2012 Annual Report

Australia

Thailand

Chile

Kingsgate
Consolidated Limited

ABN 42 000 837 472

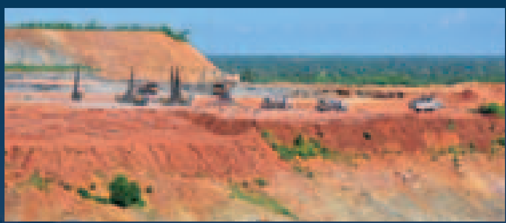
Discovery, Development
and Expansion

2012 Annual Report

Contents

Chatree Gold Mine

Thailand

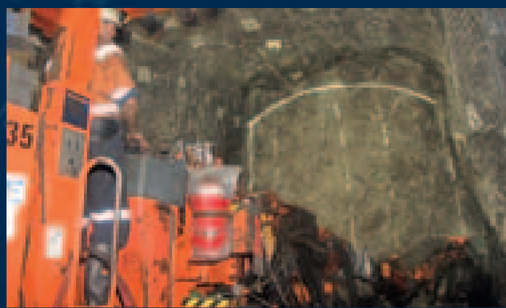


THAILAND

The Chatree North plant expansion was completed on time and on budget. The plant is expected to operate in excess of design capacity following successful commissioning and optimisation trials.

Challenger Gold Mine

South Australia



Two new mining fronts will be opened up during the coming year: Challenger West and Challenger Deeps at the current base of the mine.

AUSTRALIA

Bowdens Silver Project

New South Wales

Feasibility and EIS activities continued through the year. Drilling has confirmed the potential to increase the Bowdens resource, currently estimated at 100 million ounces of silver (133 million ounces of silver equivalent).

Nueva Esperanza

Chile

Nueva Esperanza project is now 100% owned by Kingsgate. Work continues on the definitive feasibility study and the Environmental Impact Assessment review to determine the optimum development route.

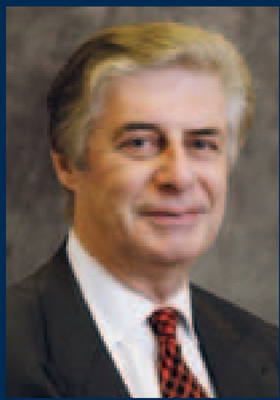
Chairman's Review

The past 12 months has been challenging for the resources industry and Kingsgate is one of many companies whose share price performance has been affected by a downturn in global sentiment.

Notwithstanding a cooling in the world economy and despite a difficult year operationally, Kingsgate has delivered a solid financial performance based on record gold production delivering record revenue and a record net profit for the Group. A strong earnings per share of 52.5 cents, represents an increase of 181% year on year. This has enabled the Company to continue its long dividend paying history by declaring a final dividend of 10 cents per share. The total dividend paid to Kingsgate shareholders for the year was 20 cents per share.

The Chatree gold mine in central Thailand remains the cornerstone gold operation for Kingsgate. A major plant expansion was undertaken to increase the plant throughput capacity from 2.3 to 5.0 million tonnes per annum. The expansion was completed during the year on time and budget and has operated at up to 24% above the nominal capacity during optimisation tests. The expansion will produce tangible benefits for your Company. Chatree is also surrounded by a prospective exploration tenement portfolio which has the potential to substantially extend the mine life.

Operations at Chatree were impacted early in the past financial year by record monsoonal rainfall and flooding, the heaviest in over 60 years in Thailand. Kingsgate, through its Thai operating subsidiary Akara, directly assisted mine employees, their families and neighbours through a difficult and dangerous period.



[Chatree] expansion was completed during the year on time and budget and has operated at up to 24% above the nominal capacity during optimisation tests.

The Challenger mining operation in South Australia had a difficult year operationally but your Company is implementing a number of initiatives to ensure that the operation continues to provide a solid production base with resource growth potential, as well as adding key underground mining skills to Kingsgate. A renewed focus on the exploration potential close to the surface is delivering results following the successful trial mining at Challenger West.

