

Kingsgate Consolidated Limited

Quarterly Report

For the period ending 31 March 2019

KEY ISSUES

CORPORATE

- ▶ Kingsgate settled Political Risk Insurance¹ proceedings for more than A\$82 million².
- ▶ The settlement consisted of:
 - a cash payment of US\$55 million to be made to Kingsgate by mid-April 2019;
 - a requirement for the Insurers to contribute up to US\$3.5 million of future costs towards the TAFTA ("Australia Thailand Free Trade Agreement") Arbitration. The funding contribution of the Insurers will be paid on a pro-rata basis with Kingsgate; and
 - a sharing arrangement between Kingsgate and the Insurers for future distributions of TAFTA Claim proceeds.
- ▶ The insurance settlement funds of US\$55 million were received on 11 April 2019.
- ▶ **TAFTA Claim.** The pro-rata funding commitment of the Insurers, under the settlement agreement, means that Kingsgate and the Insurers will be working together to fully prosecute the TAFTA Claim.
- ▶ The TAFTA Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA Claim will be heard from 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.

CHILE

- ▶ The liquidity from the insurance settlement means the Company now has time to maximise the value of the Nueva Esperanza Project through further development or sale, and to remain aspirational for other development opportunities.

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 was on normal commercial terms for a loan of this nature, and included 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") agreed to increase the SLF limit from A\$15 million to A\$22 million. As at the end of March 2019, Investec had extended the SLF by a further A\$750,000, of which Kingsgate had only drawn A\$400,000.
- ▶ **Kingsgate is now Corporate debt free**, having repaid the SLF in full on 12 April, following the receipt of funds from the Political Risk Insurers.
- ▶ Cash at 31 March 2019 totalled A\$0.2 million.
- ▶ Corporate debt at 31 March 2019 is A\$22.4 million.

1. Kingsgate had a Political Risk Insurance Policy in place at the time it is alleged that the Government of Thailand illegally expropriated its Chatree Gold Mine in May 2016; and

2. A\$82,000,000 is based on an AUD-USD exchange rate of 0.71, and includes an estimate of the Insurer's share of the TAFTA legal fees of US\$3.5million.

March 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\$6.7 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.

However, now that Kingsgate has cleared its corporate debt, the Company is carefully considering its strategy around the Nueva Esperanza Project in Chile, which may include further development, joint venture opportunities or sale.

Work on the permitting process continued during the quarter.

CORPORATE & FINANCE

Finance

At the end of March 2019, Kingsgate’s Group Cash totalled A\$0.2 million excluding US\$6.7 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 was on normal commercial terms for a loan of this nature, and included 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”) agreed to increase the SLF limit from A\$15 million to A\$22 million. A further A\$750,000 was advanced as at the end of March 2019, of which Kingsgate had only drawn \$400,000.

Kingsgate is now Corporate Debt Free. On the 12 April 2019, following receipt of the insurance settlement funds of US\$55 million, the SLF was repaid in full.

The Company will work with the Political Risk Insurers to fully prosecute its claims against the Kingdom of Thailand under the Australia Thailand Free Trade Agreement.

The Company remains open to settlement of the TAFTA Claim.

Kingsgate will continue to reduce costs and review expenditure across the Group.

Corporate Directory

Board of Directors / Senior Staff

Ross Smyth-Kirk	Executive Chairman
Peter Alexander	Non-Executive Director
Peter Warren	Non-Executive Director
Ross Coyle	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 March 2019, 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

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.