



Kingsgate
Consolidated Limited

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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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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 year ended 30 June 2021.

DIRECTORS

The following persons were Directors of Kingsgate Consolidated Limited during the year ended 30 June 2021 and up to the date of this report, except where noted otherwise:

- 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 year were the progression of its claim with respect to the arbitral proceedings against the Kingdom of Thailand under the Thailand-Australia 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.

DIVIDENDS

- No final dividend was declared for the year ended 30 June 2020 (30 June 2019: nil).
- No interim dividend was declared for the year ended 30 June 2021 (30 June 2020: nil).

REVIEW OF OPERATIONS AND RESULTS

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 31 full time staff remain at the Chatree Gold Mine to manage the ongoing care and maintenance and rehabilitation works.

In September 2020, Kingsgate announced that, Akara, was granted permission by the Thai Government to process by a local Thai refinery the high value gold and silver "sludge," that was secured at the Chatree Gold Mine.

The sludge refers to material cleaned from the tanks and processing plant following the closure of the Chatree Gold Mine on 31 December 2016, and has always been, and acknowledged to be, the property of Akara Resources.

Akara Resources agreed terms with a Thai refinery to process the sludge pursuant to new legislation requiring Thai gold to be refined in Thailand. The sludge was processed in three separate shipments to de-risk the process and subsequently sold for total gold and silver revenue of \$12.3 million.

Chatree Closure Remedies

The arbitral hearings under the Thailand – Australia Free Trade Agreement ("TAFTA") that relate to the Thai Government's premature closure of the Chatree Gold Mine in 2016, were heard in full in Singapore, from 3 to 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.



While Kingsgate appreciates it has been frustrating for shareholders that more than 18 months has elapsed since those arbitral hearings, Kingsgate has always maintained that it has various strategies to restore the value of Chatree for shareholders which includes a negotiated settlement.

Kingsgate has previously advised that it has been negotiating with the Thai Government in “good faith” in parallel to the TAFTA decision to ensure that the Company has multiple options to restore the value of the Chatree Gold Mine for shareholders.

Negotiations between the Company and the Royal Thai Government are now entering the final stages. Kingsgate has been advised that the arbitral tribunal is now ready to issue the award after a lengthy period of deliberations.

In this regard, Kingsgate and the Thai Government have jointly requested that the arbitral tribunal hold the award until 31 October 2021, to allow the parties a short extension to conclude their settlement negotiations.

As referenced in the ASX release dated 18 February 2021, titled “TAFTA Update”, Kingsgate has been negotiating with the Thai Government with a view to a settlement in which certain steps will be taken, including (but not limited to):

- the grant of all operating licences and permit applications required to re-start and operate the Chatree Gold Mine;
- the renewal/approval of key exploration licence applications to enable access to previously unavailable but highly prospective areas;
- the establishment of improved processes around expediting approvals of mining leases and mine plans;
- the issuance of Board of Investment incentives in relation to royalty and tax relief for the re-start and continuance of operations;
- the ability to access development funding (if required) for plant refurbishment/expansion;
- the examination by Kingsgate of the feasibility of developing a local Thai gold refinery with international accreditation;
- support from the Thai Government for the potential listing of Akara Resources on the Thai Stock Exchange, which if implemented would give Thai investors the opportunity to participate in the re-invigorated gold industry;
- the successful resolution of all outstanding local legal issues;
- the examination by Kingsgate of options for the construction of a renewable energy plant at Chatree;
- the establishment of a local COVID-19 vaccination hub by Kingsgate to ensure the health of Chatree employees and local communities; and The re-instatement of previous commitments by Kingsgate to continue supporting local communities through various education, health, and infrastructure programs.

With the future operating certainty and exploration upside that could flow from a settlement on these terms, a successful re-start of the Chatree Gold Mine combined with the sustained rise in both the gold and silver prices and the relative accessibility of stockpiled ore at Chatree could give Kingsgate significant optionality with the asset and a path forward which may include continuing operations, selling the asset or listing Akara on the Thai Stock Exchange.

In November 2020, another positive move from the Thai Government resulted in Akara being issued 44 special mineral prospecting licences (SPLs) over 397,226 rais of land in Chon Daen and Wang Pong Districts, in the Phetchabun Province.

The term of the SPLs is for a period of five years until October 2025. The issuance of these SPLs which is subject to all relevant Thai mining laws including obtaining permission from landholders, providing environmental bonding to cover any reclamation works is not a licence to conduct mining activities.

Nueva Esperanza

Nueva Esperanza is an advanced gold-silver exploration and development project, located in the Maricunga Belt of the Atacama Region of Northern Chile. Nueva Esperanza’s Mineral Resources inclusive of Ore Reserves remain unchanged from 30 June 2017 and are estimated at 0.30 million ounces of gold and 47.8 million ounces of silver



(17.1Mt at 0.5g/t Au and 87g/t Ag). See ASX:KCN released titled “Kingsgate Mineral Resources and Ore Reserves 2020” dated 2 September 2020.

In June 2021, Kingsgate signed a Letter of Intent for the sale of Nueva Esperanza to TSXV listed TDG Gold Corp (“TDG”). The consideration for the transaction is a combination of cash and shares as follows:

- C\$25 million cash payable to Kingsgate upon completion of the transaction¹;
- Kingsgate will be issued 14.0% of TDG’s outstanding common shares calculated on a post-closing basis (inclusive of any shares issued in a concurrent financing and with an option to increase the holding up to 19.9%);
- C\$6.25 million is payable to Kingsgate within three months of completion of a Definitive Feasibility Study;
- a payment of C\$5 million or 10 million TDG shares at their discretion to be issued at the point of a construction decision;
- a payment of C\$5 million or 10 million in TDG shares at their discretion at the one-year production anniversary;
- a payment of C\$8.75 million at the two-year production anniversary; and
- Kingsgate will have a representative on the TDG board.

The transaction is subject to the parties entering into a legally binding agreement, as well as certain conditions being met. These conditions include board approval, due diligence, and completion by TDG of a financing of at least C\$35 million. TDG is in the process of completing this financing, however, there can be no guarantee that the transaction will proceed.

1. Subject to balance sheet adjustments, which are normal under a transaction of this type.

Financing

At the end of June 2021, Kingsgate’s Group Cash totalled A\$9.98 million. This does not include \$916,000 of refundable bank guarantees relating to rehabilitation obligation in respect of the 44 SPLs granted to Akara Resources during the year.

FINANCIAL RESULTS

	2021	2020	2019	2018	2017
Net (loss)/profit after tax (\$'000)	(8,877)	(24,244)	8,375	(76,722)	7,088
EBITDA (\$'000)	(7,415)	(22,782)	15,958	(71,706)	63,042
Dividends paid (Cash & DRP) (\$'000)	-	-	-	-	-
Share price 30 June (\$)	0.84	0.40	0.26	0.28	0.20
Basic (loss)/earnings per share (Cents)	(4.00)	(10.84)	3.70	(34.26)	3.17
Diluted (loss)/earnings per share (Cents)	(4.00)	(10.84)	3.70	(34.26)	3.17



Going concern and material uncertainty

The financial statements have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2021, the Group had \$9,984,000 of available cash and has no cash generating operations. The Group currently does not have sufficient cash available to fully repay the preference share liability of \$11,046,000 which if exercised by the preference shareholder is repayable at the earliest on 30 July 2022. The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the Group being successful in:

1. arbitral hearings under the Thailand-Australia Free Trade Agreement (“TAFTA”) that relate to the Thai Government’s premature closure of the Chatree Gold Mine in 2016, or other suitable negotiated settlement of this matter with the Thai Government (“Chatree Closure Remedies”), and/or
2. the sale of the Group’s Nueva Esperanza exploration project (“Nueva Esperanza Sale”), and/or
3. extending the term of the exercise date of the preferences shares should that be required (“Extending Date of Preference Shares”).

These matters are discussed further below.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that a combination of these matters will be implemented and, accordingly, have prepared the financial report on a going concern basis. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The attached financial report for the year ended 30 June 2021 contains an independent auditor’s report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. For further information, refer to Note 1 (a) to the financial report.

Chatree Closure Remedies

The arbitral hearings under the TAFTA took place in Singapore in February 2020. The Group has been advised that the arbitral tribunal is now ready to issue the award after a lengthy period of deliberations. The Group and the Thai Government have jointly requested that the arbitral tribunal holds the award until 31 October 2021, to allow the parties a short extension to conclude their settlement negotiations.

The Group has been negotiating with the Thai Government with a view to a settlement that could lead to a successful re-start of the Chatree Gold Mine and provide the Group with significant optionality with the asset which may include continuing operations, selling the asset or listing Akara on the Thai Stock Exchange.

Nueva Esperanza Sale

In June 2021, Kingsgate signed a Letter of Intent for the sale of Nueva Esperanza to TSXV listed TDG Gold Corp (“TDG”). The consideration for the transaction is a combination of cash and equity (refer Note 3 iii for the details of the offer).

The transaction is subject to the parties entering into a legally binding agreement, as well as certain conditions being met. These conditions include board approval, due diligence, and completion by TDG of a financing of at least C\$35,000,000. TDG is in the process of completing this financing.

Extending Date of Preference Shares

Dependant on the timeframe to successfully complete the above two matters, in the event the preference share repayment right is exercised, discussions will be held with the preference shareholder for extending the earliest potential date of conversion of this instrument to beyond 30 July 2022.



MATERIAL BUSINESS RISKS

The material business risks that may have an impact on the operating and financial prospects of the Group are:

Mineral resources and ore reserves

Ore reserves and mineral resources are estimates. These estimates are substantially based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted and as a consequence there is a risk that any part, or all of the mineral resources, will not be converted into reserves.

Market price fluctuations of gold and silver as well as increased production and capital costs, may render ore reserves unprofitable to develop at a particular site for periods of time.

Mining risks and insurance risks

These risks and hazards could result in significant costs or delays that could have a material adverse impact on the Group's financial performance and position.

The Group maintains insurance to cover some of these risks and hazards at levels that are believed to be appropriate for the circumstances surrounding each identified risk. However, there remains the possibility that the level of insurance may not provide sufficient coverage for losses related to specific loss events.

Reliance on contractors

Some aspects of Kingsgate's activities are conducted by contractors. As a result, the Group's business performance is impacted upon by the availability and performance of contractors and the associated risks.

Maintaining title

The Group's activities are subject to obtaining and maintaining the necessary titles, authorisations, permits and licences, and associated land access arrangements with the local community, which authorise those activities under the relevant law ("Authorisations"). There can be no guarantee that the Group will be able to successfully obtain and maintain relevant Authorisations to support its activities, or that renewal of existing Authorisations will be granted in a timely manner or on terms acceptable to the Group.

