Kingsgate

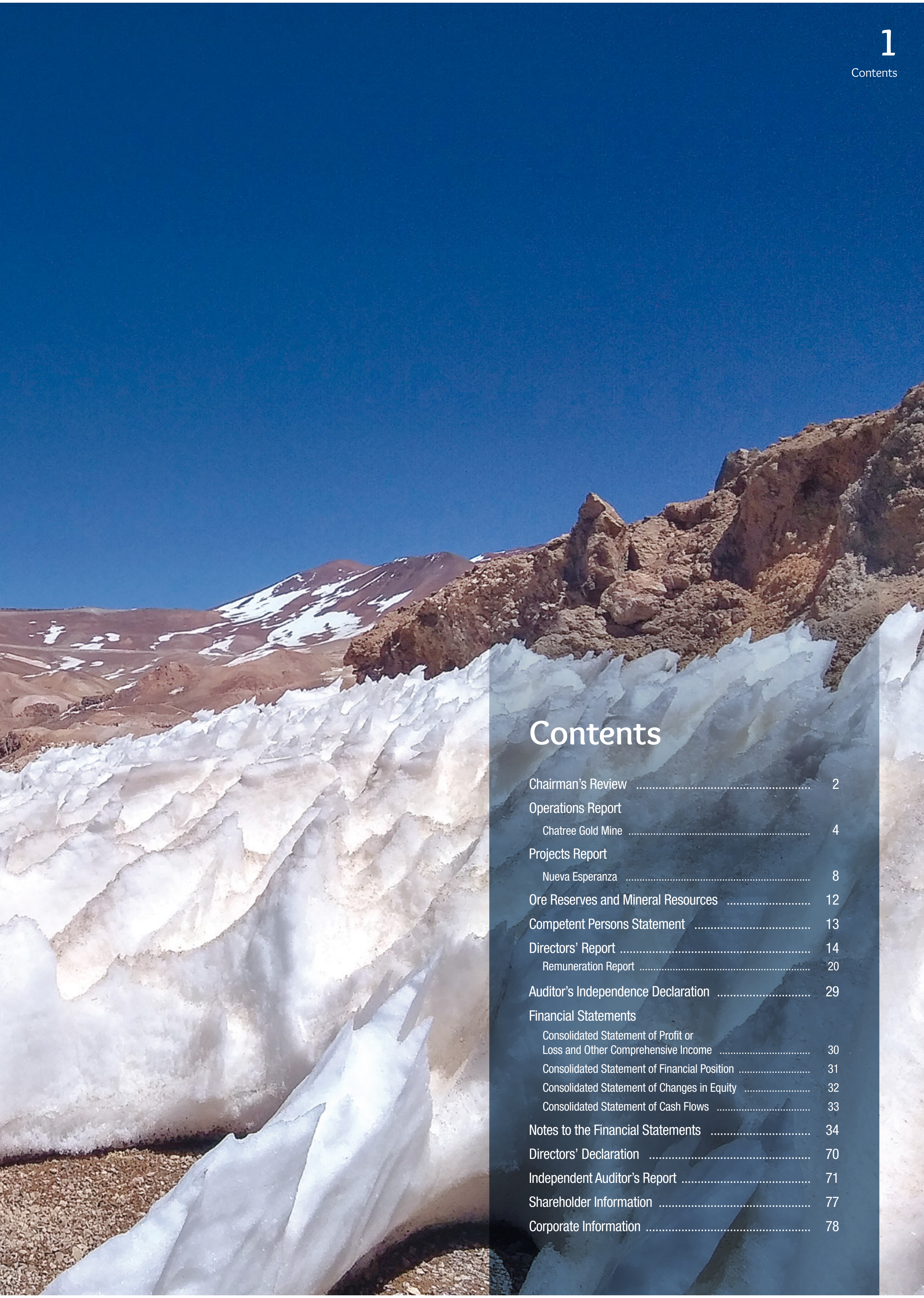
Consolidated Limited

ABN 42 000 837 472

2018 Annual Report

2018 ANNUAL REPORT

Photo: Nueva Esperanza Project, Chile



Contents

Chairman's Review

Glacial speed is a term I've found myself saying a few times this year, and while outwardly it may appear that things are moving very slowly with your Company, I can assure you that we are making good progress.

Last year I outlined that your Board and management have been diligently working through a range of scenarios to remedy the situation with the unlawful closure of the Chatree Gold Mine ("Chatree") by the Thai Government. So let me give you a progress report, starting with our action to recover the losses and value of the Chatree closure via arbitral proceedings that have commenced under the Australia-Thailand Free Trade Agreement ("TAFTA").

Kingsgate maintains that we have a strong case if we go to arbitration over Chatree.

While I am restrained in terms of what I can say publicly in relation to TAFTA, we are very well prepared for the arbitral proceedings in November next year, if there is no amicable commercial settlement prior. An important point to consider is that Kingsgate still has good communication lines open with the Thai Government, and settlement discussions are ongoing in parallel with TAFTA.

The other opportunity we have to restore value to your Company over the closure of Chatree is the Political Risk Insurance Policy ("PRI") that we had in place at the time of the mine closure.

Again, while I can't say too much about that matter given its confidentiality provisions, I can say that Kingsgate is very confident of its claim, and we are getting the necessary resources together to see it through to the end. The hearing for this matter is set down for June next year.

That brings me to Nueva Esperanza. Your Board took the decision to appoint a Corporate Adviser to advise and assist in the sale of the Project. The reason for the sale is to:

- repay the Company's loan from Investec Australia Limited ("Investec");
- 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.

Your Board 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, and I have been heartened by the level of interest shown in the Project from all sectors of the mining industry.

I am also acutely aware that while we are carefully and methodically working through these scenarios to restore value to your Company that we need to be cutting overheads even further and saving every dollar we can.

In the past year, I along with your Board have implemented the following cost saving measures:

- 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; and
- a further reduction in staff numbers both in Thailand and Sydney, including redundancies of senior management that took effect in Sydney in August 2018.

Kingsgate and Laguna Resources staff discussing the Nueva Esperanza Project in Santiago, Chile.

Other notable events during the year include the Metal Tiger failed Board spill attempt.

Is that worth a mention?

Not really.

I will say this however, their stop-start approach to their own assets in Thailand in recent months highlights that there are no quick fixes to be had, and that your Board is the right Board, with the right plan, to restore value to your Company.

In that regard, I would like to sincerely thank all shareholders for your support during the year. Once again I know it hasn't been easy but I can assure you the glacier is moving.

I would also like to thank all the management and personnel of Kingsgate, Akara, and Nueva Esperanza for their efforts during another difficult year. Your support is appreciated.

I firmly believe 2019 will be a better year for Kingsgate, as we will hopefully see some rewards for all of the hard work that has been put in over the last few years to not only ensure that your Company survives, but to reward you the shareholders for your continued loyalty. I look forward to the day when Kingsgate like the legendary phoenix, has well and truly risen from the ashes.

Ross Smyth-Kirk
Executice Chairman

Operations Report

Chatree Gold Mine

Thailand

Summary

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.

Key impacts of the premature closure of Chatree in addition to the loss of several thousand direct and indirect regional jobs include the forfeiture of significant royalty payments to the Thai Government, and the discontinuation of many community-based health, education and infrastructure programs funded by Akara.

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 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, as previously stated there can be no guarantee that this will occur.

Akara Resources staff inspecting rehabilitation works at Chatree.

The A Pit, post mine closure clearly shows what a great job the Akara team did managing a steep pit to get profitable ore before 1 January 2017.

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 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.

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.

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 measures taken 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 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.

Management would like to commend employees and contractors for their attention to safety and care for each other throughout the year.

continued

A Short Case Study

Closure of the Chatree Gold Mine

The two year anniversary since the Thai Government closed the Chatree Gold Mine is sadly approaching. To better understand what's been happening in the community around the mine since then, Akara Resources staff have been talking to some of the locals to hear what they had to say.

Social Impact

When the mine was closed the obvious and largest impact was on the mine workers themselves. More than 1,000 direct jobs were lost, with several thousand more in support services around the mine also coming to an end. Approximately 80 percent of the mine workforce originated from local villages. Since Chatree was the largest employer in the area, there simply wasn't enough demand for labor in the local economy to absorb the thousands of unemployed, and thus many people had to look for employment in other cities.

Faced with higher living costs in big cities like Bangkok, parents hardly earn enough to bring their children with them, and in many cases have to leave their children behind in the care of their grandparents. To a greater extent, some couples have to live apart for the sake of a pay cheque. Sadly, it's also been reported that some of them have ended their marriages as a result.

While some parents can afford to bring their children with them, local schools like the Baan Dong Long School in the adjacent Tai Dong Sub District, Phetchabun Province, have been asked by the Office of the Basic Education Commission to merge with other schools due to the sharp fall in the number of students.

As for those who have decided not to move out of the local area, the chance of finding jobs that pay as much as they once earned from Akara is almost non-existent.

For example, Mrs Kamlai Srisart, a former employee at the Chatree Gold Mine, is unable to move out of her village to look for new job opportunities because she cannot leave her two children with their father alone. Finding a job that pays as little as a couple hundred baht is her daily struggle.

Mrs Kamlai Srisart
(Former Akara Employee)

"I used to earn more than ten thousand baht each month when I was working with Akara. But for people my age who only studied until grade 4, it is not easy for me to look for a new job in the city so I just take whatever jobs that come along the way that will pay for my living. Now I only make around 200 baht per day which is barely enough to feed four mouths so I had to ask my daughter to quit her school to help me earn another income even though she has a good academic outlook."

Mr Chaliang Baisee
(Former Akara Employee)

Kamlai is not alone; Mr Chaliang Baisee, a former driver at Akara, said his life has been much more difficult after he lost his job at the mine. He had invested all money from his severance pay in a small fish farming business in the hope that it would substitute for his lost income, but unfortunately it has become a failure due to falling fish prices.

Economic Impact

Not only thousands of lives of the former Akara employees that have been hard hit, but the impact has been felt throughout the wider region.

Many businesses shut down not long after the suspension order came into effect. Since mine workers were the main driver of the local economy, businesses, be it large or small, have lost more than half their income.

"I used to make 5,000–6,000 baht/day but now I can make a little over 1,000 baht."

"If the situation still continues like this, I will have to close down my business."

"Villagers just walk around and ask for prices but many times they end up buying nothing."

"People have reduced their spending by more than half."

Royalties paid to the local governments by the Chatree Gold Mine also brought a large number of infrastructure developments in the region.

However, the closure order placed on the gold mine has also halted many projects such as the construction of a reservoir in Thap Khlo District in the Phichit Province. This reservoir was going to supply water to 12 villages in the area during times of drought. This is an example of only one important project among several projects which could have been implemented if the mine was still running.

Many life quality improvement programs were also made possible by both direct and indirect financial support from Chatree.

Without the Chatree Gold Mine, the Phichit Province has lost 5–10 percent of its gross provincial product (GPP).

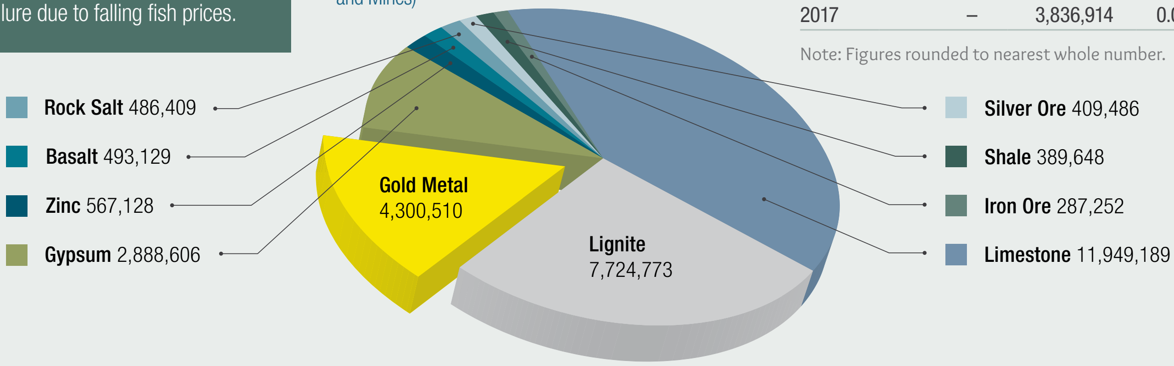
Without the Chatree Gold Mine, the largest gold mine in the country, the Thai Government has also lost on average up to approximately 25 percent of total royalties collected annually (based on historic royalties collected from 2003–2016).

While Kingsgate remains committed to resolving the matter with the Thai Government, it's never forgotten the impact of the closure on the lives of the people that both worked at and lived around the mine.

Year	Gold Metal ('000 baht)	Total Royalty ('000 baht)	% of (%)
2003	47,647	1,136,422	4.19%
2004	64,910	1,377,491	4.71%
2005	63,098	1,503,334	4.20%
2006	60,407	1,620,631	3.73%
2007	74,128	1,675,388	4.42%
2008	119,679	1,807,732	6.62%
2009	363,282	2,420,391	15.01%
2010	410,134	2,720,126	15.08%
2011	419,771	2,797,594	15.00%
2012	817,107	3,247,381	25.16%
2013	521,188	2,969,498	17.55%
2014	485,846	3,155,308	15.40%
2015	333,447	3,040,039	10.97%
2016	519,865	4,502,350	11.55%
2017	–	3,836,914	0.00%

Note: Figures rounded to nearest whole number.

