



Kingsgate

Consolidated Limited

**HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

Kingsgate Consolidated Limited

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CORPORATE INFORMATION

Directors

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

Company Secretary

Ross Coyle

Stock Exchange Listing

Kingsgate Consolidated Limited is a company limited by shares, listed on the Australian Securities Exchange (ASX) under the code KCN. The Company's shares also trade in the United States of America over-the-counter (OTC) as an American Depository Receipt (ADR) under the code OTC: KSKGY.

Registered Office and Principal Business Address

Kingsgate Consolidated Limited

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

Your Directors' present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2021.

DIRECTORS

The following persons were directors of Kingsgate Consolidated Limited during the half-year ended 31 December 2021 and up to the date of this report:

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

PRINCIPAL ACTIVITIES

The principal activities of Kingsgate Consolidated Limited during the half-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 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 2021 (30 June 2020: nil).
- No interim dividend was declared for the half-year ended 31 December 2021 (31 December 2020: nil).

REVIEW OF OPERATIONS AND RESULTS

Operational Performance

Kingsgate is a gold and silver mining, development and exploration company based in Sydney, Australia. Kingsgate owns the Chatree Gold Mine ("Chatree") in Thailand. In addition, the Company has an advanced development project, Nueva Esperanza, in the highly prospective Maricunga Gold/Silver Belt in Chile.

Chatree and the Australia–Thailand Free Trade Agreement ("TAFTA")

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.

Kingsgate has received the Metallurgical Processing Licence ("MPL") No. 1/2551 commencing 19 January 2022, and it is in force for 5 years until 18 January 2027 (the maximum period permitted under Thai law).

In addition, 4 remaining mining leases ("MLs") required to operate the Chatree Gold Mine were approved in January 2022. These leases comprise 3 Chatree South leases and the Quartz Lease, which has been pending approval since 2011 and is needed to fully optimise the A Pit.

The MLs are referenced as such:

- Mining Lease No.: 26910/15365;
- Mining Lease No.: 26911/15366;
- Mining Lease No.: 26912/15367; and
- Mining Lease No.: 25528/14714.

Each MLs is in force for a period of 10 years commencing 30 December 2021. The receipt of the MPL and these 4 MLs means that it is now possible for the Chatree Gold Mine to restart.

Kingsgate has jointly agreed with the Thai Government to hold the TAFTA award until 31 December 2022. The TAFTA framework remaining in place for this further period is advantageous to the Company as it will:

- provide Kingsgate and potential financiers with an added level of comfort to invest the necessary capital to restart the mine; and



- provide an opportunity to resolve a small number of outstanding non-operational matters.

A Scoping Study has been prepared by an international engineering firm which focussed on the option of initially refurbishing and recommissioning Plant #2 as a priority.

Estimates from the study indicate that Plant #2 could be operating within 4-6 months from commencement of refurbishment. Commissioning could be completed by the end of this calendar year.

This option initially processes ore from the Quartz Lease and low-grade stockpiles to generate sufficient cash flow to fund the refurbishment of Plant #1, and to bring Chatree back up to its full operational capacity of 5 to 5.5 million tonnes per annum.

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).

In 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 (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.

In addition, Kingsgate has finalised an agreement with Anglo American that will see a deferral of fees for both the water rights and project royalty payments until 2025. These factors combined, with the recent rise in commodity prices which has seen renewed interest in the project, has afforded Kingsgate the opportunity and time to carefully consider its options with respect to Nueva Esperanza.

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

On 14 October 2021, Kingsgate announced that a Binding Agreement (“Agreement”) for the sale of Nueva Esperanza to TSX listed TDG Gold Corp (“TDG”) was signed.

Subsequent to 31 December 2021, Kingsgate was advised by TDG that they were unable to proceed with the acquisition of the Nueva Esperanza Project in Chile, citing recent drilling successes at their Toodogone Production Corridor. TDG indicated their intention was to focus efforts on building that resource. (Please see TSXV: TDG release dated 18 January 2022). Kingsgate had received the payment from TDG of the non-refundable deposit of C\$1,500,000 prior to 31 December 2021.

Since TDG gave notice of its intention not to proceed, Kingsgate has been approached by additional parties that have expressed an interest in acquiring the project. These expressions of interest are currently being followed up. In the meantime, expenditure on the project has been reduced accordingly.



