



Kingsgate

Consolidated Limited

ABN 42 000 837 472

22 February 2012

Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

Financial Results – Half Year to 31 December 2011

Kingsgate has recorded a strong financial performance for the half year to 31 December 2011

- **Net profit after tax up 192% to \$33.9 million (2010, \$11.6 million).**
- **EBITDA (before significant items)* increased 129% to \$69.6 million (2010, \$30.4 million).**
- **An interim dividend of 10 cents per share, unfranked, was declared. The dividend record date is 6 March 2012 with payment on 21 March 2012.**

The strong performance resulted from higher gold sales of 82,940 ounces (up 90% from 2010) with the addition of the Challenger mine in South Australia in February 2011, and a higher realised average gold price of US\$1687 per ounce, a 30% increase from the corresponding period.

Kingsgate's international growth strategy continued during the half year. The plant expansion at Chatree in Thailand reached its final commissioning and optimisation stage. The Bowdens silver project in New South Wales was acquired for \$75 million and a feasibility study commenced in November.

At Nueva Esperanza in Chile, the feasibility study is progressing well, and recently released drilling results at Teterita have the potential to upgrade the project. Kingsgate is moving to increase its effective interest in the project to 100% given the successful takeover bid for Laguna Resources Ltd ("Laguna"), which owns the project. Kingsgate is currently proceeding to compulsory acquisition of all outstanding shares in Laguna.

Outlook

The outlook for the Group is for a stronger production performance in the second half of fiscal year 2012. Chatree will benefit from the higher throughput rate due to the Chatree North expansion and accessing the high grade ore in the C North deposit which will have most impact in the June quarter 2012.

Group gold production for the full year to 30 June 2012 is expected to be in the range of 210,000 to 230,000 ounces. This includes 115,000 to 125,000 ounces from Chatree and between 95,000 to 105,000 ounces from Challenger. Kingsgate's two major development

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projects are both expected to progress through feasibility studies and the company will look to accelerate or fast track these developments as appropriate.

To position Kingsgate to have the financial flexibility to take advantage of a new phase of production growth which will be underpinned by the company's development pipeline and portfolio of mine and near-mine exploration targets, the Company is planning to raise \$70 million through a fully underwritten institutional placement. (See separate ASX release.)

Yours sincerely,



Gavin Thomas
Managing Director and CEO
Kingsgate Consolidated Limited

IMPORTANT NOTICES

Caution regarding forward-looking statements

This announcement contains forward-looking statements, which can usually be identified by the use of words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

Past performance not indicative of future performance

Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Offering restrictions

This announcement is not an offer or an invitation to acquire Kingsgate shares or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law. It is for information purposes only and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Kingsgate shares to be issued pursuant to the institutional placement have not been, and will not be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the shares have been registered under the U.S. Securities Act, or in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

**EBITDA*

EBITDA before significant items is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific significant items. The EBITDA before significant items has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half financial report



Kingsgate

Consolidated Limited

ABN 42 000 837 472

**HALF-YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2011**

Corporate Information

Directors

Ross Smyth-Kirk (Chairman)
Gavin Thomas (Managing Director)
Peter Alexander
Craig Carracher
Peter McAleer

Company Secretary

Ross Coyle

Chief Executive Officer

Gavin Thomas

Stock Exchange Listing

Kingsgate Consolidated Limited is a Company limited by shares, listed on the Australian Stock Exchange 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 & Principal Business Address

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Fax: +61 2 8256 4810
Email: info@kingsgate.com.au

Perth Office

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Australia
Tel: +61 8 9426 6400
Fax: +61 8 9481 1378

Challenger Mine

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Torrensville, SA 5031
Australia
Tel: +61 8 8672 1938
Fax: +61 8 8672 1958

Bangkok Office

Akara Mining Limited
19th Floor, Sathorn Thani Bldg. 2
No. 92/54-55, North Sathorn Road,
Kwaeng Silom, Khet Bangrak
Bangkok 10500
Thailand
Tel: +66 2 233 9469
Fax: +66 2 236 5512

Chatree Mine Office

Akara Mining Limited
No. 99 Moo 9, Khao Chet Luk
Thap Khlo
Phichit 66230
Thailand
Tel: +66 56 614 500
Fax: +66 56 614 195

Thailand Exploration Office

156/9-10 Moo 11, Tambol Dong Khui
Amphoe Chon Daen
Phetchabun 67190
Thailand
Tel: +66 56 64 9186
Fax: +66 56 64 9082