Authorisations held by or granted to the Group may also be subject to challenge by third parties which, if successful, could impact on Kingsgate's exploration, development and/or mining activities.

Political, economic, social and security risks

Kingsgate's activities are subject to the political, economic, social and other risks and uncertainties in the jurisdictions in which those activities are undertaken.

As evidenced by the decision by the Thai Government that the Chatree Gold Mine must cease operation by 31 December 2016, there can be no certainty as to what changes, if any, will be made to relevant laws in the jurisdictions where the Company has current interests, or other jurisdictions where the Company may have interest in the future, or the impact that relevant changes may have on Kingsgate's ability to own and operate its mining and related interests and to otherwise conduct its business in those jurisdictions.

Environmental, health and safety regulations

The Group's activities are subject to extensive laws and regulations. Delays in obtaining, or failure to obtain government permits and approvals may adversely affect the Group.

Measures have been implemented in line with COVID-19 guidelines. There has been no direct adverse impact on the Group from COVID-19.

Community relations

The Group has established community relations functions that have developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities.

A failure to appropriately manage local community stakeholder expectations may lead to disruptions in the Group's activities.



Risk management

The Group manage the risks listed above, and other day-to-day risks through an established management framework. The Group has policies in place to manage risk in the areas of health and safety, environment and equal employment opportunity.

Management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

Significant change in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2021 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Kingsgate continues to prosecute its claim under the Australia-Thailand Free Trade Agreement ("TAFTA") as it remains committed to negotiations with the Thai Government for both restitution of the Chatree Gold Mine and associated compensation.

On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under TAFTA, 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 took place between 3 to 12 February 2020, in Singapore, and have been completed in full.

Negotiations between the Company and the Royal Thai Government are now entering the final stage. Kingsgate has also been advised that the arbitral tribunal is now ready to issue the award after a lengthy period of deliberations.

In this regard, Kingsgate and the Thai Government have jointly requested that the arbitral tribunal hold the award until 31 October 2021, to allow the parties a short extension to conclude their settlement negotiations.

As referenced in the ASX release dated 18 February 2021, titled "TAFTA Update", Kingsgate has been negotiating with the Thai Government with a view to a settlement in which certain steps will be taken, including (but not limited to):

- the grant of all operating licences and permit applications required to re-start and operate the Chatree Gold Mine;
- the renewal/approval of key exploration licence applications to enable access to previously unavailable but highly prospective areas;
- the establishment of improved processes around expediting approvals of mining leases and mine plans;
- the issuance of Board of Investment incentives in relation to royalty and tax relief for the re-start and continuance of operations;
- the ability to access development funding (if required) for plant refurbishment/expansion;
- the examination by Kingsgate of the feasibility of developing a local Thai gold refinery with international accreditation;
- support from the Thai Government for the potential listing of Akara Resources on the Thai Stock Exchange, which if implemented would give Thai investors the opportunity to participate in the re-invigorated gold industry;
- the successful resolution of all outstanding local legal issues;
- the examination by Kingsgate of options for the construction of a renewable energy plant at Chatree;



- the establishment of a local COVID-19 vaccination hub by Kingsgate to ensure the health of Chatree employees and local communities; and
- the re-instatement of previous commitments by Kingsgate to continue supporting local communities through various education, health, and infrastructure programs.

In addition the **Metallurgical Processing Licence** (“MPL”) **is now available** for the Company to activate subject to payment of the relevant processing fees.

As reported in the Kingsgate Reserve and Resource Statement dated 2 September 2020 (See ASX release titled “Kingsgate Mineral Resources and Ore Reserves 2020”) the re-instatement of the MPL would equate to the ability to exploit Chatree’s Mineral Resources which were estimated at 3.4 million ounces of gold and 29 million ounces of silver, and the re-instatement of Chatree’s Mineral Reserves of approximately 900,000 ounces of gold and 8 million ounces of silver which were based on a US\$1,200 per ounce gold price.

In addition, Kingsgate commissioned an independent Life of Mine Plan (“LOM”) based on Chatree's Mineral Resources. This LOM at a gold price of US\$1,700 an ounce indicated the potential for a mining inventory (not yet to JORC standards) of more than double the current reserves, and involves a major expansion of the existing pits.

As previously advised in the June Quarterly Activities Report dated 29 July 2021, Kingsgate has also undertaken independent CAPEX studies to ascertain the refurbishment of the plant and re-start costs of Chatree. These studies indicate that, in the current market conditions, it will be feasible to re-start the mine, subject to the Thai Government completing the actions outlined above.

With the future operating certainty and exploration upside that could flow from a settlement on these terms, a successful re-start of the Chatree Gold Mine combined with the sustained rise in both the gold and silver prices could give Kingsgate significant optionality with the asset and a path forward which may include continuing operations, selling the asset or listing Akara Resources on the Thai Stock Exchange.

While there can be no guarantee that a negotiated settlement will be reached, Kingsgate is comforted by its recent engagement with the Thai Government, and Kingsgate maintains it has excellent prospects of a successful arbitral outcome if these negotiations do not successfully conclude.

ENVIRONMENTAL LAWS

The Group is subject to various environmental laws in respect to its activities in Thailand and Chile. For the year ended 30 June 2021, the Group has operated within all applicable environmental laws and regulations.

DIRECTORS’ MEETINGS

The number of meetings of the Company’s Board of Directors and of each Board Committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

Directors	Board		Meetings of Committees					
	A	B	Audit		Nomination		Remuneration ¹	
			A	B	A	B	A	B
Ross Smyth-Kirk	4	4	2	2	1	1	-	-
Peter Alexander	4	4	2	2	1	1	-	-
Peter Warren	4	4	2	2	1	1	-	-

A Number of meetings attended

B Number of meetings held during the time the Director held office or was a member of the committee during the year.

¹ No remuneration committee meetings were convened during the year.



INFORMATION ON DIRECTORS/COMPANY SECRETARY

Ross Smyth-Kirk OAM, B Com, CPA, F Fin, Executive Chairman

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He has been a Director of a number of companies over the past 41 years in Australia and the United Kingdom. Mr Smyth-Kirk is a former Chairman of the Australian Jockey Club Limited. He is Chairman of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited. He is a Life Member of the Australian Turf Club Limited and in the Australia Day Honours List this year he was awarded an Order of Australia Medal (OAM) for services to business and the wider community.

Responsibilities

Chairman of the Board, member of the Audit Committee, Chairman of the Nomination and Remuneration Committees.

Peter Alexander, Ass. Appl. Geol, Non-Executive Director

Peter Alexander has had 48 years' experience in the Australian and offshore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr Alexander was a Non-Executive Director of ASX listed Doray Minerals Limited prior to the merger with Silver Lake Resources where he served as a Non-Executive Director until mid-August 2021. He has previously been Non-Executive Chairman of Doray Minerals Limited and ASX listed Caravel Minerals.

Responsibilities

Member of the Audit, Nomination and Remuneration Committees.

Peter Warren, B Com, CPA, Non-Executive Director

Peter Warren was Chief Financial Officer and Company Secretary of Kingsgate Consolidated Limited for six years up until his retirement in 2011. He is a CPA of over 46 years standing, with an extensive involvement in the resources industry. He was Company Secretary and Chief Financial Officer for Equatorial Mining Limited and of the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources and Hamersley Iron. Mr Warren is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities

Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Ross Coyle, BA, FCPA, FGIA, Company Secretary

Ross Coyle is a CPA with over 39 years' experience in the resources sector. He joined Kingsgate in March 2011 and was reappointed on a contractual and temporary basis as Company Secretary on 24 December 2018, having previously served in this office from September 2011 to November 2014 and December 2015 to August 2018.



Remuneration Report



INTRODUCTION

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel ("KMP"). KMP are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and Executive Management.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and Executives are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

REMUNERATION POLICY

The Remuneration Policy remains unchanged from last financial year. The Remuneration Policy has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and aligned with to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

REMUNERATION GOVERNANCE

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and Executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration level of Executive Directors and other KMP;
- the executive remuneration framework and operation of the incentive plan;
- key performance indicators and performance hurdles for the executive team; and
- the engagement of specialist external consultants to design or validate methodology used by the Company to remunerate Directors and employees.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.



Remuneration consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

The Remuneration Committee engaged the services of Godfrey Remuneration Group Pty Ltd in the 2013/2014 financial year to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design methodology and standards. These recommendations covered the remuneration of the Group’s Non-Executive Directors and KMP.

Godfrey Remuneration Group Pty Ltd confirmed that the recommendations from that review were made free from undue influence by members of the Group’s KMP.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- any remuneration recommendations by Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations contained in the report were made free from undue influence from any members of the Group’s KMP at the time this review was completed.

EXECUTIVE DIRECTOR AND KEY MANAGEMENT PERSONNEL REMUNERATION

The executive pay and reward framework is comprised of three components:

- fixed remuneration including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Kingsgate Employee Share Option Plan (“ESOP”).

Fixed remuneration

Total fixed remuneration (“TFR”) is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits at the Executive’s discretion.

Executives are offered a competitive base pay. Base pay for executives is reviewed annually to ensure their pay is competitive with the market. An executive’s pay is also reviewed on promotion. The Group has an Executive Chairman, but does not have a Chief Executive Officer or other Key Management Personnel.

The following summarises the performance of the Group over the last five years:

	2021	2020	2019	2018	2017
Revenue (‘000s)	-	-	-	-	176,119
Net (loss)/profit after income tax (‘000s)	(8,877)	(24,244)	8,375	(76,722)	7,088
EBITDA (‘000s)	(7,415)	(22,782)	15,958	(71,706)	63,042
Share price at year end (\$/share)	0.84	0.40	0.26	0.28	0.20
Dividends paid (cent/share)	Nil	Nil	Nil	Nil	Nil
KMP short term employee benefits (‘000s)	*559	*328	901	1,604	2,099

* see page 15 for table outlining the short term employee benefits.



Short-Term Incentives

Linking current financial year earnings of executives to their performance and the performance of the Group is the key objective of our Short-Term Incentive (“STI”) Plan. The Remuneration Committee set key performance measures and indicators for the individual executives on an annual basis that reinforce the Group’s business plan and targets for the year.

The Board has discretion to issue cash bonuses to employees for individual performance outside the STI Plan.