Financing

At 31 December the Group cash position totalled A\$4.2 million. This does not include \$0.9 million of refundable bank guarantees relating to rehabilitation obligation in respect of the 44 SPLs granted to Akara Resources during the year ended 30 June 2021.

The Group has mandated Taurus Mining Finance Fund No.2 L.P. (“Lender”) and has received a credit approved term sheet for a secured Bridge Facility of US\$15 million (A\$20.5 million) to support the refurbishment and restart of the Chatree Gold Mine.

The Bridge Facility will be available to finance:

- general working capital for the Group;
- costs associated with the recommissioning of the Chatree Project including long lead items required for the mine, and costs associated with the recruitment of senior expatriate technical site personnel; and
- Chatree regional exploration programs.

The Group anticipates that the first tranche of funds will be available for drawdown in April 2022, subject to completion of certain conditions precedent including finalisation of the Lender’s due diligence and execution of legal documentation.

Whilst the full terms of the financing are confidential, the Bridge Facility is to be repaid the earlier of 12 months or refinancing.

To ensure that the Group has adequate capital to fully fund the refurbishment and restart of Chatree, the Company is also concurrently negotiating a Project Facility of US\$30 million (A\$41.1 million) with the Lender.

The Project Facility will be available to finance the Group’s:

- capital expenditures for the development and recommissioning of the Project, including capital costs, project and development expenses incurred in the design, engineering, procurement, construction, development and recommissioning of the Project;
- fees, costs, expenses and capitalised interest due under the Bridge Facility or Project Facility;
- working capital; and
- repayment of the Bridge Facility.

Since the end of the Financial Period the terms of the Preference Shareholder Agreement, which is between the Preference Shareholder, Akara Resources Public Company Limited (“Akara”) and Kingsgate Capital Pty Ltd relating to Preference Shares issued by Akara were amended. The amendment has extended the date whereby the Preference Shareholder may exercise a put option for the Preference Shares to be repaid at any time commencing from 1 January 2024, by giving a 6-month written notice of such intention.

The Group recorded an after tax loss of \$3.7 million for the half-year compared to an after tax loss of \$7.9 million for the previous corresponding period.

Dividends

No dividend was declared with respect of the half-year ended 31 December 2021.

GOING CONCERN

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

At 31 December 2021, the Group had \$4.2 million of available cash and has no cash generating operations. The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the Group being successful in (a) implementing in the short term the secured Bridge Facility of US\$15 million (A\$20.5 million), (b) subsequently negotiating and implementing the Project Facility of US\$30 million (A\$41.1 million), (c) an equity raising if negotiations on the Project Finance are not completed and (d) re-opening the Project and generating sufficient positive cash flows.

If the Group is not successful with the above, to support its future cash flows, the Group is dependent on (i) a positive ruling in favour of Kingsgate for compensation under the Australia-Thailand Free Trade Agreement



("TAFTA") that relate to the Thai Government's premature closure of the Chatree Gold Mine in 2016, or other suitable negotiated settlement of this matter with the Thai Government, and/or (ii) the sale of the Nueva Esperanza Project.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Refer above "Review of operations and results" and "Going concern" paragraphs for events that have occurred subsequent the end of the financial period including (i) mining leases for Chatree Gold Mine that were approved in January 2022 (ii) termination of the sale the sale of Nueva Esperanza with TDG in January 2022; (iii) financing activity undertaken subsequent to year-end; and (iv) amendment of the terms of the Preference Shareholder Agreement.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods;
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Directors' Report and Financial Report are rounded to the nearest thousand dollars except where otherwise indicated.

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

Ross Smyth-Kirk
Director
16 March 2022



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Craig Thomason', with a long horizontal flourish extending to the right.