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway, Applecross WA 6153
PO Box 535, Applecross WA 6953
Australia
Tel: +61 8 9315 2333
Fax: +61 8 9315 2233
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

ADR Depository

(American Depository Receipts)
The Bank of New York Mellon, ADR Division
101 Barclay Street, 22nd Floor
New York, NY 10286
USA
Tel: +1 212 815 2293

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney, NSW 2000
Australia

KINGSGATE CONSOLIDATED LIMITED
HALF-YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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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 2011 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Kingsgate Consolidated Limited

ABN 42 000 837 472

Appendix 4D

Half-Year Report

For the six months ended 31 December 2011

Results for Announcement to the Market:

| | Compared to half-year December 2010 | % | | \$'000 |
|---|--|-------------|--|----------------|
| Revenue from ordinary activities | up | 122% | to | 147,137 |
| Profit before income tax expense | up | 269% | to | 38,989 |
| Income tax expense | up | 610% | to | 5,160 |
| Profit from ordinary activities after tax attributable to members | up | 192% | to | 33,988 |
| Net profit for the period attributable to members | up | 192% | to | 33,988 |
| Dividends / distributions | Amount per security | | Franked amount per security | |
| Interim dividend | | | | |
| - current reporting period | 10 cents | | Nil | |
| - previous reporting period | 10 cents | | Nil | |
| Final dividend | | | | |
| - previous reporting period | 5 cents | | Nil | |
| Record date for determining entitlement to dividend 6 March 2012 The dividend will be fully unfranked. | | | | |

Current Reporting Period:

6 months ended 31 December 2011

Previous Corresponding Reporting Period:

6 months ended 31 December 2010



Financial Results for the Six Months Ended 31 December 2011

CONTROLLED ENTITIES ACQUIRED

On 1 August 2011, Kingsgate Consolidated Limited announced that it had entered into an agreement to purchase the Bowdens Silver Project (Bowdens) in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. The Bowdens deposit is approximately 200 km northwest of Sydney and 30 kms from the town of Mudgee. On 23 September 2011, Kingsgate achieved 100% control over the Bowdens Silver Project.

DIVIDEND REINVESTMENT PLAN

Kingsgate Consolidated Limited has a Dividend Reinvestment Plan in place under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. The rules of the Dividend Reinvestment Plan are detailed on Kingsgate's website.

<http://www.kingsgate.com.au/company/dividend-reinvestment-plan.htm>.

DIRECTORS' REPORT

The Directors' of Kingsgate Consolidated Limited present their report for the half-year ended 31 December 2011.

DIRECTORS

The following persons were Directors of Kingsgate during the whole of the half-year and up to the date of this report:

| | |
|-----------------|------------------------|
| Ross Smyth-Kirk | Chairman |
| Peter Alexander | Non-Executive Director |
| Craig Carracher | Non-Executive Director |
| Peter McAleer | Non-Executive Director |
| Gavin Thomas | Executive Director |

REVIEW OF OPERATIONS

Operational Performance

Gold production for the half-year to 31 December 2011 was 86,311 ounces, an increase of 99.4% on the half-year to 31 December 2010. The contribution from Chatree was 40,463 ounces with 45,848 ounces from Challenger. The increase in production is principally due to the addition of the Challenger mine in South Australia that was acquired in February 2011.

Chatree gold production was 6.5% lower than the previous corresponding period. This is a result of processing low grade ore and was principally due to restrictions imposed on mining by the delay in approval to access high grade ore in C North compounded by the impact of the well above average monsoonal rainfall and flooding in Thailand. Despite the very heavy wet season, the Chatree North plant expansion is now in optimisation phase with first gold from commissioning poured at the end of October 2011.

Financial Results

Kingsgate achieved an after tax profit of \$33.829 million for the half-year compared to an after tax profit of \$11.581 million for the previous corresponding period.

EBITDA before significant items were \$69.593 million up from \$30.358 million in the previous period.

| | Half-Year | |
|--|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Profit after tax | 33,829 | 11,581 |
| Income tax expense / (benefit) | 5,160 | (1,012) |
| Profit before tax | 38,989 | 10,569 |
| Significant items | | |
| Foreign exchange (gain) / losses | (705) | 9,286 |
| Acquisition transaction costs | - | 4,515 |
| Profit before tax and significant items | 38,284 | 24,370 |
| Finance costs | 4,069 | 587 |
| Depreciation and amortisation | 27,240 | 5,401 |
| EBITDA before significant items | 69,593 | 30,358 |

EBITDA before significant items is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific significant items. The table on the previous page summarises key items between statutory profit after tax and EBITDA before significant items. The EBITDA before significant items has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half-year financial report.

