



Kingsgate

Consolidated Limited

**ASX APPENDIX 4D and
HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

Kingsgate Consolidated Limited

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CORPORATE INFORMATION

Directors

Ross Smyth-Kirk Executive Chairman
Peter Alexander Non-Executive Director
Peter Warren Non-Executive Director

Company Secretary

Ross Coyle

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

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Kingsgate Consolidated Limited (ASX Code: KCN)
ASX APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half-year ended 31 December 2019

			6 months 31 Dec 2019 \$'000	6 months 31 Dec 2018 \$'000
Revenue from ordinary activities	Revenue	0%	-	-
Loss from ordinary activities after tax attributable to members	Loss decreased	66.8%	(14,783)	(44,534)
Net loss for the period attributable to members	Loss decreased	66.8%	(14,783)	(44,534)

Dividends

No final dividend was paid in relation to the year ended 30 June 2019.

No interim dividend will be paid in relation to the half-year ended 31 December 2019.

Net Tangible Assets/(Liabilities)

	31 Dec 2019	31 Dec 2018
Net tangible asset/(liabilities) backing per ordinary share: \$ per share	0.11	(0.08)

Review of Results

Refer to Review of Operations and Results included in the Directors' Report.



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 half-year ended 31 December 2019.

DIRECTORS

The following persons were directors of Kingsgate Consolidated Limited during the half-year ended 31 December 2019 and up to the date of this report:

- Ross Smyth-Kirk Executive Chairman
- Peter Alexander Non-Executive Director
- Peter Warren Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of Kingsgate Consolidated Limited during the reporting period were the progression of its claim with respect to the arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement. This is in conjunction with Kingsgate continuing its rehabilitation obligations and maintaining and keeping the project in good standing. Work also continued on a process to unlock the value of the Nueva Esperanza Gold/Silver Project ("Nueva Esperanza") in Chile.

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 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. Akara had sought a 72 hour temporary licence from the Thai Authorities to process the sludge. This approval was not forthcoming and monetisation of the sludge will be dealt with under the auspices of the arbitral proceedings process. The value of that sludge has not been recognised in the financial statements.

Chatree Closure Remedies:

Political Risk Insurance ("PRI"):

In March 2019, Kingsgate settled its Political Risk Insurance proceedings for more than A\$81 million. The settlement consisted of:

- a cash payment of US\$55 million (A\$76.3 million) received by Kingsgate on 11 April 2019;
- a requirement for the Insurers to contribute up to US\$3.5 million of future costs towards the TAFTA ("Australia Thailand Free Trade Agreement") Arbitration. The Insurers funding contribution will be paid on a pro-rata basis with Kingsgate; and
- a sharing arrangement between Kingsgate and the Insurers for future distributions of TAFTA Claim proceeds. The Insurers are only entitled to the amount of their original financial contribution including interest – Kingsgate will retain any TAFTA Claim proceeds in excess of that contribution.

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 arbitral hearings 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 Hong Kong at that time.



Following this decision, the arbitral hearings were rescheduled to take place between 3 to 12 February 2020, in Singapore, and as a result have now been completed in full.

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 stands by its previous comments that the Board considers the Company has excellent prospects for a successful outcome.

While there is no allocated date for a decision on the hearings, the Tribunal will now retire to consider the matter and will render a decision in its own time.

In the interim, Kingsgate remains open to a negotiated settlement with the Thai Government.

Support for the Mine:

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 wholeheartedly 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.

Nueva Esperanza

Nueva Esperanza is a feasibility-stage development project in Chile with a resource base of approximately 1.9 million ounces gold equivalent¹. Kingsgate has appointed a corporate advisor to advise and assist it in identifying advantageous options to unlock the value of the project. This may include further development, joint venture opportunities or sale.

Work on the project permitting process continued during the half year with an EIA approval on track for mid-2020, and Kingsgate has successfully extended the water permit until December 2024.