Mineral Royalty of Thailand 2003–16
(Ref: Website of Department of Primary Industries and Mines)



Projects Report

Nueva Esperanza Gold/Silver

Chile

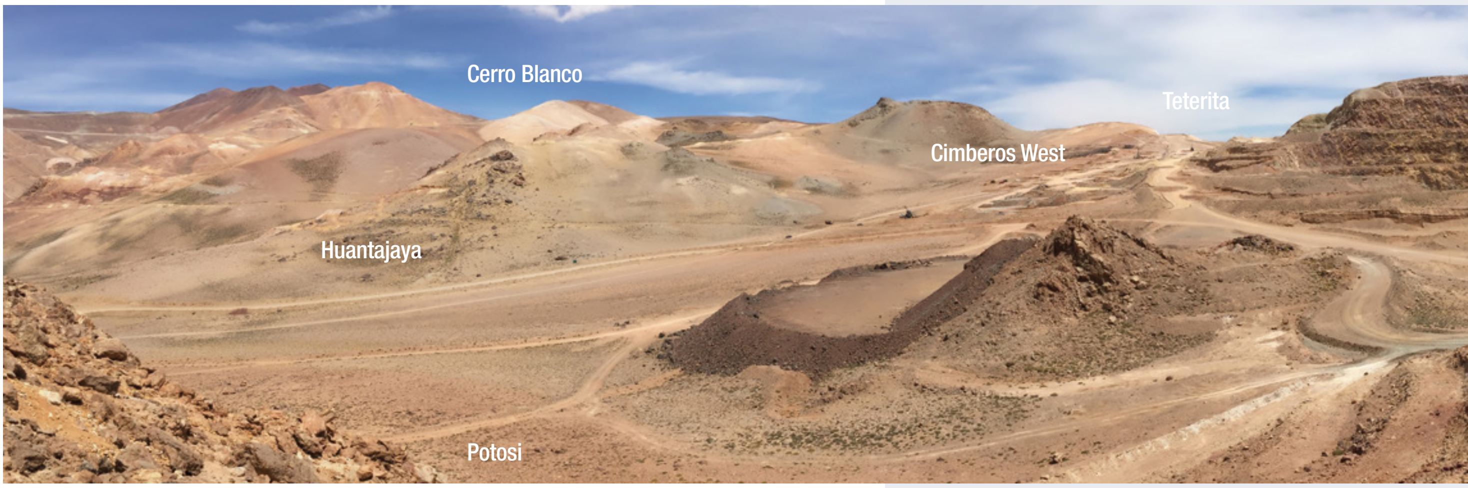
Summary

Nueva Esperanza is a feasibility-stage development project in Chile with a resource base of approximately 1.9 million ounces gold equivalent (see tables and notes on pages 12–13). During the year Kingsgate appointed a Corporate Adviser to advise and assist in the sale of the Project.

The reason for the sale is to:

- repay the Company's loan from Investec Australia Limited ("Investec") which is due for repayment in early 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.




Chimberos Pit


Pacific
Ocean
Salares Norte 3.7Moz
El Salvador
Salar de Pedernales
Chanaral
Diego de Almagro
Elvira
Agua de la Falda 1.2Moz
Jeronimo 2.8Moz
Nueva Esperanza
La Coipa 6.2Moz
Salar de Maricunga
Cerro Maricunga 3.5Moz
Marte 2.1Moz
Lobo 4.1Moz
La Pepa 0.6Moz
Volcan 9.6Moz
Copiapo
Minera Maricunga 6.3Moz
Caspiche 20.4Moz
Cerro Casale 26.1Moz
Las Juntas
CHILE
MARICUNGA BELT
ARGENTINA
N
NUEVA ESPERANZA PROJECT
Maricunga Belt, Chile
Epithermal Gold Resource (Moz AuEq60)
Porphyry Gold Resource (Moz AuEq60)
0 10 20 30 40 50 Kilometres

continued

Nueva Esperanza – Exploration RC drill rig

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.

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 analysed 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

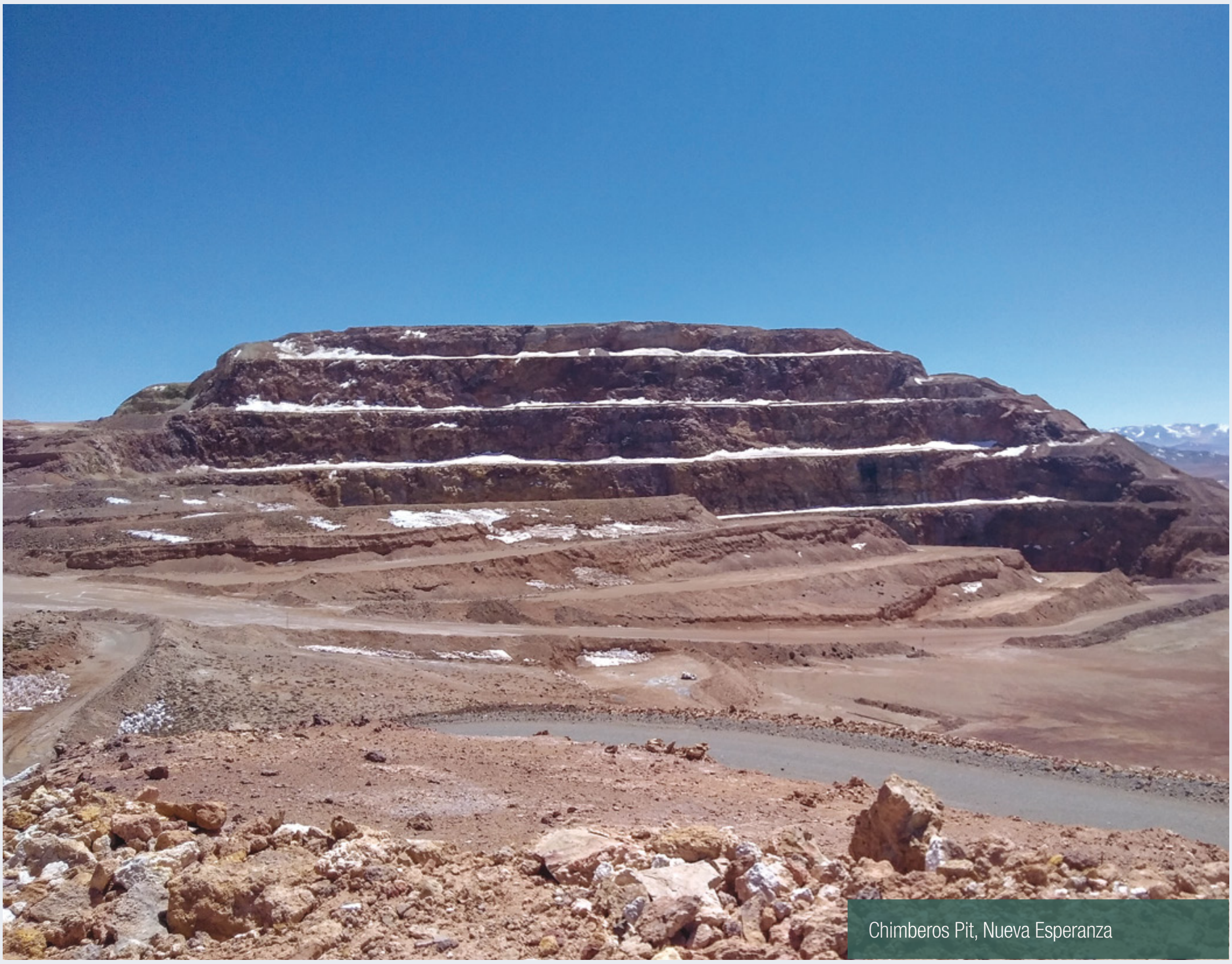
A total of 796 rock chip samples were collected during 2017 – 2018.

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**.

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.



Chimberos Pit, Nueva Esperanza

Ore Reserves and Mineral Resources

as at 30 June 2018

Chatree and Nueva Esperanza Ore Reserves

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Proved	–	–	–	–	–	–	–	–	–
	Probable	–	–	–	–	–	–	–	–	–
	Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Nueva Esperanza	Proved	–	–	–	–	–	–	–	–	–
	Probable	17.1	0.5	87	2.0	117	0.30	47.8	1.10	64.3
	Total	**17.1**	**0.5**	**87**	**2.0**	**117**	**0.30**	**47.8**	**1.10**	**64.3**
Total	Proved	–	–	–	–	–	–	–	–	–
	Probable	17.1	0.5	87	2.0	117	0.30	47.8	1.10	64.3
	Total	**17.1**	**0.5**	**87**	**2.0**	**117**	**0.30**	**47.8**	**1.00**	**64.3**

Chatree and Nueva Esperanza Mineral Resources (inclusive of Ore Reserves)

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Measured	73.2	0.69	6.20	0.74	100	1.63	14.6	1.74	237
	Indicated	49.8	0.64	5.58	0.68	93	1.02	8.9	1.09	148
	Inferred	40.6	0.59	4.50	0.62	85	0.77	5.9	0.81	111
	Total	**163.6**	**0.65**	**5.59**	**0.69**	**94**	**3.42**	**29.4**	**3.64**	**496**
Nueva Esperanza	Measured	1.6	0.01	93	1.56	94	0.0005	4.8	0.08	4.8
	Indicated	27.2	0.46	73	1.67	100	0.40	63.8	1.46	87.9
	Inferred	10.6	0.3	43	1.0	60	0.09	14.8	0.33	20.0
	Total	**39.4**	**0.39**	**66**	**1.48**	**89**	**0.49**	**83.4**	**1.88**	**112.7**
Total	Measured	74.8	0.68	8.06	0.76	100	1.63	19.4	1.82	241
	Indicated	77.0	0.58	29.4	1.03	95	1.42	72.7	2.55	236
	Inferred	51.2	0.53	12.5	0.70	80	0.86	20.7	1.14	131
	Total	**203.0**	**0.60**	**17.3**	**0.85**	**93**	**3.91**	**112.8**	**5.51**	**608**

Notes to the Ore Reserves and Mineral Resources Tables on page 12:

(1) Rounding of figures causes some numbers to not add correctly.

*(2) Nueva Esperanza Equivalent factors:
Silver Equivalent: AgEq (g/t) = Ag (g/t) + Au (g/t) x 60.
Gold Equivalent: 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.*

*(3) Chatree Equivalent factors:
Gold Equivalent: AuEq/t = Au (g/t) + Ag (g/t) /136.
Silver Equivalent: AgEq g/t = Au (g/t) x 136 + Ag g/t.
Calculated from prices of US$1200/oz Au and US$19.00/oz Ag and metallurgical recoveries of 83.3% Au and 38.7% Ag based on metallurgical testwork and plant performance.*

*(4) Cut-off grades for Resources are:
Chatree 0.30 g/t Au, Nueva Esperanza 0.5g/t AuEq.*

(5) Nueva Esperanza Reserves are based on a floating cut-off grade method. In this method each Resource block is subjected to a series of estimates to generate revenue and cost fields that are used to determine a breakeven cut-off grade.

(6) Cut-off grade for Chatree Ore Reserves is 0.35 g/t Au.

(7) It is in the Company's opinion that all the elements included in the metal equivalent calculations have a reasonable potential to be recovered.

(8) Please refer to ASX:KCN release published 14 April 2016 titled, "Nueva Esperanza Pre-Feasibility Study Confirms Kingsgate Growth Strategy" for details on Mineral Resources, Ore Reserves and JORC 2012 Table 1.

Chatree Ore Reserves (with a Metallurgical Licence granted)

The table below shows what the Chatree Reserve would be if the Metallurgical Licence was granted in the future.

			Grade				Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Chatree	Proved	26.1	0.77	6.70	0.82	102	0.65	6.2	0.70	95
	Probable	9.3	0.80	7.04	0.85	116	0.24	2.1	0.25	34.6
	Total	**35.4**	**0.78**	**6.79**	**0.83**	**106**	**0.89**	**8.3**	**0.95**	**130**

Notes to the Chatree Ore Reserves Table above:

(1) For the material in the table above to become a JORC 2012 Ore Reserve, the Thai Department of Primary Industries and Mines need to grant the Chatree Gold Mine a Metallurgical Licence.

(2) The information in the table above is not currently an Ore Reserve under JORC reporting requirements.

Competent Persons Statement

The information relating to Nueva Esperanza Ore Reserves is extracted from an ASX announcement by Kingsgate titled "Nueva Esperanza Pre-Feasibility Study" published 14 April 2016. The information relating to Nueva Esperanza Mineral Resources is extracted from an ASX announcement by Kingsgate titled "Nueva Esperanza Mineral Resource Update" published 14 April 2016.

Previous announcements referred to in this report are available to view on Kingsgate's public website (www.kingsgate.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement, and in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially altered from the original announcements.

The information in this report that relates to the Chatree Mineral Resource is based on information compiled by Ron James, who is a consultant geologist to the Kingsgate Group. Ron James is 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 and type of deposit under consideration, 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.

The information in this report that relates to the Chatree Ore Reserve estimates is based on information compiled by Saowalak Tantakoon, a mining engineer who is a full time employee of Akara Resources, and who is under the supervision of Ron James, who is a member of the Australasian Institute of Mining and Metallurgy. Mr James is a consultant to the Kingsgate Group, and has sufficient relevant experience in the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves." Ms Tantakoon and Mr James have consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

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 year ended 30 June 2018.

Directors

The following persons were directors of Kingsgate Consolidated Limited during the financial year and up to the date of this report:

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

Principal activities

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

In addition the Company initiated:

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;
2. arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement; and
3. the sale of Nueva Esperanza.

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).

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 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 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 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, 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

Nueva Esperanza is a feasibility-stage development project in Chile with a resource base of approximately 1.9 million ounces gold equivalent[1]. 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 $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 Nueva Esperanza are being sought from interested parties with a number of non-binding indicative offers now received.

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 analysed 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 Nueva Esperanza, 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.

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 2017" dated 5 October 2017).

continued

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. In that regard, the following measures have been implemented over 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 that took effect in Sydney at the end of August 2018.

Financing

On 29 August 2017 the Group executed a $15 million Standby Loan Facility ("SLF") to assist with working capital requirements and for general corporate purposes. The SLF was drawn down in full on 2 May 2018 and is to be repaid six months after drawdown. As indicated above, the Group is currently renegotiating the terms of the SLF including extending its term to suit available resources and the timing of the sale of Nueva Esperanza.

