



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

29 November 2018

Dear Sir/Madam,

**Chairman's Address  
2018 Annual General Meeting**

Please find attached the Chairman's Address at our 2018 Annual General Meeting held at 2:00 p.m. today at the Museum of Sydney on the Corner of Bridge and Phillip Streets, Sydney NSW 2000.

Yours faithfully,  
KINGSGATE CONSOLIDATED LIMITED

Gavin Robertson  
**Company Secretary**

## **2018 Chairman's Address**

The year under review has been an eventful one with, unfortunately, much of the work going on behind the scenes.

I'd just like to take a few minutes to recap where we are at the present time.

As you are all aware the Royal Thai Government refused to renew our metallurgical licence and ordered the closure of the very successful Chatree gold and silver mine in Thailand in May 2016. We were given until December 31, 2016 to cease production.

Whilst the order was specifically aimed at the Chatree mine, it was variously reported that all gold mining in Thailand was to cease by this date. The fact that Chatree was the only operating gold mine in Thailand at the time ensured that nobody could be in any doubt as to the discriminatory intent of this action.

The Government has since introduced as legislation a new Mining Act and a new Gold Policy with even more onerous conditions than previously and seemingly a contradiction of many of the statements made at the time of closure.

During 2017 we commenced international arbitration to recover your company's losses resulting from expropriation of our assets under the Thailand Australia Free Trade Agreement (TAFTA). During the year the Tribunal has been established, and has agreed to sit in Hong Kong (previously Singapore, but this was changed at the Tribunal's request in the last few days) under Singapore law jurisdiction and established a timetable for the hearing of the matter. The date for the final hearing has been set for November, 2019.

The matter is subject to confidentiality orders by the Tribunal, so I am unable to provide details of how the matter is proceeding, but I can say that the matter is progressing well towards the hearing date.

We are clearly entitled to compensation and specifically so under TAFTA. The State has refused compensation, using spurious and untrue claims of environmental and health issues that have become more absurd with the effluxion of time. We have made a number of attempts to further negotiate but so far to no avail.

Over the last couple of years we have had time to contemplate why such a successful operation could end up like this. After all, in going into a country, with little mining history we accented world

best practice at every turn, with particular emphasis on health, safety, the environment and community involvement.

Over 15 years we fulfilled the Thai Government's ambitions for the area - a particularly poor agricultural area – lifting the standard of living of the surrounding areas demonstrably with a strong accent on health, education and agricultural sustainability.

It was a text book case.

The unfortunate conclusion I have come to is that we were too successful. Success, particularly in monetary terms, generates jealousy, greed, avarice, covetousness and the institutionalised corruption so prevalent in so many developing countries. We did all the right things and were still undone by still unsubstantiated false claims.

In August 2015, following a temporary six week closure of the mine earlier that year, we increased our Political Risk Insurance Policy that we had since before the mine opened from US\$30 million to US\$200 million. Zurich Australia Ltd, who had been our insurer for some 16 years, did a thorough risk assessment and introduced six Lloyds syndicate insurers to the policy.

After making a claim under the policy, and after two years of negotiating with no result, we initiated proceedings in the Supreme Court of New South Wales against the insurers.

In March, we attended the court sanctioned mediation without success.

In July, we attended a directions hearing and the date was set for trial in June 2019. We have been in contact with industry experts both here and overseas and all seem amazed that this claim hasn't been paid.

The ramifications go even further than this, in that these types of policies are common in the international mining industry and the industry is questioning that if what has happened to Kingsgate is not covered what is the worth of these policies.

Despite the reasonable assumption that we would have been paid by now this has not happened and your Board was forced to reluctantly put Nueva Esperanza up for sale, either whole or partial.

This was not our desired course of action but is based on the reality that due to our current situation there was no way we could finance Nueva Esperanza without severely watering down current shareholders.

The process has been long and time consuming and after initial expressions of interest from a number of parties, site visits were initiated and follow up enquiries answered. We are expecting firm bids to be submitted within the next few weeks or so with decisions whether to proceed following. This will likely require shareholder approval.

This would mean that if the sale of Nueva Esperanza proceeds, your company will be basically a litigation company for the next year or so. Now, litigation is expensive and never certain but we are somewhat buoyed by the fact that virtually everybody who has reviewed both of our cases believes we have very strong cases.

We strongly believe that the course of action we are taking is definitely, by far, the best one to restore value to our shares.

We have cut costs substantially at all our operations and continue to do so. I must thank sincerely all of our loyal staff who remain for their dedication, assistance and loyalty through these difficult times.

You will have read that our former legal counsel, Gavin Robertson, retired from his legal firm, but because of his long involvement with the company joined us as a part time employee to see this thing through to the end. He has now become Company Secretary and I thank him for his support.

Most of all, I would like to thank you our loyal shareholders, who have stuck by us through thick and thin. Especially gratifying was the support we received earlier in the year with the Metal Tiger fiasco.

Unfortunately there are still people around who believe they can do a better job than your Board without a semblance of understanding of what is involved.

The truth is that the likes of your Board, Ross Coyle, Gavin Robertson, and myself are absolutely essential for the successful running of our legal cases and achieving the return of value to shareholders that we believe can be achieved and which you deserve.