During the year Kingsgate successfully acquired the 30% balance of Laguna Resources NL that it did not already own and continued to advance a feasibility study and environmental impact assessment for the Nueva Esperanza silver/gold project in Chile towards a development decision in the coming year.

Kingsgate is undertaking a feasibility study on its advanced development project at Bowdens in New South Wales. This study is also expected to be completed during the year.

The two advanced development projects will complement Kingsgate's existing mining operations to deliver a step change in production, earnings and value accretion for your Company into the future.

I would like to take this opportunity to thank Gavin Thomas, Kingsgate management and all of the Kingsgate, Akara, Laguna and Challenger teams, as well as our contractors, for their part in delivering the operational and financial performance during what was a difficult year operationally for your Company. Kingsgate's shareholders can look forward to improved performance from Chatree and a turn-around from Challenger and the completion of feasibility studies at the two major development projects over the coming year.

Ross Smyth-Kirk
Director

Managing Director and CEO's Report

Kingsgate had a strong year in 2012 with record gold production of 208,760 ounces, which was up 85% from 2011, driven by a major expansion and high grade ore at Chatree and a full year of production from Challenger.

The Chatree plant expansion to a nominal processing rate of 5 million tonnes per annum (Mtpa) is all but complete and has run consistently during optimisation tests up to 6.2 Mtpa. At year end full production only required final authorisation and signing off by the Thai authorities.

Whilst production at Challenger was lower than expected, trial mining of the high grade Challenger West lode and successfully developing across the 79 Fault at the current base of the mine were highlights for the year. This will effectively result in the establishment of two new mining fronts at Challenger over the first half of the current year: at Challenger West and across the 79 Fault at Challenger Deeps.

Underground exploration drilling at Challenger will continue to target previously identified peripheral lodes that have high potential to add reserves on previously developed levels.

Kingsgate management and staff continue to work hard to realise the operational potential of the Company's two gold mines, to complete feasibility studies currently underway at Nueva Esperanza and Bowdens and diligently undertake exploration around existing operations and across its portfolio of exploration tenements.

Kingsgate had a strong year in 2012 with record gold production of 208,760 ounces, which was up 85% from 2011.

OPERATIONS

Chatree

Production for the year at Chatree was significantly higher than 2011 and benefitted from increased throughput from the expanded process plant and access to high grade ore from mining area C North. Chatree produced 121,372 ounces of gold and 918,314 ounces of silver. However, the year was not without its operational difficulties with negative impacts resulting from high rainfall with consequent access and mining issues, poor equipment availability and slower than anticipated Government approvals to commence production through the expanded plant.

Thailand had its worst floods in 60 years in the 2011 monsoon season and Chatree mine site had almost double its average annual rainfall and this had an impact on the operations and delayed construction of tailings storage facility number two. Mining rates improved significantly during the subsequent dry season. The high-grade C North pit was completed late in the year.

The final stages of commissioning and plant optimisation trials of the Chatree North Expansion Project are largely complete. The process plant operated at rates up to 6.2 Mtpa, well above its nameplate capacity of 5.0 Mtpa. Full scale production will commence upon granting of approvals by the Thai authorities.

Chatree continues to demonstrate world's best practice for safety. The mine has now operated for 20.7 million man hours (9.5 years) without a lost time injury.

Challenger

Gold production at Challenger for the first full year under Kingsgate ownership was 87,388 ounces, at an average grade of 4.55 grams per tonne. This was lower than expected due to a number of issues during the year including the failure of an artesian water bore in the September quarter restricting operations through to a shortfall in underground development in the second half of the year that reduced the availability of higher grade stoping ore.

The year did, however, produce some significant highlights including strong production in the December quarter of over 27,000 ounces, the delineation, access and successful trial mining of the Challenger West lode and mining across the 79 Fault at the current base of the mine without undue difficulty.