Craig Thomason
Partner
PricewaterhouseCoopers

Sydney
16 March 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2021

	Note	Half-Year	
		2021 \$'000	2020 \$'000
Sales revenue	3a	-	11,864
Costs of sales	3b	-	(1,564)
Gross profit		-	10,300
Exploration and technical expenses		(2,198)	(2,161)
Care and maintenance expenses		(852)	(775)
Corporate and administration expenses	3c	(6,030)	(5,324)
Other income and expenses	3d	1,711	70
Foreign exchange gain/(losses)		4,344	(9,305)
Loss before finance costs and income tax		(3,025)	(7,195)
Finance income		3	27
Finance costs	3e	(659)	(714)
Net finance costs		(656)	(687)
Loss before income tax		(3,681)	(7,882)
Income tax expense		-	-
Loss after income tax		(3,681)	(7,882)
Other comprehensive income			
<i>Item that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		(3,628)	8,262
Total other comprehensive (loss)/income for the half-year		(3,628)	8,262
Total comprehensive (loss)/ income for the half-year		(7,309)	380
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		(3,681)	(7,882)
Total comprehensive income/(loss) attributable to:			
Owners of Kingsgate Consolidated Limited		(7,309)	380
Loss per share		Cents	Cents
Basic and diluted loss per share	10	(1.66)	(3.55)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,159	9,984
Receivables		236	1,023
Other assets	4	349	571
Total current assets		4,744	11,578
Non-current assets			
Property, plant and equipment		46	51
Right-of-use assets		62	104
Exploration, evaluation and development		24,224	23,464
Other assets	4	9,761	9,490
Total non-current assets		34,093	33,109
TOTAL ASSETS		38,837	44,687
LIABILITIES			
Current liabilities			
Payables		4,165	3,067
Lease liability		61	83
Borrowings	5	11,010	-
Provisions		269	249
Total current liabilities		15,505	3,399
Non-current liabilities			
Payables		7,640	6,723
Lease liability		-	20
Borrowings	5	-	11,046
Provisions		15,134	15,197
Total non-current liabilities		22,774	32,986
TOTAL LIABILITIES		38,279	36,385
NET ASSETS		558	8,302
EQUITY			
Contributed equity	6	675,484	675,919
Reserves	7	58,762	62,390
Accumulated losses		(733,688)	(730,007)
TOTAL EQUITY		558	8,302

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2021

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	675,919	62,390	(730,007)	8,302
Loss after income tax	-	-	(3,681)	(3,681)
Total other comprehensive loss for the half-year	-	(3,628)	-	(3,628)
Total comprehensive loss for the half-year	-	(3,628)	(3,681)	(7,309)
Transaction with owners in their capacity as owners:				
Payments for share buy-backs	(433)	-	-	(433)
Payments for share buy-back expenses	(2)	-	-	(2)
Total transaction with owners	(435)	-	-	(435)
Balance at 31 December 2021	675,484	58,762	(733,688)	558

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2020

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	675,919	57,523	(721,130)	12,312
Loss after income tax	-	-	(7,882)	(7,882)
Total other comprehensive income for the half-year	-	8,262	-	8,262
Total comprehensive income/(loss) for the half-year	-	8,262	(7,882)	380
Balance at 31 December 2020	675,919	65,785	(729,012)	12,692

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Half-Year	
	2021	2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	67	11,934
Payments to suppliers and employees	(7,014)	(9,404)
Interest received	3	27
Finance costs paid	-	(1,067)
Net cash (outflow)/ inflow from operating activities	(6,944)	1,490
Cash flows from investing activities		
Payments for property, plant and equipment	(5)	(3)
Payments of deposits	(1)	(1,538)
Non-refundable proceeds from the sale of Nueva Esperanza Project	1,644	-
Net cash inflow/(outflow) from investing activities	1,638	(1,541)
Cash flows from financing activities		
Payment of lease liabilities	(42)	(43)
Payments for share buy-backs	(433)	-
Payments for share buy-back expenses	(2)	-
Net cash outflow from financing activities	(477)	(43)
Net decrease in cash held	(5,783)	(94)
Cash at the beginning of the half-year	9,984	15,569
Effects of exchange rate on cash and cash equivalents	(42)	(190)
Cash at the end of the half-year	4,159	15,285

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Kingsgate in its annual financial report for the year ended 30 June 2021.

