

# Kingsgate Consolidated Limited

## Quarterly Report

For the period ending 30 September 2019

### KEY ISSUES

#### CORPORATE

- ▶ Kingsgate continued preparations for arbitral hearings under the Thailand-Australia Free Trade Agreement (“TAFTA”) scheduled from 18 November to 29 November 2019 in Hong Kong, seeking compensation and restitution for the Thai Government’s premature closure of the Chatree Gold Mine in central Thailand in 2016.
- ▶ The TAFTA Tribunal has ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.
- ▶ The Board believes the company has a strong TAFTA claim with good prospects for a successful outcome.
- ▶ However, Kingsgate remains open to seeking a negotiated settlement of the matter with the Thai Government.

#### CHILE

- ▶ The recent rise in commodity prices has seen additional interest in Kingsgate’s Nueva Esperanza Gold/Silver Project in Chile.
- ▶ Kingsgate continues to explore options to either monetise or develop the project.
- ▶ While there is no deadline for a decision, the insurance monies received earlier in the year (from Political Risk Insurers for the Chatree Gold Mine)<sup>1</sup> have afforded Kingsgate the opportunity to methodically work its way through all the options available for Nueva Esperanza to maximise the outcome for shareholders.

#### FINANCIAL

- ▶ As signalled in July this year, Kingsgate outlined its intent to conduct a buy-back of its shares due to concerns that the current share price does not adequately reflect the potential upside of a successful conclusion of its international arbitration case against the Kingdom of Thailand.
- ▶ As a result, Kingsgate has to date bought back a total of 765,050 shares at a price of 41 cents per share. (Please see ASX:KCN Appendices 3E dated 10 October 2019 and 11 October 2019 respectively.)
- ▶ Cash at 30 September 2019 totalled A\$31.2 million.
- ▶ The majority of expenditure for the quarter, attributed to the Nueva Esperanza Project, was approximately \$3.2 million (which included a royalty pre-payment, and a payment for the water rights). A further \$4.4 million was spent on legal fees in preparation for the TAFTA hearings next month. (Please note that during the week of 28 October 2019, the Political Risk Insurers reimbursed Kingsgate \$2 million<sup>2</sup> of those legal fees with a further \$1.3 million expected shortly.)
- ▶ As the TAFTA hearings are the single largest legal costs associated with the TAFTA claim, it is anticipated that legal costs will be significantly reduced post the arbitral hearings in November 2019.

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

2. Under the PRI settlement agreement Kingsgate will be reimbursed for 50% of the TAFTA legal fees, up to a maximum of US\$3.5 million. (See ASX:KCN release dated 18 March 2019 titled “Kingsgate settles PRI Claim for more than A\$82 million”.)

# 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\$7.5 million of gold and silver inventory in the form of high-grade sludge remained at the Chatree site. Akara is still working towards having the sludge released for sale. However, there can be no guarantee that this will occur.

## NUEVA ESPERANZA PROJECT, Chile

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

Kingsgate has appointed a corporate advisor to advise and assist it in identifying advantageous options to monetise the project.

The reasons for the sale at the time was to clear corporate debt, fund the Company as it pursued restitution for the lost value of the Chatree Gold Mine, and to provide necessary working capital going forward.

With the successful settlement in March 2019 of the Political Risk Insurance claim that Kingsgate had in place at the time the Chatree Gold Mine was unlawfully closed by the Thai Government in 2016, the Company now has time to carefully consider its options with respect to Nueva Esperanza.

These options may include further development, joint venture opportunities or sale, and the recent rise in commodity prices has seen additional interest in the project.

Kingsgate made all non-essential staff redundant during the year to reduce ongoing holding costs of the project.

### Permitting

Kingsgate advised 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.

On 8 October 2018, the regional environmental authority (“SEA”) issued the first ICSARA (the consolidated request for clarifications, rectifications and/or extensions) and gave the Company three months (to 7 January 2019) to respond.

In total, there were 179 observations in ICSARA1 that required a response from the Company. On 13 December 2018, the Company requested an extension to these responses, which was granted to 31 July 2019, noting that the Company is entitled to one further extension if required.

In early June 2019 and upon consultation with the Company’s environmental, hydrological and anthropological consultants, it was agreed that a further one month extension be sought to lodge the remaining responses by 31 August 2019 to complete ICSARA1.

The responses to ICSARA1 were submitted to Chilean regulatory authorities on 19 August 2019, and are currently being assessed.

Kingsgate will continue to work with its consultants and the relevant regulatory authorities to ensure the permitting process is successfully completed, with an anticipated approvals timeframe of first quarter calendar 2020.

## CORPORATE & FINANCE

### Finance

At the end of June 2019, Kingsgate’s Group Cash totalled A\$31.2 million excluding US\$7.5 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site.

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

The Company remains open to settlement of the TAFTA Claim.

Kingsgate continues to reduce costs and review expenditure across the Group, and implemented a range of cost savings initiatives, including staff redundancies in Chile during the quarter.

# Corporate Directory

## Board of Directors / Senior Staff

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

## Principal and Registered Office

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

## Share Details

As at 30 October 2019, there were 225,460,890 ordinary shares on issue.

## Exchange Details

ASX Code: KCN  
OTC Code: KSKGY

## Share Registry

**Link Market Services Limited**  
Level 12, 680 George Street,  
Sydney, NSW, 2000, Australia.  
Postal address: Locked Bag A14,  
Sydney South, NSW, 1235, Australia.  
Tel: +61 1300 554 474  
Fax: +61 2 9287 0303  
Email: registrars@linkmarketservices.com.au  
Web: www.linkmarketservices.com.au

## ADR Depository (American Depository Receipts)

**The Bank of New York Mellon**  
BNY Mellon Shareowner Services  
PO Box 505000, Louisville,  
Kentucky, 40233-5000, USA  
Tel: +1 201 680 6825  
Email: shrelations@bnymellon.com

## Gold & Alternative Investments Conference (Sydney, October 2019) The Gavin Thomas Mining Award

Kingsgate continues to honor the memory of its long-serving CEO and mining industry legend, Gavin Thomas, who sadly passed away in June 2014. Each year the Gavin Thomas Mining Award is presented to a high-achieving mining industry visionary in his honor. Kingsgate is pleased to congratulate Peter Cook (MD of Westgold ASX:WGX) who received the award this year. Peter is well known to Kingsgate and a worthy recipient. We wish him continuing success with his future endeavors.



L-R: Barbara Thomas, Peter Cook and KCN representative Suzanne Blake.



Peter Cook accepting the Gavin Thomas Mining Award.

### 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 "Nueva Esperanza Mineral Resources Update" dated 14 April 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.