Financial

At 31 December the Kingsgate Group cash position totalled A\$26.1 million. In addition, at 31 December Kingsgate is owed \$1.6 million by the PRI insurers. This relates to their outstanding costs towards the TAFTA Arbitration process.

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 2018” dated 27 September 2018).



FINANCIAL RESULTS

Kingsgate recorded an after tax loss of \$14.8 million for the half-year compared to an after tax loss of \$44.5 million for the previous corresponding period.

EBITDA before significant item was (\$14.1 million), which decreased from (\$9.0 million) in the previous period.

	Half-Year	
	2019 \$'000	2018 \$'000
Loss after income tax	(14,783)	(44,534)
Income tax expense	-	-
Loss before income tax	(14,783)	(44,534)
Loss before tax	(14,783)	(44,534)
Significant items		
Impairment of capitalised exploration	-	31,851
Loss before tax and significant items	(14,783)	(12,683)
Net finance costs	593	3,310
Depreciation and amortisation	117	369
EBITDA before significant item	(14,073)	(9,004)

EBITDA before significant item is a financial measure which is not prescribed by International Financial Reporting Standards ("IFRS") and represents the profit under IFRS adjusted for specific significant item. The table above summarises key items between statutory profit after tax and EBITDA before significant item. The EBITDA before significant item has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half-year report.

Dividends

No dividend was declared with respect of the half-year ended 31 December 2019.



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 31 December 2019 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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.

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

Ross Smyth-Kirk
Director
28 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 2019, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'Marc Upercroft', is written over a light blue horizontal line.

Marc Upercroft
Partner
PricewaterhouseCoopers

Sydney
28 February 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2019

	Note	Half-Year	
		2019 \$'000	2018 \$'000
Exploration and technical expenses		(2,301)	(3,171)
Care and maintenance expenses		(1,285)	(1,225)
Corporate and administration expenses	3a	(7,736)	(6,252)
Other income and expenses	3b	12	239
Foreign exchange (loss)/gain		(2,880)	1,036
Impairment losses – Nueva Esperanza	3f	-	(31,851)
Loss before finance costs and income tax		(14,190)	(41,224)
Finance income		172	11
Finance costs	3c	(765)	(3,321)
Net finance costs		(593)	(3,310)
Loss before income tax		(14,783)	(44,534)
Income tax expense		-	-
Loss after income tax		(14,783)	(44,534)
Other comprehensive income			
<i>Item that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		1,989	132
Total other comprehensive income for the half-year		1,989	132
Total comprehensive loss for the half-year		(12,794)	(44,402)
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		(14,783)	(44,534)
Total comprehensive loss attributable to:			
Owners of Kingsgate Consolidated Limited		(12,794)	(44,402)
Loss per share		Cents	Cents
Basic and diluted loss per share	10	(6.56)	(19.69)

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 31 December 2019

	Note	31 Dec 2019 \$'000	30 Jun 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		26,110	42,085
Receivables		1,887	1,540
Other assets	4	554	339
Total current assets		28,551	43,964
Non-current assets			
Property, plant and equipment		706	745
Right-of-use assets	12	233	-
Exploration, evaluation and development		25,365	25,319
Other assets	4	9,215	9,198
Total non-current assets		35,519	35,262
TOTAL ASSETS		64,070	79,226
LIABILITIES			
Current liabilities			
Payables		4,176	6,441
Lease liability	12	694	591
Provisions		164	186
Total current liabilities		5,034	7,218
Non-current liabilities			
Payables		4,278	4,276
Lease liability	12	146	-
Borrowings	5	12,729	12,392
Provisions		17,619	16,803
Total non-current liabilities		34,772	33,471
TOTAL LIABILITIES		39,806	40,689
NET ASSETS		24,264	38,537
EQUITY			
Contributed equity	6	676,282	677,761
Reserves	7	59,651	57,662
Accumulated losses		(711,669)	(696,886)
TOTAL EQUITY		24,264	38,537