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

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

New Accounting Standards for Application in Future Periods

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

Going concern and material uncertainty

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

At 31 December 2021, the Group had \$4,159,000 of available cash, was in a net current liability position of \$10,761,000 and has no cash generating operations. The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the Group being successful in:

1. implementing in the short term the secured Bridge Facility of US\$15,000,000 (A\$20,548,000) to support the refurbishment and restart of the Chatree Gold Mine ("Project") and provide general working capital for the Group;
2. subsequently negotiating and implementing the Project Facility of US\$30,000,000 (A\$41,096,000) to replace the Bridge Facility, provide capital for the development and recommissioning of the Project, including capital costs, project and development expenses incurred in the design, engineering, procurement, construction, development and recommissioning of the Project and provide working capital for the Group;
3. an equity raising if negotiations on the Project Facility are not completed; and
4. re-opening the Project and generating sufficient positive cash flows.

If the Group is not successful with the above, to support its future cash flows, the Group is dependent on (i) a positive ruling in favour of Kingsgate for compensation under the Australia-Thailand Free Trade Agreement ("TAFTA") that relate to the Thai Government's premature closure of the Chatree Gold Mine in 2016, or other suitable negotiated settlement of this matter with the Thai Government ("Chatree Closure Remedies"), and/or (ii) the sale of the Nueva Esperanza Project.

These matters are discussed further below.

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



Chatree Closure Remedies

The arbitral hearings under the TAFTA took place in Singapore in February 2020. The Group has been advised that the arbitral tribunal is now ready to issue the award after a lengthy period of deliberations. The Group and the Thai Government have jointly requested that the arbitral tribunal holds the award until 31 December 2022. The extension period provided does not alter the rights of the Group under the TAFTA closure remedies.

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

Nueva Esperanza Sale

In June 2021, the Group signed a Letter of Intent for the sale of Nueva Esperanza to TSXV listed TDG Gold Corp (“TDG”). The consideration for the transaction was a combination of cash and equity.

The transaction was subject to completion by TDG of a financing of at least C\$35,000,000.

Subsequent to 31 December 2021, the Group was advised by TDG that they were unable to proceed with the acquisition of the Nueva Esperanza.

Since TDG gave notice of its intention not to proceed, the Group has been approached by additional parties that have expressed an interest in acquiring the project.

Extending Date of Preference Shares

Since the end of the Financial Period the terms of the Preference Shareholder Agreement, which is between the Preference Shareholder, Akara Resources Public Company Limited (“Akara”) and Kingsgate Capital Pty Ltd relating to Preference Shares issued by Akara were amended. The amendment has extended the date whereby the Preference Shareholder may exercise a put option for the Preference Shares to be repaid at any time commencing from 1 January 2024, by giving a 6-month written notice of such intention.

Uncertainty in relation to Chatree Gold Mine assets and liabilities

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 \$14,907,000. 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.

Though certain operating licences have now been approved by the Thai Authorities, 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 refurbishment and reopening of the mine which is subject to finalisation of a planned Bridge and Project Finance Facility;
- agreeing a rehabilitation plan, costing and timing in the context of the early mine closure or once the mine is reopened; and
- being compensated under the Australia-Thailand Free Trade Agreement 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.

2. SEGMENT INFORMATION

The Group's operating segments are based on the internal management reports that are reviewed and used by the Board of Directors (chief operating decision maker). The operating segments represent the Group's operating mines and projects and include the following:

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

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2. SEGMENT INFORMATION (Continued)

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

2021	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
Other income	68	1,643	-	1,711
Total segment revenue	68	1,643	-	1,711
Segment EBITDA	(1,266)	(506)	(1,202) ¹	(2,974)
Depreciation and amortisation	-	(49)	(2)	(51)
Segment result (Operating EBIT)	(1,266)	(555)	(1,204)	(3,025)
Finance income				3
Finance costs				(659)
Net finance costs				(656)
Loss before tax				(3,681)
Other segment information				
Segment assets	2,531	32,056	4,250	38,837
Segment liabilities	(28,111)	(9,188)	(980)	(38,279)
Net assets/(liabilities)	(25,580)	22,868	3,270	558
¹ includes foreign exchange gain of \$4,344,000 for the Group.				
2020	Care and Maintenance Chatree \$'000	Nueva Esperanza \$'000	Corporate \$'000	Total \$'000
External sales revenue	11,864 ¹	-	-	11,864
Other income/(expenses)	21	(1)	50	70
Total segment revenue	11,885	(1)	50	11,934
Segment EBITDA	8,077	(2,111)	(13,106) ²	(7,140)
Depreciation and amortisation	-	(51)	(4)	(55)
Segment result (Operating EBIT)	8,077	(2,162)	(13,110)	(7,195)
Finance income				27
Finance costs				(714)
Net finance costs				(687)
Loss before tax				(7,882)
Other segment information				
Segment assets	3,338	30,255	15,226	48,819
Segment liabilities	(29,112)	(6,307)	(708)	(36,127)
Net assets/(liabilities)	(25,774)	23,948	14,518	12,692

¹ approximately 4,364 ounces of gold and 10,500 ounces of silver sludge has been refined and sold by Akara during the half year.