Financial results

	2018	2017	2016	2015	2014
Net (loss)/profit after tax ($'000)	**(76,722)**	7,088	(229,451)	(147,643)	(97,613)
EBITDA ($'000)	**(71,706)**	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)	**(34.26)**	3.17	(102.6)	(66.0)	(56.7)
Diluted (loss)/earnings per share (Cents)	**(34.26)**	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 $34.1 million down from a profit of $8.1 million in the previous year.

EBITDA before significant items was ($29.1) million (2017: $63.0 million).

Significant items are detailed below.

	2018 $'000	2017 $'000
(Loss)/profit after income tax	**(76,722)**	7,088
Income tax expense	**–**	1,016
(Loss)/profit before income tax	**(76,722)**	8,104
Significant item		
Impairment losses – Nueva Esperanza	**42,652**	–
(Loss)/profit before tax and significant item	**(34,070)**	8,104
Net finance costs	**3,189**	3,631
Depreciation and amortisation	**1,827**	51,307
EBITDA before significant items	**(29,054)**	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 on page 16 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.

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 Nueva Esperanza.

The sale of Nueva Esperanza will require shareholders' approval. It is anticipated that the Group will be able to submit its proposal to the shareholders early in the 2019 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 Standby Loan Facility ("SLF") including extending its term.

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 Nueva Esperanza will allow the Group to continue as a going concern. Funds from the sale should 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.

As required by accounting standards the audited financial statements include an impairment charge against Nueva Esperanza of $42,652,000 (refer to Note 31).

The carrying value of Nueva Esperanza, after the impairment, is at the lower end of the range of indicative offers received from potential purchasers. The Group will continue to work with the bidders for the Project and its advisers with a view to achieving sale proceeds in excess of the current book value.

The attached financial report for the year ended 30 June 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. For further information, refer to Note 1(a)(i) to the financial report, together with the auditor's report.

MATERIAL BUSINESS RISKS

The material business risks that may have an impact on the operating and financial prospects of the Group are:

Mineral resources and ore reserves

Ore reserves and mineral resources are estimates. These estimates are substantially based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted and as a consequence there is a risk that any part, or all of the mineral resources, will not be converted into reserves.

Market price fluctuations of gold and silver as well as increased production and capital costs, may render ore reserves unprofitable to develop at a particular site for periods of time.

Mining risks and insurance risks

These risks and hazards could result in significant costs or delays that could have a material adverse impact on the Group's financial performance and position.

The Group maintains insurance to cover some of these risks and hazards at levels that are believed to be appropriate for the circumstances surrounding each identified risk. However, there remains the possibility that the level of insurance may not provide sufficient coverage for losses related to specific loss events.

Reliance on contractors

Some aspects of Kingsgate's activities are conducted by contractors. As a result, the Group's business performance is impacted upon by the availability and performance of contractors and the associated risks.

Maintaining title

The Group's activities are subject to obtaining and maintaining the necessary titles, authorisations, permits and licences, and associated land access arrangements with the local community, which authorise those activities under the relevant law ("Authorisations"). There can be no guarantee that the Group will be able to successfully obtain and maintain relevant Authorisations to support its activities, or that renewal of existing Authorisations will be granted in a timely manner or on terms acceptable to the Group.

Authorisations held by or granted to the Group may also be subject to challenge by third parties which, if successful, could impact on Kingsgate's exploration, development and/or mining activities.

continued

Political, economic, social and security risks

Kingsgate's activities are subject to the political, economic, social and other risks and uncertainties in the jurisdictions in which those activities are undertaken.

As evidenced by the decision by the Thai Government that the Chatree Gold Mine must cease operation by 31 December 2016, there can be no certainty as to what changes, if any, will be made to relevant laws in the jurisdictions where the Company has current interests, or other jurisdictions where the Company may have interest in the future, or the impact that relevant changes may have on Kingsgate's ability to own and operate its mining and related interests and to otherwise conduct its business in those jurisdictions.

Environmental, health and safety regulations

The Group's activities are subject to extensive laws and regulations. Delays in obtaining, or failure to obtain government permits and approvals may adversely affect the Group.

Community relations

The Group has established community relations functions that have developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities.

A failure to appropriately manage local community stakeholder expectations may lead to disruptions in the Group's activities.

Risk management

The Group manage the risks listed above, and other day-to-day risks through an established management framework. The Group has policies in place to manage risk in the areas of health and safety, environment and equal employment opportunity.

Management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

Significant change in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

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.

Likely developments and expected results

Kingsgate continues to prosecute its claim under the Australia-Thailand Free Trade Agreement ("TAFTA") as it remains committed to negotiations with the Thai Government for both restitution of the Chatree Gold Mine and associated compensation.

On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under 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.

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 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 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.

Kingsgate remains focused on ongoing cost saving initiatives. Further cost reductions will be implemented in FY19.

Environmental laws

The Group is subject to various environmental laws in respect to its activities in Thailand and Chile. For the year ended 30 June 2018, the Group has operated within all applicable environmental laws and regulations.

Directors' meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

Directors	Board Meetings		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Ross Smyth-Kirk	11	11	2	2	1	1	–	–
Peter Alexander	11	11	–	–	–	–	–	–
Peter Warren	11	11	2	2	1	1	–	–
Sharon Skeggs	11	11	2	2	1	1	–	–

A Number of meetings attended.
B Number of meetings held during the time the Director held office or was a member of the committee during the year.

Information on Directors/ Company Secretary

Ross Smyth-Kirk
B Com, CPA, F Fin

Executive Chairman

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He has been a Director of a number of companies over the past 38 years in Australia and the United Kingdom. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited and retired in May 2013 as a Director of Argent Minerals Limited. Mr Smyth-Kirk is Chairman of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities

Chairman of the Board, member of the Audit Committee, Chairman of the Nomination and Remuneration Committees.

Peter Alexander
Ass. Appl. Geol

Non-Executive Director

Peter Alexander has had 45 years' experience in the Australian and offshore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr Alexander is a Non-Executive Director of the ASX listed companies Doray Minerals Limited. He was previously Chairman of Doray Minerals Limited and Caravel Minerals Limited and a Director of Fortunis Resources Limited.

Responsibilities

Member of the Remuneration Committee.

Sharon Skeggs

Non-Executive Director

Sharon Skeggs has had a distinguished career in business management, in London and Australia, for over 38 years. She is an expert in business strategy and communications. For the past eight years Ms Skeggs has consulted to a number of major companies including Telstra, Westpac, News Limited and Visa (Australia & Asia) on a variety of corporate matters including business and marketing strategies, change management, communication programs and cost reduction initiatives. She was previously a Director of Saatchi & Saatchi (Australia) for 15 years, where she was responsible for highly successful communication campaigns, shifting stakeholder perceptions via PR and social media, for major Australian companies.

Responsibilities

Member of the Audit, Remuneration and Nomination Committees.

Peter Warren
B Com, CPA

Non-Executive Director

Peter Warren was Chief Financial Officer and Company Secretary of Kingsgate Consolidated Limited for six years up until his retirement in 2011. He is a CPA of over 40 years standing, with an extensive involvement in the resources industry. He was Company Secretary and Chief Financial Officer for Equatorial Mining Limited and of the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources and Hamersley Iron. Mr Warren is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities

Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Ross Coyle
BA, FCPA, FGIA

Company Secretary

Ross Coyle is a CPA with over 30 years' experience in the resources sector. He joined Kingsgate in March 2011 and was reappointed Company Secretary on 7 December 2015, having previously served in this office from September 2011 to November 2014.

continued

Remuneration Report

Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel ("KMP"). KMP are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and Executive Management.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and Executives are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

Remuneration Policy

The Remuneration Policy remains unchanged from last financial year. The Remuneration Policy has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and aligned with to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Remuneration Governance

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and Executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration level of Executive Directors and other KMP;
- the executive remuneration framework and operation of the incentive plan;
- key performance indicators and performance hurdles for the executive team; and
- the engagement of specialist external consultants to design or validate methodology used by the Company to remunerate Directors and employees.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

The Remuneration Committee engaged the services of Godfrey Remuneration Group Pty Ltd in the 2013/2014 financial year to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design methodology and standards. These recommendations covered the remuneration of the Group's Non-Executive Directors and KMP.

Godfrey Remuneration Group Pty Ltd confirmed that the recommendations from that review were made free from undue influence by members of the Group's KMP.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- any remuneration recommendations by Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations contained in the report were made free from undue influence from any members of the Group's KMP.

Executive Director and Key Management Personnel Remuneration

The executive pay and reward framework is comprised of three components:

- fixed remuneration including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Executive Rights Plan and Options.

Fixed remuneration

Total fixed remuneration ("TFR") is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits at the Executive's discretion.

Executives are offered a competitive base pay. Base pay for executives is reviewed annually to ensure their pay is competitive with the market. An executive's pay is also reviewed on promotion.

The Board annually reviews and determines the fixed remuneration for the CEO. The CEO does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO's approval. There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements.

The following summarises the performance of the Group over the last five years:

	2018	2017	2016	2015	2014
Revenue ('000s)	–	176,119	253,328	313,162	328,326
Net (loss)/profit after income tax ('000s)	**(76,722)**	7,088	(229,451)	(147,643)	(97,613)
EBITDA ('000s)	**(71,706)**	63,042	39,864	69,458	64,207
Share price at year end ($/share)	**0.28**	0.20	0.41	0.70	0.86
Dividends paid (cent/share)	**Nil**	Nil	Nil	Nil	Nil
KMP short term employee benefits ('000s)	***1,604**	2,099	2,358	3,425	4,471

** see page 25 for table outlining the short term employee benefits.*

Short-Term Incentives

Linking current financial year earnings of executives to their performance and the performance of the Group is the key objective of our Short-Term Incentive ("STI") Plan. The Remuneration Committee set key performance measures and indicators for the individual executives on an annual basis that reinforce the Group's business plan and targets for the year. **No short-term incentives were awarded during the financial year.**

The Board has discretion to issue cash bonuses to employees for individual performance outside the STI Plan.

The structure of the STI Plan remains unchanged since 30 June 2016 and its key features are outlined in the table below:

What is the STI Plan and who participates?	The STI Plan is a potential annual reward for eligible Executive Key Management Personnel for achievement of predetermined individual Key Performance Indicators ("KPIs") aligned to the achievement of business objectives for the assessment period (financial year commencing 1 July).
How much can the executives earn under the STI Plan?	**Threshold** – represents the minimum acceptable level of performance that needs to be achieved before any Individual Award would be payable in relation to that Performance Measure. Managing Director/CEO – up to 15% of TFR. COO & CFO – up to 12.5% of TFR. Other KMP – up to 10% of TFR. **Target** – represents a challenging but achievable level of performance relative to past and otherwise expected achievements. It will normally be the budget level for financial and other quantitative performance objectives. Managing Director/CEO – up to 30% of TFR. COO & CFO – up to 25% of TFR. Other KMP – up to 20% of TFR. **Stretch (Maximum)** – represents a clearly outstanding level of performance which is evident to all as a very high level of achievement. Managing Director/CEO – up to 60% of TFR. COO & CFO – up to 50% of TFR. Other KMP – up to 40% of TFR. *(TFR – Total Fixed Remuneration)*
Is there Board discretion in the payment of an STI benefit?	Yes, the plan provides for Board discretion in the approval of STI outcomes.
What are the performance conditions?	For KMP between 70% - 80% of potential STI weighting (dependent upon role) is assessed against specific predetermined KPIs by role with 20% - 30% being based on company performance indicators.
How are performance targets set and assessed?	Individual performance targets are set by the identification of key achievements required by role in order to meet business objectives determined for the upcoming assessment period in advance. The criteria for KMP are recommended by the Managing Director/CEO for sign off by the Remuneration Committee and in the case of the Managing Director/CEO, are recommended by the Chairman by sign off by the Remuneration Committee. The relative achievement at the end of the financial period is determined by the above authorities with final sign off by the Remuneration Committee after confirmation of financial results and individual/company performance against established criteria. The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The Committee has the discretion to adjust STIs in light of unexpected or unintended circumstances.
How is the STI delivered?	STIs are paid in cash after the conclusion of the assessment period and confirmation of financial results/individual performance and subject to tax in accordance with prevailing Australian taxation laws. The STIs are then in effect paid and expensed in the financial year subsequent to the measurement year.
What happens in the event of cessation of employment?	Executives are required to be employed for the full 12 months of the assessment period before they are eligible to be considered to receive benefits from the STI Plan.

continued

Long-Term Incentives

The objectives of the LTI Plan are to retain key executives and to align an at-risk component of certain executives' remuneration with shareholder returns. The previously operating Kingsgate Long-Term Incentive ("LTI") plan, also referred to as the Executive Rights Plan, has been terminated. All outstanding Performance Rights and Deferred Rights vested on 1 July 2016 and the Performance Rights subsequently lapsed. The Executive Rights Plan was replaced by the Kingsgate Employee Share Option Plan ("ESOP"). The rules and terms and conditions of the ESOP have been independently reviewed.

Under the terms of the ESOP long-term incentives can be provided to certain employees through the issue of options to acquire Kingsgate shares. Options are issued to employees to provide incentives for employees to deliver long-term shareholder returns.

No executive was the recipient of options during the 2018 financial year.

Key features of the ESOP LTI Plan are outlined in the following table:

What is the LTI Plan and who participates?	Kingsgate executives and other eligible employees can be granted options to acquire Kingsgate Consolidated Limited fully paid shares. In granting the options the Board takes into account such matters as the position of the eligible person, the role they play in the Company, their current level of fixed remuneration, the nature of the terms of employment and the contribution they make to the Group.
What are the performance and vesting conditions?	The period over which the options vest is at the discretion of the Board though in general it is 1-3 years. The executive and eligible employee must still be employed by the Company at vesting date.
Is there a cost to participate?	The options may at the discretion of the Board be issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee and approved by the Board.
What happens in the event of bonus shares, rights issues or other capital reconstructions?	If between the grant date and the date of conversion of options into shares there are bonus shares, rights issues or other capital reconstructions that affect the value of Kingsgate Consolidated shares, the Board may, subject to the ASX Listing Rules make adjustments to the number of rights and/or the vesting entitlements to ensure that holders of rights are neither advantaged or disadvantaged by those changes.

