



**Kingsgate**

Consolidated Limited

**Kingsgate Consolidated Limited**

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8 October 2020

Dear Shareholder

## ANNUAL GENERAL MEETING 2020

On behalf of the Board of Directors of Kingsgate Consolidated Limited (Company) I am pleased to confirm that the Company's Annual General Meeting (AGM) will be held as a virtual meeting on **Thursday, 26 November 2020 at 2.00pm**. Attached is our Notice of Meeting of the AGM.

Due to the COVID-19 transmission risks, the Australian and New South Wales Governments have announced limitations on gatherings of people. In light of this and to protect the safety of shareholders and staff attending the meeting, the Board has decided to hold the Annual General Meeting as a virtual meeting. We have arranged to conduct the AGM through an online platform provided by Link Market Services, our share registry service provider. Shareholders will not be able to attend the AGM at a physical location.

The online platform for the AGM can be accessed at <https://agmlive.link/KCN20>. Through the online platform, shareholders will be able to view the AGM proceedings, ask questions during the AGM and vote during the AGM. More information about using the online platform to participate in the virtual AGM can be found in the Notice of Meeting and the Virtual AGM Online Guide available on our website.

I will address the meeting and comment on the Company's performance and outlook, prior to consideration of the business as detailed in the Notice of Meeting. A copy of the address and presentation will be released on the ASX prior to the commencement of the meeting.

The 2020 Annual Report can be accessed on our website [www.kingsgate.com.au](http://www.kingsgate.com.au) on the "Investors/Annual Report" page. If you have previously elected to receive a hard copy of the Annual Report, you will shortly receive a copy.

Further information on each of the items of business to be considered at the AGM can be found in the Explanatory Notes section of the attached Notice of Meeting.

You are encouraged to vote on each of the resolutions to be considered at the AGM. You may do this ahead of the AGM by voting online through Link's Investor Centre (via [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)) or by completing and returning the provided Proxy Form no later than 2.00pm (Sydney time) on Tuesday 24 November 2020 in one of the ways specified in the Notice of Meeting. Alternatively, you may vote during the AGM via the online platform.

Please read the Notice of Meeting and Proxy Form carefully and consider directing your proxy on how to vote on each resolution by crossing either a "For" or "Against" box on the Proxy Form.

I look forward to your virtual attendance and the opportunity to engage with you at our 2020 AGM.

Yours sincerely

KINGSGATE CONSOLIDATED LIMITED

**Ross Smyth-Kirk**  
Executive Chairman

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# Kingsgate

Consolidated Limited

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## 2020 Annual Report



Front cover:  
Khun Yuwathida  
from the Akara  
Resources  
Community  
Relations  
Department.

ล้างมือ  
ป้องกันโควิด-19

ล้างมือ  
กินร้อน  
ช้อนกลาง



Akara personnel supporting the community by providing PPE to local health care facilities.





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# Chairman's Review

Well I have to say it was another eventful year all round. Just two days after Kingsgate's Annual General Meeting in November last year, the TAFTA arbitration hearing scheduled for Hong Kong was aborted due to the escalating demonstrations and violence, making travelling to Hong Kong at best problematic and considered to be bordering on dangerous.



Ross Smyth-Kirk visiting the Chilean Government booth to discuss Nueva Esperanza at the PDAC Conference in Toronto in March 2020.

Consequently the hearing was re-scheduled for Singapore the following February. The senior management of your company attended the hearings for 10 days and a number of us gave evidence. Due to a confidentiality order by the Tribunal (requested by Thailand) we are handicapped on what we can report on the proceedings. Suffice to say that there was nothing revealed at the hearing that appeared to be new or that altered our advisors' opinions that we have a very strong case.

Interestingly, our attendance at the hearings in Singapore coincided with the arrival of what has turned the whole world upside down ever since —the coronavirus epidemic. Immediately Singapore initiated some of the measures everybody in the world has become familiar with, and to enter the chambers the hearing was being held in and to re-enter our hotel, we became quickly familiar with continued temperature testing.

The coronavirus epidemic has certainly impacted on our ability to resolve the situation in many ways, the travel restrictions being front and centre.

We have continued to say that we are prepared to negotiate with the Thai Government to establish a solution to our mutual problem. It has become clearer with the effluxion of time of how politically dangerous for the Thai Prime Minister it could be if the Thai Government was to lose this case.

It appears this is being recognised, and we have detected a softening of attitude as we have pursued discussions over the last few months. A sign of the change and of goodwill from Thailand, was the recent release of the sludge that we had requested for over three and a half years.

Whilst it is unknown when the Tribunal will hand down its findings, we remain committed to achieving a resolution.

However, as soon as the news of the sludge became known the Non-Governmental Organisations remarshalled and there has been a surge of misinformation and lies again appearing in the Thai media. Whilst handicapped by not having the real facts as revealed at the TAFTA hearing, elements of the Thai media have reverted to their usual baseless and irresponsible reporting.

Support for the mine and its potential re-opening remains very strong in local communities and, despite it being closed for close to four years, we have continued to liaise with, and provide information and assistance to local villagers. The Government will need to stand firm this time against the lies. We reiterate, there has never been an environmental or health problem that can be attributed to the mine and the Government is well aware of this.



A local villager near the Chatree Gold Mine making PPE to help fight COVID-19. This is one of the many local microeconomic programs supported by Akara Resources.



Akara Resources staff from left, Siroj Prasertphon, Chamrat Sangsrichan, Surachat Munsamai, Cherdasak Utha-aron, and Kingsgate staff, Ross Coyle, Jamie Gibson, Ross Smyth-Kirk, Peter Hayman and Ron James, attending the TAFTA hearings in Singapore in February 2020.



A posse of Vicuñas at Nueva Esperanza.

The recent strong rises in the prices of gold and silver have not only made the Chatree mine a more valuable asset, they have increased significantly the potential mineable reserves at Chatree. On top of this they have generated renewed interest in our Chilean asset, Nueva Esperanza, now fully permitted. We are in discussions with a number of parties as to the future direction of this project and hope to be able to announce something regarding it in the not too distant future.

Again our thanks to all our management and staff at all of our three locations, who, although heavily depleted in size, have continued to persevere through the difficult conditions we have been dealt.

We are working assiduously towards a resolution in Thailand and sincerely hope that the coming year could see that come to pass.

**Ross Smyth-Kirk**  
Executive Chairman



# Operations Report

## Chatree Gold Mine

Thailand



### Summary

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.

### 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.

Following the completion of the arbitral hearings, the Kingsgate Board maintains that the Company has excellent prospects for a successful outcome. The arbitral panel is not required to make a decision on the claim by a prescribed date in the future; rather they have now retired to consider the matter and will render a decision in their own time.

In the interim, Kingsgate remains open to seeking a negotiated settlement of the matter with the Thai Government and in September 2020, Kingsgate was delighted to announce that

its subsidiary, Akara Resources, was granted permission by the Thai Government to sell the high value gold and silver “sludge,” that was secured at the Chatree Gold Mine, to a refinery to be processed into doré.

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.

The sludge contains approximately 4,750 ounces of gold and 34,800 ounces of silver, and is valued at around A\$14 million at a gold price of A\$2,673 an ounce (as at 21 September 2020) before royalties, transportation and refining costs.

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.



Whilst this move is long overdue, Kingsgate sees it as an act of good faith, indicating a new willingness by the Thai Government to pursue a negotiated settlement between the two parties, a process Kingsgate has advocated for some considerable time.

### Response to the Coronavirus

Kingsgate acknowledges the unprecedented impact the Coronavirus pandemic is having on both global communities and economies alike. In response, Kingsgate has rolled out a Coronavirus Response Plan across all employees in its group including staff in Australia, Thailand, and Chile. These measures include implementing best practice safety/social distancing measures at various work sites, working from home where possible, following the advice of local health authorities and keeping open communication channels to stay up to date with the latest developments and updated health advice.



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Operations Report



Aerial view of the A Pit at the Chatree Gold Mine.

This includes the application of quarantining measures and seeking medical assistance for those staff who may be exhibiting symptoms consistent with Coronavirus. (Note: as at the date of this report no Kingsgate personnel have tested positive for Coronavirus).

In addition to taking precautionary measures to ensure the safety of company employees, in early April, Akara's Community Relations Department donated 70 Personal Protection Equipment (PPE) gowns which were previously used in the gold room at the Chatree Gold Mine to local health authorities.

These gowns designed to withstand high temperatures, repel liquids and provide a strong protective barrier are ideally suited for use in conjunction with other PPE's to fight the Coronavirus. PPE's are in short supply across many areas of Thailand.

These gowns were distributed to Thap Khlo Hospital, Khao Chet Luk Hospital, Wang Sai Phun Hospital which are located in the Phichit Province. The Thung Yao Hospital, Dong Long Hospital, Dan Chang Hospital, and Wang Pong Hospital also received gowns and are located in Phetchabun Province. These gowns have been donated for the express purpose of helping local medical personnel fight against the Coronavirus.



A Chatree Gold Mine Security Officer takes the temperature of all employees entering the site.



Akara is also supporting a local micro-economic project that will see COVID-19 face masks manufactured by locals living around the mine. Akara has provided sewing equipment, training and materials to facilitate this program for the locals, who are the same group that manufacture Akara staff uniforms.



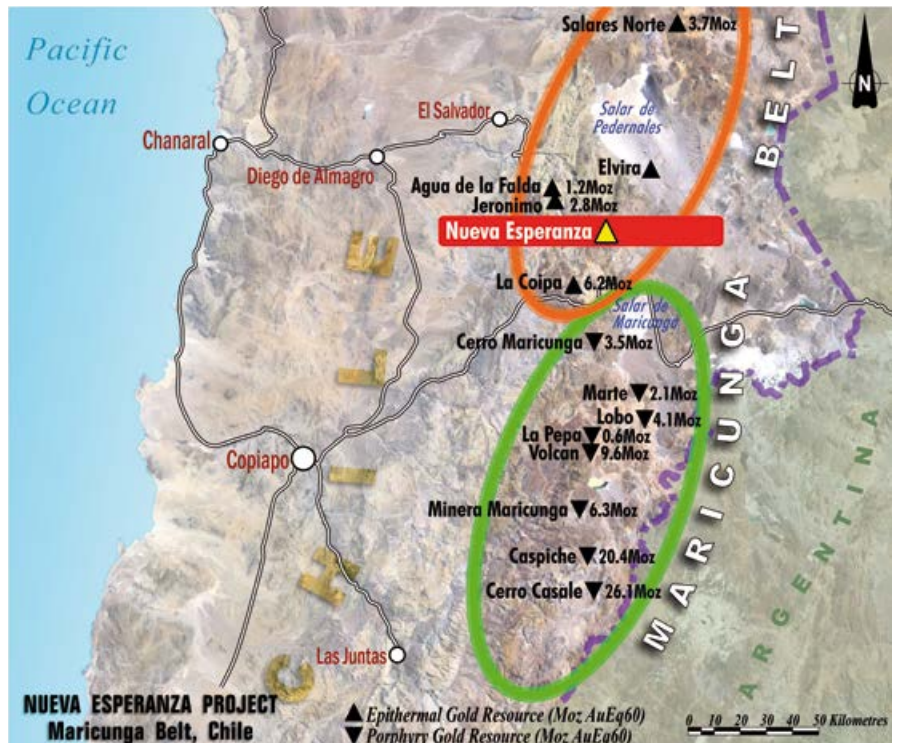
# Projects Report

## Nueva Esperanza Gold/Silver

Chile

### Summary

Nueva Esperanza 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). During the year, the project's feasibility was significantly advanced with the successful approval of an Environmental Impact Assessment by the Chilean Government. Another significant milestone during the year was the successful negotiation of an extension to the water supply agreement until 2025.