² includes foreign exchange loss of \$9,305,000 for the Group.

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3. REVENUE AND EXPENSES

	Half-Year	
	2021	2020
	\$'000	\$'000
a. Sales revenue		
Gold sales	-	11,477
Silver sales	-	387
Total sales revenue	-	11,864
b. Cost of sales		
Royalties	-	1,513
Refining and transportation costs	-	51
Total cost of sales	-	1,564
c. Corporate and administration expenses		
Administration	3,400	3,127
Statutory and professional fees	2,579	2,142
Depreciation	51	55
Total corporate and administration expenses	6,030	5,324
d. Other income and expenses		
Other income	*1,711	71
Loss on sale of assets	-	(1)
Total other income and expenses	1,711	70
<i>*mainly relates to the payment from TDG of the non-refundable deposit of C\$1,500,000.</i>		
e. Finance costs		
Interest and finance charges	659	714
Total finance costs	659	714
f. Depreciation and amortisation		
Property, plant and equipment	9	12
Right-of-use assets	42	43
Total depreciation and amortisation expenses	51	55
<i>Included in:</i>		
Care and maintenance expenses	-	-
Corporate depreciation and administration expenses	51	55
g. Employee benefits expenses		
<i>Included in:</i>		
Care and maintenance expenses	344	364
Corporate and administration expenses	850	939
Total employee benefits expenses	1,194	1,303



4. OTHER ASSETS

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current		
Prepayments	143	365
Other deposits	206	206
Total other assets – current	349	571
Non-current		
Prepayments	8,407	8,133
Other deposits	1,354	1,357
Total other assets – non-current	9,761	9,490

Prepayments

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

5. BORROWINGS

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Preference shares in controlled entity (current)	^{1,2} 11,010	-
Preference shares in controlled entity (non-current)	-	¹ 11,046
Total borrowings	11,010	11,046

Preference shares in controlled entity

Terms and conditions of outstanding preference shares in controlled entity were as follows:

	Currency	Interest rate	Financial year of maturity	Face value \$'000	Carrying amount \$'000
Preference shares in controlled entity	Thai baht	12%	n/a	11,010	11,010

¹ The terms of the preference shares were amended in June 2018 through a change made to the Shareholders Agreement of Akara Resources Public Company Limited resulting in the preference shares being repayable at the earliest on 30 July 2022.

² Since the end of the half-year ended 31 December 2021 the terms of the Preference Shareholder Agreement, which is between the Preference Shareholder, Akara Resources Public Company Limited (“Akara”) and Kingsgate Capital Pty Ltd relating to Preference Shares issued by Akara were amended. The amendment has extended the date whereby the Preference Shareholder may exercise a put option for the Preference Shares to be repaid at any time commencing from 1 January 2024, by giving a 6-month written notice of such intention.

6. CONTRIBUTED EQUITY

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Opening balance	221,853,852	221,853,852	675,919	675,919
Payments for share buy-backs	(533,399)	-	(433)	-
Payments for share buy-back expenses	-	-	(2)	-
Closing balance	221,320,453	221,853,852	675,484	675,919



7. RESERVES

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Foreign currency translation reserve	52,961	56,589
Share-based payment reserve	9,142	9,142
General reserve	(3,341)	(3,341)
Total reserves	58,762	62,390

8. EVENTS OCCURRING AFTER REPORTING DATE

The Group has mandated Taurus Mining Finance Fund No.2 L.P. (“Lender”) and has received a credit approved term sheet for a secured Bridge Facility of US\$15,000,000 (A\$20,548,000) to support the refurbishment and restart of the Chatree Gold Mine.

The Bridge Facility will be available to finance:

- general working capital for the Group;
- costs associated with the recommissioning of the Chatree Project including long lead items required for the mine, and costs associated with the recruitment of senior expatriate technical site personnel; and
- Chatree regional exploration programs.