The structure of the STI Plan remains unchanged since 30 June 2016 and its key features are outlined in the table below:

What is the STI Plan and who participates?	The STI Plan is a potential annual reward for eligible Executive Key Management Personnel for achievement of predetermined individual Key Performance Indicators (“KPIs”) aligned to the achievement of business objectives for the assessment period (financial year commencing 1 July).
How much can the executives earn under the STI Plan?	<p>Threshold – represents the minimum acceptable level of performance that needs to be achieved before any Individual Award would be payable in relation to that Performance Measure. Managing Director/CEO – up to 15% of TFR. COO & CFO – up to 12.5% of TFR. Other KMP – up to 10% of TFR.</p> <p>Target – represents a challenging but achievable level of performance relative to past and otherwise expected achievements. It will normally be the budget level for financial and other quantitative performance objectives. Managing Director/CEO – up to 30% of TFR. COO & CFO – up to 25% of TFR. Other KMP – up to 20% of TFR.</p> <p>Stretch (Maximum) – represents a clearly outstanding level of performance which is evident to all as a very high level of achievement. Managing Director/CEO – up to 60% of TFR. COO & CFO – up to 50% of TFR. Other KMP – up to 40% of TFR. (TFR – Total Fixed Remuneration)</p>
Is there Board discretion in the payment of an STI benefit?	Yes, the plan provides for Board discretion in the approval of STI outcomes.
What are the performance conditions?	For KMP between 70% - 80% of potential STI weighting (dependent upon role) is assessed against specific predetermined KPIs by role with 20% - 30% being based on company performance indicators.
How are performance targets set and assessed?	<p>Individual performance targets are set by the identification of key achievements required by role in order to meet business objectives determined for the upcoming assessment period in advance. The criteria for KMP are recommended by the Managing Director/CEO for sign off by the Remuneration Committee and in the case of the Managing Director/CEO, are recommended by the Chairman by sign off by the Remuneration Committee.</p> <p>The relative achievement at the end of the financial period is determined by the above authorities with final sign off by the Remuneration Committee after confirmation of financial results and individual/company performance against established criteria.</p> <p>The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The Committee has the discretion to adjust STIs in light of unexpected or unintended circumstances.</p>
How is the STI delivered?	STIs are paid in cash after the conclusion of the assessment period and confirmation of financial results/individual performance and subject to tax in accordance with prevailing Australian taxation laws. The STIs are then in effect paid and expensed in the financial year subsequent to the measurement year.
What happens in the event of cessation of employment?	Executives are required to be employed for the full 12 months of the assessment period before they are eligible to be considered to receive benefits from the STI Plan.



Long-Term Incentives

The objectives of the LTI Plan are to retain key executives and to align an at-risk component of certain executives' remuneration with shareholder returns. The previously operating Kingsgate Long-Term Incentive ("LTI") plan, also referred to as the Executive Rights Plan, has been terminated. All outstanding Performance Rights and Deferred Rights vested on 1 July 2016 and the Performance Rights subsequently lapsed. The Executive Rights Plan was replaced by the Kingsgate Employee Share Option Plan ("ESOP"). The rules and terms and conditions of the ESOP have been independently reviewed.

Under the terms of the ESOP long-term incentives can be provided to certain employees through the issue of options to acquire Kingsgate shares. Options are issued to employees to provide incentives for employees to deliver long-term shareholder returns.

No executive was the recipient of options during the 2021 financial year.

Key features of the ESOP LTI Plan are outlined in the following table:

What is the LTI Plan and who participates?	Kingsgate executives and other eligible employees can be granted options to acquire Kingsgate Consolidated Limited fully paid shares. In granting the options the Board takes into account such matters as the position of the eligible person, the role they play in the Company, their current level of fixed remuneration, the nature of the terms of employment and the contribution they make to the Group.
What are the performance and vesting conditions?	The period over which the options vest is at the discretion of the Board though in general it is 1-3 years. The executive and eligible employee must still be employed by the Company at vesting date.
Is there a cost to participate?	The options may at the discretion of the Board be issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee and approved by the Board.
What happens in the event of bonus shares, rights issues or other capital reconstructions?	If between the grant date and the date of conversion of options into shares there are bonus shares, rights issues or other capital reconstructions that affect the value of Kingsgate Consolidated shares, the Board may, subject to the ASX Listing Rules make adjustments to the number of rights and/or the vesting entitlements to ensure that holders of rights are neither advantaged or disadvantaged by those changes.



Directors and Key Management Personnel

Except where noted, the named persons held their current positions for the whole of the year and up to the date of this report.

Chairman

Ross Smyth-Kirk Executive Chairman

Non-Executive Directors

Peter Alexander Non-Executive Director
Peter Warren Non-Executive Director

Changes since the end of the reporting period

There were no changes to Directors and Key Management Personnel since the end of the reporting period.

Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Senior Executives are summarised in the following table.

Name	Term of agreement	Fixed annual remuneration including superannuation		Notice period by Executive	Notice period by the Company ²
		Financial year 2021 ¹	Financial year 2020 ¹		
Ross Smyth-Kirk	Open	\$157,680	\$157,680	³ N/A	³ N/A

¹ Amount shown are annual salaries as at year end or date ceased employment with the Group.

² Notice period by the Company in respect of benefits payable in the event of an early termination only.

³ Temporary role as Executive Chairman. Role reverts to Non-Executive Chairman at the discretion of the Board.

Fixed annual remuneration, inclusive of the required superannuation contribution amount is reviewed annually by the Board following the end of the financial year.

NON-EXECUTIVE DIRECTORS FEES

Non-Executive Directors are paid fixed fees for their services to the Company plus statutory superannuation contributions the Company is required by law to make on their behalf. Those fees are inclusive of any salary-sacrificed contribution to superannuation that a Non-Executive Director wishes to make.

The level of Non-Executive Directors fees is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Board may also seek the advice of independent remuneration consultants, including survey data, to ensure Non-Executive Directors' fees and payments are consistent with the current market.

Non-Executive Directors' base fees inclusive of committee membership but not including statutory superannuation are outlined as follows. Note that from the period 1 October 2013, all Non-Executive Directors fees were voluntarily reduced by 10% and this reduction is still in place as at the date of this report.



	Financial year ended 30 June 2021 ¹ \$	Financial year ended 30 June 2020 ¹ \$
Non-executive Directors remuneration excluding superannuation	180,000	180,000
	180,000	180,000

¹ On an annualised basis for all Directors.

The aggregate remuneration of Non-Executive Directors is set by shareholders in general meeting in accordance with the Constitution of the Company, with individual Non-Executive Directors remuneration determined by the Board within the aggregate total. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is \$1,000,000.

Non-Executive Directors do not receive any additional fees for serving on committees of the Company.

There are no retirement allowances for Non-Executive Directors.

ADDITIONAL STATUTORY DISCLOSURES

Details of remuneration

Details of the nature and amount of each major element of the remuneration of the Directors and the Group Key Management Personnel are set out in the following tables:

Year ended 30 June 2021 Name	Short-term benefits			Post-employment benefits	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits ¹ \$	Superannuation \$	
Non-Executive Directors					
Peter Alexander	90,000	-	-	8,550	98,550
Peter Warren	90,000	-	-	8,550	98,550
Sub-total Non-Executive Directors Compensation	180,000	-	-	17,100	197,100
Executive Chairman					
Ross Smyth-Kirk <i>Paid by Company</i>	144,000	150,000	1,302	13,680	308,982
<i>Paid by Subsidiary</i>	83,391	-	-	-	83,391
Sub-total Executive Chairman Compensation	227,391	150,000	1,302	13,680	392,373
TOTAL	407,391	150,000	1,302	30,780	589,473

¹ Non-monetary benefits relate primarily to car parking.

Year ended 30 June 2020 Name	Short-term benefits			Post-employment benefits	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits ¹ \$	Superannuation \$	
Non-Executive Directors					
Peter Alexander	90,000	-	-	8,550	98,550
Peter Warren	90,000	-	-	8,550	98,550
Sub-total Non-Executive Directors Compensation	180,000	-	-	17,100	197,100
Executive Chairman					
Ross Smyth-Kirk	144,000	-	3,660	13,680	161,340
TOTAL	324,000	-	3,660	30,780	358,440

¹ Non-monetary benefits relate primarily to car parking.



The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2021	STI/cash bonus 2021	At risk – LTI 2021
<i>Executive Director</i> Ross Smyth-Kirk	62%	38%	-

Share holdings

2021

	Balance at start of year	Other changes during the year	Balance at year end
<i>Executive Chairman</i> Ross Smyth-Kirk	5,076,725	-	5,076,725
<i>Non-Executive Directors</i> Peter Alexander	46,487	-	46,487
Peter Warren	200,000	-	200,000

Loans to Directors

There were no loans made to Directors or other Key Management Personnel at any time during the year.



Insurance of officers

During the financial year, the Group paid premiums to insure Directors and Officers of the Group. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

Directors' interest in contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 28: Auditors' Remuneration. The Directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in Note 28: Auditors' Remuneration to the financial statements do not compromise the external auditor's independence, based on the Auditors' representations and advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307c of the *Corporations Act 2001* is set out on page 18.

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.

Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Ross Smyth-Kirk

Director

Sydney

30 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2021, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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 'M Upcroft', is positioned above the printed name.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
30 September 2021

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Financial Statements

For the year ended 30 June 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Sales revenue	5a	12,339	-
Costs of sales	5b	(1,629)	-
Gross profit		10,710	-
Exploration expenses		(4,267)	(4,765)
Care and maintenance expenses		(1,724)	(2,150)
Corporate and administration expenses	5c	(8,489)	(16,309)
Other income and expenses	5d	118	76
Foreign exchange (losses)/gain		(3,875)	152
Loss before finance costs and income tax		(7,527)	(22,996)
Finance income		36	281
Finance costs	5e	(1,386)	(1,529)
Net finance costs		(1,350)	(1,248)
Loss before income tax		(8,877)	(24,244)
Income tax expense	6	-	-
Loss after income tax		(8,877)	(24,244)
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)	17a	4,867	(139)
Total other comprehensive income/(loss) for the year		4,867	(139)
Total comprehensive loss for the year		(4,010)	(24,383)
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		(8,877)	(24,244)
Total comprehensive loss attributable to:			
Owners of Kingsgate Consolidated Limited		(4,010)	(24,383)
Earnings per share		Cents	Cents
Basic and diluted loss per share	29	(4.00)	(10.84)