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Projects Report



## Permitting

Kingsgate's 100% owned Laguna Resources Chile entity was granted an Environmental Impact Assessment (EIA) approval, referred to in Chile as a RCA-64/20, for the Nueva Esperanza Gold and Silver Project in the Atacama region in northern Chile. The EIA was approved uncontested. The RCA-64/20 certifies that the project complies with the evaluation process and all applicable environmental requirements including mitigation and remediation measures, and importantly it meets all applicable community and indigenous consultation requirements.

The RCA-64/20 effectively allows the pre-development, construction and operation of the three project areas, namely Arqueros, Chimberos and Teterita. This approval is the successful culmination of 18 months of detailed work that saw Kingsgate working closely with environmental consultants, and local indigenous communities. More than 25 local and regional Chilean government agencies gave the green light to the RCA-64/20.

Laguna Resources Chile also negotiated an extension of its water supply agreement for the project until December 2024. In addition, a substantial deferral of the costs related to the water rights has also been negotiated which is subject to final documentation.

The recent rise in commodity prices has seen renewed interest in the Nueva Esperanza Gold/Silver Project, and has afforded Kingsgate the opportunity to methodically work its way through all the options available to maximise the outcome for shareholders.





# Ore Reserves and Mineral Resources

as at 30 June 2020

## Chatree and Nueva Esperanza Ore Reserves

Source	Category	Tonnes (Million)	Grade		Contained Metal	
			Gold (g/t)	Silver (g/t)	Gold (M oz)	Silver (M oz)
Chatree	Proved	–	–	–	–	–
	Probable	–	–	–	–	–
	<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Nueva Esperanza	Proved	–	–	–	–	–
	Probable	17.1	0.5	87	0.30	47.8
	<b>Total</b>	<b>17.1</b>	<b>0.5</b>	<b>87</b>	<b>0.30</b>	<b>47.8</b>
<b>Total</b>	Proved	–	–	–	–	–
	Probable	17.1	0.5	87	0.30	47.8
	<b>Total</b>	<b>17.1</b>	<b>0.5</b>	<b>87</b>	<b>0.30</b>	<b>47.8</b>

## Chatree and Nueva Esperanza Mineral Resources (inclusive of Ore Reserves)

Source	Category	Tonnes (Million)	Grade		Contained Metal	
			Gold (g/t)	Silver (g/t)	Gold (M oz)	Silver (M oz)
Chatree	Measured	73.2	0.69	6.20	1.63	14.6
	Indicated	49.8	0.64	5.58	1.02	8.9
	Inferred	40.6	0.59	4.50	0.77	5.9
	<b>Total</b>	<b>163.6</b>	<b>0.65</b>	<b>5.59</b>	<b>3.42</b>	<b>29.4</b>
Nueva Esperanza	Measured	1.6	0.01	93	0.0005	4.8
	Indicated	27.2	0.46	73	0.40	63.8
	Inferred	10.6	0.30	43	0.09	14.8
	<b>Total</b>	<b>39.4</b>	<b>0.39</b>	<b>66</b>	<b>0.49</b>	<b>83.4</b>
<b>Total</b>	Measured	74.8	0.68	8.06	1.63	19.4
	Indicated	77.0	0.58	29.4	1.42	72.7
	Inferred	51.2	0.53	12.5	0.86	20.7
	<b>Total</b>	<b>203.0</b>	<b>0.60</b>	<b>17.3</b>	<b>3.91</b>	<b>112.8</b>

**Notes to the Ore Reserves and Mineral Resources Tables on page 8:**

- (1) Rounding of figures causes some numbers to not add correctly.
- (2) Nueva Esperanza metallurgical recoveries: 80% Au and 84% Ag estimated from test work by Kingsgate.
- (3) Chatree metallurgical recoveries: 83.3% Au and 38.7% Ag based on metallurgical test work and plant performance.
- (4) Cut-off grades for Resources are: Chatree 0.30g/t Au, Nueva Esperanza 0.5g/t AuEq60 (assuming metal prices of USD1,200/oz Au, USD19.00/oz Ag and metallurgical recoveries as per (2) above.
- (5) Nueva Esperanza Ore Reserves are based on a floating cut-off grade method. In this method each Resource block is subjected to a series of estimates to generate revenue and cost fields that are used to determine a breakeven cut-off grade.
- (6) Please refer to ASX: KCN release published 14 April 2016 titled, "Nueva Esperanza Pre-Feasibility Study Confirms Kingsgate Growth Strategy" for details on Mineral Resources, Ore Reserves and JORC 2012 Table 1.

**Chatree Ore Reserves (assuming Metallurgical Licence granted)**

The table below shows what the Chatree Reserve would be if the Metallurgical Licence was granted in the future.

Source	Category	Tonnes (Million)	Grade		Contained Metal	
			Gold (g/t)	Silver (g/t)	Gold (M oz)	Silver (M oz)
Chatree	Proved	26.1	0.77	6.70	0.65	6.2
	Probable	9.3	0.80	7.04	0.24	2.1
	<b>Total</b>	<b>35.4</b>	<b>0.78</b>	<b>6.79</b>	<b>0.89</b>	<b>8.3</b>

**Notes to the Chatree Ore Reserves Table above:**

- (1) For the material in the table above to become a JORC 2012 Ore Reserve, the Thai Department of Primary Industries and Mines need to grant the Chatree Gold Mine a Metallurgical Licence.
- (2) The information in the table above is not currently an Ore Reserve under JORC reporting requirements.

## Competent Persons Statement

The information relating to Nueva Esperanza Ore Reserves is extracted from an ASX announcement by Kingsgate titled 'Nueva Esperanza Pre-Feasibility Study' published 14 April 2016. The information relating to Nueva Esperanza Mineral Resources is extracted from an ASX announcement by Kingsgate titled 'Nueva Esperanza Mineral Resource Update' published 14 April 2016.

Previous announcements referred to in this report are available to view on Kingsgate's public website ([www.kingsgate.com.au](http://www.kingsgate.com.au)). The Company confirms that it is not aware of any new information or data

that materially affects the information included in the original market announcement, and in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially altered from the original announcements.

The information in this report that relates to Nueva Esperanza and Chatree Mineral Resources is based

on information compiled by Ron James, who is a consultant geologist to the Kingsgate Group. Ron James is a member of The Australasian Institute of Mining and Metallurgy, and qualifies as a Competent Person. Mr James has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves.' Mr James has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.



# 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 2020.

## Directors

The following persons were directors of Kingsgate Consolidated Limited during the year ended 30 June 2020 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 Australia-Thailand Free Trade Agreement. This is in conjunction with Kingsgate continuing its rehabilitation obligations and maintaining and keeping the project in good standing. Work also continued on a process to unlock the value of the Nueva Esperanza Gold/Silver Project ("Nueva Esperanza") in Chile.

## Dividends

- ▶ No final dividend was declared for the year ended 30 June 2019 (30 June 2018: nil).
- ▶ No interim dividend was declared for the year ended 30 June 2020 (30 June 2019: 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 25 full time staff remain at the Chatree Gold Mine to manage the ongoing Care and Maintenance and rehabilitation works.

At mine closure, approximately A\$14 million of gold and silver inventory in the form of high-grade sludge remained at the Chatree site. In September 2020, Akara Resources was granted permission by the Thai Government to sell the high value gold and silver sludge, which is secured at the Chatree Gold Mine, to a Thai refinery to be processed into fine gold and silver. 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.

The sludge which was previously written down to nil contains approximately 4,750 ounces of gold and 34,800 ounces of silver and is valued at around A\$14 million at a gold price of A\$2,673 an ounce (as at 21 September 2020) before royalties, transportation and refining costs.

Akara Resources has agreed terms with a Thai refinery to process the sludge pursuant to new legislation requiring gold mined in Thailand to be refined in Thailand. Shipment of the sludge to the refinery has commenced.

### Australia–Thailand Free Trade Agreement ("TAFTA")

On 2 November 2017, Kingsgate commenced arbitral proceedings against the Kingdom of Thailand under the Australia-Thailand Free Trade Agreement, in order to recover the substantial losses that it has suffered, and continues to suffer, as a result of the unlawful expropriation of the Chatree Mine by the Thai Government.

The arbitral hearings scheduled to take place in Hong Kong between 18 to 29 November 2019 were rescheduled. The joint decision to reschedule the hearings was made as a consequence of the escalating violence and volatility in and around Hong Kong at that time. Following this decision, the arbitral hearings were rescheduled to take place between 3 to 12 February 2020, in Singapore, and as a result have now been completed in full.

As previously stated the TAFTA Tribunal has ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.

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

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

In the interim, Kingsgate remains open to a negotiated settlement with the Thai Government. The recent approval given to Akara Resources to monetise of the high grade gold and silver sludge, is viewed by Kingsgate as a small but positive step, and seemingly as an act of good faith, indicating a new willingness by the Thai Government to pursue a negotiated settlement between the two parties.

### Thai Media Reports

The Thai media has reported several stories recently, concerning the TAFTA Arbitration against Thailand seeking compensation for the expropriation of the Chatree Gold Mine. Kingsgate has always stated that it is open to a negotiated settlement, and more recently there has been a positive dialogue with the Thai Government as to how this might be achieved. Kingsgate has advocated this approach for some time, however, there can be no guarantee that this will occur. Kingsgate continues to await the decision of the Arbitral Tribunal, and continues to consider that its prospects for a positive outcome are excellent.

The Thai media has also reported that the Thai National Anti-Corruption Commission alleges that they have emails indicating improper conduct on behalf of Kingsgate to obtain mining concessions. Kingsgate categorically refutes those allegations, and advises that in 2011/12, Kingsgate was the subject of an Australian Securities and Investments Commission (ASIC) investigation into allegations of corrupt activity in Thailand. ASIC concluded its investigation in mid-2014, and subsequently advised Kingsgate in writing that it would not be taking the matter any further. As a result, Kingsgate considers the matter to be closed.

As stated previously, Kingsgate urges shareholders to check trusted information sources such as the Company website or ASX Announcements for any information when it comes to the veracity of Thai media speculation on these matters.

### Nueva Esperanza

Nueva Esperanza is a feasibility-stage development project with a resource base (inclusive of ore reserves) of approximately 0.49 million ounces gold and 83.4 million ounces of silver. (See ASX:KCN released titled "Kingsgate Mineral Resources and Ore Reserves 2016" dated 7 October 2016).

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

Kingsgate has made all non-essential staff redundant to reduce ongoing holding costs of the project. In addition, Kingsgate is currently in the process of finalising an agreement with Anglo American that will see a deferral of fees for both the water rights and project royalty payments until 2025, with an approximate value of US\$3.4 million.

On 14 July 2020, Kingsgate advised that its 100% owned Laguna Resources Chile entity ("LRC") has been granted an Environmental Impact Assessment ("RCA-64/20") approval for the Nueva Esperanza Gold/Silver Project in the Atacama region in northern Chile. (See ASX:KCN release titled "Nueva Esperanza Project – EIA Approved").

This approval will enable the development of the project (subject to compliance with local mining laws/regulations) and follows a public consultation period that resulted in no objections being lodged against the project, and is the successful culmination of 18 months of detailed work that saw Kingsgate working closely with environmental consultants, local indigenous communities and the Chilean Government.