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2019

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	677,761	57,662	(696,886)	38,537
Loss after income tax	-	-	(14,783)	(14,783)
Total other comprehensive income for the half-year	-	1,989	-	1,989
Total comprehensive income/(loss) for the half-year	-	1,989	(14,783)	(12,794)
Transaction with owners in their capacity as owners:				
Payments for share buy-backs	(1,471)	-	-	(1,471)
Payments for share buy-back expenses	(8)	-	-	(8)
Total transaction with owners	(1,479)	-	-	(1,479)
Balance at 31 December 2019	676,282	59,651	(711,669)	24,264

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2018

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	677,761	53,942	(705,261)	26,442
Loss after income tax	-	-	(44,534)	(44,534)
Total other comprehensive income for the half-year	-	132	-	132
Total comprehensive income/(loss) for the half-year	-	132	(44,534)	(44,402)
Balance at 31 December 2018	677,761	54,074	(749,795)	(17,960)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Half-Year	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(13,769)	(12,032)
Interest received	172	11
Finance costs paid	(763)	(1,687)
Net cash outflow from operating activities	(14,360)	(13,708)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	145
Payments for property, plant and equipment	-	(5)
Decrease in deposits	-	370
Net cash inflow from investing activities	-	510
Cash flows from financing activities		
Proceeds from corporate borrowings	-	3,750
Repayment of corporate borrowings	-	(472)
Repayment of subsidiary (Akara Resources PCL) borrowings	-	(235)
Payment of lease liabilities	(46)	-
Payments for share buy-backs	(1,471)	-
Payments for share buy-back expenses	(8)	-
Net cash inflow/(outflow) from financing activities	(1,525)	3,043
Net decrease in cash held	(15,885)	(10,155)
Cash at the beginning of the half-year	42,085	11,239
Effects of exchange rate on cash and cash equivalents	(90)	(21)
Cash at the end of the half-year	26,110	1,063

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Kingsgate in its annual financial report for the year ended 30 June 2019, with the exception of the introduction of new accounting standards – the details of which are included in Note 12.

New or Revised Standards and Interpretations that are First Effective in the Current Reporting Period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

New Accounting Standards for Application in Future Periods

There are no new and revised Standards and amendments thereof and Interpretations effective for future reporting periods issued during the current reporting period that are relevant to the Group.

Note 1 (a) Critical accounting estimates and judgements

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 expropriation of the Chatree mine. Kingsgate Consolidated Limited and its Thai subsidiary Akara Resources Public Company Limited have complied with the Thai Government's 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 (\$2,137,261 at balance sheet date) 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 (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, management revised its previous estimates and reduced its total rehabilitation liability to approximately \$17,220,000. 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 compensation for the expropriation of the Chatree mine through arbitral proceedings against the Royal Kingdom of Thailand ("Thai Government") under TAFTA or a negotiated settlement with the Thai Government as well as agreeing with the Thai Government a rehabilitation plan, costing and timing in the context of the early mine closure.

The Group has considered the status of its discussions with the Thai Government and the status of its legal process against the Thai Government 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 considered that it was not appropriate to record a reversal of any impairment previously recognised.



2. 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 operating mines and projects and include the following:

- Chatree Gold Mine, Thailand; and
- Nueva Esperanza Gold/Silver Project, Chile.



2. SEGMENT INFORMATION (Continued)

Information regarding the results of each reportable segment is included as follows:

