

# Kingsgate Consolidated Limited

## Quarterly Report

For the period ending 31 December 2019

### KEY ISSUES

#### CORPORATE

- ▶ The arbitral hearings under the Thailand - Australia Free Trade Agreement (that relate to the Thai Government's premature closure of the Chatree Gold Mine in 2016) scheduled to take place in Hong Kong between 18 to 29 November 2019 were rescheduled. The joint decision to reschedule the hearings was made as a consequence of the escalating violence and volatility in and around the city at that time.
- ▶ Following this decision, the arbitral hearings were rescheduled for 3 to 12 February 2020, in Singapore.
- ▶ Kingsgate has also been advised that some of the independent expert evidence testimony will take place via video link on 23 January 2020, as these expert witnesses have other commitments during February. This will help ensure that the matter is heard in full by 12 February 2020.
- ▶ As previously stated, the TAFTA Tribunal has ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.
- ▶ Kingsgate is well prepared for the hearings and the Kingsgate Board continues to consider the Company has excellent prospects for a successful outcome.
- ▶ Kingsgate remains open to seeking a negotiated settlement of the matter with the Thai Government.

#### CHILE

- ▶ The recent rise in commodity prices has seen ongoing interest in Kingsgate's Nueva Esperanza Gold/Silver Project. Kingsgate continues to explore options to either monetise or develop the project.
- ▶ While there is no deadline for a decision, the insurance monies received in early 2019 (from Political Risk Insurers for the Chatree Gold Mine)<sup>1</sup> have afforded Kingsgate the opportunity to methodically work through all the options available for Nueva Esperanza in order to maximise the outcome for shareholders.

#### FINANCIAL

- ▶ **Kingsgate remains corporate debt free.**
- ▶ In July 2019, 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.
- ▶ At its Annual General Meeting in November 2019, Kingsgate shareholders approved the buy-back of up to 50% of the Company's issued capital over the ensuing twelve month period.
- ▶ Kingsgate has, to date, bought back a total of 3,649,113 shares at an average price of 40.5 cents per share.
- ▶ Cash at 31 December 2019 totalled A\$26.1 million.
- ▶ The Company's single largest expense is the legal costs associated with the TAFTA claim. However, it is anticipated that these legal costs will be significantly reduced post the arbitral hearings in February 2020. Kingsgate is currently awaiting reimbursement of A\$1.7 million in legal fees from the Political Risk Insurers as part of the settlement agreement with them.<sup>2</sup>

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 legal fees up to a total of US \$3,500,000. (See ASX:KCN release dated 18 March 2019 titled "Kingsgate settles PRI Claim for more than A\$82 million").

# December 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\$7.8 million of gold and silver inventory, in the form of high-grade sludge, remained at the Chatree site. The release of the sludge, for sale, is expected to be one of the matters dealt with by the TAFTA Arbitration.

### Community Support

Community support for the mine remains very strong with a peaceful gathering of the “Gold Mine Lovers Club” occurring on 16 November 2019, adjacent to the Chatree Mining Complex in the Pichit Province, Thailand. Local news reports estimated that there were up to a thousand participants consisting of former employees, local families, community leaders, local vendors and other supporters of the mine.

The aim of the gathering was to show the Thai Government that the mine retains high levels of local support and the supporters are urging the government to re-open the mine. Participants were asked to register with proper identification to attest they were all genuine locals and not outsiders. Kingsgate whole-heartedly welcomes this level of support, and would like to thank all those participants that made this event such a success. The gathering obtained proper permission from the authorities.

*Chatree Gold Mine supporters gathered on 16 November 2019.*



## 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 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 ongoing interest in the project.

Kingsgate made all non-essential staff redundant 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 ICSARA 1 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 December 2019, Kingsgate’s Group Cash totalled A\$26.1 million excluding US\$7.8 million of gold and silver inventory in the form of high-grade sludge secured at the Chatree mine site.

The Company is working to fully prosecute its claims against the Kingdom of Thailand under the Thailand-Australia Free Trade Agreement.

The Company remains open to settlement of the TAFTA Claim.

Kingsgate continues to reduce costs and review expenditure across the Group.

# Accolade

Kingsgate would like to acknowledge the excellent performance of one of its key staff members, Mr Cherdsak Utha-aroon, General Manager - External Affairs. Khun Cherdsak was awarded “Outstanding Alumnus of 2019” as part of the Outstanding Alumnus Awards of the Faculty of Sciences and the Faculty of Sciences Alumni Association, Chiang Mai University, on 23 November 2019.

Khun Cherdsak, together with 9 other alumni, received the award for their long-time technical contributions and public service. Khun Cherdsak was recognised for technical achievement during his tenure with the Thai Department of Mineral Resources, especially recognising his contribution in running education programs for the general public affected by the 2004 tsunami in the 6 provinces in southern Thailand. These programs helped reduce fear and identify preliminary escape routes for affected communities following the tsunami.

Khun Cherdsak was also recognised for his work as the leading author in the “Atlas of Mineral Resources of the ESCAP Region, Volume 16 (Mineral Resources of Thailand)” and, notably, he was a key person in organising the first international gem and jewelry conference in Thailand to commemorate the Sixtieth Anniversary of His Majesty’s Accession to the Throne. In addition, Khun Cherdsak was also recognised for his tireless work in spearheading Akara’s CSR strategy referred to as “the 4-pillar strategy” for betterment of the local people living around the Chatree Gold Mine.



*Above: Khun Cherdsak as the Designated Moderator in a technical conference at the Geology Department, Faculty of Sciences, Chiang Mai University, on 29 November 2019. (The conference was attended by close to 200 geoscientists and related disciplines.)*



*Left & below: Khun Cherdsak receiving his Outstanding Alumnus Award, at a function of the alumni association, Bangkok, 23 November 2019.*



# 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 31 December 2019, there were 222,596,672 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

Supporters of the Chatree Gold Mine have erected a billboard, on a main road near the mine, in front of a local government office urging the Prime Minister of Thailand to re-open the mine.



### 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.