ACQUISITION

Bowdens Silver Project

On 1 August 2011, Kingsgate Consolidated Limited announced that it had entered into an agreement to purchase the Bowdens Silver Project (Bowdens) in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. The Bowdens deposit is approximately 200 km northwest of Sydney and 30 kms northeast of the town of Mudgee. On 23 September 2011, Kingsgate acquired 100% control over the Bowdens Silver Project.

Consideration for the acquisition was \$75 million comprising:

- \$35 million cash, payable upon closing;
- two payments, each of \$5 million cash, payable on 31 December 2011 and 30 June 2012; and
- \$30 million in Kingsgate shares.

Kingsgate entered into a five year A\$35 million convertible loan facility to provide funding for the Bowdens acquisition.

Laguna Resources NL

Acquisition of non-controlling interests

On 31 October 2011, Kingsgate announced a conditional off-market takeover offer for all the issued fully paid ordinary shares and certain partly paid shares of Laguna Resources NL (Laguna) not already owned by Kingsgate. The consideration under the offer was as follows:

- \$3.75 cash for each Laguna fully paid ordinary share;
- \$0.001 cash for each Laguna partly paid share paid to \$251.70 with \$996.21 unpaid; and
- \$0.0055 cash for each Laguna partly paid share paid to \$417.32 with \$181.99 unpaid.

At the close of the offer on 13th January 2012, Kingsgate's interest in Laguna reached 98.14%, and Kingsgate moved to acquire the outstanding securities it did not hold.

On 15 February 2012, Laguna shares were delisted from the Australian Securities Exchange.

DIVIDENDS

An interim dividend of 10 cents per share was declared on 21 February 2012 with respect of the half-year ended 31 December 2011. The record date is 6 March 2012 and the dividend will be paid on 21 March 2012.

The Kingsgate Dividend Reinvestment Plan remains active. The rules of the Dividend Reinvestment Plan are detailed on Kingsgate's website.

DEVELOPMENT PROJECTS

Nueva Esperanza Silver/Gold Project, Chile

Field activities resumed at Nueva Esperanza in September 2011 with resource drilling at the Teterita silver deposit to be completed early in the March quarter 2012. The objective of the drilling is to upgrade the resource definition to Indicated level for inclusion in the Nueva Esperanza mine plan.

The technical feasibility study is due for completion by the end of the June quarter 2012.

The environmental impact assessment (EIS) was submitted to the Chilean authorities. This is an essential and substantial requirement to obtain the mining license. The review process is expected to take between nine and twelve months.

Bowdens Silver Project, New South Wales

A bankable feasibility study commenced during the December quarter 2011. Baseline studies were initiated to collect noise, flora, fauna and archaeological data as part of the feasibility study and the environmental impact assessment. In February 2012, a detailed exploration programme to verify previous drill data and define the extent of mineralisation commenced.

The information collected from these programmes will support the bankable feasibility study and build on the preliminary feasibility work completed by previous owners.

EXPLORATION

The Group has a portfolio of exploration tenements and applications in Thailand, Australia and Chile with field work on-going.

OUTLOOK

Kingsgate is forecasting a stronger second half of the year to 30 June 2012 following the successful commissioning of the Chatree North plant expansion.

Kingsgate's forecast gold production for the year ended 30 June 2012 is expected to be in the range of 210,000 to 230,000 ounces. This includes 115,000 to 125,000 ounces from Chatree and between 95,000 to 105,000 ounces from Challenger.

PREFERENCE SHARES

Kingsgate announced on 29 August 2011 that a settlement was reached with Sinphum Co. Ltd (Sinphum), a Thai company which held preference shares in Kingsgate's Thai operating subsidiary, Akara Mining Limited (Akara).

As a result both parties have agreed to cease all legal and arbitration actions and the preference shares in Akara have been transferred to a new Thai investor.

Kingsgate has met all outstanding financial obligations to Sinphum under the original shareholder agreement, including outstanding preference share dividends, up to the settlement date of 26 August 2011.

As part of the settlement, Kingsgate has granted 1.5 million Kingsgate 3 year options that vest in 12 months at a strike price of \$10.36 and 500,000 performance rights that vest, subject to the Chatree Mine meeting its specified production targets, over a 14 month period.