2019	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	-	-	-	-
Other income	24	-	-	24
Total segment revenue	24	-	-	24
Segment EBITDA	(1,540)	(2,267)	(10,266) ¹	(14,073)
Depreciation and amortisation	(43)	(46)	(28)	(117)
Segment result (Operating EBIT)	(1,583)	(2,313)	(10,294)	(14,190)
Finance income				172
Finance costs				(765)
Net finance costs				(593)
Loss before tax				(14,783)
Other segment information				
Segment assets	2,533	33,546	27,991	64,070
Segment liabilities	(32,299)	(4,758)	(2,749)	(39,806)
¹ includes foreign exchange loss of \$2,880,000 for the Group.				
2018	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	-	-	-	-
Other income	191	-	48	239
Total segment revenue	191	-	48	239
Segment EBITDA	(907)	(3,171)	(4,926) ¹	(9,004)
Depreciation and amortisation	(312)	-	(57)	(369)
Impairment	-	(31,851)	-	(31,851)
Segment result (Operating EBIT)	(1,219)	(35,022)	(4,983)	(41,224)
Finance income				11
Finance costs				(3,321)
Net finance costs				(3,310)
Loss before tax				(44,534)
Other segment information				
Segment assets	2,628	34,347	1,341	38,316
Segment liabilities	(30,197)	(4,899)	(21,180)	(56,276)
¹ includes foreign exchange gain of \$1,036,000 for the Group.				



3. REVENUE AND EXPENSES

	Half-Year	
	2019	2018
	\$'000	\$'000
a. Corporate and administration expenses		
Administration	2,935	3,855
Statutory and professional fees	4,727	2,340
Depreciation	74	57
Total corporate and administration expenses	7,736	6,252
b. Other income and expenses		
Other income	(24)	(184)
(Gain)/loss on sale of assets	12	(55)
Total other income and expenses	(12)	(239)
c. Finance costs		
Interest and finance charges	765	2,665
Amortisation of deferred borrowing costs	-	656
Total finance costs	765	3,321
d. Depreciation and amortisation		
Property, plant and equipment	117	369
Total depreciation and amortisation expenses	117	369
<i>Included in:</i>		
Care and maintenance expenses	43	312
Corporate depreciation	74	57
e. Employee benefits expenses		
<i>Included in:</i>		
Care and maintenance expenses	764	346
Corporate and administration expenses	1,206	1,733
Total employee benefits expenses	1,970	2,079
f. Significant item		
Impairment losses – Nueva Esperanza	-	31,851
Total significant item	-	31,851



4. OTHER ASSETS

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current		
Prepayments	489	274
Other deposits	65	65
Total other assets – current	554	339
Non-current		
Prepayments	8,705	8,702
Other deposits	510	496
Total other assets – non-current	9,215	9,198

Prepayments

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

5. BORROWINGS

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Preference shares in controlled entity	12,729	12,392
Total non-current borrowings	12,729	12,392

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 ¹	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai baht	12%	n/a	12,729	12,729

¹the preference shares are repayable at the earliest on 30 July 2022.

6. CONTRIBUTED EQUITY

	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Opening balance	226,225,940	226,225,940	677,761	677,761
Payments for share buy-backs	(3,629,268)	-	(1,471)	-
Payments for share buy-back expenses	-	-	(8)	-
Closing balance	222,596,672	226,225,940	676,282	677,761



7. RESERVES

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Foreign currency translation reserve	53,850	51,861
Share-based payment reserve	9,142	9,142
General reserve	(3,341)	(3,341)
Total reserves	59,651	57,662

8. EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 2019 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.

9. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets or liabilities at 31 December 2019 that is required to be reported. At the time of preparing this financial report some companies included in the Group are parties to pending legal proceedings. The directors have determined that the possibility of any outflow in settlement resulting from these proceedings is remote.

10. LOSS PER SHARE

	Half-Year	
	2019 Cents	2018 Cents
Basic and diluted loss per share	(6.56)	(19.69)
	\$'000	\$'000
Net loss used to calculate basic and diluted earnings per share	(14,783)	(44,534)
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	225,420,749	226,225,940
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	225,420,749	226,225,940

11. IMPAIRMENT ASSESSMENT

At balance sheet date, the Group determined that no impairment indicators were present for the Nueva/Esperanza Gold/Silver Project and a formal impairment assessment has therefore not been completed in accordance with the accounting policy of the Group. In reaching the conclusions regarding the carrying value of Nueva Esperanza, the Group consider:

- significant and sustained increases in gold and silver prices;
- positive updates to the project including the 5 year extension to the water rights and lodgement of the updated Environmental Impact Application;
- Kingsgate's market capitalisation; and
- offers received to date to invest in the Project.