These factors combined, have afforded Kingsgate the opportunity to work its way through all the options available for Nueva Esperanza to maximise the outcome for shareholders.

### Financing

At the end of June 2020, Kingsgate's Group Cash totalled A\$15.6 million excluding approximately A\$14 million of gold and silver inventory in the form of high grade sludge secured at the Chatree mine site which has not been recognised on the statement of financial position of the Group at balance sheet date.

The monetisation of the gold sludge and expectations for costs in the 2021 financial year will be significantly lower than that in the current year will provide sufficient liquidity for Kingsgate to continue as a going concern. The Group's expenditure for the TAFTA arbitration process was approximately \$10 million in this current financial year. These costs would be significantly lower in the 2021 financial year considering the status of the litigation process.



## Financial results

	2020	2019	2018	2017	2016
Net (loss)/profit after tax (\$'000)	(24,244)	8,375	(76,722)	7,088	(229,451)
EBITDA (\$'000)	(22,782)	15,958	(71,706)	63,042	39,864
Dividends paid (Cash & DRP) (\$'000)	–	–	–	–	–
Share price 30 June (\$)	0.40	0.245	0.28	0.20	*0.41
Basic (loss)/earnings per share (Cents)	(10.84)	3.70	(34.26)	3.17	(102.6)
Diluted (loss)/earnings per share (Cents)	(10.84)	3.70	(34.26)	3.17	(102.6)

\* Price at 10 May 2016 as shares were suspended from 13 May 2016 to 16 October 2016.

### EBITDA before significant items

The pre-tax loss for the Group before significant items was \$24.2 million compared to a profit of \$8.4 million in the previous year.

EBITDA before significant items was negative \$22.8 million (2019: negative \$26.9 million).

Significant items are detailed below.

	2020 \$'000	2019 \$'000
(Loss)/profit after income tax	(24,244)	8,375
Income tax expense	–	–
(Loss)/profit before income tax	(24,244)	8,375
<b>Significant items</b>		
Settlement of Political Risk Insurance claim	–	(76,319)
Impairment losses – Nueva Esperanza	–	33,436
<b>Loss before tax and significant item</b>	<b>(24,244)</b>	<b>(34,508)</b>
Net finance costs	1,248	6,983
Depreciation and amortisation	214	600
<b>EBITDA before significant items</b>	<b>(22,782)</b>	<b>(26,925)</b>

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

### 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

Akara Resources Public Company Limited ("Akara"), a subsidiary of Kingsgate has been granted permission by the Thai Government to sell the high value gold and silver "sludge," which is secured at the Chatree Gold Mine, to a refinery to be processed into fine gold.

The sludge which was written down to nil and contains approximately 4,750 ounces of gold and 34,800 ounces of silver and is valued at around A\$14 million before royalties, transportation and refining costs.

Akara has agreed terms with a Thai refinery to process the sludge pursuant to new legislation requiring Thai gold to be refined in Thailand.

No other matter or circumstance has arisen since 30 June 2020 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.

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

However, the Tribunal has also ordered that the proceedings are to be kept confidential, except where disclosure is required to fulfil a legal duty.

The Kingsgate Board considers that the Company's prospects of successfully prosecuting its claim against Thailand are excellent, but remains committed to seeking a negotiated settlement of the investment dispute with the Kingdom of Thailand.

### 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 2020, 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 2020, and the number of meetings attended by each Director were:

Directors	Board Meetings		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	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.

## Information on Directors/Company Secretary

### Ross Smyth-Kirk

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 40 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.

#### 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 47 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 and is now a Non-Executive Director of Silver Lake Resources. 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 45 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 Aluisse 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 38 years' experience in the resources sector. He joined Kingsgate in March 2011 and was reappointed on a contractual and temporary basis 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 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.



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

	2020	2019	2018	2017	2016
Revenue ('000s)	–	–	–	176,119	253,328
Net profit/(loss) after income tax ('000s)	(24,244)	8,375	(76,722)	7,088	(229,451)
EBITDA ('000s)	(22,782)	15,958	(71,706)	63,042	39,864
Share price at year end (\$/share)	0.40	0.245	0.28	0.20	0.41
Dividends paid (cent/share)	Nil	Nil	Nil	Nil	Nil
KMP short term employee benefits ('000s)	*328	*901	1,604	2,099	2,358

\* see page 19 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. **No short-term incentives were awarded during the financial 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:

<b>What is the STI Plan and who participates?</b>	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).
<b>How much can the executives earn under the STI Plan?</b>	<p><b>Threshold</b> – 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.</p> <p>Managing Director/CEO – up to 15% of TFR. COO &amp; CFO – up to 12.5% of TFR. Other KMP – up to 10% of TFR.</p> <p><b>Target</b> – 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.</p> <p>Managing Director/CEO – up to 30% of TFR. COO &amp; CFO – up to 25% of TFR. Other KMP – up to 20% of TFR.</p> <p><b>Stretch (Maximum)</b> – represents a clearly outstanding level of performance which is evident to all as a very high level of achievement.</p> <p>Managing Director/CEO – up to 60% of TFR. COO &amp; CFO – up to 50% of TFR. Other KMP – up to 40% of TFR.</p> <p>(TFR – Total Fixed Remuneration)</p>
<b>Is there Board discretion in the payment of an STI benefit?</b>	Yes, the plan provides for Board discretion in the approval of STI outcomes.
<b>What are the performance conditions?</b>	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.
<b>How are performance targets set and assessed?</b>	<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>
<b>How is the STI delivered?</b>	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.
<b>What happens in the event of cessation of employment?</b>	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 2020 financial year.

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

<b>What is the LTI Plan and who participates?</b>	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.
<b>What are the performance and vesting conditions?</b>	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.
<b>Is there a cost to participate?</b>	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.
<b>What happens in the event of bonus shares, rights issues or other capital reconstructions?</b>	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
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### Non-Executive Directors

Peter Alexander	Non-Executive Director
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Peter Warren	Non-Executive Director
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## 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 <sup>6</sup>
		FY 2020 <sup>1</sup>	FY 2019 <sup>1</sup>		
Ross Smyth-Kirk	Open	<sup>2</sup> \$157,680	<sup>2</sup> \$157,680	<sup>7</sup> N/A	<sup>7</sup> N/A
Ross Coyle	Open	N/A	<sup>3</sup> \$405,000	3 months	6 months
Jamie Gibson	Open	N/A	<sup>4</sup> \$190,000	3 months	6 months
Leonardo Hermosilla	Open	N/A	<sup>5</sup> CLP168,713,110	1 month	1 month

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

<sup>2</sup> Amount shown includes a voluntary 10% reduction in fixed remuneration effective from 1 October 2013.

<sup>3</sup> Chief Financial Officer and Company Secretary – 1 July 2018 to 31 August 2018. A voluntary 10% reduction in fixed remuneration effective from 1 October 2015.

<sup>4</sup> General Manager Corporate and External Relations – 1 July 2018 to 31 August 2018.

<sup>5</sup> Chilean pesos. Resigned 31 May 2019.

<sup>6</sup> Notice period by the Company in respect of benefits payable in the event of an early termination only.

<sup>7</sup> 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.

In the event of the completion of a takeover (relevant interest exceeds 50%) certain executives will receive a lump sum gross payment equal to between six to twelve months of the Total Remuneration Package. If within six months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

## 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 2020 <sup>1</sup>	Financial year ended 30 June 2019 <sup>1</sup>
	\$	\$
Chairman	-	-
Directors	180,000	270,000
	180,000	270,000

<sup>1</sup> 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 2020	Short-term benefits				Long-term benefits	Post-employment benefits		Total
	Cash salary and fees	Cash bonus	Other benefits <sup>2</sup>	Non-monetary benefits <sup>1</sup>	Other benefits <sup>2</sup>	Super-annuation	Termination benefits <sup>3</sup>	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
Peter Alexander	90,000	–	–	–	–	8,550	–	98,550
Peter Warren	90,000	–	–	–	–	8,550	–	98,550
<b>Sub-total Non-Executive Directors Compensation</b>	<b>180,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,100</b>	<b>–</b>	<b>197,100</b>
<b>Executive Chairman</b>								
Ross Smyth-Kirk	144,000	–	–	3,660	–	13,680	–	161,340
<b>TOTAL</b>	<b>324,000</b>	<b>–</b>	<b>–</b>	<b>3,660</b>	<b>–</b>	<b>30,780</b>	<b>–</b>	<b>358,440</b>

<sup>1</sup> Non-monetary benefits relate primarily to car parking.

<sup>2</sup> Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.

<sup>3</sup> Benefits paid were in accordance with employment contract.



Year ended  
30 June 2019

Name	Short-term benefits				Long-term benefits	Post-employment benefits		Total
	Cash salary and fees	Cash bonus	Other benefits <sup>2</sup>	Non-monetary benefits <sup>1</sup>	Other benefits <sup>2</sup>	Super-annuation	Termination benefits <sup>3</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
Peter Alexander	90,000	–	–	–	–	8,550	–	98,550
Peter Warren	90,000	–	–	–	–	8,550	–	98,550
Sharon Skeggs <sup>4</sup>	41,576	–	–	–	–	3,950	–	45,526
Sub-total Non-Executive Directors Compensation	221,576	–	–	–	–	21,050	–	242,626
<b>Executive Chairman</b>								
Ross Smyth-Kirk	144,000	90,000	–	3,657	–	13,680	–	251,337
<b>Other KMPs</b>								
Ross Coyle <sup>5</sup>	64,078	–	(4,489)	–	16,785	3,422	301,273	381,069
Jamie Gibson <sup>6</sup>	28,919	–	2,490	–	(3,915)	2,747	123,296	153,537
Leonardo Hermosilla <sup>7</sup>	350,574	–	–	–	–	–	126,575	477,149
Sub-total other KMP Compensation	443,571	–	(1,999)	–	12,870	6,169	551,144	1,011,755
TOTAL	809,147	90,000	(1,999)	3,657	12,870	40,899	551,144	1,505,718

1 Non-monetary benefits relate primarily to car parking.

2 Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.

3 Benefits paid were in accordance with employment contract.

4 Resigned 17 December 2018.

5 Chief Financial Officer and Company Secretary from 1 July 2018 to 31 August 2018.

6 General Manager Corporate and External Relations from 1 July 2018 to 31 August 2018.

7 Resigned 31 May 2019.

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

Name	Fixed remuneration 2020	STI/cash bonus 2020	At risk – LTI 2020
<b>Executive Director</b>			
Ross Smyth-Kirk	100%	–	–

## Share Holdings 2020

	Balance at start of year	Other changes during the year	Balance at year end
<b>Executive Chairman</b>			
Ross Smyth-Kirk	5,076,725	–	5,076,725
<b>Non-Executive Directors</b>			
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 22.

### 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 2020



# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2020, 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 'Marc Upcroft', written in a cursive style.