This settlement will allow Kingsgate to recommence preparations for the partial divestment of its Thai mining and some exploration assets either through an Initial Public Offering (IPO) on the Thai stock exchange or by other means.

Financial Results for the Six Months Ended 31 December 2011

FINANCING ARRANGEMENT

Corporate loan facility

Kingsgate has a three year secured loan facility with Investec with a limit of A\$60 million (30 June 2011: US\$50 million), of which A\$42 million has been drawn down as at 31 December 2011.

Convertible loan facility

Kingsgate has entered into a five year A\$35 million convertible loan facility with Investec to provide funding for the Bowdens acquisition.

Syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Mining Limited (Akara), has fully drawn down the US\$100 million Baht denominated syndicated loan facility during the half year ended 31 December 2011.

Restricted funds

Under the terms of the loan facilities, the Group is required to maintain a minimum cash balance of A\$5million in respect of Australian operations and US\$15 million in respect of Akara.

CAPITAL RAISING

Directors have approved to proceed with a fully underwritten \$70 million share placement. The proceeds of the placement will be used primarily to supplement the funding of Kingsgate's development and exploration expenditure plans for the Nueva Esperanza and Bowdens projects during 2012, including accelerating where possible the development time for both of those projects.

MANAGEMENT RESTRUCTURE

In December 2011, Mr Tim Benfield was appointed Chief Operating Offer and commenced employment in February 2012.

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 9.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

Kingsgate is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Ross Smyth-Kirk

Chairman

DATED at SYDNEY this 22 February 2012



Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
22 February 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2011

| | Half-Year | |
|--|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Revenue from continuing operations | 147,137 | 66,208 |
| Other income | 1,537 | - |
| Changes in inventories of finished goods and work in progress | 7,802 | 13,070 |
| Direct costs of mining and processing | (67,328) | (36,783) |
| Employee benefits expense | (11,767) | (6,839) |
| Depreciation and amortisation expenses | (27,240) | (5,401) |
| Finance costs | (4,069) | (587) |
| Exploration expensed | (26) | (22) |
| Foreign exchange losses | - | (9,286) |
| Other expenses from ordinary activities | (7,057) | (9,791) |
| Profit before income tax | 38,989 | 10,569 |
| Income tax (expense) / benefit | (5,160) | 1,012 |
| Profit for the half-year | 33,829 | 11,581 |
| Other comprehensive income | | |
| Exchange differences on translation of foreign operations (net of tax) | 2,290 | (18,021) |
| Change in fair value of available-for-sale financial assets (net of tax) | (700) | 651 |
| Total other comprehensive income / (loss) for the half-year, net of tax | 1,590 | (17,370) |
| Total comprehensive income / (loss) for the half-year | 35,419 | (5,789) |
| Profit attributable to: | | |
| Owners of Kingsgate Consolidated Limited | 33,988 | 11,581 |
| Non-controlling interests | (159) | - |
| Profit for the half-year | 33,829 | 11,581 |
| Total comprehensive income / (loss) for the half-year attributable to: | | |
| Owners of Kingsgate Consolidated Limited | 35,578 | (5,789) |
| Non-controlling interests | (159) | - |
| Total comprehensive income / (loss) for the half-year | 35,419 | (5,789) |
| | Cents | Cents |
| Earnings per share | | |
| Basic earnings per share | 24.6 | 11.5 |
| Diluted earnings per share | 24.5 | 11.4 |

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Financial Results for the Six Months Ended 31 December 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

