the Group to continue as a going concern. Funds from the sale will be sufficient to fund the future costs for the ongoing PRI and TAFTA Claims, and provide the Group 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 the Group to investigate and assess other potential mining exploration and development prospects. It is anticipated that any remaining balance of the proceeds, after expenses of the sale and after providing for the aforementioned expenditure, will be distributed to shareholders.

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
- pursuing other funding options 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 PRI and TAFTA claims.

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

The Chatree Gold Mine prematurely ceased operations on 31 December 2016 following the Thai Government's unlawful expropriation of the Chatree mine. Kingsgate Consolidated Limited and its Thai subsidiary Akara Resources Public Company Limited have complied with the Thai Government's unlawful 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 \$14,768,000. 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.



1. BASIS OF PREPARATION (Continued)

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 unlawful 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 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. 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 Gold/Silver Project impairment consideration

The carrying value of the cash generating unit for Nueva Esperanza Gold/Silver Project amounted to \$100,512,000 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 the Nueva Esperanza Gold/Silver Project be tested for impairment. Management has determined that as expressions of interest have been sought for the proposed sale of the project, the impairment assessment has been deferred until the finalisation of June 2018 Financial Statements. At that time the Board will undertake an impairment review in light of the then status of the sale process. Depending on the then status of the sale process, it may be necessary to take to account an impairment with respect to the project.

2. STATEMENT ABOUT THE AUDIT STATUS

This report is based on accounts which are in the process of being audited.

Consistent with the going concern note above, it is likely that the independent auditor's report will include an emphasis of matter 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.



3. 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 mine under care and maintenance and projects and include the following:

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

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

2018	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
Other income	87	-	64	151
Total segment revenue	87	-	64	151
Segment EBITDA	(3,656)	(10,091)	(14,707) ¹	(28,454)
Depreciation and amortisation	(1,591)	-	(236)	(1,827)
Segment result (Operating EBIT)	(5,247)	(10,091)	(14,943)	(30,281)
Finance income	-	-	-	147
Finance costs	-	-	-	(3,336)
Net finance costs	-	-	-	(3,189)
Loss before tax	(5,247)	(10,091)	(14,943)	(33,470)
Other segment information				
Segment assets	3,293	106,327	11,915	121,535
Segment liabilities	(27,845)	(5,965)	(18,031)	(51,841)

¹ includes foreign exchange loss of \$175,000 for the Group.



3. SEGMENT INFORMATION (Continued)

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

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

	Revenue		% of External Revenue	
	2018 \$'000	2017 \$'000	2018 %	2017 %
Customer A	-	176,119	-	100



4. REVENUE AND EXPENSES

	2018 \$'000	2017 \$'000
a. Sales revenue		
Gold sales	-	155,947
Silver sales	-	20,172
Sales revenue	-	176,119
b. Cost of sales		
Direct costs of mining and processing	-	60,162
Royalties	-	15,642
Inventory movements	-	22,121
Depreciation (operations)	-	50,925
Cost of sales	-	148,850
c. Corporate and administration expenses		
Administration	7,146	11,964
Technical support and business development	666	911
Statutory and professional fees	7,469	5,860
Depreciation	236	102
Corporate and administration expenses	15,517	18,837
d. Other income and expenses		
Net (loss)/gain on sale of fixed assets	(112)	59
Change in fair value of available-for-sale assets	-	(108)
Revision of rehabilitation provision	-	14,045
Loss on sale of Dominion Metal Pty Ltd	(135)	-
Other revenue	151	2,315
Other income and expenses	(96)	16,311
e. Finance costs		
Interest and finance charges	2,834	3,507
Foreign exchange loss on loans	-	182
Unwinding of discount	-	246
Amortisation of deferred borrowing costs	502	81
Finance costs	3,336	4,016
f. Depreciation and amortisation		
Property, plant and equipment	1,827	36,172
Mine properties	-	15,135
Depreciation and amortisation expenses	1,827	51,307
<i>Included in:</i>		
Costs of sales depreciation	-	50,925
Care and maintenance expenses	1,591	280
Corporate depreciation	236	102
g. Employee benefits expenses		
<i>Included in:</i>		
Costs of sales	-	3,178
Care and maintenance expenses	665	3
Corporate and administration expenses	3,395	4,929
Total employee benefits expenses	4,060	8,110
h. Other items		
Operating lease rentals	351	339
Total other items	351	339