**Marc Upcroft**  
Partner

PricewaterhouseCoopers

Sydney  
30 September 2020

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Exploration expenses		(4,765)	(6,233)
Care and maintenance expenses		(2,150)	(1,920)
Corporate and administration expenses	5a	(16,309)	(15,976)
Other income and expenses	5b	76	76,714
Foreign exchange gain/(losses)		152	(3,791)
Impairment losses – Nueva Esperanza		–	(33,436)
<b>(Loss)/profit before finance costs and income tax</b>		<b>(22,996)</b>	<b>15,358</b>
Finance income		281	51
Finance costs	5c	(1,529)	(7,034)
<b>Net finance costs</b>		<b>(1,248)</b>	<b>(6,983)</b>
(Loss)/profit before income tax		(24,244)	8,375
Income tax expense	6	–	–
<b>(Loss)/profit after income tax</b>		<b>(24,244)</b>	<b>8,375</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)	17a	(139)	3,720
<b>Total other comprehensive income for the year</b>		<b>(139)</b>	<b>3,720</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(24,383)</b>	<b>12,095</b>
<b>(Loss)/profit attributable to:</b>			
Owners of Kingsgate Consolidated Limited		(24,244)	8,817
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of Kingsgate Consolidated Limited		(24,383)	12,095
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss)/earnings per share	29	(10.84)	3.70

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 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	15,569	42,137
Receivables	8	294	1,540
Other assets	9	372	287
<b>Total current assets</b>		<b>16,235</b>	<b>43,964</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	90	745
Right-of-use assets	11	190	–
Exploration, evaluation and development	12	25,649	25,319
Other assets	9	9,382	9,198
<b>Total non-current assets</b>		<b>35,311</b>	<b>35,262</b>
<b>TOTAL ASSETS</b>		<b>51,546</b>	<b>79,226</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	4,726	6,441
Finance lease liability	14	–	591
Lease liability	11	86	–
Provisions	15	190	186
<b>Total current liabilities</b>		<b>5,002</b>	<b>7,218</b>
<b>Non-current liabilities</b>			
Payables	13	4,363	4,276
Lease liability	11	103	–
Borrowings	14	12,520	12,392
Provisions	15	17,246	16,803
<b>Total non-current liabilities</b>		<b>34,232</b>	<b>33,471</b>
<b>TOTAL LIABILITIES</b>		<b>39,234</b>	<b>40,689</b>
<b>NET ASSETS</b>		<b>12,312</b>	<b>38,537</b>
<b>Equity</b>			
Contributed equity	16	675,919	677,761
Reserves	17a	57,523	57,662
Accumulated losses	17b	(721,130)	(696,886)
<b>TOTAL EQUITY</b>		<b>12,312</b>	<b>38,537</b>

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 2020

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>	677,761	53,942	(705,261)	26,442
Profit after income tax	–	–	8,375	8,375
Total other comprehensive income for the year	–	3,720	–	3,720
<b>Total comprehensive income for the year</b>	–	3,720	8,375	12,095
Balance at 30 June 2019	677,761	57,662	(696,886)	38,537
<b>Balance at 1 July 2019</b>	<b>677,761</b>	<b>57,662</b>	<b>(696,886)</b>	<b>38,537</b>
Loss after income tax	–	–	(24,244)	(24,244)
Total other comprehensive income for the year	–	(139)	–	(139)
<b>Total comprehensive income/(loss) for the year</b>	–	<b>(139)</b>	<b>(24,244)</b>	<b>(24,383)</b>
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)
<b>Total transaction with owners</b>	<b>(1,842)</b>	–	–	<b>(1,842)</b>
<b>Balance at 30 June 2020</b>	<b>675,919</b>	<b>57,523</b>	<b>(721,130)</b>	<b>12,312</b>

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 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from Political Risk Insurance claim		–	76,319
Payments to suppliers and employees		(23,570)	(24,993)
Interest received		281	51
Finance costs paid		(1,148)	(5,204)
<b>Net cash (outflow)/inflow from operating activities</b>	23	<b>(24,437)</b>	46,173
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2)	(8)
Payment of deposits		(2)	475
Proceeds from sale of property, plant and equipment		–	161
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(4)</b>	628
<b>Cash flows from financing activities</b>			
Proceeds from borrowings, net of transaction costs		–	7,400
Repayment of borrowings		–	(23,156)
Payment of lease liability		(89)	–
Payments for share buy-backs		(1,833)	–
Payments for share buy-back expenses		(9)	–
<b>Net cash outflow from financing activities</b>		<b>(1,931)</b>	(15,756)
<b>Net (decrease)/increase in cash held</b>		<b>(26,372)</b>	31,045
Cash at the beginning of the year		42,137	11,239
Effects of exchange rate on cash and cash equivalents		(196)	(147)
<b>Cash at the end of the year</b>		<b>15,569</b>	42,137

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



# Notes to the Financial Statements

for the year ended 30 June 2020

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the “Company”) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of Directors on 30 September 2020.

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 2020 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

The general purpose 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. The 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. Compliance with IFRS

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

### b. 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.

### c. 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.

### d. 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.

### e. 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.

### f. New and amended standards adopted

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and has not restated comparatives for the 2019 reporting period, as permitted under the transitional provisions in the standard.

The Group did not have material finance and operating leases as at adoption date, as such the impact of the adoption was not material to the financial statements, however the Group changed its accounting policy as disclosed in Note 2e.

## 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 "stand alone 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

#### d. Income tax continued

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

Up to 30 June 2019, leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

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

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

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

### m. Deferred stripping costs continued

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 12 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 Labor 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



#### u. Employee benefits continued

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 2020 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 approximately \$16,938,000. 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 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. Refer to Note 24 for events occurring after the reporting date.

#### (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 2020 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 2020 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'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 lodgement of the updated Environmental Impact Application; and
- › movement in gold and silver prices.

## 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:

	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
<b>2020</b>				
Other income/(expense)	24	(54)	106	76
<b>Total segment income</b>	<b>24</b>	<b>(54)</b>	<b>106</b>	<b>76</b>
Segment EBITDA	(2,732)	(4,692)	(15,358) <sup>1</sup>	(22,782)
Depreciation and amortisation	(55)	(127)	(32)	(214)
<b>Segment result</b>	<b>(2,787)</b>	<b>(4,819)</b>	<b>(15,390)</b>	<b>(22,996)</b>
Finance income				281
Finance costs				(1,529)
<b>Net finance costs</b>				<b>(1,248)</b>
<b>Loss before tax</b>				<b>(24,244)</b>
<b>Other segment information</b>				
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
<b>2019</b>				
Other income	228	19	76,467	76,714
<b>Total segment income</b>	<b>228</b>	<b>19</b>	<b>76,467</b>	<b>76,714</b>
Segment EBITDA	(1,922)	(6,134)	57,450 <sup>2</sup>	49,394
Depreciation and amortisation	(475)	(80)	(45)	(600)
Impairment losses – Nueva Esperanza	–	(33,436)	–	(33,436)
<b>Segment result</b>	<b>(2,397)</b>	<b>(39,650)</b>	<b>57,405</b>	<b>15,358</b>
Finance income				51
Finance costs				(7,034)
<b>Net finance costs</b>				<b>(6,983)</b>
<b>Profit before tax</b>				<b>8,375</b>
<b>Other segment information</b>				
Segment assets	2,272	33,352	43,602	79,226
Segment liabilities	(30,829)	(6,137)	(3,723)	(40,689)
Net assets/(liabilities)	(28,557)	27,215	39,879	38,537

<sup>1</sup> includes foreign exchange gain of \$152,000 for the Group.

<sup>2</sup> includes foreign exchange loss of \$3,791,000 for the Group.



## 5. Revenue and expenses

	2020 \$'000	2019 \$'000
<b>a) Corporate and administration expenses</b>		
Administration	5,439	7,215
Statutory and professional fees	10,711	*8,636
Depreciation	159	125
<b>Total corporate and administration expenses</b>	<b>16,309</b>	<b>15,976</b>
<b>b) Other income and expenses</b>		
Settlement of Political Risk Insurance claim	–	*76,319
Net (loss)/gain on sale of fixed assets	(44)	161
Other revenue	120	234
<b>Total other income and expenses</b>	<b>76</b>	<b>76,714</b>

### \* Settlement of Political Risk Insurance claim

In October 2017, Kingsgate commenced proceedings in the New South Wales Supreme Court against Zurich Insurance Australia Ltd, and other named insurers, under a Political Risk Insurance Policy that was held by the Company when the Thai Government unlawfully expropriated the Chatree Gold Mine in May 2016.

Kingsgate settled its Political Risk Insurance proceedings in March 2019. The settlement consisted of:

- › a cash payment of US\$55,000,000 (A\$76,319,000) received on 11 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. 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.

Legal expenditure amounting to \$3,830,000 (2019: \$1,154,000) and related reimbursement receivable under the settlement agreement have been presented on a net basis in the statement of profit and loss and other comprehensive income.

	2020 \$'000	2019 \$'000
<b>c) Finance costs</b>		
Interest and finance charges	1,529	5,210
Borrowing costs and amortisation of deferred borrowing costs	–	1,824
<b>Total finance costs</b>	<b>1,529</b>	<b>7,034</b>
<b>d) Depreciation and amortisation</b>		
Property, plant and equipment	125	600
Right-of-use assets	89	–
<b>Total depreciation and amortisation expenses</b>	<b>214</b>	<b>600</b>
<i>Included in:</i>		
Care and maintenance expenses	55	475
Corporate depreciation	159	125
<b>e) Employee benefits expenses</b>		
<i>Included in:</i>		
Care and maintenance expenses	1,073	714
Corporate and administration expenses	1,954	3,218
<b>Total employee benefits expenses</b>	<b>3,027</b>	<b>3,932</b>

## 5. Revenue and expenses continued

	2020 \$'000	2019 \$'000
<b>f) Other items</b>		
Short-term and low value lease expenses	230	337
<b>Total other items</b>	230	337
<b>g) Significant items</b>		
Settlement of Political Risk Insurance claim (see Note 5b)	–	76,319
Impairment losses – Nueva Esperanza	–	(33,436)
<b>Total significant items</b>	–	(42,883)

## 6. Income tax

	2020 \$'000	2019 \$'000
<b>a) Income tax expense</b>		
Current tax	–	–
Deferred tax	–	–
<b>Total income tax expense</b>	–	–
Deferred tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(1,550)	(4,836)
Increase in deferred tax liabilities	1,550	4,836
<b>Deferred tax</b>	–	–
<b>b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
(Loss)/profit before income tax	(24,244)	8,375
Tax at Australian rate of 30%	(7,273)	2,512
<b>Tax effect of amounts not deductible/assessable in calculating taxable income</b>		
Non-deductible expenses	2,843	2,478
Non-deductible interest expense to preference shareholders	459	623
Non-assessable receipts from settlement of Political Risk Insurance claim	–	(22,896)
Non-assessable other revenue	(15)	–
Impairment losses – Nueva Esperanza	–	10,031
Tax losses not brought to account	3,986	7,252
<b>Income tax expense</b>	–	–
<b>c) Tax recognised in other comprehensive income</b>		
Foreign exchange losses recognised directly in foreign currency translation reserves	–	–
<b>Total tax recognised in other comprehensive income</b>	–	–
<b>d) Deferred tax liabilities offset</b>		

Deferred tax assets amounting to \$17,535,000 (2019: \$15,985,000) have been offset against deferred tax liabilities.