| | Notes | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|--|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 26,217 | 35,864 |
| Receivables | | 26,875 | 15,050 |
| Inventories | | 52,793 | 30,962 |
| Other assets | | 24,848 | 24,268 |
| Total current assets | | 130,733 | 106,144 |
| Non-current assets | | | |
| Exploration, mine property, plant and equipment | | 758,600 | 616,578 |
| Available-for-sale financial assets | | 1,200 | 2,200 |
| Deferred tax assets | | 8,864 | 10,261 |
| Inventories | | 32,396 | 43,265 |
| Other assets | | 20,883 | 16,615 |
| Total non-current assets | | 821,943 | 688,919 |
| TOTAL ASSETS | | 952,676 | 795,063 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | | 40,258 | 34,802 |
| Provisions | | 3,532 | 3,264 |
| Current tax liabilities | | 3,895 | 2,953 |
| Borrowings | | 36,679 | 23,912 |
| Derivatives held for trading | | 2,759 | 2,260 |
| Total current liabilities | | 87,123 | 67,191 |
| Non-current liabilities | | | |
| Payables | | 7,157 | 4,294 |
| Provisions | | 13,167 | 11,968 |
| Deferred tax liabilities | | 28,080 | 28,702 |
| Borrowings | | 136,255 | 75,984 |
| Total non-current liabilities | | 184,659 | 120,948 |
| TOTAL LIABILITIES | | 271,782 | 188,139 |
| NET ASSETS | | 680,894 | 606,924 |
| EQUITY | | | |
| Contributed equity | | 527,957 | 482,874 |
| Reserves | 5 | (18,427) | (26,527) |
| Retained profits | | 170,682 | 143,468 |
| Total equity attributable to equity holders of Kingsgate Consolidated Limited | | 680,212 | 599,815 |
| Non-controlling interests | | 682 | 7,109 |
| TOTAL EQUITY | | 680,894 | 606,924 |

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

| | Attributable to owners of Kingsgate Consolidated Limited | | | | Non-controlling interests \$'000 | Total equity \$'000 |
|---|--|-----------------|-------------------|----------------|-------------------------------------|------------------------|
| | Contributed equity | Reserves | Retained earnings | Total | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Balance as at 1 July 2010 | 156,068 | 4,008 | 155,967 | 316,043 | - | 316,043 |
| Total comprehensive (loss) / income for the half-year | - | (17,370) | 11,581 | (5,789) | - | (5,789) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs | 7,110 | - | - | 7,110 | - | 7,110 |
| Issue of ordinary shares related to Laguna acquisition | 12,308 | - | - | 12,308 | - | 12,308 |
| Dividends provided for or paid | - | - | (20,150) | (20,150) | - | (20,150) |
| Movement in share option reserve | - | (506) | - | (506) | - | (506) |
| Total transactions with owners | 19,418 | (506) | (20,150) | (1,238) | - | (1,238) |
| Total contribution by and distribution to owners of Kingsgate Consolidated Limited | 175,486 | (13,868) | 147,398 | 309,016 | - | 309,016 |
| Non-controlling interests relating to acquisition | - | - | - | - | 9,793 | 9,793 |
| Balance at 31 December 2010 | 175,486 | (13,868) | 147,398 | 309,016 | 9,793 | 318,809 |

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the half-year ended 31 December 2011

| | Attributable to owners of Kingsgate Consolidated Limited | | | | Non-controlling interests \$'000 | Total equity \$'000 |
|---|--|--------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
| | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | Total \$'000 | | |
| Balance as at 1 July 2011 | 482,874 | (26,527) | 143,468 | 599,815 | 7,109 | 606,924 |
| Total comprehensive income / (loss) for the half-year | - | 1,590 | 33,988 | 35,578 | (159) | 35,419 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs | 1,919 | - | - | 1,919 | - | 1,919 |
| Issue of ordinary shares related to Bowdens acquisition | 30,000 | - | - | 30,000 | - | 30,000 |
| Issue of ordinary shares as part consideration for the settlement of a legal dispute | 1,512 | - | - | 1,512 | - | 1,512 |
| Issue of ordinary shares related to loan facility repayment | 11,652 | - | - | 11,652 | - | 11,652 |
| General reserve | - | (4,177) | - | (4,177) | - | (4,177) |
| Dividends provided for or paid | - | - | (6,774) | (6,774) | - | (6,774) |
| Movement in share option reserve | - | 10,687 | - | 10,687 | - | 10,687 |
| Total transactions with owners | 45,083 | 6,510 | (6,774) | 44,819 | - | 44,819 |
| Total contribution by and distribution to owners of Kingsgate Consolidated Limited | 527,957 | (18,427) | 170,682 | 680,212 | 6,950 | 687,162 |
| Acquisition of non-controlling interests | - | - | - | - | (6,268) | (6,268) |
| Balance at 31 December 2011 | 527,957 | (18,427) | 170,682 | 680,212 | 682 | 680,894 |