The shortfall in mine development has been critically assessed and initiatives have been implemented to improve the development rates. However this will restrict production during the first half of this year due to the greater focus on underground development. During the first half Challenger will also be effectively establishing two new mining fronts, one at the high grade Challenger West lode and secondly at Challenger Deeps where the mining front is re-established across the 79 Fault.

The Challenger West ore body currently has the highest grade in the mine and has the potential to extend from the surface to the base of the mine.

DEVELOPMENT PROJECTS

Nueva Esperanza

The Nueva Esperanza project, located in the Maricunga Gold Belt in central Chile, is now 100% owned by Kingsgate following a successful offer to acquire the 30% of shares in Laguna Resources NL that were not already owned. The acquisition was completed in February 2012.

Resource definition drilling was completed at the Arqueros and Teterita deposits during the year and an integrated mine plan including these two deposits was undertaken prior to inclusion into the feasibility study.

Additional drilling at the Chimberos deposit was curtailed by an early onset of winter and this will continue once fieldwork re-commences in the spring.

The draft feasibility study and the Environmental Impact Assessment review should be completed and a development decision made by the end of 2012.

Bowdens

The Bowdens Silver Project was acquired in August 2011. The current mineral resource of nearly 100 million ounces of silver mineralisation is associated with sulphides of iron, arsenic, lead and zinc.

During the past year a drilling program was undertaken for metallurgical testwork, resource definition and sterilisation of the proposed plant site. Initial results from the drilling program have been encouraging, with drillholes designed for metallurgical testing confirming high grade mineralisation. Several holes have returned significant intersections outside of the current conceptual pit shell, indicating the potential to increase the current resource estimate.

Engineering, process and infrastructure studies for use towards bankable feasibility continued throughout the year in line with delivery schedules. The draft feasibility is expected to be completed and the preliminary Environmental Impact Statement submitted to the NSW Government during the year.

FINANCIALS

The strong financial performance was driven by record gold sales of 204,145 ounces, up 78% from year on year and a higher average realised gold price of US$1,663 per ounce (2011: US$1,386 per ounce). The higher gold production resulted from an increase at Chatree following the expansion of the processing facilities and a full twelve months of the Challenger mine in South Australia post acquisition.

The key financial metrics represent a significant improvement on last year and provide the financial platform to take the Company forward and maintain its long history of focussing on overall return to shareholders.

Financial Summary	**2012** $000	**2011** $000
Total Sales Revenue	**357,372**	172,356
EBITDA before significant items	**167,898**	67,817
Profit before tax	**91,277**	17,787
Income Tax Expense / (Benefit)	**16,271**	(3,092)
Net Profit after Tax	**75,006**	20,879
Dividend Declared (¢/share)	**20**	15

EXPLORATION

Limited resource development drilling was undertaken within the Chatree Mining Leases (MLs) during the year and this provided the opportunity to conduct a comprehensive technical review of the underground potential within the MLs. Several advanced high priority gold targets are currently identified within the mining lease with drilling of these targets underway.

Exploration outside the MLs has continued at a reduced scale with surface exploration and mapping continuing with several advanced resource development prospects ready for detailed drilling pending the grant of Phetchabun and Phichit Province SPL applications.

Exploration drilling at Challenger has remained focussed on priority targets within peripheral lodes following the success at Challenger West. These zones have potential to add to Resources and Reserves at previously developed levels.

A limited program of traditional surface exploration is planned for drill targets along the identified controlling structures at Challenger.

During the year Kingsgate signed a concession agreement and commenced exploration of an area in Lao Peoples Democratic Republic. Surface mapping and sampling has identified an extensive high quality multi element anomaly that will be followed up during the current year.

Regional exploration continued on properties in Australia and opportunities in south-east Asia and South America continue to be evaluated.

LOOKING AHEAD

Kingsgate has shown its ability to deliver high quality shareholder returns by a strong focus on mine performance, sustainable practices, focussed and diligent exploration and the efficient management of its gold mining operations.