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 30 June 2021

	Note	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	9,984	15,569
Receivables	8	1,023	294
Other assets	9	571	372
Total current assets		11,578	16,235
Non-current assets			
Property, plant and equipment	10	51	90
Right-of-use assets	11	104	190
Exploration, evaluation and development	12	23,464	25,649
Other assets	9	9,490	9,382
Total non-current assets		33,109	35,311
TOTAL ASSETS		44,687	51,546
LIABILITIES			
Current liabilities			
Payables	13	3,067	4,726
Lease liability	11	83	86
Provisions	15	249	190
Total current liabilities		3,399	5,002
Non-current liabilities			
Payables	13	6,723	4,363
Lease liability	11	20	103
Borrowings	14	11,046	12,520
Provisions	15	15,197	17,246
Total non-current liabilities		32,986	34,232
TOTAL LIABILITIES		36,385	39,234
NET ASSETS		8,302	12,312
EQUITY			
Contributed equity	16	675,919	675,919
Reserves	17a	62,390	57,523
Accumulated losses	17b	(730,007)	(721,130)
TOTAL EQUITY		8,302	12,312

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	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	-	-	(24,244)	(24,244)
Total other comprehensive income for the year	-	(139)	-	(139)
Total comprehensive income/(loss) for the year	-	(139)	(24,244)	(24,383)
Transaction with owners in their capacity as owners:				
Payments for share buy-backs	(1,833)	-	-	(1,833)
Payments for share buy-back expenses	(9)	-	-	(9)
Total transaction with owners	(1,842)	-	-	(1,842)
Balance at 30 June 2020	675,919	57,523	(721,130)	12,312

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	675,919	57,523	(721,130)	12,312
Loss after income tax	-	-	(8,877)	(8,877)
Total other comprehensive income for the year	-	4,867	-	4,867
Total comprehensive income/(loss) for the year	-	4,867	(8,877)	(4,010)
Balance at 30 June 2021	675,919	62,390	(730,007)	8,302

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		12,458	-
Payments to suppliers and employees		(15,190)	(23,570)
Interest received		36	281
Finance costs paid		(1,726)	(1,148)
Net cash outflow from operating activities	23	(4,422)	(24,437)
Cash flows from investing activities			
Payments for property, plant and equipment		(3)	(2)
Payment of deposits		(1,402)	(2)
Refund of deposits		247	-
Net cash outflow from investing activities		(1,158)	(4)
Cash flows from financing activities			
Payment of lease liability		(86)	(89)
Payments for share buy-backs		-	(1,833)
Payments for share buy-back expenses		-	(9)
Net cash outflow from financing activities		(86)	(1,931)
Net decrease in cash held		(5,666)	(26,372)
Cash at the beginning of the year		15,569	42,137
Effects of exchange rate on cash and cash equivalents		81	(196)
Cash at the end of the year		9,984	15,569

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the “Company”) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of Directors on 30 September 2021.

Kingsgate is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “group entities”). A description of the nature of the Group’s operations and its principal activities is included in the Directors’ Report.

1. BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

a. *Going concern and material uncertainty*

The financial statements have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2021, the Group had \$9,984,000 of available cash and has no cash generating operations. The Group currently does not have sufficient cash available to fully repay the preference share liability of \$11,046,000 which if exercised by the preference shareholder is repayable at the earliest on 30 July 2022. The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the Group being successful in:

1. arbitral hearings under the Thailand-Australia Free Trade Agreement (“TAFTA”) that relate to the Thai Government’s premature closure of the Chatree Gold Mine in 2016, or other suitable negotiated settlement of this matter with the Thai Government (“Chatree Closure Remedies”), and/or
2. the sale of the Group’s Nueva Esperanza exploration project (“Nueva Esperanza Sale”), and/or
3. extending the term of the exercise date of the preference shares should that be required (“Extending Date of Preference Shares”).

These matters are discussed further below.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that a combination of these matters will be implemented and, accordingly, have prepared the financial report on a going concern basis. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Chatree Closure Remedies

The arbitral hearings under the TAFTA took place in Singapore in February 2020. The Group has been advised that the arbitral tribunal is now ready to issue the award after a lengthy period of deliberations. The Group and the Thai Government have jointly requested that the arbitral tribunal holds the award until 31 October 2021, to allow the parties a short extension to conclude their settlement negotiations.

The Group has been negotiating with the Thai Government with a view to a settlement that could lead to a successful re-start of the Chatree Gold Mine and provide the Group with significant optionality with the asset which may include continuing operations, selling the asset or listing Akara on the Thai Stock Exchange.

Nueva Esperanza Sale

In June 2021, Kingsgate signed a Letter of Intent for the sale of Nueva Esperanza to TSXV listed TDG Gold Corp (“TDG”). The consideration for the transaction is a combination of cash and equity (refer Note 3 iii for the details of the offer).

The transaction is subject to the parties entering into a legally binding agreement, as well as certain conditions being met. These conditions include board approval, due diligence, and completion by TDG of a financing of at least C\$35,000,000. TDG is in the process of completing this financing.



Extending Date of Preference Shares

Dependant on the timeframe to successfully complete the above two matters, in the event the preference share repayment right is exercised, discussions will be held with the preference shareholder for extending the earliest potential date of conversion of this instrument to beyond 30 July 2022.

b. Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

c. Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit or loss. Comparative information is reclassified where appropriate to enhance comparability or in conformity with revised standards and interpretations.

d. Functional and presentation currency

The financial statements of the Group entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated statements are presented in Australian dollars, which is the Company’s functional currency and presentation currency.

e. 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.

f. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

g. New and amended standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the financial statements.



2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

a. Principles of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred does not include amounts related to the settlement of a pre-existing relationship. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The non-controlling interest in the acquiree is based on the fair value of the acquiree's net identifiable assets. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary. The acquisition of an asset or group of assets that is not a business is accounted for by allocating the cost of the transaction to the net identifiable assets and liabilities acquired based on their fair values.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.



b. Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of the Group entities at exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss; except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or, are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets are included in the fair value reserve in equity.

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intra-group balances are in substance part of the Group's net investment. Where as a result of a change in circumstances, a previously designated intra-group balance is intended to be settled in the foreseeable future, the intra-group balance is no longer regarded as part of net investment. The exchange differences for such balance previously taken directly to the foreign currency translation reserves are recognised in the profit or loss.

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the year-end exchange rate;
- the income and expenses of foreign operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

c. Revenue

The Group recognises revenue related to the transfer of goods or services when control of the goods or services passes to the customer.

d. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and, they relate to income taxes levied by the same tax authority on the same taxable entity.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly owned Australian resident entities formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is Kingsgate Consolidated Limited.

Current tax expense or benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the “standalone taxpayer” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax assets or liabilities and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidation group, are recognised as amounts receivable or payable to other entities in the tax-consolidation group in conjunction with any tax funding agreement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Tax funding and sharing agreements

The members of the tax-consolidation group have entered into a funding agreement that sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to or from the head entity and any deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable or payable in the separate financial statements of the members of the tax-consolidation group equal in amount to the tax liability or asset assumed. The intra-group receivables or payables are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities or assets adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities or assets are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

The members of the tax-consolidation group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.



Uncertain tax position

An uncertain tax treatment is any tax treatment applied by the Group where there is uncertainty over whether that treatment will be accepted by the tax authority. The Group is required to determine the uncertainty over income tax treatment by addressing the following:

- the Group determines whether uncertain tax treatments should be considered separately, or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- the Group determines if it is probable that the tax authorities will accept the uncertain tax treatment; and if it is not probable that the uncertain tax treatment will be accepted, the Group reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate);
- the Group measures the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Based on the assessment completed by the Group, there is no material tax uncertainty that requires a tax liability to be recognised or that requires a different tax rate to be applied.

e. Leases

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.

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.

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.

f. Impairment of assets

Assets other than goodwill and indefinite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

g. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

h. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.



The amount of the impairment loss is recognised in the income statement within other expenses. When a trade and other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

i. Inventories

Raw materials and stores, work in progress and finished goods (including gold bullion), are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to whether the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the reporting date, it is included within non-current assets. Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays, and truck counts.

j. Non-derivative financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

k. Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. The Group does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the profit or loss.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

l. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation

Depreciation and amortisation of mine buildings, plant, machinery and equipment is provided over the assessed life of the relevant mine or asset, whichever is the shorter.



Depreciation and amortisation is determined on a units-of-production basis over the estimated recoverable reserves from the related area. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. For mine plant, machinery and equipment, which have an expected economic life shorter than the life of the mine, a straight line basis is adopted.

The expected useful lives are as follows:

- mine buildings – the shorter of applicable mine life and 25 years;
- plant, machinery and equipment – the shorter of applicable mine life and 3 - 15 years depending on the nature of the asset.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during the period, depreciation and amortisation rates are adjusted prospectively from the beginning of the reporting period.

Major spares purchased specifically for a particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2f).

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

m. Deferred stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory in the period or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to the ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a "production stripping asset", if the following criteria are all met:

- future economic benefits (being improved access to the ore body) associated with the stripping activity are probable;
- the component of the ore body for which access has been improved can be accurately identified; and
- the costs associated with the stripping activity associated with that component can be reliably measured.

The amount of stripping costs deferred is based on the ratio obtained by dividing the volume of waste mined by the volume of ore mined for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected waste to ore ("life of component") ratio.

A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is typically a subset of the total ore body of the mine. It is considered that each mine may have several components, which are identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of the ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.



The identification of components is necessary for both the measurement of costs at the initial recognition of the production stripping asset, and the subsequent depreciation of the production stripping asset.

The life of component ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to the life of component ratio are accounted for prospectively from the date of change.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The production stripping asset is amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis. Economically recoverable reserves are used to determine the expected useful life of the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is included in "Exploration, Evaluation and Development". These costs form part of the total investment in the relevant cash generating unit to which they relate, which is reviewed for impairment in accordance with the Group's impairment accounting policy (Note 2f).

n. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by, or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. The carrying value of exploration and evaluation assets is assessed in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's impairment policy (Note 2f).

Feasibility expenditure

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest and capitalised as incurred.

At the commencement of production; all past exploration, evaluation and feasibility expenditure in respect of an area of interest that has been capitalised is transferred to mine properties where it is amortised over the life of the area of interest to which it relates on a unit-of-production basis.

o. Mine properties

Mine properties represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established. Otherwise, such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the units-of-production method with separate calculations being made for each component. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Development and land expenditure still to be incurred in



relation to the current recoverable reserves are included in the amortisation calculation. Where the life of the assets is shorter than the mine life, their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of each mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves during a six month period, depreciation and amortisation rates are adjusted prospectively from the beginning of that reporting period.

p. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

q. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalised represents the borrowing costs specific to those borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

s. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.



t. Restoration and rehabilitation provision

The estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a units-of-production basis.

The corresponding provision of an amount equivalent to the restoration asset created is reviewed at the end of each reporting period. The provision is measured at the best estimate of present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using national government bond rates at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the income statement on a prospective basis over the remaining life of the operation.