Options

Options are issued to executives to provide long-term incentives for executives to deliver long-term shareholder returns. Details of options issued as remuneration to the Key Management Personnel (Alistair Waddell, Vice-President Corporate Development & Exploration) are set out below. These options were forfeited during the year as a result of the recipient resignation.

Grant date	Exercise period	Exercise price ($)	Number of options granted	Value of option at grant date ($)	Number of options vested during the year	Number of options forfeited during the year
29 Apr 2016	1 July 2017 – 30 June 2019	0.40	500,000	0.23	500,000	500,000
29 Apr 2016	1 July 2018 – 30 June 2020	0.50	500,000	0.24	–	500,000
29 Apr 2016	1 July 2019 – 30 June 2021	0.60	500,000	0.22	–	500,000

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. Further information on the options is set out in Note 21 to the financial statements.

Directors and Key Management Personnel

Except where noted, the named persons held their current positions for the whole of the year and up to the date of this report.

Chairman

Ross Smyth-Kirk	Executive Chairman

Non-Executive Directors

Peter Alexander	Non-Executive Director
Peter Warren	Non-Executive Director
Sharon Skeggs	Non-Executive Director

Senior Executives

Ross Coyle	Chief Financial Officer and Company Secretary
Jamie Gibson	General Manager Corporate and External Relations
Alistair Waddell	Vice President Corporate Development & Exploration Chile – *ceased employment 4 March 2018*
Leonardo Hermosilla	Vice President Project Development Chile

Changes since the end of the reporting period

Other than Ross Coyle and Jamie Gibson being made redundant effective 31 August 2018, there were no changes to Directors and Key Management Personnel since the end of the reporting period.

Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Senior Executives are summarised in the following table.

Name	Term of agreement	Fixed annual remuneration including superannuation		Notice period by Executive	Notice period by the Company[6]
		FY 2018[1]	FY 2017[1]		
Ross Smyth-Kirk	Open	$157,680[2]	$157,680[2]	N/A[7]	N/A[7]
Ross Coyle	Open	$405,000[3]	$405,000[3]	3 months	6 months
Jamie Gibson	Open	$190,000	$190,000	3 months	6 months
Alistair Waddell	Open	C$370,000[4]	C$370,000[4]	3 months	6 months
Leonardo Hermosilla	Open	CLP170,435,022[5]	CLP168,497,304[5]	1 month	1 month

1 *Amount shown are annual salaries as at year end or date ceased employment with the Group.*
2 *Amount shown includes a voluntary 10% reduction in fixed remuneration effective from 1 October 2013.*
3 *A voluntary 10% reduction in fixed remuneration effective from 1 October 2015.*
4 *Canadian dollars. Ceased employment 4 March 2018.*
5 *Chilean pesos.*
6 *Notice period by the Company in respect of benefits payable in the event of an early termination only.*
7 *Temporary role as Executive Chairman. Role reverts to Non-Executive Chairman at the discretion of the Board.*

Fixed annual remuneration, inclusive of the required superannuation contribution amount is reviewed annually by the Board following the end of the financial year.

continued

In the event of the completion of a takeover (relevant interest exceeds 50%) certain executives will receive a lump sum gross payment equal to between six to twelve months of the Total Remuneration Package. If within six months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Non-Executive Directors Fees

Non-Executive Directors are paid fixed fees for their services to the Company plus statutory superannuation contributions the Company is required by law to make on their behalf. Those fees are inclusive of any salary-sacrificed contribution to superannuation that a Non-Executive Director wishes to make.

The level of Non-Executive Directors fees is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Board may also seek the advice of independent remuneration consultants, including survey data, to ensure Non-Executive Directors' fees and payments are consistent with the current market.

Non-Executive Directors' base fees inclusive of committee membership but not including statutory superannuation are outlined as follows. Note that from the period 1 October 2013, all Non-Executive Directors fees were voluntarily reduced by 10% and this reduction is still in place as at the date of this report.

	Financial year ended 30 June 2018 [1] $	Financial year ended 30 June 2017 [1] $
Chairman	–	[2]120,329
Directors	**270,000**	270,000
	270,000	390,329

1 On an annualised basis for all Directors.

2 Amount shown is for the period up to 2 May 2017, being the date the Chairman's role changed from Non-Executive to Executive.

The aggregate remuneration of Non-Executive Directors is set by shareholders in general meeting in accordance with the Constitution of the Company, with individual Non-Executive Directors remuneration determined by the Board within the aggregate total. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is $1,000,000.

Non-Executive Directors do not receive any additional fees for serving on committees of the Company.

There are no retirement allowances for Non-Executive Directors.

Additional Statutory Disclosures

Details of remuneration

Details of the nature and amount of each major element of the remuneration of the Directors and the Group Key Management Personnel are set out in the following tables:

Year ended 30 June 2018	Short-term benefits				Long-term benefits	Post-employment	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Other benefits[2] $	Non-monetary benefits[1] $	Other benefits[2] $	Super-annuation $	Options $	Total $
Non-Executive Directors								
Peter Alexander	90,000	–	–	–	–	8,550	–	98,550
Peter Warren	90,000	–	–	–	–	8,550	–	98,550
Sharon Skeggs	90,000	–	–	–	–	8,550	–	98,550
Sub-total Non-Executive Directors Compensation	270,000	–	–	–	–	25,650	–	295,650
Executive Chairman								
Ross Smyth-Kirk	144,000	–	–	3,657	–	13,680	–	161,337
Other KMPs								
Ross Coyle	380,000	–	13,941	–	10,824	25,000	–	429,765
Jamie Gibson	173,516	–	1,502	–	1,800	16,484	–	193,302
Alistair Waddell[3]	260,978	–	(8,958)	–	601	–	(104,013)	148,608
Leonardo Hermosilla	353,108	–	12,511	–	–	–	–	365,619
Sub-total other KMP Compensation	1,311,602	–	18,996	3,657	13,225	55,164	(104,013)	1,298,631
TOTAL	1,581,602	–	18,996	3,657	13,225	80,814	(104,013)	1,594,281

1 *Non-monetary benefits relate primarily to car parking.*

2 *Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.*

3 *Ceased employment 4 March 2018.*

continued

Year ended 30 June 2017	Short-term benefits				Long-term benefits	Post-employment	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Other benefits[2] $	Non-monetary benefits[1] $	Other benefits[2] $	Superannuation $	Options $	Total $
Non-Executive Chairman								
Ross Smyth-Kirk[3]	120,329	–	–	1,308	–	11,431	–	133,068
Non-Executive Directors								
Peter Alexander	90,000	–	–	–	–	8,550	–	98,550
Peter McAleer[4]	–	–	–	–	–	–	–	–
Peter Warren	90,000	–	–	–	–	8,550	–	98,550
Sharon Skeggs	90,000	–	–	–	–	8,550	–	98,550
Sub-total Non-Executive Directors Compensation	390,329	–	–	1,308	–	37,081	–	428,718
Executive Chairman								
Ross Smyth-Kirk[3]	23,671	–	–	257	–	2,249	–	26,177
Other KMPs								
Ross Coyle	370,000	–	7,018	–	8,733	35,000	–	420,751
Jamie Gibson	173,516	–	40	–	1,209	16,484	–	191,249
Alistair Waddell	376,390	–	26,518	–	964	–	189,813	593,685
Leonardo Hermosilla[5]	187,105	–	3,025	–	–	–	–	190,130
Greg Foulis[6]	470,833	–	13,161	–	(1,553)	29,167	–	511,608
Tim Benfield[7]	51,966	–	4,249	–	–	3,218	–	59,433
Sub-total other KMP Compensation	1,653,481	–	54,011	257	9,353	86,118	189,813	1,993,033
TOTAL	2,043,810	–	54,011	1,565	9,353	123,199	189,813	2,421,751

1 *Non-monetary benefits relate primarily to car parking.*

2 *Represents annual leave (short term), and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.*

3 *Total remuneration for the year for Ross Smyth-Kirk for Non-Executive and Executive roles was $159,245, including cash salary and fees of $144,000, non-monetary benefits of $1,565 and superannuation of $13,680.*

4 *Granted leave of absence from February 2016 due to ill health and resigned 24 November 2016.*

5 *Commenced 12 December 2016.*

6 *Resigned 30 April 2017 and relinquished his responsibilities as KMP on that date.*

7 *Ceased employment 9 August 2016.*

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2018	STI/cash bonus 2018	At risk – LTI 2018
Executive Director			
Ross Smyth-Kirk	100%	–	–
Other Key Management Personnel			
Ross Coyle	100%	–	–
Jamie Gibson	100%	–	–
Alistair Waddell	170%	–	(70%)[1]
Leonardo Hermosilla	100%	–	–

1 *Ceased employment 4 March 2018. The percentages disclosed reflect the value of options credited to the income statement during the year as a result of the options issued to the employee being forfeited.*

Movement in LTI for the year ended 30 June 2018

Options

The number of options held during the financial year by each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2018	Balance at start of year	Granted during the year	Vested during the year	Forfeited during the year	Balance at year end	Vested and exercisable at end of year
Other Key Management Personnel						
Alistair Waddell	1,500,000[2]	–	500,000	1,500,000	–	–

2 *Balance at the start of the year, unvested.*

Share holdings

2018	Balance at start of year	Other changes during the year	Balance at year end
Executive Chairman			
Ross Smyth-Kirk	5,076,725	–	**5,076,725**
Non-Executive Directors			
Peter Alexander	46,487	–	**46,487**
Sharon Skeggs	19,347	–	**19,347**
Peter Warren	145,000	–	**145,000**
Other Key Management Personnel			
Ross Coyle	84,953	–	**84,953**

continued

Loans to Directors

There were no loans made to Directors or other Key Management Personnel at any time during the year.

Insurance of officers

During the financial year, the Group paid premiums to insure Directors and Officers of the Group. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

Directors' interest in contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 27: Auditors' Remuneration. The Directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in Note 27: Auditors' Remuneration to the financial statements do not compromise the external auditor's independence, based on the Auditors' representations and advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307c of the *Corporations Act 2001* is set out on page 29.

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.

Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Ross Smyth-Kirk
Director

Sydney
28 September 2018

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
28 September 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Sales revenue	5a	–	176,119
Costs of sales	5b	–	(148,850)
Gross profit		–	27,269
Exploration expenses		(10,091)	(9,035)
Care and maintenance expenses		(4,402)	(894)
Corporate and administration expenses	5c	(16,117)	(18,837)
Other income and expenses	5d	(96)	16,311
Foreign exchange loss		(175)	(3,079)
Impairment losses – Nueva Esperanza	31	(42,652)	–
(Loss)/profit before finance costs and income tax		(73,533)	11,735
Finance income		147	385
Finance costs	5e	(3,336)	(4,016)
Net finance costs		(3,189)	(3,631)
(Loss)/profit before income tax		(76,722)	8,104
Income tax expense	6	–	(1,016)
(Loss)/profit after income tax		(76,722)	7,088
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations (net of tax)	16a	1,662	1,245
Total other comprehensive income for the year		1,662	1,245
Total comprehensive (loss)/income for the year		(75,060)	8,333
(Loss)/profit attributable to:			
Owners of Kingsgate Consolidated Limited			
Continuing operations		(76,722)	7,088
Discontinued operations		–	–
Total comprehensive (loss)/income attributable to:			
Owners of Kingsgate Consolidated Limited			
Continuing operations		(75,060)	8,333
Discontinued operations		–	–

Earnings per share		Cents	Cents
Basic and diluted (loss)/earnings per share	28	(34.26)	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	7	**11,239**	22,007
Receivables	8	**678**	1,959
Other assets	9	**1,966**	4,585
Total current assets		**13,883**	28,551
Non-current assets			
Receivables	8	**5,468**	4,748
Property, plant and equipment	10	**1,111**	2,597
Exploration, evaluation and development	11	**43,297**	83,767
Other assets	9	**15,124**	14,638
Total non-current assets		**65,000**	105,750
TOTAL ASSETS		**78,883**	134,301
Liabilities			
Current liabilities			
Payables	12	**6,663**	3,742
Borrowings	13	**15,297**	657
Provisions	14	**358**	947
Total current liabilities		**22,318**	5,346
Non-current liabilities			
Payables	12	**4,052**	3,946
Borrowings	13	**11,230**	10,914
Provisions	14	**14,841**	13,235
Total non-current liabilities		**30,123**	28,095
TOTAL LIABILITIES		**52,441**	33,441
NET ASSETS		**26,442**	100,860
Equity			
Contributed equity	15	**677,761**	677,015
Reserves	16a	**53,942**	52,384
Accumulated losses	16b	**(705,261)**	(628,539)
TOTAL EQUITY		**26,442**	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	15	(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
Balance at 1 July 2017		**677,015**	**52,384**	**(628,539)**	**100,860**
Loss after income tax		**–**	**–**	**(76,722)**	**(76,722)**
Total other comprehensive income for the year		**–**	**1,662**	**–**	**1,662**
Total comprehensive income for the year		**–**	**1,662**	**(76,722)**	**(75,060)**
Transaction with owners in their capacity as owners:					
Movement in contributed equity	15	**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**	**(705,261)**	**26,442**

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 (outflow)/inflow from operating activities	22	**(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 Pty Ltd		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 inflow 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 inflow/(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 Financial Statements

for the year ended 30 June 2018

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the "Company") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of Directors on 28 September 2018.