The outlook for the Group in fiscal 2013 is for gold production to be in the range of 200,000 to 220,000 ounces. This includes 120,000 to 130,000 ounces from Chatree, due to a full year of the expanded process plant, and between 80,000 to 90,000 ounces from Challenger while it undertakes the additional development to set up the new mining fronts at Challenger west and Challenger Deeps.

Beyond this year, Kingsgate remains focussed on continuous improvement from its existing gold mines and advancing the development projects through to production to the benefit of all shareholders by increasing production per share, resources and reserves per share and earnings per share. The Company continues to focus on being the Australian mid-tier precious metal producer and developer of choice.

2012 Annual Report

Ten Year Summary

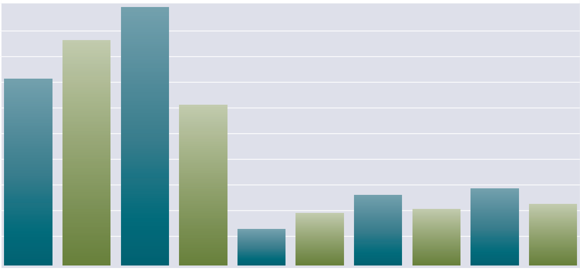
for the year ended 30 June 2012

	2012	2011	2010	2009	2008
PRODUCTION – Chatree	AIFRS	AIFRS	AIFRS	AIFRS	AIFRS
Ore mined ('000 bank cubic metres)	1,947	2,352	2,699	1,674	375
Waste mined ('000 bank cubic metres)	6,259	6,128	6,432	4,069	2,507
Waste to ore ratio	3.2	2.6	2.4	2.4	6.7
Ore mined ('000 tonnes)	4,986	5,301	6,583	3,874	977
Ore treated ('000 tonnes)	5,116	2,533	2,705	1,878	2,474
Head grade – Gold grams/tonne	0.9	1.1	1.7	1.7	1.1
Head grade – Silver grams/tonne	11.6	15.7	14.9	15.8	6.8
Gold recovery (%)	84.4%	87.2%	90.4%	91.2%	88.4%
Gold poured (ounces)	121,372	76,248	132,628	93,002	74,137
Silver poured (ounces)	918,314	549,699	549,522	293,472	232,039
PRODUCTION – Challenger		(5 months)			
Ore mined ('000 tonnes)	607	232			
Ore treated ('000 tonnes)	645	289			
Head grade – Gold grams/tonne	4.6	4.3			
Gold recovery (%)	92.4%	92.2%			
Gold poured (ounces)	87,388	36,886			
Silver poured (ounces)	4,971	2,581			
PROFIT & LOSS (A$'000)					
Sales revenue	357,372	172,356	175,480	113,015	74,285
Operating expenses	171,506	86,147	62,223	57,435	43,335
Administration expenses	12,736	11,304	7,839	8,336	8,174
Other expenses / (income)	6,398	28,424	7,561	1,740	(36,152)
EBITDA	166,732	46,481	97,857	45,504	58,928
Depreciation & amortisation	67,553	27,772	14,004	11,575	9,284
EBIT	99,179	18,709	83,853	33,929	49,644
Net finance costs / (income)	7,902	922	1,502	872	1,772
Profit/(loss) before income tax	91,277	17,787	82,351	33,057	47,872
Income tax expense/(benefit)	16,271	(3,092)	9,285	535	11,675
Net profit/(loss) after income tax	75,006	20,879	73,066	32,522	36,197
Non-controlling interests	(153)	(269)	-	-	-
Net profit attributable to owners of Kingsgate Consolidated Ltd	75,159	21,148	73,066	32,522	36,197
BALANCE SHEET (A$'000)					
Current assets – cash	90,623	35,864	49,098	29,680	40,226
Current assets – other	103,433	70,280	54,203	27,848	16,397
Non-current assets	854,403	688,919	265,774	217,445	146,626
Total assets	1,048,459	795,063	369,075	274,973	203,249
Total borrowings	157,544	99,896	11,064	2,144	1,599
Other liabilities	115,102	88,243	41,968	27,789	20,637
Total liabilities	272,646	188,139	53,032	29,933	22,236
Shareholders' equity	775,813	606,924	316,043	245,040	181,013
Non-controlling interests	-	7,109	-	-	-
Equity attributable to equity holders of Kingsgate Consolidated Ltd	775,813	599,815	316,043	245,040	181,013
OTHER INFORMATION					
Average realised gold price on physical deliveries (US$/ounce)	1,663	1,386	1,091	904	824
Cash cost (US$/ounce)	720	639	335	401	457
Total cost (US$/ounce)	1,028	814	408	488	556
Operating cash flow (A$'000)	165,247	34,026	46,468	18,058	18,657
Dividends paid (Cash & DRP) (A$'000)	22,026	33,647	29,082	-	-
Number of issued shares ('000) – Ordinary	151,264	135,275	99,996	96,136	92,680
Basic earnings per share (A$ Cents)	52.5	18.7	75.2	34.9	51.7
Dividends per share (A$ Cents)	20.0	15.0	35.0	15.0	-