The unwinding of the effect of discounting on the rehabilitation provision is included within finance costs in the income statement.

Costs incurred that relate to an existing condition caused by past operations, but do not have a future economic benefit are expensed as incurred.

u. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits and annual leave) expected to be settled within 12 months of the reporting date are recognised in provisions for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave and severance pay

The liability for long service leave and severance pay is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Cash bonuses

Cash bonuses are expensed in the income statement at reporting date.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Directors or employees and the obligation can be estimated reliably.



(iv) Retirement benefit obligations

Defined Contribution plan

Contributions to defined contribution superannuation plans are recognised as an expense in the income statement as they become payable.

Defined benefit plan

The Company's Thai subsidiary, Akara Resources Public Company Limited, have a defined benefit plan which is the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Retirement benefit

Under labour laws applicable in Thailand, employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labour Law which is currently at a maximum rate of 400 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

(v) Share-based payment transactions

The Group provides benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The fair value of these equity settled transactions is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled.

The fair value at grant date is determined using a pricing model that takes into account the exercise price, the term, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate.

Upon the exercise of the equity settled reward, the related balance of the share-based payments reserve is transferred to share capital.

v. Dividends

Dividends are recognised as a liability in the period in which they are declared.

w. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.



x. Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction, net of tax from the proceeds.

y. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

z. Operating and segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 4.

aa. New accounting standards and interpretations

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not yet been applied in the financial statements.

bb. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kingsgate.

Share-based payments

The issue by the Company of equity instruments to extinguish liabilities of a subsidiary undertaking in the Group is treated as a capital contribution to that subsidiary undertaking.

cc. Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.



3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that could materially affect the financial position and results are discussed below:

(i) Uncertainty in relation to Chatree Gold Mine assets and liabilities

As noted in the Directors' Report, following a decision made by the Thai Government, the Chatree Gold Mine ceased operations on 31 December 2016 when it was placed on Care and Maintenance effective 1 January 2017.

The Group commenced arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement in order to be compensated for the losses it has incurred as a result of the expropriation of the Chatree Gold Mine by the Thai Government.

In preparing the consolidated financial statements of the Group all mine related 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, during the financial year ending 30 June 2017, the Group revised its previous estimates and reduced its total rehabilitation liability to \$14,955,000. This was based on management's rehabilitation plan which is a revision from the initial plan submitted to the Thai Authorities in 2007. Management still 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 the Group 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 the sale of plant and equipment and non-strategic land and property and outcomes from discussions with the Thai Government, including:

- agreeing on a rehabilitation plan, costing and timing in the context of the early mine closure;
- potential re-opening of the mine if permitted by the Thai Government; and
- pursuing available legal and other avenues for compensation including action for damages against the Thai Government.

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.



3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Continued)

(ii) Restoration and rehabilitation provision

Significant estimates and assumptions are required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

As noted above, the provision that has been recorded by the Group is based on a rehabilitation plan which is a revision from the initial plan submitted to the Thai Authorities in 2007. This plan takes into account the premature closure of the mine by the Thai Government. Considering the Group's current legal dispute with the Thai Government, the Group has not been able to have meaningful discussions with the relevant Thai Authorities to determine if the restoration plan prepared by the Group will be approved.

The restoration plan and estimated costs cannot effectively be finalised until after the Group's legal dispute with the Thai Government is settled.

(iii) Impairment of non-current assets – exploration, evaluation and development assets Nueva Esperanza

At 30 June 2019, the recoverable amount of the Nueva Esperanza Gold/Silver Project CGU was determined to be \$27,509,000 resulting in an impairment loss of \$33,436,000. Significant judgements and assumptions were required in making estimates of the recoverable amounts.

The Group has assessed if impairment indicators existed as at 30 June 2021 and determined that it was not necessary to formally estimate the recoverable amount of the CGU as no indication of an impairment loss was identified as a result of that assessment, in accordance with the Group's accounting policy.

The Group also assessed whether changes in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, existed as at 30 June 2021 and whether such changes in estimates would require reversal of impairment. The Group determined that no such changes in estimates were identified.

In reaching these conclusions, the Group considered both external and internal factors relevant to the CGU, including but not limited to:

- Kingsgate announced on 30 June 2021 that it has signed a non-binding Letter of Intent ("LOI") with TSXV listed TDG Gold Corp ("TDG") outlining terms for the acquisition of the Company's Nueva Esperanza advanced gold-silver exploration and development project, located in the Maricunga Belt of the Atacama Region of Northern Chile. The consideration for the transaction is a combination of cash and shares as follows:
 - C\$25 million cash payable to Kingsgate upon completion of the transaction¹;
 - Kingsgate will be issued 14.0% of TDG's outstanding common shares calculated on a post-closing basis (inclusive of any shares issued in a concurrent financing and with an option to increase the holding up to 19.9%);
 - C\$6.25 million is payable to Kingsgate within three months of completion of a Definitive Feasibility Study;
 - a payment of C\$5 million or 10 million TDG shares at their discretion to be issued at the point of a construction decision;
 - a payment of C\$5 million or 10 million in TDG shares at their discretion at the one-year production anniversary;
 - a payment of C\$8.75 million at the two-year production anniversary;
- ¹ Subject to balance sheet adjustments, which are normal under a transaction of this type.
- Kingsgate's market capitalisation;
- unsolicited expressions of interest received to date to invest in the project;
- updates to the project including the 5-year extension to the water rights and the approval of the Environmental Impact Assessment ("RCA-64/20"); and
- the sustained high gold and silver prices.

Although, the Group notes that the sale of Nueva Esperanza Gold/Silver Project based on the LOI with TDG indicates an aggregate consideration exceeding the current net carrying value of the project assets and liabilities, there is no guarantee that this transaction will proceed. On that basis, the Directors have deemed that it would be prudent not to increase the carrying value of the Project.



4. 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 mine under care and maintenance and project and include the following:

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

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

2021	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	12,339	-	-	12,339
Other income/(expense)	69	(1)	50	118
Total segment income	12,408	(1)	50	12,457
Segment EBITDA	7,271	(4,167)	(10,519) ¹	(7,415)
Depreciation and amortisation	-	(101)	(11)	(112)
Segment result	7,271	(4,268)	(10,530)	(7,527)
Finance income				36
Finance costs				(1,386)
Net finance costs				(1,350)
Loss before tax				(8,877)
Other segment information				
Segment assets	2,523	31,054	11,110	44,687
Segment liabilities	(27,346)	(8,067)	(972)	(36,385)
Net assets/(liabilities)	(24,823)	22,987	10,138	8,302

¹ includes foreign exchange loss of \$3,875,000 for the Group.

2020	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
Other income/(expense)	24	(54)	106	76
Total segment income	24	(54)	106	76
Segment EBITDA	(2,732)	(4,692)	(15,358) ¹	(22,782)
Depreciation and amortisation	(55)	(127)	(32)	(214)
Segment result	(2,787)	(4,819)	(15,390)	(22,996)
Finance income				281
Finance costs				(1,529)
Net finance costs				(1,248)
Loss before tax				(24,244)
Other segment information				
Segment assets	2,406	34,039	15,101	51,546
Segment liabilities	(31,368)	(6,281)	(1,585)	(39,234)
Net assets/(liabilities)	(28,962)	27,758	13,516	12,312

¹ includes foreign exchange gain of \$152,000 for the Group.



5. REVENUE AND EXPENSES

	2021 \$'000	2020 \$'000
a. Sales revenue		
Gold sales	11,290	-
Silver sales	1,049	-
Total sales revenue	12,339	-
b. Cost of sales		
Royalties	1,576	-
Refining and transportation costs	53	-
Total cost of sales	1,629	-
c. Corporate and administration expenses		
Administration	4,299	5,439
Statutory and professional fees	4,078	10,711
Depreciation	112	159
Total corporate and administration expenses	8,489	16,309
d. Other income and expenses		
Net loss on sale of fixed assets	(1)	(44)
Other revenue	119	120
Total other income and expenses	118	76
e. Finance costs		
Interest and finance charges	1,386	1,529
Total finance costs	1,386	1,529
f. Depreciation and amortisation		
Property, plant and equipment	26	125
Right-of-use assets	86	89
Total depreciation and amortisation expenses	112	214
<i>Included in:</i>		
Care and maintenance expenses	-	55
Corporate depreciation	112	159
g. Employee benefits expenses		
<i>Included in:</i>		
Care and maintenance expenses	697	1,073
Corporate and administration expenses	1,726	1,954
Total employee benefits expenses	2,423	3,027
h. Other items		
Short-term and low value lease expenses	286	230
Total other items	286	230



5. REVENUE AND EXPENSES (continued)

i. Settlement of Political Risk Insurance claim

In March 2019, Kingsgate settled a Political Risk Insurance claims against Zurich Insurance Australia Ltd, and other named insurers. The settlement consisted of:

- A cash payment of US\$55,000,000 (A\$76,319,000) received in April 2019;
- A requirement for the Insurers to contribute up to US\$3,500,000 of future costs towards the Australia Thailand Free Trade Agreement (TAFTA) Arbitration. During this financial year, the Insurers agreed to contribute another \$750,000. 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 keeps any TAFTA Claim proceeds in excess of that contribution. The insurers will be repaid either from the proceeds received from the arbitral ruling, the proceeds received from a potential sale of the Chatree Gold Project or from surplus operating cash flow if the Chatree Gold Project is restarted.

Legal expenditure amounting to \$613,000 (2020: 1,321,000) have been recorded in the statement of profit and loss and other comprehensive income during the year ended 30 June 2021.

6. INCOME TAX

	2021 \$'000	2020 \$'000
a. Income tax expense		
Current tax	-	-
Deferred tax	-	-
Total income tax expense	-	-

Deferred tax expense included in income tax expense comprises:

Decrease/(increase) in deferred tax assets	8,300	(1,550)
(Decrease)/increase in deferred tax liabilities	(8,300)	1,550
Deferred tax	-	-

	2021 \$'000	2020 \$'000
b. Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(8,877)	(24,244)
Tax at Australian rate of 30%	(2,663)	(7,273)
Tax effect of amounts not deductible/assessable in calculating taxable income		
Non-deductible expenses	624	3,230
Non-assessable unrealised foreign exchange gain	(2,653)	(387)
Non-deductible interest expense to preference shareholders	414	459
Non-assessable other revenue	(15)	(15)
Tax losses not brought to account	4,293	3,986
Income tax expense	-	-

c. Tax recognised in other comprehensive income

	2021 \$'000	2020 \$'000
Foreign exchange losses recognised directly in foreign currency translation reserves	-	-
Total tax recognised in other comprehensive income	-	-

d. Deferred tax liabilities offset

Deferred tax assets amounting to \$9,235,000 (2020: \$17,535,000) have been offset against deferred tax liabilities.