	2020 \$'000	2019 \$'000
<b>e) Unrecognised deferred tax assets and tax liabilities</b>		
Tax losses – Australian entities	317,528	295,649
Tax losses – other entities	12,161	26,050
Temporary difference	1,278	1,278
<b>Subtotal</b>	<b>330,967</b>	<b>322,977</b>
<b>Unrecognised deferred tax assets</b>	<b>197,237</b>	<b>193,520</b>

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.

g) Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Deferred tax assets/(liabilities)</b>						
Employee benefits	47	54	–	–	47	54
Unrealised exchange (gains)/losses	8,249	7,477	(17,535)	(15,985)	(9,286)	(8,508)
Other items	98	491	–	–	98	491
Financial assets	321	321	–	–	321	321
Tax losses	8,820	7,642	–	–	8,820	7,642
<b>Total deferred tax assets/(liabilities)</b>	<b>17,535</b>	<b>15,985</b>	<b>(17,535)</b>	<b>(15,985)</b>	<b>–</b>	<b>–</b>
<b>Set off tax</b>	<b>(17,535)</b>	<b>(15,985)</b>	<b>17,535</b>	<b>15,985</b>	<b>–</b>	<b>–</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Deferred tax assets/(liabilities) expected to be recovered within 12 months	–	–	–	–	–	–
Deferred tax assets/(liabilities) expected to be recovered after more than 12 months	17,535	15,985	(17,535)	(15,985)	–	–
<b>Total deferred tax assets/(liabilities)</b>	<b>17,535</b>	<b>15,985</b>	<b>(17,535)</b>	<b>(15,985)</b>	<b>–</b>	<b>–</b>



## 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
<b>2020</b>			
<b>Deferred tax assets/(liabilities):</b>			
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
<b>Net deferred tax assets/(liabilities)</b>	–	–	–
<b>2019</b>			
<b>Deferred tax assets/(liabilities):</b>			
Employee benefits	94	(40)	54
Unrealised exchange losses	(5,795)	(2,713)	(8,508)
Other items	210	281	491
Financial assets	321	–	321
Tax losses	5,170	2,472	7,642
<b>Net deferred tax assets/(liabilities)</b>	–	–	–

## 7. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash on hand	8	9
Deposits at call	15,561	42,128
<b>Total cash and cash equivalents</b>	<b>15,569</b>	<b>42,137</b>

#### 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

	2020 \$'000	2019 \$'000
<b>Current</b>		
Other debtors	294	*1,540
<b>Total receivables – current</b>	<b>294</b>	<b>1,540</b>

#### Other debtors

Other debtors relate to GST/VAT receivables.

\* mainly related to reimbursement receivable under the Political Risk Insurance settlement agreement (see Note 5b).

#### Risk exposure

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

## 9. Other assets

	2020 \$'000	2019 \$'000
<b>Current</b>		
Prepayments	359	274
Other deposits	13	13
<b>Total other assets – current</b>	<b>372</b>	<b>287</b>
<b>Non-current</b>		
Prepayments	8,879	8,702
Other deposits	503	496
<b>Total other assets – non-current</b>	<b>9,382</b>	<b>9,198</b>

### 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

	2020 \$'000	2019 \$'000
<b>At 1 July</b>		
Cost	296,346	261,544
Accumulated depreciation and amortisation	(111,341)	(76,173)
Accumulated impairment	(184,260)	(184,260)
<b>Net book amount</b>	<b>745</b>	<b>1,111</b>
<b>Year ended 30 June</b>		
Opening net book amount	745	1,111
Additions	2	8
Disposals	(557)	–
Depreciation and amortisation expense	(125)	(600)
Foreign currency differences	25	226
<b>Closing net book amount</b>	<b>90</b>	<b>745</b>
<b>At 30 June</b>		
Cost	299,166	296,346
Accumulated depreciation and amortisation	(114,816)	(111,341)
Accumulated impairment	(184,260)	(184,260)
<b>Net book amount</b>	<b>90</b>	<b>745</b>

## 11. Right-of-use assets and lease liabilities

Amounts recognised in the consolidated statement of financial position:

	2020 \$'000
<b>Right-of-use assets</b>	
Property	190
<b>Lease liabilities</b>	
Current	86
Non-current	103

## 11. Right-of-use assets and lease liabilities continued

	2020 \$'000
Future lease payments in relation to lease liabilities as at year end are as follows:	
Within one year	89
Later than one year but not later than five years	111
<b>Depreciation of right-of-use assets:</b>	
The depreciation and amortisation disclosed in the consolidated statement of profit or loss includes the following amount for right-of-use assets:	
Property (Note 5d)	89

## 12. Exploration, evaluation and development

	Exploration & evaluation \$'000	Feasibility expenditure \$'000	Mine properties \$'000	Total \$'000
<b>At 30 June 2018</b>				
Cost	39,991	85,103	356,631	481,725
Accumulated depreciation and amortisation	–	–	(65,914)	(65,914)
Accumulated impairment	(39,991)	(42,652)	(289,871)	(372,514)
Net book amount	–	42,451	846	43,297
<b>Year ended 30 June 2019</b>				
Opening net book amount	–	42,451	846	43,297
Impairment losses – Nueva Esperanza	–	(20,440)	–	(20,440)
Foreign currency exchange differences	–	2,347	115	2,462
Closing net book amount	–	24,358	961	25,319
<b>At 30 June 2019</b>				
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
<b>Year ended 30 June 2020</b>				
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
<b>At 30 June 2020</b>				
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



### 13. Payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade payables	1,469	2,364
Other payables and accruals	3,257	4,077
<b>Total payables – current</b>	<b>4,726</b>	<b>6,441</b>
<b>Non-current</b>		
Other payables	4,363	4,276
<b>Total payables – non-current</b>	<b>4,363</b>	<b>4,276</b>

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

### 14. Borrowings

	2020 \$'000	2019 \$'000
<b>Current</b>		
Finance lease liabilities	–	591
<b>Total borrowings – current</b>	<b>–</b>	<b>591</b>
<b>Non-current</b>		
Preference shares in controlled entity	12,520	12,392
<b>Total borrowings – non-current</b>	<b>12,520</b>	<b>12,392</b>
<b>Borrowings</b>		
Preference shares in controlled entity	12,520	12,392
Finance lease liabilities	–	591
<b>Total borrowings</b>	<b>12,520</b>	<b>12,983</b>

#### 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	12,520	12,520

The terms of the preference shares were amended in the prior year 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	2020 \$'000	2019 \$'000
<b>Current</b>			
Employee benefits	2u, 22	190	186
<b>Total provisions – current</b>		<b>190</b>	<b>186</b>
<b>Non-current</b>			
Employee benefits	2u, 22	308	37
Restoration and rehabilitation	2t	16,938	16,766
<b>Total provisions – non-current</b>		<b>17,246</b>	<b>16,803</b>
<b>Movements in the restoration and rehabilitation provision:</b>			
<b>Restoration and rehabilitation</b>			
At the beginning of the financial year		16,766	14,768
Foreign currency exchange differences		172	1,998
<b>At the end of the financial year</b>		<b>16,938</b>	<b>16,766</b>

## 16. Contributed equity

	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Opening balance	226,225,940	226,225,940	677,761	677,761
Payments for share buy-backs	(4,372,088)	–	(1,833)	–
Payments for share buy-back expenses	–	–	(9)	–
<b>Closing balance</b>	<b>221,853,852</b>	<b>226,225,940</b>	<b>675,919</b>	<b>677,761</b>

## 17. Reserves and accumulated losses

### (a) Reserves

	2020 \$'000	2019 \$'000
Foreign currency translation reserve	51,722	51,861
Share-based payment reserve	9,142	9,142
General reserve	(3,341)	(3,341)
<b>Total reserves</b>	<b>57,523</b>	<b>57,662</b>
<b>Movements:</b>		
<b>Foreign currency translation reserve</b>		
At the beginning of the financial year	51,861	48,141
Exchange differences on translation of foreign controlled entities (net of tax)	(139)	3,720
<b>At the end of the financial year</b>	<b>51,722</b>	<b>51,861</b>
<b>Share-based payment reserve</b>		
At the beginning of the financial year	9,142	9,142
Share-based payment expense	–	–
<b>At the end of the financial year</b>	<b>9,142</b>	<b>9,142</b>
<b>General reserve</b>		
At the beginning of the financial year	(3,341)	(3,341)
Net change	–	–
<b>At the end of the financial year</b>	<b>(3,341)</b>	<b>(3,341)</b>

**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.

**(b) Accumulated losses**

	2020 \$'000	2019 \$'000
At the beginning of the year	(696,886)	(705,261)
Net (loss)/profit attributable to members of Kingsgate Consolidated Limited	(24,244)	8,375
<b>At the end of the financial year</b>	<b>(721,130)</b>	<b>(696,886)</b>

**18. Commitments for expenditure**

	2020 \$'000	2019 \$'000
<b>Short-term and low value leases</b>		
Within one year	24	23
Later than one year but not later than five years	–	3
<b>Total short-term and low value leases</b>	<b>24</b>	<b>26</b>
<b>Non-cancellable operating leases</b>		
Within one year	–	96
Later than one year but not later than five years	–	217
<b>Total non-cancellable operating leases</b>	<b>–</b>	<b>313</b>

As explained in Note 2e above, the Group has changed its accounting policy for leases where the Group is the lessee.

In addition to the table above, the Group is also to pay Anglo American US\$2 million 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	
			2020 %	2019 %
<b>Parent Entity</b>				
Kingsgate Consolidated Limited				
<b>Subsidiaries</b>				
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 2019 (30 June 2018: nil).

No interim dividend was declared for the year ended 30 June 2020 (30 June 2019: 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

	2020 \$'000	2019 \$'000
<b>Employee benefits and related on-costs liabilities</b>		
Provision for employment benefits – current	190	186
Provision for employee benefits – non-current	308	37
<b>Total employee provisions</b>	<b>498</b>	<b>223</b>

### 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 2020 were \$133,000 (2019: \$156,000).

### 23. Reconciliation of loss after income tax to net cash flow from operating activities

	2020 \$'000	2019 \$'000
(Loss)/profit for the year	(24,244)	8,375
Depreciation and amortisation	214	600
Amortisation of deferred borrowing costs	–	1,824
Net loss/(gain) on sale of fixed assets	44	(161)
Net exchange differences	(1,737)	3,151
Impairment losses – Nueva Esperanza	–	33,436
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	1,245	(833)
(Increase)/decrease in other assets	–	304
(Increase)/decrease in prepayments	(84)	499
(Increase)/decrease in inventories	–	–
Increase/(decrease) in creditors	(143)	(813)
Increase/(decrease) in provisions	268	(209)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(24,437)</b>	<b>46,173</b>
<b>Net cash and cash equivalents/(debt) reconciliation</b>		
Cash and cash equivalents	15,569	42,137
Borrowings – repayable within one year	(86)	(591)
Borrowings – repayable after one year	(12,623)	(12,392)
<b>Net cash and cash equivalents/(debt)</b>	<b>2,860</b>	<b>29,154</b>
Cash and cash equivalents	15,569	42,137
Gross debt – fixed interest rates	(12,520)	(12,983)
Gross debt – variable interest rates	–	–
Gross debt – nil interest rates	(189)	–
<b>Net cash and cash equivalents/(debt)</b>	<b>2,860</b>	<b>29,154</b>

	Cash \$'000	Secured bank loans due within 1 year \$'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	Other loan due within 1 year \$'000	Total \$'000
Net debt as at 30 June 2018	11,239	(14,360)	(10,907)	(465)	(323)	(472)	(15,288)
Cash flows	31,045	15,000	–	284	–	472	46,801
Foreign exchange adjustments	(147)	–	(1,485)	(87)	–	–	(1,719)
Other non-cash movements	–	(640)	–	(323)	323	–	(640)
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
<b>Net cash and cash equivalents/ (debt) as at 30 June 2020</b>	<b>15,569</b>	<b>–</b>	<b>(12,520)</b>	<b>(86)</b>	<b>(103)</b>	<b>–</b>	<b>2,860</b>

## 24. Events occurring after reporting date

Akara Resources Public Company Limited (“Akara”), a subsidiary of Kingsgate has been granted permission by the Thai Government to sell the high value gold and silver “sludge,” which is secured at the Chatree Gold Mine, to a refinery to be processed into fine gold.