As disclosed in the Preliminary Final Report (Appendix 4E) for 2018 lodged on 30 August 2018, the results were in the process of being audited and asset impairment assessment of Nueva Esperanza Gold/Silver Project ("Nueva Esperanza") was not finalised. The asset impairment assessment of Nueva Esperanza has now been completed. The fair value and recoverable amount of Nueva Esperanza was assessed to be $57,860,000 as at 30 June 2018 which was below its carrying value of $100,512,000. This has resulted in an impairment of $42,652,000 (see Note 31).

Kingsgate is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "group entities"). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

1. Basis of preparation

a. Critical accounting estimates and judgements

(i) Going concern and material uncertainty

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 $8,435,000. 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 Nueva Esperanza.

The sale of Nueva Esperanza will require shareholders' approval. It is anticipated that the Group will be able to submit its proposal to the shareholders early in the 2019 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 including extending its term.

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 Nueva Esperanza will allow the Group to continue as a going concern. Funds from the sale should 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.

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 impairment consideration

The carrying value of the cash generating unit before impairment for Nueva Esperanza 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 Nueva Esperanza be tested for impairment (see Note 31 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 non-binding indicative offers received acknowledging that:
  - offers received to date to purchase the Project are non-binding and indicative only;
  - further due diligence is required by potential purchasers;
  - a site visit to the Project will be required as part of the due diligence. Due to unfavourable weather conditions, site visits will not be possible until October 2018;
  - shareholder approval for the Project sale is required with such approval to be considered at a general meeting likely to be held early in the 2019 calendar year.

Based on the discounted cash flow methodology, the fair value of Nueva Esperanza was assessed to be $57,860,000 as at 30 June 2018 which was below its carrying value of $100,512,000. This has resulted in an impairment of $42,652,000. The main factor contributing to the impairment charge was a lower silver price (US$18/ounce) used in this year's impairment assessment than 2017 (US$20/ounce).

As a comparison to the sale process information received to date, the carrying value after impairment based on the discounted cash flow is at the lower level of the range of non-binding indicative offers received for the proposed sale of the Project.

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

The general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

continued

b. Compliance with IFRS

The financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

c. Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit or loss.

d. Functional and presentation currency

The financial statements of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated statements are presented in Australian dollars, which is the Company's functional currency and presentation currency.

e. 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.

f. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

a. Principles of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred does not include amounts related to the settlement of a pre-existing relationship. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The non-controlling interest in the acquiree is based on the fair value of the acquiree's net identifiable assets. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary. The acquisition of an asset or group of assets that is not a business is accounted for by allocating the cost of the transaction to the net identifiable assets and liabilities acquired based on their fair values.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

b. Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of the Group entities at exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss; except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or, are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets are included in the fair value reserve in equity.

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intra-group balances are in substance part of the Group's net investment. Where as a result of a change in circumstances, a previously designated intra-group balance is intended to be settled in the foreseeable future, the intra-group balance is no longer regarded as part of net investment. The exchange differences for such balance previously taken directly to the foreign currency translation reserves are recognised in the profit or loss.

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the year-end exchange rate;
- the income and expenses of foreign operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

c. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue represents the net proceeds receivable from the buyer.

Gold and silver sales

Gold and silver revenue is recognised when the refinery process has been finalised at which point the sale transaction to a third party is also completed. Transportation and refinery costs are expensed when incurred.

d. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and, they relate to income taxes levied by the same tax authority on the same taxable entity.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly owned Australian resident entities formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is Kingsgate Consolidated Limited.

Current tax expense or benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the “stand alone taxpayer” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax assets or liabilities and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidation group, are recognised as amounts receivable or payable to other entities in the tax-consolidation group in conjunction with any tax funding agreement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Tax funding and sharing agreements

The members of the tax-consolidation group have entered into a funding agreement that sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to or from the head entity and any deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable or payable in the separate financial statements of the members of the tax-consolidation group equal in amount to the tax liability or asset assumed. The intra-group receivables or payables are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities or assets adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities or assets are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

The members of the tax-consolidation group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

e. Leases

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

continued

f. Divestment transaction costs

Transaction costs directly relating to the partial divestment of an interest in a subsidiary are expensed as incurred in the year prior to the disposal where control is retained.

g. Impairment of assets

Assets other than goodwill and indefinite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value in use. 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

i. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments more than 60 days overdue are considered indicators that the trade and other receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade and other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

j. Inventories

Raw materials and stores, work in progress and finished goods (including gold bullion), are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to whether the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the reporting date, it is included within non-current assets. Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays, and truck counts.

k. Non-derivative financial assets

Classification and recognition

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Attributable transaction costs are recognised in the profit or loss when incurred. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity net of attributable tax. When an asset is derecognised the cumulative gain or loss in equity is transferred to the income statement.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

l. Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. The Group does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the profit or loss.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

m. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation

Depreciation and amortisation of mine buildings, plant, machinery and equipment is provided over the assessed life of the relevant mine or asset, whichever is the shorter.

Depreciation and amortisation is determined on a units-of-production basis over the estimated recoverable reserves from the related area. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. For mine plant, machinery and equipment, which have an expected economic life shorter than the life of the mine, a straight line basis is adopted.

The expected useful lives are as follows:

- mine buildings – the shorter of applicable mine life and 25 years;
- plant, machinery and equipment – the shorter of applicable mine life and 3–15 years depending on the nature of the asset.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during the period, depreciation and amortisation rates are adjusted prospectively from the beginning of the reporting period.

Major spares purchased specifically for a particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2g).

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

n. Deferred stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory in the period or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to the ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a "production stripping asset", if the following criteria are all met:

- future economic benefits (being improved access to the ore body) associated with the stripping activity are probable;
- the component of the ore body for which access has been improved can be accurately identified; and
- the costs associated with the stripping activity associated with that component can be reliably measured.

The amount of stripping costs deferred is based on the ratio obtained by dividing the volume of waste mined by the volume of ore mined for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected waste to ore ("life of component") ratio.

A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is typically a subset of the total ore body of the mine. It is considered that each mine may have several components, which are identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of the

continued

n. Deferred stripping costs continued

ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.

The identification of components is necessary for both the measurement of costs at the initial recognition of the production stripping asset, and the subsequent depreciation of the production stripping asset.

The life of component ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to the life of component ratio are accounted for prospectively from the date of change.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The production stripping asset is amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis. Economically recoverable reserves are used to determine the expected useful life of the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is included in "Exploration, Evaluation and Development". These costs form part of the total investment in the relevant cash generating unit to which they relate, which is reviewed for impairment in accordance with the Group's impairment accounting policy (Note 2g).

o. Deferred mining services costs

Provisions to the group of mining services by its contractor do not systematically align with the billing made by the contractor employed for these services. When there is a material difference between the provisions of the mining services and the amount paid for these services, a portion of the billing is deferred on the statement of financial position. These amounts are subsequently recognised in the profit or loss. Mining services are recognised in the profit or loss on a systematic basis based on bank cubic metres mined by the contractor.

p. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by, or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or;
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. The carrying value of exploration and evaluation assets is assessed in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's impairment policy (Note 2g).

Feasibility expenditure

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest and capitalised as incurred.

At the commencement of production; all past exploration, evaluation and feasibility expenditure in respect of an area of interest that has been capitalised is transferred to mine properties where it is amortised over the life of the area of interest to which it relates on a unit-of-production basis.

q. Mine properties

Mine properties represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established. Otherwise, such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the units-of-production method with separate calculations being made for each component. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Development and land expenditure still to be incurred in relation to the current recoverable reserves are included in the amortisation calculation. Where the life of the assets is shorter than the mine life, their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during a six month period, depreciation and amortisation rates are adjusted prospectively from the beginning of that reporting period.

r. Investment in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. The Group recognises its share of any changes and discloses this when applicable, in the statement of changes of equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is included in the income statement. This is the profit attributable to equity holders of the associate and therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

s. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

u. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalised represents the borrowing costs specific to those borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

v. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.

w. Restoration and rehabilitation provision

The estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a units-of-production basis.

The corresponding provision of an amount equivalent to the restoration asset created is reviewed at the end of each reporting period. The provision is measured at the best estimate of present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using national government bond rates at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recoded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the income statement on a prospective basis over the remaining life of the operation.

The unwinding of the effect of discounting on the rehabilitation provision is included within finance costs in the income statement.

Costs incurred that relate to an existing condition caused by past operations, but do not have a future economic benefit are expensed as incurred.

x. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits and annual leave) expected to be settled within 12 months of the reporting date are recognised in provisions for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave and severance pay

The liability for long service leave and severance pay is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Cash bonuses

Cash bonuses are expensed in the income statement at reporting date.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Directors or employees and the obligation can be estimated reliably.

continued

x. Employee benefits continued

(iv) Retirement benefit obligations

Defined Contribution plan

Contributions to defined contribution superannuation plans are recognised as an expense in the income statement as they become payable.

Defined benefit plan

The Company's Thai subsidiary, Akara Resources Public Company Limited, have a defined benefit plan which is the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Retirement benefit

Under labour laws applicable in Thailand, employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other long-term benefits – Gold

The Company's Thai subsidiary, Akara Resources Public Company Limited, has a policy to give gold to employees who have worked for the Company for 10 years, 15 years and 20 years, in the amounts of Baht 0.5, Baht 1 and Baht 1.5 respectively.

The liability recognised in the statement of financial position in respect of other long-term benefit plan is the present value of the other long-term benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The other long-term benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the other long-term benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(v) Share-based payment transactions

The Group provides benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The fair value of these equity settled transactions is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled.

The fair value at grant date is determined using a pricing model that takes into account the exercise price, the term, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate.

Upon the exercise of the equity settled reward, the related balance of the share-based payments reserve is transferred to share capital.

y. Dividends

Dividends are recognised as a liability in the period in which they are declared.

z. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa. Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction, net of tax from the proceeds.

bb. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

cc. Operating and segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 4.

dd. New accounting standards and interpretations

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below:

› ***AASB 9 Financial Instruments and AASB 2010-7 and AASB 2012-6 Amendments to AAS's arising from AASB 9***

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting treatment of financial liabilities.

The revised IFRS 9 will eventually replace AASB 139 and all previous versions of IFRS 9. The revised standard includes changes to the:

- classification and measurement of financial assets and financial liabilities;
- expected credit loss impairment model; and
- hedge accounting.

Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The application date for the Group is 1 July 2018.

› ***AASB 15 Revenue from Contracts with Customers***

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

(a) IAS 11 Construction Contracts; and

(b) IAS 18 Revenue.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group does not expect the adoption of this standard to have a significant impact as gold and silver sales are only made with reputable institutions using a market price and on relatively short trading terms.

The application date for the Group is 1 July 2018.

› ***AASB 16: Leases***

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group does not expect the adoption of this standard to have a significant impact as the Group does not expect to have any material lease contracts in place on the application date of this Standard.

The application date for the Group is 1 July 2019.

› ***AASB 2: Clarifications of classification and measurement of share based payment transactions***

This Standard amends IFRS 2: Share-based Payment to clarify how to account for certain types of share based payment transactions.

The Group does not expect the adoption of this Standard to have a significant impact as the use of share-based payments by the Group in recent years had been minimal and any impact of a change in accounting for them would be immaterial.

The application date for the Group is 1 July 2018.

› ***AASB Interpretation 23 – Uncertainty over income tax treatment***

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. The Interpretation does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group has not yet determined the extent of the impact, if any.

ee. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kingsgate.

Share-based payments

The issue by the Company of equity instruments to extinguish liabilities of a subsidiary undertaking in the Group is treated as a capital contribution to that subsidiary undertaking.

ff. Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

continued

3. Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that could materially affect the financial position and results are discussed below:

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

As noted in the Directors' Report, following a decision made by the Thai Government, the Chatree Gold Mine ceased operations on 31 December 2016 when it was placed on Care and Maintenance effective 1 January 2017.

In preparing the consolidated financial statements of the Group, with the exceptions of certain assets which are available for sale in their current conditions and current receivables which are expected to be received in the short-term, all assets of the Chatree Gold Mine have been written down to nil value (an impairment charge of $227,564,000 was recorded against the Group's carrying value of Chatree Gold Mine assets in the year ended 30 June 2016).

In respect of rehabilitation liabilities, the Group revised its previous estimates and reduced its total rehabilitation liability to approximately $15 million. This is based on management's rehabilitation plan which will be a revision from the initial plan submitted to the Thai Authorities in 2007. Management believes the revised plan will be commercially viable, cost effective and will meet all obligations in the context of the early mine closure that has been imposed on the Group with the overall objective to leave the site in a safe and stable condition that is consistent with the surrounding physical environment, be of benefit to the local community, and not require significant ongoing maintenance.

The future of the Chatree Gold Mine remains unclear and there is a significant uncertainty around the carrying values of assets and liabilities. The ultimate impact on the Group's financial position will depend on the sale of plant and equipment and non-strategic land and property and outcomes from discussions with the Thai Government, including:

- agreeing a rehabilitation plan, costing and timing in the context of the early mine closure;
- potential re-opening of the mine if permitted by the Thai Government; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government.

The Group has considered the status of its discussions with the Thai Government and the status of its legal process and has concluded that the position adopted for financial reporting purposes and described above reflects a prudent approach in respect of its assets and liabilities including potential contingent assets and liabilities. At balance sheet date, the Group has not considered that it was appropriate to record a reversal of any impairment previously recognised. Additional information regarding the Group's available legal and other avenues for compensation have not been disclosed on the basis that it could seriously prejudice the Group's position in these matters.

(ii) Impairment of non-current assets, determination of recoverable amounts for exploration, evaluation and development assets (including Nueva Esperanza)

Significant judgements and assumptions are required in making estimates of the recoverable amounts. This is particularly so in the assessment of long life assets. It should be noted that 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. If the variation in assumption had a negative impact on the recoverable amount it could indicate a requirement for an impairment of non-current assets.