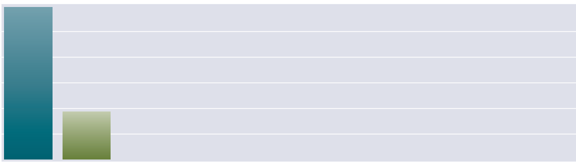
2007	2006	2005	2004	2003
AIFRS	AIFRS	AIFRS	AGAAP	AGAAP
546	734	588	801	638
4,390	5,121	4,915	4,444	1,758
8.0	7.0	8.4	5.5	2.8
1,523	1,951	1,521	1,946	1,511
2,405	2,000	1,829	1,671	1,324
1.2	2.4	2.4	3.1	3.9
9.2	14.5	13.0	15.0	22.0
90.0%	90.1%	90.8%	91.2%	90.2%
85,994	140,071	126,550	149,979	154,484
290,897	459,702	353,275	395,346	484,170
52,044	72,782	64,299	84,410	94,020
55,495	46,302	40,475	30,519	26,716
5,457	4,756	3,979	4,848	4,725
(3,807)	(2,702)	3,887	(22)	566
(5,101)	24,426	15,958	49,065	62,013
8,446	7,805	8,720	11,323	13,293
(13,547)	16,621	7,238	37,742	48,720
2,158	(41)	(1,153)	63	1,397
(15,705)	16,662	8,391	37,679	47,323
(3,115)	–	–	–	–
(12,590)	16,662	8,391	37,679	47,323
–	–	–	–	–
(12,590)	16,662	8,391	37,679	47,323
5,148	10,391	32,119	59,696	28,914
13,756	10,805	12,162	14,162	14,057
206,082	143,401	91,727	69,555	53,336
224,986	164,597	136,008	143,413	96,307
21,220	–	–	–	18,694
19,532	36,589	14,779	8,367	4,329
40,752	36,589	14,779	8,367	23,023
184,234	128,008	121,229	135,046	73,284
–	–	–	–	–
184,234	128,008	121,229	135,046	73,284
417	355	401	385	335
440	206	212	135	94
524	247	262	189	143
(19,888)	21,889	22,184	49,294	56,956
4,513	8,669	11,973	17,631	19,927
92,680	88,592	85,949	85,329	72,869
(17.3)	19.3	9.8	45.5	65.4
–	10.0	7.0	22.0	25.0