12. NEW ACCOUNTING STANDARDS INTRODUCED DURING THE HALF YEAR

AASB16 Leases – Effective for reporting periods on or after 1 January 2019

This note explains the impact of the adoption of AASB16 *Leases* on the consolidated financial statements and discloses the new accounting policy that has been applied from 1 July 2019. The Group has adopted AASB16 from 1 July 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised from 1 July 2019.

(a) Adjustments recognised on adoption of AASB16

On adoption of AASB16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of AASB117 *Leases*. For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

These liabilities were measured at the present value of remaining lease payments, discounted using the consolidated entity’s incremental borrowing rates. The average incremental borrowing rate applied to the leases on 1 July 2019 was 3.5%.

A reconciliation of the operating lease commitments note as disclosed at 30 June 2019 to the opening lease liability as at 1 July 2019 is outlined below:

	1 July 2019 \$'000
Operating lease commitments disclosed at 30 June 2019	339
Discounted using the lessee’s incremental borrowing rate at the date of initial application	(18)
Less: short terms and low value leases recognised on a straight-line basis as expense	(26)
Lease liability recognised as at 1 July 2019 on adoption of AASB16	295
Of which are:	
Current lease liabilities	95
Non-current lease liabilities	200

The recognised right-of-use assets relate to the following types of asset:

	31 Dec 2019 \$'000	1 Jul 2019 \$'000
Property	233	295
Total right-of-use assets	233	295

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increased by \$295,000
- Lease liabilities – increased by \$295,000

The change in accounting policy has resulted in an increase in depreciation and amortisation expenses of \$46,000 in the income statement for the 6 months to 31 December 2019.

In applying AASB16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases; and
- The use of professional judgement in determining the lease term, where the contract contains options to extend or terminate the lease.



12. NEW ACCOUNTING STANDARDS INTRODUCED DURING THE HALF YEAR (Continued)

(b) New accounting policy for leases

The Group leases various offices. Rental contracts are made for fixed periods but may have extension options available beyond this point. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the end of the 2019 financial year, some leases were classified as operating expenses and payments made in relation to those leases were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Group has entered into a lease contract for the right to control the use of an asset over the lease term, the present value of future lease commitments is recognised as a liability on the balance sheet at commencement date, with the corresponding asset recognised as a right-of-use asset.

The lease liability represents the present value of the expected future lease payments, discounted at the consolidated entity's average incremental borrowing rate. To determine the value of expected future lease payments, the consolidated entity considers:

- The lease term, which includes the non-cancellable period of the lease plus any options available that the Group is reasonably certain to exercise; and
- Those lease payments which must be factored into the value of the liability, including:
 - Fixed payments; and
 - Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Any change of the valuation of the future lease payments (due to change in lease term) results in the re-measurement of both the lease liability and the right-of-use asset.

The right of use assets are classified as leases of property and are carried at cost less accumulated depreciation and impairment loss. The asset are amortised on a straight line basis over the shorter of the asset's useful life and the lease term.

Where leases are short term or where the underlying asset is of low value, we have elected to not apply the requirements of AASB16 and as such, amounts are expensed as incurred.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'ROSS SMYTH-KIRK'.

Ross Smyth-Kirk
Director

28 February 2020
On behalf of the Board



Independent auditor's review report to the members of Kingsgate Consolidated Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Kingsgate Consolidated Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kingsgate Consolidated Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – significant uncertainty in relation to carrying value of assets and liabilities

We draw attention to note 1 (a) to the half-year financial report which describes the significant uncertainty in relation to the carrying amount of assets and liabilities associated with the Chatree Gold Mine. Our review conclusion is not modified in respect of this matter.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'M Upercroft' in a cursive style.

Marc Upercroft
Partner

Sydney
28 February 2020