

# Kingsgate Consolidated Limited

## Quarterly Report

For the period ending 30 September 2018

### KEY ISSUES

#### CHILE

- ▶ Following the appointment of a corporate advisor to identify advantageous options to monetise the Nueva Esperanza Project, expressions of interest are currently being sought from interested parties.
- ▶ The response has been positive with a number of interested parties engaging in the requisite due diligence and requesting site visits.

#### CORPORATE

- ▶ **Political Risk Insurance Claim ("PRI")** - In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy (with a maximum liability of US\$200 million) that was held by the Company when the Thai Government expropriated the Chatree Gold Mine in May 2016.
- ▶ On 6 July 2018, a Directions Hearing was held in the Supreme Court of New South Wales for the Company's PRI claim.
- ▶ The Court listed the Proceedings for trial, for up to fifteen days commencing on 3 June 2019.
- ▶ Kingsgate remains open to achieving a settlement, but in the meantime will continue to prosecute its claim against the insurers in the Supreme Court of New South Wales.
- ▶ **TAFTA Claim** - The Tribunal has adopted a Procedural Calendar which provides that the merits of the TAFTA ("Australia Thailand Free Trade Agreement") Claim will be heard on 18 November to 29 November 2019.
- ▶ However, the Tribunal has also ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.
- ▶ Kingsgate remains committed to seeking a settlement of the matter with the Thai Government.

#### FINANCIAL

- ▶ In May 2018, Kingsgate drew down a \$15.0 million Standby Loan Facility ("SLF") in order to ensure continuing funding of its activities.
- ▶ The SLF is on normal commercial terms for a loan of this nature, other than the utilisation fee under the SLF which has been satisfied by the issue of 2,641,003 Kingsgate shares. (See ASX:KCN "Appendix 3B – Issue of Shares" dated 7 May 2018).
- ▶ Investec Australia Finance Pty Limited ("Investec") has agreed to extend the repayment date of its loan to the Company to February 2019, and to increase the Facility Limit from \$15 million to \$20 million.
- ▶ Cash at 30 September 2018 totalled A\$1.5 million.
- ▶ Corporate debt at 30 September 2018 is A\$15.0 million.

#### PLEASE NOTE:

**From 1 November 2018, the new address for Kingsgate's Registered Office will be:  
Suite 2, Level 23, 20 Bond Street, Sydney, NSW, 2000, Australia.**

# September Quarter Review

## CHATREE GOLD MINE, Thailand

### Care and Maintenance

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

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

## NUEVA ESPERANZA PROJECT, Chile

Nueva Esperanza is a feasibility-stage development project with a resource base of approximately 1.9 million ounces gold equivalent (see ‘Notes for Mineral Equivalents’). Kingsgate Consolidated has appointed a corporate advisor to advise and assist it in identifying advantageous options to monetise the project. Expressions of interest continue to be sought from interested parties.

### Feasibility

As stated above, 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.

Officers from Laguna Resources attended a meeting of the Atacama Development Corporation (“CORPROA” in Spanish) with the Chilean Minister of Mining in Copiapó in August. The project has good support from Government at all levels with the Mayor of Diego de Almagro publicly expressing his support for the Nueva Esperanza Project.

### Exploration

Exploration during the quarter was limited due to the winter field season. Harsh weather conditions and snow on the ground made surface sampling and geological mapping difficult. It is anticipated that the spring field season will commence this month (October) with the remobilisation of the camp.

## REGIONAL EXPLORATION, CHILE

### Maricunga Generative Program

Kingsgate has been building its regional exploration portfolio in the northern Maricunga Belt. The Company currently has a number of 100% owned licences and areas under application north and south of the Nueva Esperanza Project. The concessions and concession applications typically cover large areas of intense, high-level alteration considered prospective for epithermal precious-metal deposits. The 2018 program is currently underway, evaluating new target areas and prioritising others for more detailed follow-up fieldwork.

## CORPORATE & FINANCE

### Finance

At the end of September 2018, Kingsgate's Group Cash totalled A\$1.5 million excluding US\$6 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site.

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

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

The lender has agreed to extend the repayment date to February 2019, and to increase the Facility Limit by \$5.0 million to \$20 million.

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

The Company remains open to settlement of both claims.

Kingsgate continues to cut costs and review expenditure across the Group – with staff redundancies in Sydney, relocation of the corporate office, and a number of non-essential service reductions all taking effect during the quarter. Kingsgate is currently undergoing an independent corporate review to identify further cost cutting opportunities in the next quarter.

### Staff

Mr Ross Coyle has retired from the positions of Company Secretary and Chief Financial Officer. Mr Coyle has agreed to provide ongoing consulting services as required by the Company. The Board records its appreciation of Mr Coyle's contribution to the Company over a long period, and wishes him well in his retirement. Mr Gavin Robertson has been appointed Company Secretary.

Mr Robertson has been employed as the Company's Manager, Legal since February 2018. He holds a Bachelor of Laws degree and is a Fellow of the Governance Institute of Australia.



*Aerial view of the Chimberos pit and Chimberos gold prospect*

# Corporate Directory

## Board of Directors / Senior Staff

<b>Ross Smyth-Kirk</b>	Executive Chairman
<b>Peter Alexander</b>	Non-Executive Director
<b>Peter Warren</b>	Non-Executive Director
<b>Sharon Skeggs</b>	Non-Executive Director
<b>Gavin Robertson</b>	Manager Legal and Company Secretary

## Principal and Registered Office

Suite 801, Level 8, 14 Martin Place,  
Sydney, NSW, 2000, Australia.  
Tel: +61 2 8256 4800  
Email: [info@kingsgate.com.au](mailto:info@kingsgate.com.au)

### Please note:

**From 1 November 2018, the new contact details for Kingsgate's Registered Office will be:**

**Suite 2, Level 23, 20 Bond Street,  
Sydney, NSW, 2000, Australia.**

**All phone numbers/email addresses remain unchanged.**

## Share Details

As at 30 September 2018, there were 226,225,940 ordinary shares on issue.

## Exchange Details

ASX Code: KCN  
OTC Code: KSKGY

## Share Registry

### Link Market Services Limited

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

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

Tel: +61 1300 554 474

Fax: +61 2 9287 0303

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## ADR Depository

### (American Depository Receipts)

#### The Bank of New York Mellon

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

Tel: +1 212 815 2293

### Notes for Mineral Equivalents:

The resource base of 1.9 million ounces of gold equivalent is broken down as follows: Measured - 0.08 Moz, Indicated - 1.46 Moz and Inferred - 0.33 Moz. Gold Equivalent is based on the following:  $AuEq (g/t) = Au (g/t) + Ag (g/t) / 60$ . Calculated from prices of US\$1200/oz Au and US\$19.00/oz Ag, and metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate (See ASX:KCN released titled "Kingsgate Mineral Resources and Ore Reserves 2016" dated 7 October 2016).

### Forward Looking Statement:

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

### Competent Persons Statement:

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