12 11 10 09 08 07 06 05 04 03

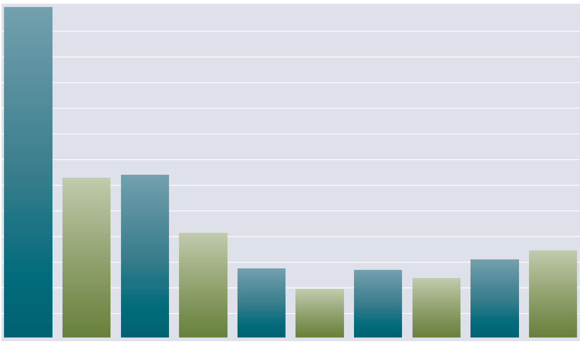
Ore mined ('000 tonnes) ▼



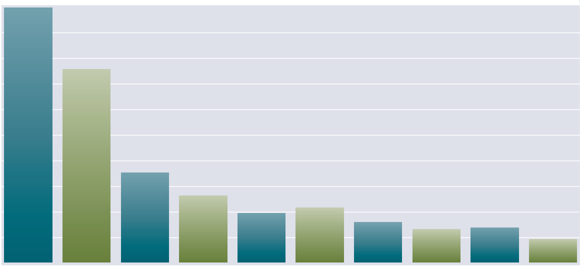
Ore mined ('000 tonnes) ▼



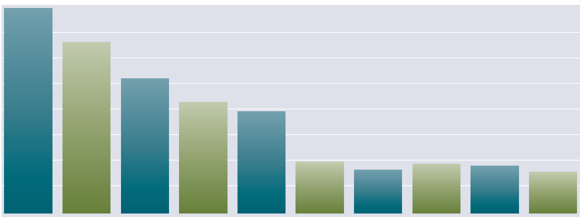
Sales revenue ▼



Total assets ▼



Average realised gold price on physical deliveries ▼



Finance Report

Summary

Kingsgate has achieved a record financial performance for the year to 30 June 2012 with:

- net profit after tax up 259% to $75.0 million (2011: $20.9 million);
- revenue up 107% to $357 million on gold sales of 204,145 ounces; and
- earnings per share of 52.5 cents (2011: 18.7 cents).

A final dividend of 10 cents per share was declared on 30 August 2012 resulting in a total dividend of 20 cents per share for the year.

The international growth strategy continued to advance during the year with the successful completion of an off-market takeover offer for the remaining balance of Laguna Resources NL ("Laguna") and the acquisition of a major tenement package, including identified silver and gold resources, surrounding the Laguna leases in Central Chile. The Company also completed the purchase of the Bowdens advanced silver development project in NSW.

Earnings

The strong performance was driven by record gold sales of 204,145 ounces, up 78% from the prior year. Average realised gold price was higher at US$1,663 per ounce (2011: US$1,386 per ounce), however revenue was impacted adversely by the strength of the Australian dollar.

The higher gold production reflected the continued optimisation of the Chatree North Expansion Project and a full twelve months contribution from the Challenger mine in South Australia, which was acquired in February 2011.

Direct costs of mining and processing increased to $159.5 million (2011: $106.7 million). This was mainly a result of the increase in production at Chatree and the addition of a full year of operating expenses attributable to the Challenger mine.

The Group's total cash costs on a unit cost basis were US$720/oz (2011: US$639/oz), consisting of costs at Chatree of US$618/oz (2011: US$479/oz) and at Challenger of US$862/oz (2011: US$968/oz).

Depreciation and amortisation expenses related to operations increased to $67.3 million (2011: $27.5 million) which includes a full year's expense from Challenger of $48.7 million, of which $13.9 million was attributable to the fair value asset allocation following the merger with Dominion Mining Limited and as required under acquisition accounting.

Finance costs increased to $9.4 million (2011: $1.7 million), due to the increase in borrowings over the year.

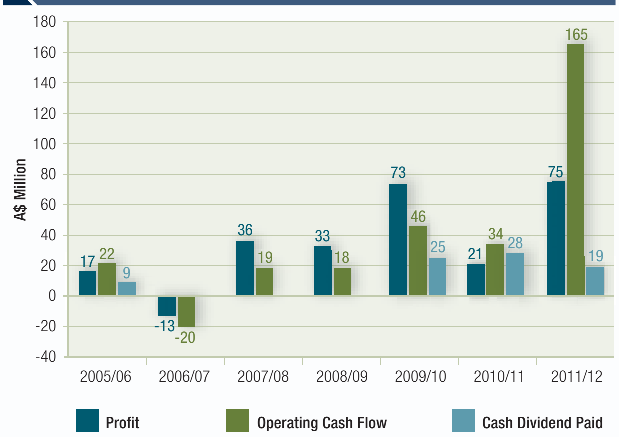
Cash Flow

Cash on hand increased by $54.7 million over the year to $90.6 million (2011: $35.9 million). The increase in cash on hand was primarily due to an operational cash flow surplus of $165 million on increased gold sales, a net increase in borrowings of $70 million and a share placement of $68 million net of costs.