The sludge which was written down to nil and contains approximately 4,750 ounces of gold and 34,800 ounces of silver and is valued at around A\$14 million before royalties, transportation and refining costs.

Akara has agreed terms with a Thai refinery to process the sludge pursuant to new legislation requiring Thai gold to be refined in Thailand.

No other matter or circumstance has arisen since 30 June 2020 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 2020 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.

The Group holds the following financial instruments:

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	15,569	42,137
Receivables	294	1,540
Other deposits	516	509
<b>Total financial assets</b>	<b>16,379</b>	<b>44,186</b>
<b>Financial liabilities</b>		
Payables	(9,089)	(10,717)
Borrowings	(12,520)	(12,983)
Lease liabilities	(189)	–
<b>Total financial liabilities</b>	<b>(21,798)</b>	<b>(23,700)</b>

## 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 2020 \$'000	THB 2020 \$'000	Total 2020 \$'000	USD 2019 \$'000	THB 2019 \$'000	Total 2019 \$'000
Cash and cash equivalents	158	–	158	105	–	105
Receivables	132,856	70,269	203,125	124,494	70,269	194,763
Payables	(134,313)	(70,269)	(204,582)	(126,117)	(70,269)	(196,386)
<b>Total exposure to foreign currency risk</b>	<b>(1,299)</b>	<b>–</b>	<b>(1,299)</b>	<b>(1,518)</b>	<b>–</b>	<b>(1,518)</b>

	Impact on post tax loss		Impact on other comprehensive income	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
One cent weakened in Australian dollar against the US dollar	1,342	1,257	1,342	1,257
One cent strengthened in Australian dollar against the US dollar	(1,315)	(1,233)	(1,315)	(1,233)
One cent weakened in Australian dollar against the Thai baht	726	721	947	940
One cent strengthened in Australian dollar against the Thai baht	(725)	(720)	(942)	(935)



## 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 2020 and 30 June 2019 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		
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	15,561	–	–	–	8	15,569
Receivables	–	–	–	–	294	294
Other deposits	516	–	–	–	–	516
<b>Total financial assets</b>	<b>16,077</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>302</b>	<b>16,379</b>
<b>Financial liabilities</b>						
Payables	–	–	–	–	(9,089)	(9,089)
Borrowings	–	–	–	(12,520)	–	(12,520)
Lease liabilities	–	–	–	–	(189)	(189)
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(12,520)</b>	<b>(9,278)</b>	<b>(21,798)</b>
<b>Net financial assets/(liabilities)</b>	<b>16,077</b>	<b>–</b>	<b>–</b>	<b>(12,520)</b>	<b>(8,976)</b>	<b>(5,419)</b>
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	42,128	–	–	–	9	42,137
Receivables	–	–	–	–	1,540	1,540
Other deposits	509	–	–	–	–	509
<b>Total financial assets</b>	<b>42,637</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,549</b>	<b>44,186</b>
<b>Financial liabilities</b>						
Payables	–	–	–	–	(10,717)	(10,717)
Borrowings	–	(591)	–	(12,392)	–	(12,983)
<b>Total financial liabilities</b>	<b>–</b>	<b>(591)</b>	<b>–</b>	<b>(12,392)</b>	<b>(10,717)</b>	<b>(23,700)</b>
<b>Net financial assets/(liabilities)</b>	<b>42,637</b>	<b>(591)</b>	<b>–</b>	<b>(12,392)</b>	<b>(9,168)</b>	<b>20,486</b>

## 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:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	15,569	42,137
Receivables	294	1,540
Other deposits	516	509
<b>Total exposure to credit risk at year end</b>	<b>16,379</b>	<b>44,186</b>

#### 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 \$'000	1 year or less \$'000	1–2 years \$'000	2–5 years \$'000	More than 5 years \$'000	Total \$'000
<b>2020</b>						
Payables	9,089	4,726	–	4,363 <sup>1</sup>	–	9,089
Borrowings	12,520	1,499	1,499	12,617	–	15,615
Lease liabilities	189	89	89	22	–	200
<b>Total financial liabilities</b>	<b>21,798</b>	<b>6,314</b>	<b>1,588</b>	<b>17,002</b>	<b>–</b>	<b>24,904</b>
<b>2019</b>						
Payables	10,717	6,441	–	4,276 <sup>1</sup>	–	10,717
Borrowings	12,983	2,092	1,484	13,974	–	17,550
<b>Total financial liabilities</b>	<b>23,700</b>	<b>8,533</b>	<b>1,484</b>	<b>18,250</b>	<b>–</b>	<b>28,267</b>

<sup>1</sup> Related to pre-production royalties payable in respect of the Nueva Esperanza Gold/Silver Project in Chile.

## 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	2020 \$'000	2019 \$'000
Short-term employee benefits	327,660	900,805
Post-employment benefits	30,780	592,043
Other long term benefits	–	12,870
<b>Total Key Management Personnel compensation</b>	<b>358,440</b>	<b>1,505,718</b>

## 28. Auditors' remuneration

### Audit and other assurance services

*PricewaterhouseCoopers Australian Firm*

Audit and review of the financial reports

244,500

247,460

*Related Practices of PricewaterhouseCoopers Australian Firm*

Audit and review of the financial statements

57,672

60,819

**Total remuneration for audit services**

**302,172**

**308,279**

### Other Services

*PricewaterhouseCoopers Australian Firm*

Other services

60,500

17,140

*Related practices of PricewaterhouseCoopers Australian Firm*

Other services

–

–

**Total remuneration for non-audit related services**

**60,500**

**7,140**

### Taxation services

*PricewaterhouseCoopers Australian Firm*

Tax compliance services

23,422

20,400

Tax consulting services

–

22,868

*Related practices of PricewaterhouseCoopers Australian Firm*

Tax compliance services

33,972

53,441

**Total remuneration for tax related services**

**57,394**

**96,709**

<sup>1</sup> Exclude services provided by PricewaterhouseCoopers Australian Firm in respect of the PRI claim directly to the legal firm representing the Group.

## 29. Earnings per share

	2020 Cents	2019 Cents
Basic and diluted (loss)/profit per share	(10.84)	3.70
	\$'000	\$'000
Net (loss)/profit used to calculate basic and diluted earnings per share	(24,244)	8,375
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	223,755,358	226,225,940
Adjustment for dilutive effect	–	–
<b>Weighted average number of ordinary shares used as the denominator: diluted</b>	<b>223,755,358</b>	<b>226,225,940</b>

## 30. Parent entity financial information

As at, and throughout the financial year ending 30 June 2020, the parent entity of the Group was Kingsgate Consolidated Limited.

Summary of financial information	2020 \$'000	2019 \$'000
<b>Results of parent entity</b>		
(Loss)/profit for the year	(27,346)	42,895
Other comprehensive loss	–	–
<b>Total comprehensive (losses)/income</b>	<b>(27,346)</b>	<b>42,895</b>
<b>Financial position of parent entity at year end</b>		
Current assets	15,029	43,496
Total assets	42,544	71,016
Current liabilities	77,898	77,179
Total liabilities	77,932	77,216
<b>Total equity of the parent entity comprising:</b>		
Issued capital	675,919	677,761
Reserve	8,763	8,763
Accumulated losses	(720,070)	(692,724)
<b>Total equity</b>	<b>(35,388)</b>	<b>(6,200)</b>

### Contingent liabilities of the parent entity

There are cross guarantees given by Kingsgate, 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 2020, 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 on 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:

Statement of profit or loss and other comprehensive income	2020 \$'000	2019 \$'000
Corporate and administration expenses	(12,564)	(11,469)
Settlement of Political Risk Insurance claim	-	76,319
Other income and expenses	5,975	5,754
Foreign exchange gain/(loss)	2,588	7,282
Impairment losses – investment in Nueva Esperanza Gold/Silver Project	-	(6,558)
Write-off on loan to subsidiaries	(23,621)	(23,546)
<b>(Loss)/profit before financial costs and income tax</b>	<b>(27,622)</b>	<b>47,782</b>
Finance income	278	49
Finance costs	(4)	(4,937)
<b>Net finance costs</b>	<b>274</b>	<b>(4,888)</b>
(Loss)/profit before income tax	(27,348)	42,894
Income tax expense	-	-
<b>(Loss)/profit after income tax</b>	<b>(27,348)</b>	<b>42,894</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(27,348)</b>	<b>42,894</b>
<b>(Loss)/profit attributable to:</b>		
Owners of Kingsgate Consolidated Limited	(27,348)	42,894
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of Kingsgate Consolidated Limited	(27,348)	42,894
<b>Summary of movements in consolidated retained earnings</b>		
<b>Accumulated losses</b>		
At the beginning of the financial year	(692,718)	(735,612)
(Loss)/profit for the year	(27,348)	42,894
<b>At end of the financial year</b>	<b>(720,066)</b>	<b>(692,718)</b>

## Statement of financial position

	2020 \$'000	2019 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,529	41,823
Receivables	161	1,418
Other assets	349	266
<b>Total current assets</b>	<b>15,039</b>	<b>43,507</b>
<b>Non-current assets</b>		
Property, plant and equipment	6	11
Investment in subsidiaries	27,509	27,509
<b>Total non-current assets</b>	<b>27,515</b>	<b>27,520</b>
<b>TOTAL ASSETS</b>	<b>42,554</b>	<b>71,027</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	77,780	77,042
Borrowings	–	–
Provisions	124	142
<b>Total current liabilities</b>	<b>77,904</b>	<b>77,184</b>
<b>Non-current liabilities</b>		
Provisions	34	37
<b>Total non-current liabilities</b>	<b>34</b>	<b>37</b>
<b>TOTAL LIABILITIES</b>	<b>77,938</b>	<b>77,221</b>
<b>NET LIABILITIES</b>	<b>(35,384)</b>	<b>(6,194)</b>
<b>Equity</b>		
Contributed equity	675,919	677,761
Reserves	8,763	8,763
Accumulated losses	(720,066)	(692,718)
<b>TOTAL EQUITY</b>	<b>(35,384)</b>	<b>(6,194)</b>

# Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes that are set out on pages 24 to 55 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 2020 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 2020.

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

**Ross Smyth-Kirk**

Director

Dated at Sydney on 30 September 2020

On behalf of the Board

# Independent Auditor's Report



## 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 2020 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 2020
- › 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 a summary of significant accounting policies
- › 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.

#### **PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO Box 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.





### 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 and 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.

### 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"> <li>› For the purpose of our audit we used overall Group materiality of \$0.5 million, which represents approximately 1% of the Group's total assets.</li> <li>› 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.</li> <li>› We chose 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.</li> <li>› 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 development and possible sale of the Nueva Esperanza Gold/Silver Project.</li> <li>› We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>› Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>› 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.</li> <li>› The component auditor in Chile, operating under instructions, also performed specified audit procedures over the Group's Chilean operations' financial information.</li> <li>› 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.</li> </ul>	<ul style="list-style-type: none"> <li>› Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> <li>› Carrying amount of assets and liabilities associated with the Chatree Gold Mine</li> <li>› Impairment indicator assessment exploration and evaluation assets Nueva Esperanza Gold/Silver Project</li> </ul> </li> <li>› These are further described in the <i>Key audit matters</i> section of our report.</li> </ul>



### 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.

#### Key audit matter

#### How our audit addressed the key audit matter

##### **Carrying amount of assets and liabilities associated with the Chatree Gold Mine**

(Refer to note 3 (i) and note 3 (ii))

The Group's Chatree Gold Mine in Thailand was placed on care and maintenance as a result of a decision made by the Thai Government to cease all gold mining activities in Thailand by 31 December 2016. With the exception of 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 this 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 approximately \$17 million at 30 June 2020 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 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.