The estimates made for Nueva Esperanza are also impacted by the status of the sale process and the offers that have been received by the Group which are at this stage non-binding and indicative.

For further details regarding the impairment testing refer to Note 31.

(iii) Restoration and rehabilitation provision

Significant estimates and assumptions are required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known. The rehabilitation provision relating to the Chatree Gold Mine takes into account the premature shut-down of the mine.

4. 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)	(15,307)[1]	(29,054)
Depreciation and amortisation	(1,591)	–	(236)	(1,827)
Impairment losses – Nueva Esperanza	–	(42,652)	–	(42,652)
Segment result (Operating EBIT)	(5,247)	(52,743)	(15,543)	(73,533)
Finance income				147
Finance costs				(3,336)
Net finance costs				(3,189)
Loss before tax				(76,722)
Other segment information				
Segment assets	3,293	63,675	11,915	78,883
Segment liabilities	(27,845)	(5,965)	(18,631)	(52,441)

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

continued

4. 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				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

5. 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

	2018 $'000	2017 $'000
c) Corporate and administration expenses		
Administration	7,812	12,641
Business development	–	234
Statutory and professional fees	8,069	5,860
Depreciation	236	102
Corporate and administration expenses	16,117	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 Metals 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
Included in:		
Costs of sales depreciation	–	50,925
Care and maintenance expenses	1,591	280
Corporate depreciation	236	102
g) Employee benefits expenses		
Included in:		
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
i) Significant items		
Impairment losses – Nueva Esperanza (see Note 31)	(42,652)	–
Total significant item	(42,652)	–

continued

6. Income tax

	2018 $'000	2017 $'000
a) Income tax expense		
Current tax	–	1,135
Deferred tax	–	(119)
Total income tax expense	–	1,016
Income tax expense	–	1,016
Deferred tax expense/(benefit) included in tax expense comprises:		
Increase in deferred tax assets	(2,968)	2,067
Increase in deferred tax liabilities	2,968	(2,186)
Deferred tax	–	(119)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax	(76,722)	8,104
Tax at Australian rate of 30%	(23,017)	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)
Impairment losses – Nueva Esperanza	12,796	–
Tax losses not brought to account in the prior year recognised this year	–	(3,015)
Tax losses not brought to account	8,702	–
Withholding tax on dividends received from Thailand operations	–	1,061
Income tax expense	–	1,016
c) Tax recognised in other comprehensive income		
Foreign exchange losses recognised directly in foreign currency translation reserves	–	–
Total tax recognised in other comprehensive income	–	–

d) Deferred tax liabilities offset

Deferred tax assets amounting to $11,149,000 (2017: $8,181,000) have been offset against deferred tax liabilities.

	2018 $'000	2017 $'000
e) Unrecognised deferred tax assets and tax liabilities		
Tax losses – Australian entities	303,662	295,219
Tax losses – other entities	22,886	604
Temporary difference	1,278	1,278
Subtotal	327,826	297,101
Unrecognised deferred tax assets	95,517[1]	88,674[1]

1 *Amount excludes potential deductible temporary differences in respect of Akara for $45,350,000 arising from an impairment charge recognised in previous year. It is not probable that there will be sufficient future assessable income available against which this deferred tax asset could be utilised.*

As at 30 June 2018 Akara has undistributed earnings of $3,885,000 which, if paid out as dividends, and if not paid out from one of the approved Royal Thai Board of Investment ("BOI") activity, would be subject to withholding tax in the hands of its Australian parent entity.

f) Tax consolidation group

Kingsgate Consolidated Limited and its wholly owned Australian subsidiary have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 2d.

On adoption of the tax consolidation legislation, the entities in the tax-consolidation group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly owned entities in the case of default by the head entity, Kingsgate Consolidated Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Kingsgate for any current tax payable assumed and are compensated for any current tax receivable and deferred assets relating to the unused tax losses or unused tax credits that are transferred to Kingsgate under the tax legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

g) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax assets/(liabilities)						
Employee benefits	**94**	91	**–**	–	**94**	91
Unrealised exchange (gains)/losses	**5,354**	3,998	**(11,149)**	(8,181)	**(5,795)**	(4,183)
Other items	**210**	255	**–**	–	**210**	255
Available-for-sale financial assets	**321**	321	**–**	–	**321**	321
Tax losses	**5,170**	3,516	**–**	–	**5,170**	3,516
Total deferred tax assets/(liabilities)	**11,149**	8,181	**(11,149)**	(8,181)	**–**	–
Set off tax	**(11,149)**	(8,181)	**11,149**	8,181	**–**	–
Net deferred tax assets/(liabilities)	**–**	–	**–**	–	**–**	–
Deferred tax assets/(liabilities) expected to be recovered within 12 months	**–**	–	**–**	–	**–**	–
Deferred tax assets/(liabilities) expected to be recovered after more than 12 months	**11,149**	8,181	**(11,149)**	(8,181)	**–**	–
Total deferred tax assets/(liabilities)	**11,149**	8,181	**(11,149)**	(8,181)	**–**	–

continued

6. Income tax continued

h) Movement in deferred tax balances

2018	Balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Foreign exchange $'000	Balance at 30 June $'000
Deferred tax assets/(liabilities):					
Employee benefits	**91**	**3**	**–**	**–**	**94**
Unrealised exchange losses	**(4,183)**	**(1,612)**	**–**	**–**	**(5,795)**
Other items	**255**	**(45)**	**–**	**–**	**210**
Available-for-sale financial assets	**321**	**–**	**–**	**–**	**321**
Tax losses	**3,516**	**1,654**	**–**	**–**	**5,170**
Net deferred tax assets/(liabilities)	**–**	**–**	**–**	**–**	**–**
2017					
Deferred tax assets/(liabilities):					
Employee benefits	158	(67)	–	–	91
Unrealised exchange losses	(5,102)	919	–	–	(4,183)
Other items	329	(74)	–	–	255
Available-for-sale financial assets	660	(339)	–	–	321
Tax losses	3,836	(320)	–	–	3,516
Net deferred tax assets/(liabilities)	(119)	119	–	–	–

7. Cash and cash equivalents and restricted cash

	2018 $'000	2017 $'000
Current		
Cash on hand	**8**	7
Deposits at call	**11,231**	22,000
Total current	**11,239**	22,007

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

These deposits are at call, interest bearing and may be accessed daily.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25.

8. Receivables

	2018 $'000	2017 $'000
Current		
Other debtors	**678**	1,959
Total receivables – current	**678**	1,959
Non-current		
Other debtors	**5,468**	4,748
Total receivables – non-current	**5,468**	4,748

Other debtors

Other debtors mainly relate to GST/VAT receivables.

Risk exposure

The Group's exposure to credit and currency risks are disclosed in Note 25.

9. Other assets

	2018 $'000	2017 $'000
Current		
Prepayments	760	690
Other deposits	1,206	3,895
Total other assets – current	**1,966**	**4,585**
Non-current		
Prepayments	15,124	14,568
Other deposits	–	70
Total other assets – non-current	**15,124**	**14,638**

Prepayments

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

10. Property, plant and equipment

	2018 $'000	2017 $'000
Opening balance		
Cost	244,466	263,453
Accumulated depreciation and amortisation	(57,609)	(34,915)
Accumulated impairment	(184,260)	(184,260)
Net book amount	**2,597**	**44,278**
Year ended 30 June		
Opening net book amount	2,597	44,278
Additions	167	63
Reclassified	–	(18,837)
Disposals	(184)	(99)
Depreciation and amortisation expense	(1,827)	(36,172)
Foreign currency differences	358	13,364
Closing net book amount	**1,111**	**2,597**
Cost	261,544	244,466
Accumulated depreciation and amortisation	(76,173)	(57,609)
Accumulated impairment	(184,260)	(184,260)
Net book amount	**1,111**	**2,597**

continued

11. Exploration, evaluation and development

	Exploration & evaluation $'000	Feasibility expenditure $'000	Mine properties $'000	Total $'000
At 30 June 2016				
Cost	39,991	160,649	327,638	528,278
Accumulated depreciation and amortisation	–	–	(26,750)	(26,750)
Accumulated impairment	(39,991)	(74,694)	(289,871)	(404,556)
Net book amount	–	85,955	11,017	96,972
Year ended 30 June 2017				
Opening net book amount	–	85,955	11,017	96,972
Additions	–	1,669	–	1,669
Reclassified	–	–	18,837	18,837
Disposal	–	(2,782)	(13,812)	(16,594)
Depreciation and amortisation expense	–	–	(15,135)	(15,135)
Foreign currency exchange differences	–	(1,866)	(116)	(1,982)
Closing net book amount	–	82,976	791	83,767
At 30 June 2017				
Cost	39,991	157,670	332,953	530,614
Accumulated depreciation and amortisation	–	–	(42,291)	(42,291)
Accumulated impairment	(39,991)	(74,694)	(289,871)	(404,556)
Net book amount	–	82,976	791	83,767
Year ended 30 June 2018				
Opening net book amount	**–**	**82,976**	**791**	**83,767**
Impairment losses – Nueva Esperanza (see Note 31)	**–**	**(42,652)**	**–**	**(42,652)**
Disposal	**–**	**(19)**	**–**	**(19)**
Foreign currency exchange differences	**–**	**2,146**	**55**	**2,201**
Closing net book amount	**–**	**42,451**	**846**	**43,297**
At 30 June 2018				
Cost	**39,991**	**85,103**	**356,631**	**481,725**
Accumulated depreciation and amortisation	**–**	**–**	**(65,914)**	**(65,914)**
Accumulated impairment	**(39,991)**	**(42,652)**	**(289,871)**	**(372,514)**
Net book amount	**–**	**42,451**	**846**	**43,297**

12. Payables

	2018 $'000	2017 $'000
Current		
Trade payables	2,267	1,103
Other payables and accruals	4,396	2,639
Total payables – current	6,663	3,742
Non-current		
Other payables	4,052	3,946
Total payables – non-current	4,052	3,946

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

13. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see Note 25.

	2018 $'000	2017 $'000
Current		
Secured bank loans	14,360	–
Finance lease liabilities	465	413
Other loan	472	244
Total borrowings – current	15,297	657
Non-current		
Finance lease liabilities	323	736
Preference shares in controlled entity	10,907	10,178
Total borrowings – non-current	11,230	10,914
Borrowings		
Secured bank loans	14,360	–
Preference shares in controlled entity	10,907	10,178
Finance lease liabilities	788	1,149
Other loan	472	244
Total borrowings	26,527	11,571

continued

13. Borrowings continued

Secured bank loans

On 29 August 2017 Kingsgate executed a $15 million Standby Loan Facility ("SLF") to assist with working capital requirements and for general corporate purposes. The SLF was drawn down in full on 2 May 2018 and is to be repaid six months after drawdown.

Terms and conditions of outstanding loan were as follows:

	Currency	Interest rate	Financial year of maturity	Face value $'000	Carrying amount $'000
Standby Loan Facility	AUD	BBSY[1] + margin	2019	15,000	15,000
Less: capitalised borrowing costs					(640)
Total					**14,360**

1 BBSY means bank bill swap bid rate

As security for the above facility the lender has a fixed and floating charge over Kingsgate including its shares in its material subsidiaries.

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	Face value $'000	Carrying amount $'000
Preference shares in controlled entity	Thai Baht	12%	n/a	10,907	10,907

The terms of the preference shares were amended during the year through a change made to the Shareholders Agreement of Akara Resources Public Company Limited resulting in the preference shares being 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 $375,936 under finance leases.

Finance lease liabilities are payable as follows:

	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Within 1 year	494	29	465
Later than 1 year but not later than 5 years	330	7	323
Total	**824**	**36**	**788**

14. Provisions

	Note	2018 $'000	2017 $'000
Current			
Employee benefits	2x,21	**358**	309
Restoration and rehabilitation		**–**	638
Total provisions – current		**358**	947
Non-current			
Employee benefits	2x,21	**73**	86
Restoration and rehabilitation	2w	**14,768**	13,149
Total provisions – non-current		**14,841**	13,235
Movements in the restoration and rehabilitation provision:			
Restoration and rehabilitation			
At the beginning of the financial year		**13,787**	30,192
Revision of rehabilitation provision		**–**	(14,045)
Current year use of rehabilitation		**–**	(2,631)
Unwind of discount rate for provision		**–**	246
Foreign currency exchange differences		**981**	25
At the end of the financial year		**14,768**	13,787

15. 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 (see Note 13)	**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

continued

16. Reserves and accumulated losses

(a) Reserves

	2018 $'000	2017 $'000
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, as described in Note 2b.

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.

(b) Accumulated losses

	2018 $'000	2017 $'000
Accumulated losses at the beginning of the year	**(628,539)**	(635,627)
Net (loss)/profit attributable to members of Kingsgate Consolidated Limited	**(76,722)**	7,088
Accumulated losses	**(705,261)**	(628,539)

17. Commitments for expenditure

	2018 $'000	2017 $'000
Operating leases		
Within one year	133	309
Later than one year but not later than five years	301	40
Total operating leases	434	349

18. Controlled entities

Entity	Country of Incorporation	Class of shares	Equity holding 2018 %	Equity holding 2017 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Ltd	Australia	Ordinary	100	100
Gawler Gold Mining Pty Ltd	Australia	Ordinary	100	100
Kingsgate Treasury Pty Ltd	Australia	Ordinary	100	100
Kingsgate Capital Pty Ltd	Australia	Ordinary	100	100
Kingsgate Chile NL	Australia	Ordinary	100	100
Laguna Exploration Pty Ltd	Australia	Ordinary	100	100
Akara Resources Public Company Limited	Thailand	Ordinary	100	100
Issara Mining Limited	Thailand	Ordinary	100	100
Suan Sak Patana Ltd	Thailand	Ordinary	100	100
Phar Mai Exploration Ltd	Thailand	Ordinary	100	100
Richaphum Mining Ltd	Thailand	Ordinary	100	100
Phar Lap Ltd	Thailand	Ordinary	100	100
Phar Rong Ltd	Thailand	Ordinary	100	100
Asia Gold Ltd	Mauritius	Ordinary	100	100
Laguna Chile Ltda	Chile	Ordinary	100	100

19. 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).