6. INCOME TAX (Continued)

e. Unrecognised deferred tax assets and tax liabilities

	2021 \$'000	2020 \$'000
Tax losses – Australian entities	327,239	317,528
Tax losses – other entities	16,618	12,161
Subtotal	343,857	329,689
Unrecognised deferred tax assets	100,194	¹96,854

¹ Amount excludes potential deductible temporary differences in respect of Akara relating to impairment charge recognised in previous year. It is not probable that there will be sufficient future assessable income available against which this deferred tax asset could be utilised.

f. Tax consolidation group

Kingsgate Consolidated Limited and its wholly owned Australian subsidiary have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 2d.

On adoption of the tax consolidation legislation, the entities in the tax-consolidation group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly owned entities in the case of default by the head entity, Kingsgate Consolidated Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Kingsgate for any current tax payable assumed and are compensated for any current tax receivable and deferred assets relating to the unused tax losses or unused tax credits that are transferred to Kingsgate under the tax legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.



6. INCOME TAX (Continued)

g. Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax assets/(liabilities)						
Employee benefits	50	47	-	-	50	47
Unrealised exchange losses/(gains)	4,171	8,249	(9,235)	(17,535)	(5,064)	(9,286)
Other items	150	98	-	-	150	98
Financial assets	321	321	-	-	321	321
Tax losses	4,543	8,820	-	-	4,543	8,820
Total deferred tax assets/(liabilities)	9,235	17,535	(9,235)	(17,535)	-	-
Set off tax	(9,235)	(17,535)	9,235	17,535	-	-
Net deferred tax assets/(liabilities)	-	-	-	-	-	-
Deferred tax assets/(liabilities) expected to be recovered within 12 months	-	-	-	-	-	-
Deferred tax assets/(liabilities) expected to be recovered after more than 12 months	9,235	17,535	(9,235)	(17,535)	-	-
Total deferred tax assets/(liabilities)	9,235	17,535	(9,235)	(17,535)	-	-



6. INCOME TAX (Continued)

h. Movement in deferred tax balances

	Balance at 1 July \$'000	Recognised in profit or loss \$'000	Balance at 30 June \$'000
2021			
Deferred tax assets/(liabilities):			
Employee benefits	47	3	50
Unrealised exchange losses	(9,286)	4,222	(5,064)
Other items	98	52	150
Financial assets	321	-	321
Tax losses	8,820	(4,277)	4,543
Net deferred tax assets/(liabilities)	-	-	-
2020			
Deferred tax assets/(liabilities):			
Employee benefits	54	(7)	47
Unrealised exchange losses	(8,508)	(778)	(9,286)
Other items	491	(393)	98
Financial assets	321	-	321
Tax losses	7,642	1,178	8,820
Net deferred tax assets/(liabilities)	-	-	-

7. CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash on hand	8	8
Deposits at call	9,976	15,561
Total cash and cash equivalents	9,984	15,569

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

These deposits are at call, interest bearing and may be accessed daily.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

8. RECEIVABLES

	2021 \$'000	2020 \$'000
Current		
Legal fees receivable in respect of the Political Risk Insurance claim	825	-
Other debtors	198	294
Total receivables – current	1,023	294

Other debtors

Other debtors relate to GST/VAT receivables.

Risk exposure

The Group's exposure to credit and currency risks are disclosed in Note 26.



9. OTHER ASSETS

	2021 \$'000	2020 \$'000
Current		
Prepayments	365	359
Other deposits	206	13
Total other assets – current	571	372
Non-current		
Prepayments	8,133	8,879
Other deposits	1,357	503
Total other assets – non-current	9,490	9,382

Prepayments

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

10. PROPERTY, PLANT AND EQUIPMENT

	2021 \$'000	2020 \$'000
At 1 July		
Cost	299,166	296,346
Accumulated depreciation and amortisation	(114,816)	(111,341)
Accumulated impairment	(184,260)	(184,260)
Net book amount	90	745
Year ended 30 June		
Opening net book amount	90	745
Additions	3	2
Disposals	(1)	(557)
Depreciation and amortisation expense	(26)	(125)
Foreign currency differences	(15)	25
Closing net book amount	51	90
At 30 June		
Cost	264,194	299,166
Accumulated depreciation and amortisation	(79,883)	(114,816)
Accumulated impairment	(184,260)	(184,260)
Net book amount	51	90



11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Amounts recognised in the consolidated statement of financial position:

	2021 \$'000	2020 \$'000
<i>Right-of-use assets</i>		
Property	104	190
<i>Lease liabilities</i>		
Current	83	86
Non-current	20	103

Future lease payments in relation to lease liabilities as at year end are as follows:

	2021 \$'000	2020 \$'000
Within one year	89	89
Later than one year but not later than five years	22	111

Depreciation of right-of-use assets:

The depreciation and amortisation disclosed in the consolidated statement of profit or loss includes the following amount for right-of-use assets:

	2021 \$'000	2020 \$'000
Property (Note 5f)	86	89

12. EXPLORATION, EVALUATION AND DEVELOPMENT

	Exploration & evaluation \$'000	Feasibility expenditure \$'000	Mine properties \$'000	Total \$'000
At 30 June 2019				
Cost	39,991	87,449	404,898	532,338
Accumulated depreciation and amortisation	-	-	(114,066)	(114,066)
Accumulated impairment	(39,991)	(63,091)	(289,871)	(392,953)
Net book amount	-	24,358	961	25,319
Year ended 30 June 2020				
Opening net book amount	-	24,358	961	25,319
Foreign currency exchange differences	-	320	10	330
Closing net book amount	-	24,678	971	25,649
At 30 June 2020				
Cost	39,991	87,769	409,046	536,806
Accumulated depreciation and amortisation	-	-	(118,204)	(118,204)
Accumulated impairment	(39,991)	(63,091)	(289,871)	(392,953)
Net book amount	-	24,678	971	25,649
Year ended 30 June 2021				
Opening net book amount	-	24,678	971	25,649
Foreign currency exchange differences	-	(2,071)	(114)	(2,185)
Closing net book amount	-	22,607	857	23,464
At 30 June 2021				
Cost	39,991	85,698	361,150	486,839
Accumulated depreciation and amortisation	-	-	(70,422)	(70,422)
Accumulated impairment	(39,991)	(63,091)	(289,871)	(392,953)
Net book amount	-	22,607	857	23,464



13. PAYABLES

	2021 \$'000	2020 \$'000
Current		
Trade payables	565	1,469
Other payables and accruals	2,502	3,257
Total payables – current	3,067	4,726
Non-current		
Other payables	6,723	4,363
Total payables – non-current	6,723	4,363

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

The Group is to required pay Anglo American US\$2,000,000 per year in advance pre-production royalties related to the Nueva Esperanza Gold/Silver Project. The Group also has an obligation to pay US\$64,800 per month to Anglo American for water rights. During the financial year, the Group has finalised an agreement with Anglo American relating to the deferral of 65% of the fees for both the water rights and project royalty payments which are due from June 2020 until December 2021. These balances are repayable from January 2022 to July 2025. These deferred balances are also repayable immediately under certain conditions including the sale of the Nueva Esperanza Gold/Silver Project. Included in non-current other payable is also a US\$3,000,000 contingent consideration for the Nueva Esperanza Gold/Silver Project which is due 24 months after the start of commercial operation.

14. BORROWINGS

	2021 \$'000	2020 \$'000
Non-current		
Preference shares in controlled entity	11,046	12,520
Total borrowings – non-current	11,046	12,520

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	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai baht	12%	n/a	11,046	11,046

The terms of the preference shares were amended in June 2018 through a change made to the Shareholders Agreement of Akara Resources Public Company Limited resulting in the preference shares being repayable at the earliest on 30 July 2022.

For more information about the Group's exposure to interest rate and liquidity risk, see Note 26.



15. PROVISIONS

	Note	2021 \$'000	2020 \$'000
Current			
Employee benefits	2u, 22	249	190
Total provisions – current		249	190
Non-current			
Employee benefits	2u, 22	242	308
Restoration and rehabilitation	2t	14,955	16,938
Total provisions – non-current		15,197	17,246
Movements in the restoration and rehabilitation provision:			
Restoration and rehabilitation			
At the beginning of the financial year		16,938	16,766
Foreign currency exchange differences		(1,983)	172
At the end of the financial year		14,955	16,938

16. CONTRIBUTED EQUITY

	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Opening balance	221,853,852	226,225,940	675,919	677,761
Payments for share buy-backs	-	(4,372,088)	-	(1,833)
Payments for share buy-back expenses	-	-	-	(9)
Closing balance	221,853,852	221,853,852	675,919	675,919



17. RESERVES AND ACCUMULATED LOSSES

	2021 \$'000	2020 \$'000
a. Reserves		
Foreign currency translation reserve	56,589	51,722
Share-based payment reserve	9,142	9,142
General reserve	(3,341)	(3,341)
Total reserves	62,390	57,523
Movements		
Foreign currency translation reserve		
At the beginning of the financial year	51,722	51,861
Exchange differences on translation of foreign controlled entities (net of tax)	4,867	(139)
At the end of the financial year	56,589	51,722
Share-based payment reserve		
At the beginning of the financial year	9,142	9,142
Share-based payment expense	-	-
At the end of the financial year	9,142	9,142
General reserve		
At the beginning of the financial year	(3,341)	(3,341)
Net change	-	-
At the end of the financial year	(3,341)	(3,341)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2b.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of deferred rights, performance rights and options issued but not exercised.

General reserve

The general reserve represents changes in equity as a result of changes in non-controlling interests and revaluation of employee benefit obligations recognised in other comprehensive income in prior periods.

	2021 \$'000	2020 \$'000
b. Accumulated losses		
At the beginning of the year	(721,130)	(696,886)
Net loss attributable to members of Kingsgate Consolidated Limited	(8,877)	(24,244)
At the end of the financial year	(730,007)	(721,130)

18. COMMITMENTS FOR EXPENDITURE

	2021 \$'000	2020 \$'000
Short-term and low value leases		
Within one year	21	24
Total short-term and low value leases	21	24

In addition to the table above, the Group is also to pay Anglo American US\$2,000,000 per year in advance pre-production royalties related to the Nueva Esperanza Gold/Silver Project. The Group also has an obligation to pay US\$64,800 per month to Anglo American for water rights. The water rights have been extended to December 2024.