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.

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 2020 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 performed the following:

- › 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.



### Key audit matter

**Impairment indicator assessment of exploration and evaluation assets Nueva Esperanza Gold/Silver Project**  
(Refer to note 3 (iii))

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 (\$27.5 million as at 30 June 2020, the largest non-current asset in the balance sheet) and given the impairment charge recorded in the previous financial year (\$33.4 million).

The impairment indicator assessment is also subject to significant judgements by the Group as described in the notes to the financial statements.

### How our audit addressed the key audit matter

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.

In respect of the impairment indicator assessment, we performed the following:

- › evaluated if the Group identified and considered the relevant internal and external factors in its assessment,
- › obtained and discussed with management and the directors offers for the acquisition of the project and the status of any discussions with the bidders,
- › 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.

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.

### 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 2020, 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.



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### 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](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

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### Report on the remuneration report

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#### Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 20 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

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#### 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 'Marc Upcroft'.

Marc Upcroft  
Partner

Sydney  
30 September 2020

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# Shareholder Information

As at 18 September 2020

## Distribution of equity securities

Size of Holding	Number of shareholders of fully paid ordinary shares
1 – 1,000	4,063
1,001 – 5,000	2,644
5,001 – 10,000	850
10,001 – 100,000	1,294
100,001 +	233
<b>Total</b>	<b>9,084</b>

## 20 largest shareholders

Below are the 20 largest shareholders of quoted ordinary shares

Shareholder	Number of shares	Percentage
1 J P Morgan Nominees Australia Pty Limited	18,493,071	8.34
2 Zero Nominees Pty Ltd	18,259,859	8.23
3 Citicorp Nominees Pty Limited	17,133,789	7.72
4 HSBC Custody Nominees (Australia) Limited	8,157,710	3.68
5 BNP Paribas Nominees Pty Ltd	5,934,873	2.68
6 Arinya Investments Pty Ltd	4,996,944	2.25
7 Clawson Holdings Pty Ltd	3,180,623	1.43
8 Est Sir Lenox Hewitt	2,700,000	1.22
9 Investec Australia Limited	2,641,003	1.19
10 Thomas Fritz Ensmann	2,200,000	0.99
11 Ian Gillespie-Jones	2,000,000	0.90
11 Jay Evan Dale Hughes	2,000,000	0.90
12 BNP Parabis Noms Pty Ltd	1,847,676	0.83
13 Wyong Rugby League Club Ltd	1,610,000	0.73
14 Andrew Lenox Hewitt	1,600,000	0.72
14 Philip Storr	1,600,000	0.72
15 National Nominees Limited	1,516,286	0.68
16 Elizabeth Aprieska	1,412,590	0.64
17 Frank Markert Pty Ltd	1,404,087	0.63
18 HSBC Custody Nominees (Australia) Limited	1,366,504	0.62

## Voting rights – Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

# Corporate Information

Kingsgate Consolidated Limited  
ABN 42 000 837 472

## 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

Kingsgate Consolidated Limited  
Suite 2, Level 23, 20 Bond Street  
Sydney NSW 2000  
Australia  
Tel: +61 2 8256 4800  
Email: [info@kingsgate.com.au](mailto:info@kingsgate.com.au)  
Web: [www.kingsgate.com.au](http://www.kingsgate.com.au)

## Thailand Office

[Akara Resources Public Company Limited](#)  
No. 99 Moo 9, Tambon Khao Chet Luk  
Amphur Thap Khlo  
Phichit 66230  
Thailand  
Tel: +66 56 614 500  
Fax: +66 56 614 190

## Chile Office

[Laguna Resources Chile Ltda](#)  
Av. Apoquindo 4700, oficina 602  
Las Condes, Santiago  
Chile  
Tel: +56 2 3245 8650

## Share Registry

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

## Auditor

[PricewaterhouseCoopers](#)  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000  
Australia  
Tel: +61 2 8266 0000  
Fax: +61 2 8266 9999

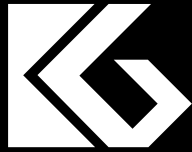


**Kingsgate**  
Consolidated Limited

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Web: [www.kingsgate.com.au](http://www.kingsgate.com.au)

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**Kingsgate**

Consolidated Limited

ABN 42 000 837 472

# Notice of Annual General Meeting

and Explanatory Memorandum  
to Shareholders

Virtual meeting on **Thursday 26 November 2020**  
at **2.00pm** Sydney time.

*A Proxy Form is enclosed with this Notice*

Please complete and return the enclosed Proxy Form  
in accordance with the specified instructions.

For personal use only



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Shareholders of Kingsgate Consolidated Limited will be held on **Thursday 26 November 2020 at 2.00pm (Sydney time) as a virtual meeting.**

Shareholders may participate in the AGM virtually through an online platform provided by our share registrar Link Market Services which can be accessed at <https://agmlive.link/KCN20>. **Further information on how to participate is set out in this Notice of Meeting and the Virtual AGM Online Guide available on our website [www.kingsgate.com.au](http://www.kingsgate.com.au). Shareholders will not be able to attend the AGM at a physical location.**

## Business

### Item 1 Financial Report

To receive and consider the Company's Financial Report and the reports of the Directors and the Auditor for the financial year ended 30 June 2020.

#### Resolution 1

##### Re-election of Peter Alexander as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*That Peter Alexander, a Director of the Company retiring by rotation in accordance with the Company's Constitution and the ASX Listing Rules, and being eligible and having signified his candidature for the office, be re-elected as a Director of the Company.*

#### Resolution 2

##### Approval of an on-market Buy-Back of up to 50% of its Shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*That for the purposes of section 257C of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to buy back up to 110,926,926 of the Company's issued Shares at the election of the Board and otherwise on the terms and conditions set out in the Explanatory Memorandum.*

## Resolution 3

### Approval of Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution as an ordinary resolution:

**To adopt the Remuneration Report for the year ended 30 June 2020.**

**Note:** This resolution is advisory only and does not bind the Directors or the Company.

#### Voting Exclusion – Key Management Personnel (KMP)

The Company will disregard any votes cast on Resolution 3:

- › by or on behalf of a member of the Key Management Personnel of the Company (KMP); or
- › by or on behalf of a Closely Related Party of the KMP.

A member of the KMP or Closely Related Party may cast a vote as proxy for a person who is not a member of the KMP or a Closely Related Party where either the proxy is directed how to vote on the resolution or the proxy is the chair of the meeting and is expressly authorised to exercise the proxy.

### Participation at Meeting

In order to encourage participation by Shareholders at the AGM, Shareholders who wish to put questions to the Company with respect to the business of the meeting, the Company's Annual Report or generally, may put those questions in advance of the meeting by emailing them to the following address:

info@kingsgate.com.au (please put as subject line Kingsgate AGM)

or mailing them to the following address:

Company Secretary  
Kingsgate Consolidated Limited  
Suite 2, Level 23  
20 Bond Street  
Sydney NSW 2000

As far as practicable and to the extent that it is lawful to do so, the Company will provide the information at the meeting.

Shareholders may, in the same manner and by the fifth Business Day before the meeting, put questions to the Company's auditors which are relevant to:

1. the content of the Auditor's Report to be considered at the meeting; or
2. the conduct of the audit.

### Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Capitalised terms in this Notice of Meeting and the Explanatory Memorandum are defined in Annexure A to the Explanatory Memorandum.

### Resolutions not inter-dependent

None of the resolutions are inter-dependent. This means that one or more of the resolutions can be passed even though one or more of the other resolutions were not passed by Shareholders.

### Entitlement to vote

It has been determined that in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of the AGM, Shares will be taken to be held by the persons who are the registered holders at 7.00pm Sydney time on Tuesday 24 November 2020. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## Proxies

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- › appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- › provides satisfactory evidence of the appointment of its corporate representative to the Company.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

A Proxy Form accompanies this Notice of Meeting and to be effective must be received at the address stated.

The Proxy Form (and any Power of Attorney under which it is signed) must be received no later than 2.00pm on Tuesday 24 November 2020, being 48 hours before the time for holding the meeting.

Any Proxy Form received after that time will not be valid for the scheduled meeting. Please lodge the Proxy Form with the Company's Share Registry. You are encouraged to submit your proxy by:

### Online:

Shareholders may vote online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by entering the Shareholding details as shown on the Proxy Form, then selecting 'Voting', and then following the prompts to lodge the Shareholders' vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Shareholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

### By mail:

Kingsgate Consolidated Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

### By fax:

+61 2 9287 0309

### By hand delivering it to:

Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138  
Between the hours of: 9.00am to 5:00pm.

By Order of the Board,

Dated: 7 October 2020



**Ross Coyle**  
*Company Secretary*  
**Kingsgate Consolidated Limited**

# Explanatory Memorandum to Shareholders

## 1. Introduction

This Explanatory Memorandum has been prepared to assist Shareholders to understand the business to be put to Shareholders at the meeting.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. Annexure A of this Explanatory Memorandum contains definitions of capitalised terms in the Notice of Meeting and this Explanatory Memorandum.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions set out in the Notice of Meeting.

If any Shareholder is in doubt as to how they should vote, they should seek advice from their professional adviser prior to voting.

## 2. Financial Report

The Corporations Act requires that the Report of the Directors, the Auditor's Report and the Annual Financial Report be tabled before the AGM. In addition, the Company's Constitution provides for these reports to be received and considered at the meeting.

Apart from the matters involving remuneration which are required to be voted on, neither the Corporations Act nor the Company's Constitution require a vote of Shareholders at the AGM on the financial statements and reports. However, Shareholders will be given reasonable opportunity at the meeting to raise questions with respect to these reports.

Shareholders may also submit written questions to the Company's auditor if the question is relevant to the content of the Audit Report, or the conduct of its audit of the Annual Report for the year ended 30 June 2020. Any written questions to the auditor must be submitted to the Company no later than the fifth Business Day before the AGM.

## 3. Resolution 1: Re-election of Peter Alexander as a Director

### 3.1 General

The Company's Constitution requires that at each AGM one third of the Company's Directors or, if their number is not a multiple of three, then the number nearest to one third, must retire from office.

The Company's Constitution also states that a Director must retire from office at the conclusion of the third AGM after which the Director was elected or re-elected in accordance with the Company's Constitution.

Peter Alexander retires as a Director and offers himself for re-election as a Director. Mr Alexander was first appointed a Director on 22 February 2011. Mr Alexander is considered to be an independent Director.

### 3.2 Qualifications and experience

Peter Alexander has had 47 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 the ASX listed Doray Minerals Limited prior to the merger with Silver Lake Resources. He is currently a Non-Executive Director of Silver Lake Resources. He has previously been a Non-Executive Director of Doray Minerals Limited and ASX listed Caravel Minerals.

Mr Alexander is a member of the Audit, Nomination and Remuneration Committees.

**Following the consideration of the Nomination Committee and their recommendation in favour of the re-election, the Board (not including Mr Alexander) recommends members vote in favour of the re-election of Mr Alexander as a Director.**



## 4. Resolution 2: Approval of an on-market Buy-Back of up to 50% of its Shares.

### Background

On 1 August 2019, the Company announced it intended to undergo an on-market Buy-Back (**Buy-Back**) of 10% of its Shares. This did not require Shareholder approval because it would have fallen within the "10/12 Limit" set out in Section 257B(4) and (5) of the Corporations Act.