20. Related parties

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 21 and the Remuneration Report.

Controlling entity

The ultimate parent entity of the Group is Kingsgate Consolidated Limited.

continued

21. Employee benefits and share-based payments

	2018 $'000	2017 $'000
Employee benefits and related on-costs liabilities		
Provision for employment benefits – current	**358**	309
Provision for employee benefits – non-current	**73**	86
Total employee provisions	**431**	395

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2018 were $173,000 (2017: $417,000).

	2018 $'000	2017 $'000
Retirement benefit and other long-term benefits (Akara Resources PCL)		
Opening balance	**–**	5,417
Benefits paid	**–**	(5,343)
Foreign currency exchange differences	**–**	(62)
Other changes	**–**	(12)
Closing balance	**–**	–

Employee Share Option Plan

On 29 April 2016, Kingsgate granted 1,500,000 employee options. The terms of the options issued pursuant to the plan are as follows:

- Each option will entitle the holder to subscribe for one ordinary share of the Company;
- Options are granted under the plan for no consideration; and
- Options granted under the plan carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Balance start of year Number	Vested during year Number	Forfeited during year Number	Balance end of year Number	Vested and exercisable at end of year Number
29 Apr 2016	30 June 2019	$0.40	500,000	500,000	500,000	–	–
29 Apr 2016	30 June 2020	$0.50	500,000	–	500,000	–	–
29 Apr 2016	30 June 2021	$0.60	500,000	–	500,000	–	–

Fair value of options granted

The fair value at grant date of the options is determined using the Black-Scholes option pricing model which incorporates the following inputs:

Number of options issued	500,000	500,000	500,000
Term (years)	3.17	4.17	5.17
Exercise price ($)	0.40	0.50	0.60
Dividend yield ($)	–	–	–
Spot price ($)	0.455	0.455	0.455
Volatility (%)	65–75	65–75	65–75
Risk free rate (%)	1.86	1.85	1.85
Fair value ($)	0.23	0.24	0.22
Outstanding balance at the beginning of the year (unvested)	500,000	500,000	500,000
Options granted during the year	–	–	–
Vested during the year	500,000	–	–
Lapsed during the year	–	–	–
Forfeited during the year	500,000	500,000	500,000
Outstanding balance at the end of the year	–	–	–

The volatility above was determined with reference to the historical volatility of the Company's share price from April 2013 to April 2016.

22. Reconciliation of loss after income tax to net cash flow from operating activities

	2018 $'000	2017 $'000
(Loss)/profit for the year	**(76,722)**	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**	–
Impairment losses – Nueva Esperanza	**42,652**	–
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	**3,040**	(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
Net debt reconciliation		
Cash and cash equivalents	**11,239**	22,007
Borrowings – repayable within one year	**(15,297)**	(657)
Borrowings – repayable after one year	**(11,230)**	(10,914)
Net debt	**(15,288)**	10,436
Cash and cash equivalents	**11,239**	22,007
Gross debt – fixed interest rates	**(12,167)**	(11,571)
Gross debt – variable interest rates	**(14,360)**	–
Net debt	**(15,288)**	10,436

continued

22. Reconciliation of loss after income tax to net cash flow from operating activities continued

	Cash $'000	Secured bank loans due within 1 year $'000	Preference shares in controlled entity due after 1 year $'000	Finance lease liabilities due within 1 year $'000	Finance lease liabilities due after 1 year $'000	Other loan due within 1 year $'000	Total $'000
Net debt as at 30 June 2017	22,007	–	(10,178)	(413)	(736)	(244)	10,436
Cash flows	(10,785)	(15,000)	–	–	429	(228)	(25,584)
Foreign exchange adjustments	17	–	(729)	(52)	(16)	–	(780)
Other non-cash movements	–	640	–	–	–	–	640
Net debt as at 30 June 2018	**11,239**	**(14,360)**	**(10,907)**	**(465)**	**(323)**	**(472)**	**(15,288)**

23. 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.

24. Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2018.

25. Financial risk management and instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, fair value risk and interest rate risk), credit risk and liquidity risk.

At this point, the Directors believe that it is in the interest of shareholders to expose the Group to foreign currency risk and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks. The Directors and management monitors these risks, in particular market forecasts of future movements in foreign currency and, if it is to be believed to be in the best interests of shareholders, will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity. Risk management is carried out by the senior executive team.

The Group holds the following financial instruments:

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**11,239**	22,007
Receivables	**6,146**	6,707
Other financial assets	**1,206**	3,965
Total financial assets	**18,591**	32,679
Financial liabilities		
Payables	**(10,715)**	(7,688)
Borrowings	**(26,527)**	(11,571)
Total financial liabilities	**(37,242)**	(19,259)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Thai Baht and as discussed earlier, no financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Currently foreign exchange risks arise primarily from:

- cash balances in US dollars;
- receivables denominated in US dollars for Australian entities; and
- payables denominated in Australian dollars for Thailand entities.

The functional currency of the Thai subsidiaries is Thai Baht. The functional currency of the Chilean subsidiaries is the US dollar. The Company's functional currency is Australian dollar.

The Group's exposure to US dollar foreign currency risk at the reporting date, expressed in Australian dollars was as follows:

	2018 $'000	2017 $'000
Cash and cash equivalents	**280**	671
Receivables	**70,341**	53
Payables	**(70,522)**	(1,671)
Total exposure to foreign currency risk	**99**	(947)

The Group's sale of gold produced from Chatree Gold Mine were in US dollars, however the functional currency of the subsidiary company that owns Chatree Gold Mine is Thai Baht and therefore, the Group's profit was sensitive to movement in those currencies.

The Group's current exposure to foreign exchange movements is mainly related to the intercompany loan recognised in Akara Resources Public Company Limited which is receivable from Kingsgate Treasury Pty Ltd. This loan is denominated in Australian dollar and does not form part of a net investment in a foreign operation.

	Impact on post tax loss		Impact on other comprehensive income	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
One cent weakened in Australian dollar against the US dollar	**1,512**	2,292	**1,512**	–
One cent strengthened in Australian dollar against the US dollar	**(1,471)**	(2,292)	**(1,471)**	–
One cent weakened in Australian dollar against the Thai baht	**29**	–	**37**	–
One cent strengthened in Australian dollar against the Thai baht	**(29)**	–	**(37)**	–

continued

Notes to the Financial Statements

25. Financial risk management and instruments continued

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2018 and 30 June 2017 are set out as follows:

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Fixed interest maturing in 1–2 years $'000	Fixed interest maturing in 2–5 years $'000	Non-interest bearing $'000	Total $'000
2018						
Financial assets						
Cash and cash equivalents	**11,231**	**–**	**–**	**–**	**8**	**11,239**
Receivables	**–**	**–**	**–**	**–**	**6,146**	**6,146**
Other financial assets	**918**	**–**	**–**	**–**	**288**	**1,206**
Total financial assets	**12,149**	**–**	**–**	**–**	**6,442**	**18,591**
Financial liabilities						
Payables	**–**	**–**	**–**	**–**	**(10,715)**	**(10,715)**
Borrowings	**(14,360)**	**(937)**	**(323)**	**(10,907)**	**–**	**(26,527)**
Total financial liabilities	**(14,360)**	**(937)**	**(323)**	**(10,907)**	**(10,715)**	**(37,242)**
Net financial assets/(liabilities)	**(2,211)**	**–**	**–**	**(10,907)**	**(4,273)**	**(18,651)**
2017						
Financial assets						
Cash and cash equivalents	22,000	–	–	–	7	22,007
Receivables	–	–	–	–	6,707	6,707
Other financial assets	3,694	–	–	–	271	3,965
Total financial assets	25,694	–	–	–	6,985	32,679
Financial liabilities						
Payables	–	–	–	–	(7,688)	(7,688)
Borrowings	–	(657)	(736)	(10,178)	–	(11,571)
Total financial liabilities	–	(657)	(736)	(10,178)	(7,688)	(19,259)
Net financial assets/(liabilities)	25,964	(657)	(736)	(10,178)	(703)	13,420

A change of 100 basic points ("bps") in interest rate at the reporting date would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain constant.

	100 bps increase Profit $'000	100 bps decrease Profit $'000
Variable rate instrument – 2018	**25**	**(25)**
Variable rate instrument – 2017	–	–

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including, outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying value of the Group's financial assets in the statement of financial position. The maximum exposure to credit risk at reporting date was:

	2018 $'000	2017 $'000
Cash and cash equivalents	**11,239**	22,007
Receivables	**6,146**	6,707
Other financial assets	**1,206**	3,965
Total exposure to credit risk at year end	**18,591**	32,679

Liquidity risk

The Group's liquidity requirements are based upon cash flow forecasts. Liquidity management, including debt/equity management, is carried out under policies approved by the Board and forecast material liquidity changes are discussed at Board meetings. The following table analyses the Company's financial assets and liabilities into relevant maturity groupings base on the remaining period at the reporting date. The amounts disclosed are the contractual undiscounted cash flows. The borrowings of the Group are repayable on demand, however the contractual amounts for borrowings also include the interests that are expected to be repaid until the repayment of these debts based on the cash flow forecast prepared by the Group.

	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2018						
Payables	**10,715**	**6,663**	**–**	**4,052**[1]	**–**	**10,715**
Borrowings	**26,527**	**17,893**	**1,637**	**13,615**	**–**	**33,145**
Total financial liabilities	**37,242**	**24,556**	**1,637**	**17,667**	**–**	**43,860**
2017						
Payables	7,688	3,742	–	3,946	–	7,688
Borrowings	11,571	1,925	1,990	10,270	–	14,185
Total financial liabilities	19,259	5,667	1,990	14,216	–	21,873

1 Related to royalties payable in respect of the Nueva Esperanza Gold/Silver Project in Chile.

continued

26. Key management personnel disclosures

Executive Chairman

Ross Smyth-Kirk	Executive Chairman

Non-Executive Directors

Peter Alexander	Non-Executive Director
Peter Warren	Non-Executive Director
Sharon Skeggs	Non-Executive Director

Key Management Personnel

Ross Coyle	Chief Financial Officer and Company Secretary
Jamie Gibson	General Manager Corporate and External Relations
Alistair Waddell	Vice President Corporate Development & Exploration Chile – ceased employment 4 March 2018
Leonardo Hermosilla	Vice President Project Development Chile

Key Management Personnel Compensation	2018 $	2017 $
Short-term employee benefits	**1,604,255**	2,099,386
Post-employment benefits	**80,814**	123,199
Share-based payments	**(104,013)**	189,813
Other long term benefits	**13,225**	9,353
Total Key Management Personnel compensation	**1,594,281**	2,421,751

27. Auditors' remuneration

	2018 $	2017 $
Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**284,000**	326,425
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**92,033**	146,462
Total remuneration for audit services	**376,033**	472,887
Other Services[1]		
PricewaterhouseCoopers Australian Firm		
Other services	**10,000**	–
Related practices of PricewaterhouseCoopers Australian Firm		
Other services	**19,917**	–
Total remuneration for non-audit related services	**29,917**	–
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**26,520**	79,500
Related practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**18,164**	55,769
Total remuneration for tax related services	**44,684**	135,269

1 *The above table does not include services provided by PricewaterhouseCoopers Australian Firm in respect of the TAFTA claim that are billed directly to the legal firm representing the Group.*

28. Earnings per share

	2018 Cents	2017 Cents
Basic and diluted (loss)/earnings per share	**(34.26)**	3.17

	$'000	$'000
Net (loss)/profit used to calculate basic and diluted earnings per share	**(76,722)**	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

29. Parent entity financial information

As at, and throughout the financial year ending 30 June 2018, the parent entity of the Group was Kingsgate.

Summary of financial information	2018 $'000	2017 $'000
Results of parent entity		
Loss for the year	**(109,652)**	(1,420)
Other comprehensive loss	**–**	–
Total comprehensive loss	**(109,652)**	(1,420)
Financial position of parent entity at year end		
Current assets	**11,670**	16,791
Total assets	**40,216**	126,170
Current liabilities	**89,238**	66,127
Total liabilities	**89,311**	66,255
Total equity of the parent entity comprising:		
Issued capital	**677,761**	677,015
Reserve	**8,463**	8,567
Accumulated losses	**(735,319)**	(625,667)
Total equity	**(49,095)**	59,915

Contingent liabilities of the parent entity

There are cross guarantees given by Kingsgate, Dominion Mining Limited and Gawler Gold Mining Pty Ltd as described in Note 30. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the Group in relation to this guarantee, as the fair value of the guarantees is immaterial.

As at 30 June 2018, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

continued

30. Deed of cross guarantee

Pursuant to ASIC *Corporations (Wholly-owned Companies) Instrument 2016/785*, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt on the event of the winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Dominion Mining Limited; and
- Gawler Gold Mining Pty Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kingsgate Consolidated Limited, they also represent the 'extended closed group'.

