

# Kingsgate Consolidated Limited

## Quarterly Report

For the period ending 31 December 2018

### KEY ISSUES

#### CHILE

- ▶ Kingsgate has appointed a corporate advisor to identify options to monetise the Nueva Esperanza Project.
- ▶ A number of parties are completing due diligence and the Company expects to provide a further update soon.

#### CORPORATE

- ▶ **Political Risk Insurance Claim (“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 expropriated the Chatree Gold Mine in May 2016.
- ▶ 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.
- ▶ Kingsgate remains open to achieving a settlement, but in the meantime will continue to prosecute its claim against the insurers in the Supreme Court of New South Wales.
- ▶ **TAFTA Claim.** The Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA (“Australia Thailand Free Trade Agreement”) Claim will be heard on 18 November to 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.
- ▶ Kingsgate remains committed to seeking a settlement of the matter with the Thai Government.

#### FINANCIAL

- ▶ In May 2018, Kingsgate drew down a \$15.0 million Standby Loan Facility (“SLF”) 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).
- ▶ Investec Australia Finance Pty Limited (“Investec”) has agreed to increase the SLF limit from A\$15 million to A\$20 million, (of which \$18.75 million had been advanced as at 31 December 2018) and the maturity date of the loan while originally scheduled for February this year, is currently being re-negotiated. A further \$1.25 million has been drawn down in January 2019.
- ▶ In addition to the monetisation of Nueva Esperanza, Kingsgate is investigating a range of alternative funding options to secure its future.
- ▶ Cash at 31 December 2018 totalled A\$1.1 million.
- ▶ Corporate debt at 31 December 2018 is A\$18.75 million.

# December Quarter Review

## CHATREE GOLD MINE, Thailand

### Care and Maintenance

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

At mine closure, approximately US\$6 million of gold and silver inventory in the form of high-grade sludge remained at the Chatree site. Akara is still working towards having the sludge released for sale. However, there can be no guarantee that this will occur.

## NUEVA ESPERANZA PROJECT, Chile

Nueva Esperanza is a feasibility-stage development project with a resource base of approximately 1.9 million ounces gold equivalent (see “Notes for Mineral Equivalents”).

Kingsgate has appointed a corporate advisor to advise and assist it in identifying advantageous options to monetise the project. 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 continued during the quarter, however all other non-essential functions have been deferred pending the sale of the project.

## CORPORATE & FINANCE

### Finance

At the end of December 2018, Kingsgate’s Group Cash totalled A\$1.1 million excluding US\$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).

Kingsgate is currently negotiating a revised repayment schedule with the lender following an increase in the Facility Limit by \$5.0 million to \$20 million. As at 31 December 2018, \$18.75 million of this facility had been drawn down. A further \$1.25 million has been drawn down in January 2019.

The Company continues to pursue its claims against the Kingdom of Thailand under the Australia Thailand Free Trade Agreement and against Zurich Australia Limited and other named insurers under its Political Risk Insurance Policy.

The Company remains open to settlement of both claims.

Kingsgate continues to cut costs and review expenditure across the Group. An independent corporate review has identified further cost cutting opportunities, which includes the sale of surplus land, equipment and the further rationalisation of the corporate footprint in Sydney, Thailand and Chile. This includes the deferral of payment of Board fees.

### Staff

Sharon Skeggs resigned as a Non-Executive Director during the quarter, as did Gavin Robertson, the Company Secretary and Manager, Legal. The Kingsgate Board thanks them for their service and wishes them well in their future endeavors. Ross Coyle has resumed the role of Company Secretary as a consultant on a temporary basis until a permanent replacement can be found. Kingsgate is pleased to welcome Ross back given his detailed knowledge of the Company and its business.

# Corporate Directory

## Board of Directors / Senior Staff

<b>Ross Smyth-Kirk</b>	Executive Chairman
<b>Peter Alexander</b>	Non-Executive Director
<b>Peter Warren</b>	Non-Executive Director
<b>Ross Coyle</b>	Company Secretary

## Principal and Registered Office

Suite 2, Level 23, 20 Bond Street,  
Sydney, NSW, 2000, Australia.  
Tel: +61 2 8256 4800  
Email: info@kingsgate.com.au

## Share Details

As at 31 December 2018, there were 226,225,940 ordinary shares on issue.

## Exchange Details

ASX Code: KCN  
OTC Code: KSKGY

## Share Registry

### Link Market Services Limited

Level 12, 680 George Street,  
Sydney, NSW, 2000, Australia.

Postal address: Locked Bag A14,  
Sydney South, NSW, 1235, Australia.

Tel: +61 1300 554 474

Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Web: www.linkmarketservices.com.au

## ADR Depository

### (American Depository Receipts)

#### The Bank of New York Mellon

ADR Division,  
101 Barclay Street, 22nd Floor,  
New York, NY 10286, USA.

Tel: +1 212 815 2293

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### Notes for Mineral Equivalents:

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\$1200/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 2016” dated 7 October 2016).

### Forward Looking Statement:

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from that expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Forward looking statements in these materials speak only at the date of issue, subject to any continuing obligations under applicable law or any relevant stock exchange.

### Competent Persons Statement:

The information in this report that relates to Exploration Results at the Nueva Esperanza Project in Chile, is based on information compiled by Ron James, who was previously an employee of the Kingsgate Group. Ron James is now a consultant geologist to Kingsgate, a member of The Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person. Mr James has sufficient experience that is relevant to the style of mineralisation being reported herein as Exploration Results, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves.” Mr James has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.