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the half-year ended 31 December 2011

| | Half-Year | |
|---|------------------|-----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 149,328 | 67,406 |
| Payments to suppliers and employees | (114,282) | (57,427) |
| Interest received | 480 | 334 |
| Finance costs paid | (7,772) | (482) |
| Income tax paid | (3,143) | (3,972) |
| Net cash inflow from operating activities | 24,611 | 5,859 |
| Cash flows from investing activities | | |
| Payments for mine properties, plant, equipment and land | (56,905) | (45,593) |
| Payments for exploration and evaluation | (10,782) | (551) |
| Payments for acquisition of Bowdens Silver Project | (40,865) | - |
| Payments for acquisition of non-controlling interests | (10,445) | - |
| Payments for acquisition of subsidiary | - | (626) |
| Proceeds from realisation of derivatives held for trading | 832 | - |
| Net cash (outflow) from investing activities | (118,165) | (46,770) |
| Cash flows from financing activities | | |
| Proceeds from borrowings, net of transaction costs | 90,829 | 29,400 |
| Proceeds from the issue of shares | 730 | 3,484 |
| Payments for interest – preference shares | (1,641) | - |
| Dividends paid | (5,738) | (17,116) |
| Net cash inflow from financing activities | 84,180 | 15,768 |
| Net (decrease) / increase in cash held | (9,374) | (25,143) |
| Cash at the beginning of the reporting period | 35,864 | 49,098 |
| Effects of exchange rate changes on cash | (273) | (2,246) |
| Cash at the end of the reporting period | 26,217 | 21,709 |

The above Consolidated Statements of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

1. Basis of Preparation of the Half-Year Report

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2011 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 2011.

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 (the AASB) that are relevant to their operations and effective for the current reporting period. None of the new and revised standards and interpretations adopted during the period had a material impact nor did they result in any changes to the Group's presentation of, or disclosure in, its half-year financial statements.

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.

2. Consolidated Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (chief operating decision maker). The Group's reportable segments are based on a geographical perspective including:

- Asia – encompassing mining at the Group's Chatree Gold Mine in Thailand and exploration activities in Thailand;
- Australia – encompassing the operation of the Group's Challenger Gold Mine, mineral exploration in Western Australia and the Gawler Craton region of South Australia, and feasibility and exploration activities at Bowdens Silver Project in New South Wales. Bowdens Silver Project was acquired on 23 September 2011 (see Note 8); and
- South America – encompassing feasibility and exploration activities at the Group's Arqueros project in Chile and exploration activities in Argentina and Peru.

The Group operates exclusively in one business segment of gold mining and exploration.

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

Financial Results for the Six Months Ended 31 December 2011

| | Half-Year Australia * | | Half-Year Asia * | | Half-Year South America * | | Half-Year Consolidated | |
|---|--------------------------|-----------------|---------------------|----------------|------------------------------|----------------|---------------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Revenue | | | | | | | | |
| External segment revenue | 75,455 | 322 | 71,681 | 65,886 | 1 | - | 147,137 | 66,208 |
| Total revenue | 75,455 | 322 | 71,681 | 65,886 | 1 | - | 147,137 | 66,208 |
| Segment results | | | | | | | | |
| Profit / (loss) before tax | 10,384 | (20,391) | 29,756 | 31,409 | (1,151) | (449) | 38,989 | 10,569 |
| Income tax (expense) / benefit | (1,445) | 5,510 | (3,715) | (4,498) | - | - | (5,160) | 1,012 |
| Profit after tax | 8,939 | (14,881) | 26,041 | 26,911 | (1,151) | (449) | 33,829 | 11,581 |
| Depreciation and amortisation | | | | | | | | |
| Segment depreciation and amortisation expense | 20,951 | 47 | 6,287 | 5,354 | 2 | - | 27,240 | 5,401 |
| Total depreciation and amortisation | 20,951 | 47 | 6,287 | 5,354 | 2 | - | 27,240 | 5,401 |
| Finance income | | | | | | | | |
| Segment finance income | 308 | 322 | 171 | 12 | 1 | - | 480 | 334 |
| Total finance income | 308 | 322 | 171 | 12 | 1 | - | 480 | 334 |
| Finance expenses | | | | | | | | |
| Segment finance expenses | 2,265 | 220 | 1,801 | 367 | 3 | - | 4,069 | 587 |
| Total finance expenses | 2,265 | 220 | 1,801 | 367 | 3 | - | 4,069 | 587 |
| Other segment information | | | | | | | | |
| Segment assets | 444,173 | 22,480 | 464,953 | 357,476 | 43,550 | 24,885 | 952,676 | 404,841 |
| Segment liabilities | 126,993 | 38,171 | 137,943 | 47,503 | 6,846 | 358 | 271,782 | 86,032 |

* Transactions between segments have been eliminated.