A consolidated income statement and other comprehensive income, a summary of movements in consolidated accumulated losses, and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out as follows:

Income statement and other comprehensive income	2018 $'000	2017 $'000
Corporate and administration expenses	(10,914)	(9,595)
Other income and expenses	4,169	5,563
Foreign exchange gain/(loss)	4,704	(3,219)
Impairment losses – investment in Nueva Esperanza Gold/Silver Project	(104,414)	(4,247)
(Write-off)/reversal on loan to subsidiaries	(5,009)	11,599
Loss before financial costs and income tax	(111,464)	101
Finance income	119	292
Finance costs	(1,086)	(1,389)
Net finance costs	(967)	(1,097)
Loss before income tax	(112,431)	(996)
Income tax expense	–	–
Loss after income tax	(112,431)	(996)
Total comprehensive loss for the year	(112,431)	(996)
Loss attributable to:		
Owners of Kingsgate Consolidated Limited	(112,431)	(996)
Total comprehensive loss attributable to:		
Owners of Kingsgate Consolidated Limited	(112,431)	(996)

Summary of movements in consolidated retained earnings

Accumulated losses	2018 $'000	2017 $'000
Accumulated losses at beginning of the financial year	(622,881)	(621,885)
Loss for the year	(112,431)	(996)
Accumulated losses at end of the financial year	(735,312)	(622,881)

Statement of financial position

	2018 $'000	2017 $'000
Assets		
Current assets		
Cash and cash equivalents	10,495	15,726
Receivables	294	3,433
Other assets	893	422
Total current assets	11,682	19,581
Non-current assets		
Property, plant and equipment	18	52
Investment in subsidiaries	28,528	109,257
Other assets	–	70
Total non-current assets	28,546	109,379
TOTAL ASSETS	40,228	128,960
Liabilities		
Current liabilities		
Payables	74,170	65,667
Borrowings	14,832	244
Provisions	241	220
Total current liabilities	89,243	66,131
Non-current liabilities		
Payables	–	43
Provisions	73	85
Total non-current liabilities	73	128
TOTAL LIABILITIES	89,316	66,259
NET (LIABILITIES)/ASSETS	(49,088)	62,701
Equity		
Contributed equity	677,761	677,015
Reserves	8,463	8,567
Accumulated losses	(735,312)	(622,881)
TOTAL EQUITY	(49,088)	62,701

continued

31. 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").

Methodology

The carrying value of the cash generating unit before impairment for Nueva Esperanza 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 Nueva Esperanza be tested for impairment.

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

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 non-binding indicative offers received acknowledging that:
  - offers received to date to purchase the Project are non-binding and indicative only;
  - further due diligence is required by potential purchasers;
  - a site visit to the Project will be required as part of the due diligence. Due to unfavourable weather conditions, site visits will not be possible until October 2018;
  - shareholder approval for the Project sale is required with such approval to be considered at a general meeting likely to be held early in the 2019 calendar year.

Based on the discounted cash flow methodology, the fair value of Nueva Esperanza was assessed to be $57,860,000 as at 30 June 2018 which was below its carrying value of $100,512,000. This has resulted in an impairment of $42,652,000. The main factor contributing to the impairment charge was a lower silver price (US$18/ounce) used in this year's impairment assessment than 2017 (US$20/ounce).

As a comparison to the sale process information received to date, the carrying value after impairment based on the discounted cash flow is at the lower level of the range of non-binding indicative offers received for the proposed sale of the Project.

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

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:

	+FY 2019 long term average
Gold (US$ per ounce)	US$1,200
Silver (US$ per ounce)	US$18

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 0.74 based on exchange rates current at period end.

	Post tax real discount rate
Nueva Esperanza Gold/Silver Project	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.

In assessing additional value, the Directors note that in the Independent Expert's report dated 13 October 2016 contained in the Target's Statement released on 17 October 2016 it was stated that the value a willing and knowledgeable buyer would place on both of these options would be between $16,300,000 to $22,000,000 (the higher value has been included in the determination of the recoverable amount at 30 June 2018).

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 offers that have been received by the Group which are 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	2018 $'000
ASSETS	
Non-current receivable and other assets	20,592
Property, plant and equipment	220
Exploration, evaluation and development (feasibility expenditure)	42,451
TOTAL ASSETS	**63,263**
LIABILITIES	
Current payables	1,351
Non-current payables	4,052
TOTAL LIABILITIES	**5,403**
NET ASSETS	**57,860**

continued

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 30 to 69 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 30.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2018.

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

Ross Smyth-Kirk
Director

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

Independent Auditor's Report

Independent auditor's report

To the members of Kingsgate Consolidated Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Kingsgate Consolidated Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 (a) (i) in the financial statements, which indicates that the Group's current liabilities exceeded its current assets by $8.4 million at 30 June 2018. The Group currently does not have sufficient cash available to fully repay these liabilities which include the Standby Loan Facility ("SLF") of $15 million which is required to be repaid in full in November 2018. The Group will need to renegotiate the terms of the SLF including extending its term. The Group will also need to obtain additional funding of approximately $5 million. As a result, the Group is dependent on receiving the continuing support of its lenders and on completing the sale of the Nueva Esperanza Gold/Silver project that has been initiated by the Group. 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 opinion is not modified in respect of this matter.

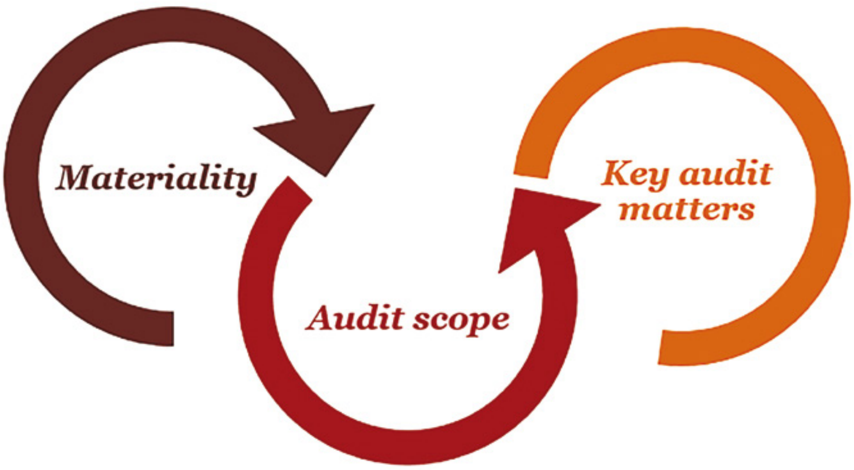
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	Audit scope	Key audit matters

› For the purpose of our audit we used overall Group materiality of $0.79 million, which represents approximately 1% of the Group's total assets.
› We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.
› We chose Group's total assets because, in our view, it is the benchmark which best reflects the expected requirements of users of the Group's financial statements.
› We chose total assets as the materiality benchmark rather than a profit measure given the closure of the Chatree Gold Mine and the Group's focus on the development and anticipated sale of the Nueva Esperanza Gold/Silver Project.
› We utlised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
	› Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
	› The Australian engagement team directed the involvement of the Thai component audit team, which performed specified audit procedures on the financial information of Akara Resources Public Company Limited.
	› The component auditor in Chile, operating under instructions, also performed specified audit procedures over the Group's Chilean operations' financial information.
	› The Australian engagement team determined the required level of involvement in the work performed by the Thai and Chilean component audit teams, in order to be satisfied that sufficient appropriate audit evidence had been obtained for our opinion on the Group financial statements as a whole.
		› Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
		  › Carrying amount of assets and liabilities associated with the Chatree Gold Mine
		  › Carrying value of the Nueva Esperanza Gold/Silver Project
		  › Material uncertainty related to going concern.
		› These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.



continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Carrying amount of assets and liabilities associated with the Chatree Gold Mine (Refer note 1 (a) (ii)) The Group's Chatree Gold Mine in Thailand was placed on care and maintenance as a result of a decision made by the Thai Government to cease all gold mining activities in Thailand by 31 December 2016. With the exception of some assets that may be realised independently of re-opening the mine, all assets of the Chatree Gold Mine have been impaired to a nil value. The Group also revised the Chatree Gold Mine's rehabilitation liability to reflect the early closure of the mine. The total rehabilitation liability, amounting to approximately $14.8 million at 30 June 2018 is based on management's rehabilitation plan which is a revision from the initial plan submitted to the Thai Authorities in 2007. The Group commenced arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement in order to be compensated for the losses it has incurred as a result of the expropriation of the Chatree Gold Mine by the Thai Government. The Group also commenced legal proceedings against its insurers under a Political Risk Insurance Policy that was held by the Group when the Thai Government expropriated the Chatree Gold Mine. The carrying amount of assets and liabilities of the Chatree Gold Mine and associated disclosures were considered to be a key audit matter because there remains significant uncertainty in respect of the rights and obligations of the Group in relation to the mine and the potential magnitude of a potential reversal of impairment, changes in the rehabilitation liability and potential recognition of contingent assets on the financial statements.	We updated our understanding in respect of the situation regarding the Chatree Gold Mine by making enquiries of management and the directors as to their knowledge and understanding of the situation and by reading selected material correspondence between the Group, its insurers and the Thai Government. We assessed the adequacy of the overall accounting position adopted by the Group at 30 June 2018 as described in note 1 (a) (ii) in respect of the carrying amount of assets and liabilities in light of the requirements of the Australian Accounting Standards. In respect of the carrying amount of the assets associated with the Chatree Gold Mine, we performed the following: › Assessed the Group's judgement as to whether the circumstances that led to the previously recognised impairment charge have changed and whether a reversal of this impairment should be recognised. › Considered whether remaining assets such as inventory, plant and equipment, exploration assets and gold/silver sludge should be recognised at a nil value. › Assessed if other assets which have been recognised at their short-term realisable value have a carrying amount based on supportable assumptions. In respect of the carrying amount of the liabilities associated with the Chatree Gold Mine, we assessed the Group's rehabilitation plans prepared in the context of the early closure of the mine and the overall accounting position adopted by the Group at year end in respect of the Chatree Gold Mine's obligations. We checked the mathematical accuracy of the underlying calculations. We considered the status of the legal claims of the Group against the Thai Government and its insurers in light of the requirement to disclose contingent assets in the financial statements in accordance with Australian Accounting Standards. We evaluated the adequacy of the disclosures made in note 1 (a) (ii) in light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Carrying value of the Nueva Esperanza Gold/Silver Project (Refer note 1 (a) (iii) and note 31) The assessment of the recoverable amount of the Nueva Esperanza Gold/Silver Project was a key audit matter given the significance of the carrying value of this CGU ($57.9 million as at 30 June 2018, including the largest non-current asset in the balance sheet) and given the significance of the impairment charge recorded during this financial year ($42.7 million). The determination of the recoverable amount of an exploration CGU is also subject to significant judgements and assumptions by the Group as described in the notes to the financial statements.	We considered the Group's assessment of the recoverable amount of the Nueva Esperanza Gold/Silver CGU and its conclusion that an impairment charge of $42.7 million was required to be recorded. In respect of the internal assessment of the recoverable amount made by the Group, we performed the following: › Considered if the fair value less costs of disposal approach used by the Group to assessing the recoverable amount was consistent with the requirements of Australian Accounting Standards. › Considered whether the discounted cash flows model was consistent with the previous model that had been used by the Group and made enquiries to management whether the model had to be updated for the results of the work being undertaken as part of the Definitive Feasibility Study which remains however substantially incomplete. › Compared long term gold/silver pricing data used in the discounted cash flows model to independent analyst forecasts. › Obtained and discussed with management the offers for the sale of the project and the status of any discussions with the bidders. › Compared the results of the discounted cash flows model with the results of the offers received and assessed the conclusions reached by the Group in respect of the recoverable amount. › Recalculated the impairment charge based on the recoverable amount and the carrying value of the CGU and checked that the impairment charge was correctly recorded in the financial statements of the Group. › Evaluated the adequacy of the disclosures made in note 1 (a) (iii) and note 31, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report, including the Chairman's Review, the operations report, the projects report, the exploration report, the ore reserves and mineral resources, and the competent persons statement.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

continued

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Marc Upcroft
Partner
Sydney
28 September 2018

Shareholder Information

As at 28 September 2018

Distribution of equity securities

Size of Holding	Number of shareholders of fully paid ordinary shares
1 – 1,000	4,366
1,001 – 5,000	3,040
5,001 – 10,000	970
10,001 – 100,000	1,469
100,001 +	187
Total	**10,032**

20 largest shareholders

20 largest shareholders of quoted ordinary shares

	Shareholder	Number of shares	Percentage
1	Citicorp Nominees Pty Limited	21,173,407	9.36
2	J P Morgan Nominees Australia Limited	20,494,487	9.06
3	HSBC Custody Nominees (Australia) Limited	20,190,770	8.93
4	Merrill Lynch (Australia) Nominees Pty Limited	13,521,620	5.98
5	Zero Nominees Pty Ltd	8,309,859	3.67
6	Elizabeth Anne Bird	5,000,000	2.21
7	Arinya Investments Pty Ltd	4,996,944	2.21
8	National Nominees Limited	4,648,357	2.05
9	Laguna Bay Capital Pty Ltd	3,764,799	1.66
10	Investec Australia Finance Pty Limited	2,641,003	1.17
11	Andrew Lenox Hewitt	1,700,000	0.75
12	Gurravembi Investments Pty Ltd	1,596,420	0.71
13	Philip Storr	1,500,000	0.66
14	Elizabeth Aprieska	1,412,590	0.62
15	Jay Evan Dale Hughes	1,400,000	0.62
16	Jamari Pty Ltd	1,385,017	0.61
17	BNP Paribas Nominees Pty Ltd	1,363,638	0.60
18	Wyong Rugby League Club Ltd	1,300,000	0.57
19	Frank Markert Pty Ltd	1,220,000	0.54
20	Paul Sze Yuen Cheung + Pauline Kwok Sim Cheung	1,167,000	0.52

Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Corporate Information

Kingsgate Consolidated Limited
ABN 42 000 837 472

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 (retired 1 October 2018)
Gavin Robertson (appointed 1 October 2018)

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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Australia

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From 1 November 2018:

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Tel: +61 2 8256 4800
Email: info@kingsgate.com.au
Web: www.kingsgate.com.au

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Amphur Thap Khlo
Phichit 66230
Thailand

Tel: +66 56 614 500
Fax: +66 56 614 190

Chile Office

Laguna Resources Chile Ltda

Av. Apoquindo 4700, oficina 602
Las Condes, Santiago
Chile

Tel: +56 2 3245 8650

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
Australia

Postal address:
Locked Bag A14
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Australia

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Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

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Auditor

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