5. INCOME TAX

	2018 \$'000	2017 \$'000
Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax	(33,470)	8,104
Tax at Australian rate of 30%	(10,041)	2,431
Tax effect of amounts not deductible/assessable in calculating taxable income		
Non-deductible expenses	855	226
Non-deductible interest expense to preference shareholders	633	370
Share-based payment remuneration	31	(57)
Tax losses not brought to account in the prior year recognised this year	-	(3,015)
Tax losses not brought to account	8,522	-
Withholding tax on dividends received from Thailand operations	-	1,061
Income tax expense	-	1,016

6. CONTRIBUTED EQUITY

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Opening balance	223,584,937	223,584,937	677,015	677,042
Issue of ordinary shares in satisfaction of utilisation fee on draw down of \$15 million Standby Loan Facility	2,641,003	-	750	-
Share acquisition for the settlement of vested deferred rights	-	-	-	(27)
Share issue cost	-	-	(4)	-
Closing balance	226,225,940	223,584,937	677,761	677,015



7. RESERVES AND ACCUMULATED LOSSES

	2018 \$'000	2017 \$'000
a. Reserves		
Foreign currency translation reserve	48,141	46,479
Share-based payment reserve	9,142	9,246
General reserve	(3,341)	(3,341)
Total reserves	53,942	52,384
Movements		
Foreign currency translation reserve		
At the beginning of the financial year	46,479	45,234
Exchange differences on translation of foreign controlled entities (net of tax)	1,662	1,245
At the end of the financial year	48,141	46,479
Share-based payment reserve		
At the beginning of the financial year	9,246	9,056
Share-based payment expense	(104)	190
At the end of the financial year	9,142	9,246
General reserve		
At the beginning of the financial year	(3,341)	(3,341)
Net change	-	-
At the end of the financial year	(3,341)	(3,341)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve.

Share-based payment reserve

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

General reserve

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

	2018 \$'000	2017 \$'000
b. Accumulated losses		
Accumulated losses at the beginning of the year	(628,539)	(635,627)
Net (loss)/profit attributable to members of Kingsgate Consolidated Limited	(33,470)	7,088
Accumulated losses	(662,009)	(628,539)

8. DIVIDENDS

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

No interim dividend was declared for the year ended 30 June 2018 (30 June 2017: nil).



9. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
	\$'000	\$'000
(Loss)/profit for the year	(33,470)	7,088
Depreciation and amortisation	1,827	51,307
Share-based payments	(104)	190
Unwind of discount rate for provision	-	246
Amortisation of deferred borrowing costs	502	81
Net loss/(gain) on sale of fixed assets	112	(59)
Net exchange differences	(163)	3,947
Other revenue	-	(14,045)
Loss on sale of Dominion Metals Pty Ltd	135	-
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(42)	3,738
(Increase)/decrease in prepayments	(52)	1,658
(Increase)/decrease in inventories	-	25,758
Increase/(decrease) in creditors	2,440	(16,956)
Increase/(decrease) in provisions	36	(5,882)
Increase/(decrease) in deferred tax liabilities	-	(119)
Net cash (outflow)/inflow from operating activities	(28,779)	56,952

10. EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

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

11. EARNINGS PER SHARE

	2018	2017
	Cents	Cents
Basic and diluted (loss)/earnings per share	(14.94)	3.17
	\$'000	\$'000
Net (loss)/profit used to calculate basic and diluted earnings per share	(33,470)	7,088
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	223,959,181	223,584,937
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	223,959,181	223,584,937