3. Loans and borrowings

Corporate loan facility

Kingsgate has a three year secured loan facility with Investec with a limit of A\$60 million (30 June 2011: US\$50 million), of which A\$42 million has been drawn down as at 31 December 2011.

In addition, Kingsgate has a one year revolving loan facility in place with Investec. Kingsgate drew down a total of A\$11.65 million under this facility to fund the acquisition of the non-controlling interests in Laguna Resources (see Note 8 (ii)). This amount was fully repaid during the period by the issue of Kingsgate shares to Investec (see Note 4).

Convertible loan facility

Kingsgate has entered into a five year A\$35 million convertible loan facility with Investec to provide funding for the Bowdens acquisition (see Note 8(i)).

Syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Mining Limited (Akara), has fully drawn down the US\$100 million Baht denominated syndicated loan facility as at 31 December 2011.

4. Contributed Equity

| | Half-Year | | Half-Year | |
|--|------------------|------------------|----------------|----------------|
| | 2011 Shares | 2010 Shares | 2011 \$'000 | 2010 \$'000 |
| Issue of ordinary shares during the half-year: | | | | |
| Exercise of options | 121,667 | 805,398 | 921 | 4,076 |
| Dividend Reinvestment Plan (see Note 6) | 119,644 | 286,605 | 1,036 | 3,034 |
| Issue of ordinary shares related to Bowdens acquisition (see Note 8 (i)) | 3,440,367 | - | 30,000 | - |
| Issue of ordinary shares as part consideration for the settlement of a legal dispute | 166,666 | - | 1,512 | - |
| Issue of ordinary shares related to loan facility repayment (see Note 3) | 1,749,741 | - | 11,652 | - |
| Issue of ordinary shares related to Laguna acquisition | - | 1,198,465 | - | 12,308 |
| Share issue costs | - | - | (38) | - |
| Total ordinary shares issued | 5,598,085 | 2,290,468 | 45,083 | 19,418 |

5. Reserves

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Foreign currency translation reserve | (26,473) | (28,763) |
| Available-for-sale investment revaluation reserve | 91 | 791 |
| Share-based payment reserve | 12,109 | 1,422 |
| General reserve | (4,154) | 23 |
| Total reserves at 31 December 2011 | (18,427) | (26,527) |

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

Available-for-sale investment revaluation reserve

Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investment revaluation reserve.

Share-based payment reserve

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

General reserve

Current period general reserve represents change in equity as a result of acquisition of non-controlling interests.

6. Dividends

| | Half-Year | |
|---|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-year | | |
| Paid in cash | 5,738 | 17,116 |
| Satisfied by the issue of shares | 1,036 | 3,034 |
| Total dividends paid | 6,774 | 20,150 |

7. Contingent Liabilities

Guarantees

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the loan facilities as part of the security package.

These guarantees may give rise to liabilities in the parent entity if the controlled entities do not meet their obligations under the terms of the loans subject to guarantees. No material losses are anticipated in respect of the above contingent liabilities.

Included in cash and cash equivalents is \$3.4 million of restricted cash against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

8. Acquisition

(i) Bowdens Silver Project

On 1 August 2011, Kingsgate Consolidated Limited announced that it had entered into an agreement to purchase the Bowdens Silver Project (Bowdens) in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. On 23 September 2011, Kingsgate achieved 100% control over the Bowdens Silver Project.

Consideration for the acquisition was \$75 million comprising:

- \$35 million cash, payable upon closing;
- two payments, each of \$5 million cash, payable on 31 December 2011 and 30 June 2012; and
- \$30 million in Kingsgate shares.

Kingsgate has a three year secured loan facility with Investec Bank (Australia) Limited (Investec). The facility limit was increased to A\$60 million (30 June 2011: US\$50 million) to partly fund the acquisition of the Bowdens Silver Project. In addition, Kingsgate has entered into a five year A\$35 million convertible loan facility to provide funding for the Bowdens acquisition. Kingsgate issued 3,333,334 options to Investec pursuant to the A\$35 million convertible loan facility agreement.