19. CONTROLLED ENTITIES

Entity	Country of incorporation	Class of shares	Equity holding	
			2021 %	2020 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Limited	Australia	Ordinary	100	100
Gawler Gold Mining Pty Ltd	Australia	Ordinary	100	100
Kingsgate Treasury Pty Ltd	Australia	Ordinary	100	100
Kingsgate Capital Pty Ltd	Australia	Ordinary	100	100
Kingsgate Chile NL	Australia	Ordinary	100	100
Laguna Exploration Pty Ltd	Australia	Ordinary	100	100
Akara Resources Public Company Limited	Thailand	Ordinary	100	100
Issara Mining Limited	Thailand	Ordinary	100	100
Suan Sak Patana Ltd	Thailand	Ordinary	100	100
Phar Mai Exploration Ltd	Thailand	Ordinary	100	100
Richaphum Mining Ltd	Thailand	Ordinary	100	100
Phar Lap Ltd	Thailand	Ordinary	100	100
Phar Rong Ltd	Thailand	Ordinary	100	100
Asia Gold Ltd	Mauritius	Ordinary	100	100
Laguna Resources Chile Ltda	Chile	Ordinary	100	100
Minera Kingsgate Limitada	Chile	Ordinary	100	100

20. DIVIDENDS

No final dividend was declared for the year ended 30 June 2020 (30 June 2019: nil).

No interim dividend was declared for the year ended 30 June 2021 (30 June 2020: nil).

21. RELATED PARTIES

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 27 and the Remuneration Report.

Controlling entity

The ultimate parent entity of the Group is Kingsgate Consolidated Limited.

22. EMPLOYEE BENEFITS

	2021 \$'000	2020 \$'000
Employee benefits and related on-costs liabilities		
Provision for employment benefits – current	249	190
Provision for employee benefits – non-current	242	308
Total employee provisions	491	498

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2021 were \$127,000 (2020: \$133,000).



23. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2021 \$'000	2020 \$'000
Loss for the year	(8,877)	(24,244)
Depreciation and amortisation	112	214
Net loss on sale of fixed assets	1	44
Net exchange differences	3,845	(1,737)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(739)	1,245
(Increase)/decrease in prepayments	(6)	(84)
Increase/(decrease) in creditors	1,217	(143)
Increase/(decrease) in provisions	25	268
Net cash outflow from operating activities	(4,422)	(24,437)
Net (debt)/cash and cash equivalents reconciliation	2021 \$'000	2020 \$'000
Cash and cash equivalents	9,984	15,569
Borrowings - repayable within one year	(83)	(86)
Borrowings - repayable after one year	(11,066)	(12,623)
Net (debt)/cash and cash equivalents	(1,165)	2,860
Cash and cash equivalents	9,984	15,569
Gross debt - fixed interest rates	(11,046)	(12,520)
Gross debt - nil interest rates	(103)	(189)
Net (debt)/cash and cash equivalents	(1,165)	2,860

	Cash \$'000	Preference shares in controlled entity due after 1 year \$'000	Lease liabilities due within 1 year \$'000	Lease liabilities due after 1 year \$'000	Total \$'000
Net cash and cash equivalents/(debt) as at 30 June 2019	42,137	(12,392)	(591)	-	29,154
Cash flows	(26,372)	-	89	-	(26,283)
Foreign exchange adjustments	(196)	(128)	-	-	(324)
Other non-cash movements	-	-	416	(103)	313
Net cash and cash equivalents/(debt) as at 30 June 2020	15,569	(12,520)	(86)	(103)	2,860
Cash flows	(5,666)	-	86	-	(5,580)
Foreign exchange adjustments	81	1,474	-	-	1,555
Other non-cash movements	-	-	(83)	83	-
Net cash and cash equivalents/(debt) as at 30 June 2021	9,984	(11,046)	(83)	(20)	(1,165)



24. EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 30 June 2021 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.

25. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets or liabilities at 30 June 2021 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.

26. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, fair value risk and interest rate risk), credit risk and liquidity risk.

At this point, the Directors believe that it is in the interest of shareholders to expose the Group to foreign currency risk and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks. The Directors and management monitors these risks, in particular market forecasts of future movements in foreign currency and, if it is to be believed to be in the best interests of shareholders, will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity. Risk management is carried out by the senior executive team.



26. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

The Group holds the following financial instruments:

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	9,984	15,569
Receivables	1,023	294
Other deposits	1,563	516
Total financial assets	12,570	16,379
Financial liabilities		
Payables	(9,790)	(9,089)
Borrowings	(11,046)	(12,520)
Lease liabilities	(103)	(189)
Total financial liabilities	(20,939)	(21,798)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Thai baht and as discussed earlier, no financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Currently foreign exchange risks arise primarily from:

- cash balances in US dollars;
- receivables denominated in US dollars for Australian entities; and
- payables denominated in Australian dollars for Thailand entities.

The functional currency of the Thai subsidiaries is Thai baht. The functional currency of the Chilean subsidiaries is the US dollar. The Company's functional currency is Australian dollar.

The Group's exposure to US dollar and Thai baht foreign currency risk arises mainly from balances receivable and payable between Group companies which are not considered to form part of the related investment balance in the entities. The unrealised foreign exchange gain/loss on these balances is therefore recorded in the statement of profit or loss of the Group. At the reporting date, expressed in Australian dollars these balances were as follows:

	USD 2021 \$'000	THB 2021 \$'000	Total 2021 \$'000	USD 2020 \$'000	THB 2020 \$'000	Total 2020 \$'000
Cash and cash equivalents	15	-	15	158	-	158
Receivables	124,282	74,542	198,824	132,856	70,269	203,125
Payables	(126,420)	(74,542)	(200,962)	(134,313)	(70,269)	(204,582)
Total exposure to foreign currency risk	(2,123)	-	(2,123)	(1,299)	-	(1,299)

	Impact on post tax loss		Impact on other comprehensive income	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
One cent weakened in Australian dollar against the US dollar	1,255	1,342	1,255	1,342
One cent strengthened in Australian dollar against the US dollar	(1,231)	(1,315)	(1,231)	(1,315)
One cent weakened in Australian dollar against the Thai baht	703	726	898	947
One cent strengthened in Australian dollar against the Thai baht	(704)	(725)	(895)	(942)



26. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2021 and 30 June 2020 are set out as follows:

	Floating interest rate \$'000	Fixed interest rate maturing in			Non- interest bearing \$'000	Total \$'000
		1 year or less \$'000	1-2 years \$'000	2-5 years \$'000		
2021						
Financial assets						
Cash and cash equivalents	9,976	-	-	-	8	9,984
Receivables	-	-	-	-	1,023	1,023
Other deposits	1,370	-	-	-	193	1,563
Total financial assets	11,346	-	-	-	1,224	12,570
Financial liabilities						
Payables	-	-	-	-	(9,790)	(9,790)
Borrowings	-	-	(11,046)	-	-	(11,046)
Lease liabilities	-	-	-	-	(103)	(103)
Total financial liabilities	-	-	(11,046)	-	(9,893)	(20,939)
Net financial assets/(liabilities)	11,346	-	(11,046)	-	(8,669)	(8,369)
2020						
Financial assets						
Cash and cash equivalents	15,561	-	-	-	8	15,569
Receivables	-	-	-	-	294	294
Other deposits	516	-	-	-	-	516
Total financial assets	16,077	-	-	-	302	16,379
Financial liabilities						
Payables	-	-	-	-	(9,089)	(9,089)
Borrowings	-	-	-	(12,520)	-	(12,520)
Lease liabilities	-	-	-	-	(189)	(189)
Total financial liabilities	-	-	-	(12,520)	(9,278)	(21,798)
Net financial assets/(liabilities)	16,077	-	-	(12,520)	(8,976)	(5,419)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including, outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying value of the Group's financial assets in the statement of financial position. The maximum exposure to credit risk at reporting date was:

	2021 \$'000	2020 \$'000
Cash and cash equivalents	9,984	15,569
Receivables	1,023	294
Other deposits	1,563	516
Total exposure to credit risk at year end	12,570	16,379



26. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

Liquidity risk

The Group's liquidity requirements are based upon cash flow forecasts. Liquidity management, including debt/equity management, is carried out under policies approved by the Board and forecast material liquidity changes are discussed at Board meetings. The following table analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed are the contractual undiscounted cash flows. The borrowings of the Group are repayable on demand, however the contractual amounts for borrowings also include the interests that are expected to be repaid until the repayment of these debts based on the cash flow forecast prepared by the Group.

	Carrying amount	1 year or less	1-2 years	2-5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Payables	9,790	3,067	1,295 ¹	5,428 ¹	9,790
Borrowings	11,046	1,324	11,140	-	12,464
Lease liabilities	103	83	20	-	103
Total financial liabilities	20,939	4,474	12,455	5,428	22,357
2020					
Payables	9,089	4,726	-	4,363 ¹	9,089
Borrowings	12,520	1,499	1,499	12,617	15,615
Lease liabilities	189	89	89	22	200
Total financial liabilities	21,798	6,314	1,588	17,002	24,904

¹ Related to pre-production royalties and water rights payable in respect of the Nueva Esperanza Gold/Silver Project in Chile and the contingent consideration (refer Note 13).

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Executive Chairman

Ross Smyth-Kirk Executive Chairman

Non-Executive Directors

Peter Alexander Non-Executive Director

Peter Warren Non-Executive Director

Key Management Personnel compensation

	2021	2020
	\$	\$
Short-term employee benefits	558,693	327,660
Post-employment benefits	30,780	30,780
Total Key Management Personnel compensation	589,473	358,440



28. AUDITORS' REMUNERATION

	2021	2020
	\$	\$
Audit and other assurance services		
<i>PricewaterhouseCoopers Australian Firm</i>		
Audit and review of the financial reports	279,000	244,500
<i>Related Practices of PricewaterhouseCoopers Australian Firm</i>		
Audit and review of the financial statements	61,845	57,672
Total remuneration for audit services	340,845	302,172
Other Services		
<i>PricewaterhouseCoopers Australian Firm</i>		
Other services	-	60,500
Total remuneration for non-audit related services	-	60,500
Taxation services		
<i>PricewaterhouseCoopers Australian Firm</i>		
Tax compliance services	12,000	23,422
<i>Related practices of PricewaterhouseCoopers Australian Firm</i>		
Tax compliance services	33,820	33,972
Tax investigation services	11,775	-
Total remuneration for tax related services	57,595	57,394



29. EARNINGS PER SHARE

	2021	2020
	Cents	Cents
Basic and diluted loss per share	(4.00)	(10.84)
	\$'000	\$'000
Net loss used to calculate basic and diluted earnings per share	(8,877)	(24,244)
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	221,853,852	223,755,358
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	221,853,852	223,755,358

30. PARENT ENTITY FINANCIAL INFORMATION

As at, and throughout the financial year ending 30 June 2021, the parent entity of the Group was Kingsgate Consolidated Limited.