Between 8–10 October 2019 and 16 March 2020, the Company bought back 4,372,088 Shares at prices of between \$0.35 and \$0.525, with an average price of \$0.419.

At its Annual General Meeting held on 14 November 2019, Shareholders approved a further on-market Buy-Back of up to 50% of the Company's Shares. No Shares were bought back pursuant to this approval.

Shares were not bought back under the approval, as the number of Shares bought back during the period was within the "10/12 Limit". Additional Shares were not bought back during the period, as the Board considered at the time that the Company's objectives, as outlined below, would not be met.

As the previous approval to buy back up to 50% of the Company's Shares expires on 13 November 2020, a further Shareholder approval is now sought for the Company to buy back up to 50% (110,926,926) of its Shares.

Shareholder approval is required for the Buy-Back as the number of Shares for which approval is requested does not fall within the "10/12 Limit" set out in Section 257B(4) and (5) of the Corporations Act.

If the Company does not obtain Shareholder approval, the Board will consider a Buy-Back of up to 10% of its Shares that are within the 10/12 Limit.

### Introduction

The Company wishes to have the option, to conduct an on-market Buy-Back of its Shares (**Buy-Back**).

The approval of this Resolution will allow the Company, at the Board's discretion, to buy back up to 50% (110,926,926) of its Shares.

### Shareholder Approval

#### General

The decision to seek approval for the Buy-Back is based on a continuing desire to generate Shareholder value. The Buy-Back is intended to improve Shareholder returns, enhance capital efficiency while maintaining the Company's flexibility to pursue growth and other means of generating Shareholder value. The Company's Board is of the view that the Buy-Back is in the Company's best interests without compromising its ability to meet its corporate objectives.

#### Why Shareholder approval is required

Under Section 257C(1) of the Corporations Act, an ordinary resolution of Shareholders is required for the Company to buy back Shares that exceeds the 10/12 Limit.

Section 3.24 of the Company's Constitution states the Company may buy back Shares in itself in any manner authorised or permitted by the Corporations Act or the ASX Listing Rules. Under section 257A of the Corporations Act, the Company may only conduct a Buy-Back if:

- › it does not materially prejudice the Company's ability to pay its creditors; and
- › the Company follows the procedures set out in Division 2 of the Corporations Act.

In relation to these requirements:

- (i) the size of the Buy-Back will be managed by the Board after taking into account all current and future existing and contingent obligations. Accordingly, the Board considers that the approval of the Buy-Back will not have a material impact on the Company's ability to meet its creditor obligations; and
- (ii) Shareholders are being asked to approve the proposal at the General Meeting of the Company.

### 10/12 Limit

Section 257B(4) of the Corporations Act provides that the 10/12 Limit of a Company proposing to make a Buy-Back is 10% of the smallest number, at any time during the last 12 months, of voting Shares of the Company.

## Reason for the Buy-Back

The reason for the Buy-Back is to return surplus funds to Shareholders who wish to sell their Shares. The Board continues to keep under review other means of returning funds to Shareholders, and has elected to do so by way of an on-market Buy-Back in order to give Shareholders the option of maintaining all or part of their shareholding, or selling all or part of their shareholding, while at the same time increasing the net asset backing per Share, in the event that the Company is successful with its TAFTA Claim.

The Company may not necessarily buy back all of the Shares for which authority is given by Resolution 2. The number of Shares to be repurchased by the Company under the Buy-Back will be dependent in part on the future price of the Shares on the market, and the amount of compensation recovered from Thailand under the TAFTA Claim.

The Board continues to consider that the Company's prospects under the TAFTA Claim are excellent. However, there can be no guarantee as to its outcome.

The Board reserves the right to conduct the Buy-Back for some reason other than the reasons stated in this Explanatory Memorandum, should the Company's circumstances change.

## Financial Effect on the Company

The Company's cash will be reduced by any amounts expended on Shares under the Buy-Back. The amount of cash expended will depend on the number of Shares bought back and the price at which they are bought back.

## Interests of Directors

The Directors may participate in the Buy-Back. Their respective shareholdings in the Company are as follows:

Ross Smyth-Kirk: 5,076,725 Shares

Peter Warren: 200,000 Shares

Peter Alexander: 46,487 Shares

Note: None of the Directors intends to participate in the Buy-Back.

## Source of Funds

As at 30 June, 2020 the Company held cash and deposits at call of \$15.5 million. In addition since year end, the Company will receive funds from the monetisation of the gold and silver sludge held at the Chatree Gold Mine in Thailand. Funds expended on any Buy-Back would be sourced from these proceeds and the cash deposits held at 30th June.

In addition, any proceeds received by the Company under the TAFTA Claim may be expended on the Buy-Back. Depending on the amount of compensation received from Thailand and the Company's future plans with respect to its Nueva Esperanza Project, additional funds may be returned to Shareholders by other means, such as a special dividend or dividends or a reduction of capital.

## Share Price

For the three months prior to the date of this Notice of Meeting, the Company's Shares traded at between \$0.405 per Share and \$0.85 per Share.

On the day prior to the date of this Notice of Meeting, the Company's Shares closed at \$0.85 per Share.

## On-market Share Buy-Back – process and timing

If approval is granted for the conduct of a Buy-Back, the Company would review prevailing market conditions, business development opportunities and its cash position, prior to commencing the Buy-Back process and would implement the Buy-Back at such time and in circumstances which would allow for the efficient management of the Company's capital. All Shares purchased by the Company in the Buy-Back will be cancelled in accordance with the Corporations Act.

There is no guarantee that the Company will buy back the full number of Shares and the Company reserves the right to suspend or terminate the Buy-Back at any time, and to buy back fewer than 110,926,926 of the Shares, or no Shares at all.

## Intentions of the Board if the Buy-Back is not approved

In the event that the Buy-Back is not approved by Shareholders, the Board may proceed with the Buy-Back of Shares within the 10/12 Limit.

#### Terms of the Buy-Back

The terms of the proposed Buy-Back are as follows:

<b>Buy-Back price</b>	The Buy-Back will be conducted on-market from time to time, at market prices. Under the ASX Listing Rules, the price that can be paid is not more than 5% above the volume weighted average market price of Shares calculated over the previous 5 days on which sales in Shares were recorded.
<b>Buy-Back period</b>	Twelve months from the date of passing of Resolution 2.
<b>Total number of Shares to be bought back</b>	110,926,926.
<b>Dilution effect</b>	There will be no dilution effect on Shareholders, other than those whose Shares are acquired as a result of the Buy-Back.

#### The effect of the Buy-Back on creditors

The Buy-Back involves a reduction in the Company's cash reserve. However, in the opinion of the Board, this will not materially prejudice the Company's ability to pay its creditors, as the Buy-Back will be managed to ensure that the Company will have sufficient cash reserves to pay its creditors post the Buy-Back.

#### The effect of Buy-Back on Shareholders

The Buy-Back will have no effect on the number of Shares held by Shareholders who have not had their Shares acquired. The Company has no partly paid Shares on issue and no convertible securities (other than options) on issue.

#### The effect on the Shares, Rights and Options on issue

The Buy-Back will have no effect on the number of Rights and Options that maybe issued to management, or on the strike price of Options. The Buy-Back will have the effect of reducing the total number of Shares on issue by the number of Shares bought back on-market and subsequently cancelled.

#### The effect on Company's contributed equity

On completion of the Buy-Back, the contributed equity of the Company will be reduced by the amount expended in buying back Shares.

#### Advantages and Disadvantages of the Buy-Back

The advantages of the Buy-Back are that it is an efficient and flexible means of returning surplus funds to Shareholders, while at the same time potentially increasing the net asset backing per Share in the event that the TAFTA Claim is successful.

The disadvantage is that in the event that the TAFTA Claim is not successful, the Company's cash reserves will have been depleted to the extent that they have been expended on the Buy-Back, and the net asset backing per Share for those Shareholders who have retained all or some of their Shares will have been reduced accordingly.

The Directors unanimously recommend that Shareholders vote in favour of the Approval of an on-market Buy-Back of up to 50% of its Shares.

## 5. Resolution 3: Approval of Remuneration Report

Section 250R(2) of the *Corporations Act 2001* requires that the section of the Directors' Report dealing with the remuneration of Directors, the secretary and senior executives ("**Remuneration Report**") be put to Shareholders at the AGM for adoption by resolution.

The vote is advisory only, and does not bind the Directors or the Company.

If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGM's a Spill Resolution will be required to be put to the vote at the second of those AGM's.

The Remuneration Report is set out in the 2020 Annual Report.

### The Report:

- (a) explains the Board's policies in relation to the nature and level of remuneration paid to Directors, secretary and senior executives within the Company group;
- (b) discusses the link between the Board's policies and the Company's performance;
- (c) sets out the remuneration details for each Director and for each member of the Company's senior executive management team; and
- (d) makes clear that the basis for remunerating Non-Executive Directors is distinct from the basis for remunerating executives, including Executive Directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

## 6. Chairman of the Meeting and Chairman's Voting Intention for Undirected Proxies

It is intended that the Chairman will vote undirected proxies which he holds as proxy in favour of all resolutions.

# Annexure A

## Definitions

The meanings of capitalised terms used in the Notice of Meeting and Explanatory Memorandum are set out below:

**AGM** means Annual General Meeting.

**ASX** means the ASX Limited or the exchange operated by it, as the context requires.

**Board** means the Company's Board of Directors.

**Business Day** means a day other than a Saturday, Sunday or public holiday in New South Wales.

**Closely Related Party** of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls.

**Company** means Kingsgate Consolidated Limited ABN 42 000 837 472.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Key Management Personnel** has the same meaning as in the accounting standards, being namely 'Key Management Personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and includes any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the ASX Listing Rules published by the ASX from time to time.

**Share** means a fully paid, ordinary share issued in the share capital of the Company.

**Share Registry** means Link Market Services Limited.

**Shareholder** means the registered holder of a Share.

**TAFTA** means Australia-Thailand Free Trade Agreement.

**TAFTA Claim** means the claim for compensation by the Company against Thailand under TAFTA, resulting from the unlawful expropriation by Thailand of the Chatree Gold Mine in 2016.



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**Kingsgate**  
Consolidated Limited



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

## LODGE YOUR VOTE

**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**BY MAIL**  
Kingsgate Consolidated Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**BY FAX**  
+61 2 9287 0309

**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

**ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474

## PROXY FORM

I/We being a member(s) of Kingsgate Consolidated Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

**the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm on Thursday, 26 November 2020 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at <https://agmlive.link/KCN20>. The Virtual AGM Online Guide is available on our website [https://www.kingsgate.com.au/KCN\\_Virtual-Online-Guide.pdf](https://www.kingsgate.com.au/KCN_Virtual-Online-Guide.pdf).

**Important for Resolution 3:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 3, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.**

**Please read the voting instructions overleaf before marking any boxes with an .**

#### Resolutions

	For	Against	Abstain*
1 Re-election of Peter Alexander as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of an on-market Buy-Back of up to 50% of its Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Individual/Sole Director/ Director and Company Secretary (Delete two)

Individual/Sole Director/ Director and Company Secretary (Delete two)

Individual/Sole Director/ Director and Company Secretary (Delete two)

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

KCN PRX2001N



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STEP 1

STEP 2

STEP 3

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au) prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Tuesday, 24 November 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Kingsgate Consolidated Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)