Details of purchase consideration and identifiable assets acquired and liabilities assumed are as follows:

Consideration

| | Half-Year 2011 \$'000 |
|--|-----------------------------|
| Equity instrument : 3,440,367 Kingsgate shares at \$8.72 per share | 30,000 |
| Cash consideration (discounted) | 45,757 |
| Total consideration | 75,757 |

Fair Value

The net identifiable assets acquired and liabilities assumed are as follows:

| | Fair value \$'000 |
|---|----------------------|
| Assets | |
| Cash and cash equivalents | 136 |
| Receivables | 7 |
| Exploration, mine property, plant and equipment | 75,620 |
| Total Assets | 75,763 |
| Liabilities | |
| Payables | (6) |
| Total Liabilities | (6) |
| Net identifiable assets acquired | 75,757 |

Equity Instruments Issued

Kingsgate Consolidated Limited issued 3,440,367 ordinary shares during the half-year in part consideration for the Bowdens acquisition. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Securities Exchange.

(ii) Laguna Resources NL

Acquisition of non-controlling interests

On 31 October 2011, Kingsgate announced a conditional off-market takeover offer for all the issued fully paid ordinary shares and certain partly paid shares of Laguna Resources NL (Laguna) not already owned by Kingsgate. The offer is conditional on Kingsgate becoming entitled to compulsorily acquire the securities which are not tendered into the offer.

The consideration under the offer was as follows:

- \$3.75 cash for each Laguna fully paid ordinary share;
- \$0.001 cash for each Laguna partly paid share paid to \$251.70 with \$996.21 unpaid; and
- \$0.0055 cash for each Laguna partly paid share paid to \$417.32 with \$181.99 unpaid.

On 31 December 2011, Kingsgate Consolidated Limited increased its interest in Laguna from 70% to 98%.

The following table summarises the effect of changes in Kingsgate's ownership interest in Laguna:

| | Half-Year 2011 \$'000 |
|---|-----------------------------|
| Kingsgate's ownership interest at 30 June 2011 | 17,070 |
| Effect of increase in Kingsgate's ownership interest | 10,604 |
| Share of comprehensive loss | (159) |
| Kingsgate's ownership interest at 31 December 2011 | 27,515 |

9. Events Occurring After Reporting Date

(i) Laguna Resources NL

Acquisition of non-controlling interests

At the close of the offer on 13th January 2012, Kingsgate's interest in Laguna reached 98.14%, and Kingsgate moved to compulsorily acquire all of the outstanding securities.

On 15 February 2012, Laguna shares were delisted from the Australian Securities Exchange.

(ii) Drawdown and Repayment of Loan Facility

Post December 2012 Kingsgate has drawn down a further A\$10 million and repaid A\$2 million against the A\$60 million loan facility.

(iii) Interim dividend

An interim dividend of 10 cents per share was declared on 21 February 2012 with respect of the half-year ended 31 December 2011. The record date is 6 March 2012 and the dividend will be paid on 21 March 2012.

(iv) Capital raising

Directors have approved to proceed with a fully underwritten \$70 million share placement. The proceeds of the placement will be used primarily to supplement the funding of Kingsgate's development and exploration expenditure plans for the Nueva Esperanza and Bowdens projects during 2012, including accelerating where possible the development time for both of those projects.

10. Net Tangible Asset Per Ordinary Share

| | Half-Year | |
|---|-----------|------|
| | 2011 | 2010 |
| Net tangible asset backing per ordinary share: \$ / share | 4.83 | 3.12 |

11. Earnings Per Share

| | Half-Year | |
|--|---------------|---------------|
| | 2011 Cents | 2010 Cents |
| Basic earnings per share | 24.6 | 11.5 |
| Diluted earnings per share | 24.5 | 11.4 |
| | | |
| | \$'000 | \$'000 |
| Net profit used to calculate basic and diluted earnings per share | 33,988 | 11,581 |
| | | |
| | Number | Number |
| Weighted average number of shares used as the denominator | | |
| Weighted average number of shares used as the denominator in calculating basic earnings per share | 138,296,163 | 101,014,115 |
| | | |
| Adjustment for calculation of diluted earnings per share: option | 151,981 | 694,765 |
| | | |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 138,448,144 | 101,708,880 |

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 21 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 2011 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.



ROSS SMYTH-KIRK
Director

DATED at SYDNEY this 22 February 2012
On behalf of the Board



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsgate Consolidated Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Kingsgate Consolidated Limited (the consolidated entity). The consolidated entity comprises both Kingsgate Consolidated Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2011 included on Kingsgate Consolidated Limited's web site. The company's directors are responsible for the integrity of the Kingsgate Consolidated Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Brett Entwistle'.

Brett Entwistle
Partner

22 February 2012