Summary of financial information	2021	2020
	\$'000	\$'000
Results of parent entity		
Loss for the year	(6,214)	(27,346)
Other comprehensive loss	-	-
Total comprehensive losses	(6,214)	(27,346)

Financial position of parent entity at year end

Current assets	11,049	15,029
Total assets	38,561	42,544
Current liabilities	80,140	77,898
Total liabilities	80,163	77,932
Total equity of the parent entity comprising:		
Issued capital	675,919	675,919
Reserve	8,763	8,763
Accumulated losses	(726,284)	(720,070)
Total equity	(41,602)	(35,388)

Contingent liabilities of the parent entity

There are cross guarantees given by Kingsgate Consolidated Limited, Dominion Mining Limited and Gawler Gold Mining Pty Ltd as described in Note 31. No liability was recognised by the parent entity or the Group in relation to this guarantee, as the fair value of the guarantees is immaterial.

As at 30 June 2021, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.



31. DEED OF CROSS GUARANTEE

Pursuant to ASIC *Corporations (Wholly-owned Companies) Instrument 2016/785*, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of the winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Dominion Mining Limited; and
- Gawler Gold Mining Pty Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kingsgate Consolidated Limited, they also represent the 'extended closed group'.

A consolidated statement of profit or loss and other comprehensive income, a summary of movements in consolidated accumulated losses, and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out as follows:



31. DEED OF CROSS GUARANTEE (Continued)

Statement of profit or loss and other comprehensive income	2021	2020
	\$'000	\$'000
Corporate and administration expenses	(4,331)	(12,564)
Other income and expenses	6,048	5,975
Foreign exchange (loss)/gain	(13,816)	2,588
Intercompany loan forgiveness/(write-off)	5,855	(23,621)
Loss before financial costs and income tax	(6,244)	(27,622)
Finance income	34	278
Finance costs	(5)	(4)
Net finance costs	29	274
Loss before income tax	(6,215)	(27,348)
Income tax expense	-	-
Loss after income tax	(6,215)	(27,348)
Total comprehensive loss for the year	(6,215)	(27,348)
Loss attributable to:		
Owners of Kingsgate Consolidated Limited	(6,215)	(27,348)
Total comprehensive loss attributable to:		
Owners of Kingsgate Consolidated Limited	(6,215)	(27,348)
Summary of movements in consolidated retained earnings	2021	2020
	\$'000	\$'000
Accumulated losses		
At the beginning of the financial year	(720,066)	(692,718)
Loss for the year	(6,215)	(27,348)
At end of the financial year	(726,281)	(720,066)



31. DEED OF CROSS GUARANTEE (Continued)

Statement of financial position	2021 \$'000	2020 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	9,793	14,529
Receivables	900	161
Other assets	364	349
Total current assets	11,057	15,039
Non-current assets		
Property, plant and equipment	3	6
Investment in subsidiaries	27,509	27,509
Total non-current assets	27,512	27,515
TOTAL ASSETS	38,569	42,554
LIABILITIES		
Current liabilities		
Payables	79,979	77,780
Provisions	166	124
Total current liabilities	80,145	77,904
Non-current liabilities		
Provisions	23	34
Total non-current liabilities	23	34
TOTAL LIABILITIES	80,168	77,938
NET LIABILITIES	(41,599)	(35,384)
EQUITY		
Contributed equity	675,919	675,919
Reserves	8,763	8,763
Accumulated losses	(726,281)	(720,066)
TOTAL EQUITY	(41,599)	(35,384)



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes that are set out on pages 20 to 60 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 31.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Executive Chairman and Company Secretary for the financial year ended 30 June 2021.

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

Dated at Sydney on 30 September 2021
On behalf of the Board



Independent auditor's report

To the members of Kingsgate Consolidated Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Kingsgate Consolidated Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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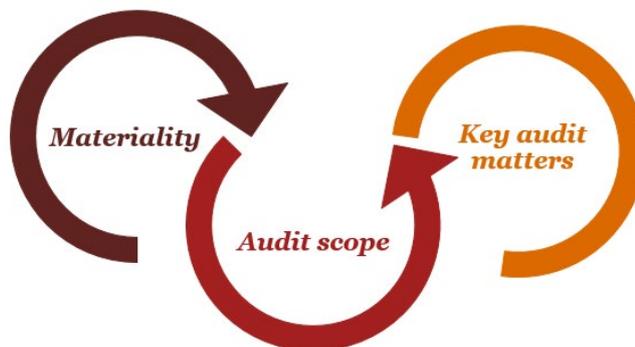
Material uncertainty related to going concern

We draw attention to Note 1 (a) in the financial report, which indicates that the Group does not have any cash generating activities and does not have sufficient cash available to fully repay the preference share liability of \$11 million which, if exercised by the preference shareholder is repayable at the earliest on 30 July 2022. As a result, the Group is dependent on (i) the outcome of Chatree Closure Remedies process, through the arbitral hearings under the Thai-Australia Free Trade Agreement or other negotiated settlement with the Thai Government, and/or (ii) the finalisation of the sale of Nueva Esperanza to support its future cash flows, and/or (iii) extending the term of the exercise date of the preferences shares should that be required. These conditions, along with other matters set forth in Note 1 (a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.





Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$0.4 million, which represents approximately 1% of the Group's total assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose the Group's total assets because, in our view, it is the benchmark which best reflects the expected requirements of users of the Group's financial statements. We chose total assets as the materiality benchmark rather than a profit measure given the closure of the Chatree Gold Mine and the Group's focus on the possible sale of the Nueva Esperanza Gold/Silver Project. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Australian engagement team directed the involvement of the Thai component audit team, which performed specified audit procedures on the financial information of Akara Resources Public Company Limited. The component auditor in Chile, operating under instructions, also performed specified audit procedures over the Group's Chilean operations' financial information. The Australian engagement team determined the required level of involvement in the work performed by the Thai and Chilean component audit teams, in order to be satisfied that sufficient appropriate audit evidence had been obtained for our opinion on the Group financial statements as a whole. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Board of Directors: <ul style="list-style-type: none"> Carrying amount of assets and liabilities associated with the Chatree Gold Mine Impairment indicator assessment of exploration and evaluation assets Nueva Esperanza Gold/Silver Project These are further described in the <i>Key audit matters</i> section of our report, except for the matter which is described in the <i>material uncertainty related to going concern</i> section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.



Key audit matter

Carrying amount of assets and liabilities associated with the Chatree Gold Mine (Refer to note 1 (a), 3 (i) and 3 (ii))

The Group's Chatree Gold Mine in Thailand was placed on care and maintenance due to a decision made by the Thai Government to cease all gold mining activities in Thailand by 31 December 2016. Except for some assets that may be realised independently of re-opening the mine, all assets of the Chatree Gold Mine have been impaired to a nil value.

At that time, the Group also revised the Chatree Gold Mine's restoration and rehabilitation liability to reflect the premature closure of the mine. The total rehabilitation liability, amounting to \$14.9 million at 30 June 2021 is based on management's rehabilitation plan which is a revision from the initial plan submitted to the Thai Authorities in 2007.

The Group commenced arbitral proceedings against the Kingdom of Thailand under the Thailand-Australia Free Trade Agreement in order to be compensated for the losses it has incurred as a result of the expropriation of the Chatree Gold Mine by the Thai Government.

The carrying amount of assets and liabilities of the Chatree Gold Mine and associated disclosures were considered to be a key audit matter because there remains significant uncertainty in respect of the rights and obligations of the Group in relation to the mine and the magnitude of a potential reversal of impairment, changes in the rehabilitation liability and potential recognition of contingent assets on the financial statements.

How our audit addressed the key audit matter

We updated our understanding in respect of the situation regarding the Chatree Gold Mine by making enquiries of management and the directors as to their knowledge and understanding of the situation and by reading selected material correspondence on this matter which included key elements of the legal claim lodged by the Group against the Thai Government.

We assessed the adequacy of the overall accounting position adopted by the Group at 30 June 2021 as described in Notes 3 (i) and 3 (ii) in respect of the carrying amount of assets and liabilities and evaluated the adequacy of the disclosures in light of the requirements of the Australian Accounting Standards.

In respect of the carrying amount of the assets associated with the Chatree Gold Mine, we:

- assessed the Group's judgement as to whether the circumstances that led to the previously recognised impairment charge have changed and whether a reversal of this impairment should be recognised; and
- assessed if other assets which have been recognised at their short-term realisable value have a carrying amount based on supportable assumptions.

In respect of the carrying amount of the liabilities associated with the Chatree Gold Mine, we:

- assessed the Group's restoration and rehabilitation plans prepared in the context of the premature closure of the mine and the overall accounting position adopted by the Group at year end in respect of the Chatree Gold Mine's obligations.

We considered the status of the legal claims of the Group against the Thai Government in light of the requirement to disclose contingent assets and liabilities in the financial statements in accordance with Australian Accounting Standards.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment indicator assessment of exploration and evaluation assets Nueva Esperanza Gold/Silver Project</i> <i>(Refer to note 1 (a) and 3 (iii))</i></p> <p>The impairment indicator assessment of the exploration and evaluation assets for the Nueva Esperanza Gold/Silver Project was a key audit matter given the significance of the carrying value of this CGU (\$23.0 million as at 30 June 2021, the largest non-current asset in the balance sheet) and given the impairment charge recorded in the 2019 financial year (\$33.4 million).</p> <p>The impairment indicator (and the potential reversal of impairment) assessment is also subject to significant judgements by the Group as described in the Note 3 (iii) to the financial statements.</p>	<p>We considered the Group's impairment indicator assessment for the Nueva Esperanza Gold/Silver Project and its conclusion that no impairment indicators, nor indicators for impairment loss reversal existed at balance sheet date.</p> <p>In respect of the impairment indicator assessment, we:</p> <ul style="list-style-type: none">• evaluated if the Group identified and considered the relevant internal and external factors in its assessment;• obtained and discussed with management and the directors offer for the acquisition of the project and the status of any discussions with the bidder;• obtained and reviewed evidence around recent developments for the Project; and• considered the Groups' market capitalisation at balance sheet date compared with the net assets of the Group. <p>We evaluated the adequacy of the disclosures made in Note 3 (iii), including those regarding the key internal and external factors considered in light of the requirements of Australian Accounting Standards.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate Information and the Directors' report (including the remuneration report). We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'M Upcroft'.

Marc Upcroft
Partner

Sydney
30 September 2021