The Group anticipates that the first tranche of funds will be available for drawdown in April 2022, subject to completion of certain conditions precedent including finalisation of the Lender’s due diligence and execution of legal documentation.

Whilst the full terms of the financing are confidential, the Bridge Facility is to be repaid the earlier of 12 months or refinancing.

To ensure that the Group has adequate capital to fully fund the refurbishment and restart of Chatree, the Group is also concurrently negotiating a Project Facility of US\$30,000,000 (A\$41,096,000) with the Lender.

The Project Facility will be available to finance the Group’s:

- capital expenditures for the development and recommissioning of the Project, including capital costs, project and development expenses incurred in the design, engineering, procurement, construction, development and recommissioning of the Project;
- fees, costs, expenses and capitalised interest due under the Bridge Facility or Project Facility;
- working capital; and
- repayment of the Bridge Facility.

As noted above in note 5, amendment of the terms of the Preference Shareholder Agreement were also made.

4 mining leases (“MLs”) required to operate the Chatree Gold Mine were approved in January 2022. These leases comprise 3 Chatree South leases and the Quartz Lease, which has been pending approval since 2011 and is needed to fully optimize the A Pit.

In January 2022, the agreement for the sale of Nueva Esperanza to TDG in January 2022 was terminated (refer note 11).

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- the Group’s operations in future financial periods;
- the results of those operations in future financial periods; or
- the Group’s state of affairs in future financial periods.



9. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets or liabilities at 31 December 2021 that is required to be reported. At the time of preparing this financial report some companies included in the Group are parties to pending legal proceedings. The directors have determined that the possibility of any outflow in settlement resulting from these proceedings is remote.

10. LOSS PER SHARE

	Half-Year	
	2021	2020
	Cents	Cents
Basic and diluted loss per share	(1.66)	(3.55)
	\$'000	\$'000
Net loss used to calculate basic and diluted earnings per share	(3,681)	(7,882)
	Number	Number
Weighted average number of ordinary shares used as the denominator: basic	221,602,870	221,853,852
Adjustment for dilutive effect	-	-
Weighted average number of ordinary shares used as the denominator: diluted	221,602,870	221,853,852

11. IMPAIRMENT OF NON-CURRENT ASSETS – EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS NUEVA

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.

In accordance with the Group's accounting policy, the Group has assessed if impairment indicators existed as at 31 December 2021 and determined that it was not necessary to formally estimate the recoverable amount of the CGU as no impairment indicators were identified as a result of that assessment.

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 31 December 2021 and whether such changes in estimates would require reversal of impairment. The Group determined that no such changes in estimates were identified.

In reaching these conclusions, the Group considered both external and internal factors relevant to the CGU which included Kingsgate's market capitalisation, the sustained high gold and silver prices and the Binding Agreement ("Agreement") for the sale of Nueva Esperanza to TSX listed TDG Gold Corp ("TDG") that was in place as at 31 December 2021.

Subsequent to 31 of December 2021, the Group was advised that TDG was unable to proceed with the acquisition citing recent drilling successes on one of their other exploration projects. Since TDG gave notice of its intention not to proceed, the Group has been approached by additional parties that have expressed an interest in acquiring the project. These will be followed up in due course.



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - i. comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that Kingsgate will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Ross Smyth-Kirk'.

Ross Smyth-Kirk
Director

16 March 2022
On behalf of the Board



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Kingsgate Consolidated Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Material uncertainty relating to going concern

We draw attention to note 1 "Going concern and material uncertainty" in the financial report, which indicates that the Group does not have any cash generating activities and does not have sufficient cash available to fulfill its obligations falling due within 12 months from the date of this report.

As highlighted in note 1, the Group's going concern is dependent on successfully implementing the Bridge Facility and subsequently negotiating further financing facilities in order to successfully reopen the Chatree Gold Mine and/or undertaking an equity raising or asset sale.

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These conditions, along with other matters set forth in note 1 “Going concern and material uncertainty”, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

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

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

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

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A handwritten signature in black ink, appearing to read 'Craig Thomason', written over a faint, larger version of the PricewaterhouseCoopers logo.

Craig Thomason
Partner

Sydney
16 March 2022

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