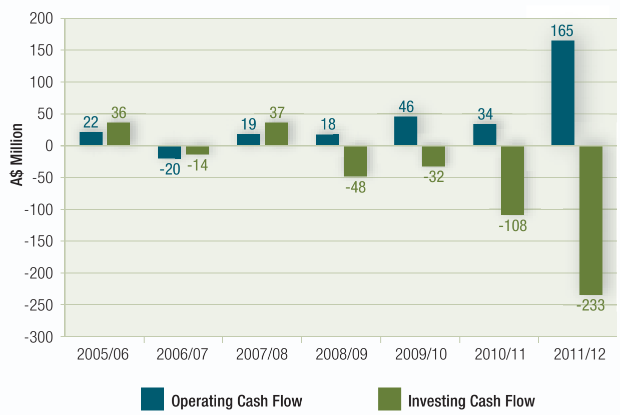
Investing and financing cash outflows primarily consisted of the following payments:

- $167 million for investment in property, plant and equipment, mine properties and exploration;
- $41 million for the Bowdens Silver Project;
- $11.4 million to acquire the remaining shares in Laguna Resources NL; and
- dividends to shareholders of $18.9 million.

Operating Profit and Cash Flow



Operating Profit and Cash Flow



Financing Arrangement

Syndicated loan facility

The outstanding balance of the fully drawn Akara Mining Limited Baht denominated syndicated loan was $80.6 million at year end. The syndicated loan facility is a four year amortising loan with equal half-yearly repayments with the first repayment of $14.3 million made on 31 March 2012.

Revolving loan facility

Kingsgate has a three year secured revolving loan facility with Investec Bank (Australia) Limited (Investec). As at 30 June 2012, the facility limit was A$50 million (2011: US$50 million) of which A$40 million has been drawn.

The Group also had a one year revolving loan facility in place with Investec which was used during the year to provide $11.6 million to fund the acquisition of the non-controlling interests in Laguna. This facility was fully repaid during the year by an issue of shares to Investec.

Convertible loan facility

Kingsgate has a $35 million five year convertible loan facility with Investec which was used to partly fund the acquisition of the Bowdens Silver Project.

Financial Position

Shareholders' equity at 30 June 2012 was $775.8 million (2011: $599.8 million). The increase of $176 million reflects the year's profit net of dividends paid and equity issued during the year.

Income Tax

Subject to meeting certain conditions, and based on annual production limits of 178,416 ounces of gold and 583,733 ounces of silver from Plant #1, the mine operation in Thailand has approvals for tax benefits from the Royal Thai Board of Investment (BOI) that include a 5 year half tax holiday (at 15% tax rate) that concludes November 2014.

The mine operation in Thailand also has a BOI promotion for the Chatree North gold processing plant based on an annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver. This BOI promotion will be effective once optimisation of the plant is complete. Profit derived from the new plant will be tax exempt for eight years up to the value of the capital cost of the new plant, including a 25% investment allowance on certain components of the new plant.

The taxable profit from the Australian operations has been set off against the Group's brought forward tax losses, leaving a balance of $121 million of recognised tax losses to be carried forward to future years.

Dividends

An interim dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share was paid on 21 March 2012.

A final dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share will be paid on 1 October 2012.

Planned IPO in Thailand

Kingsgate agreed a settlement with Sinphum Co. Ltd (Sinphum), a Thai company which held preference shares in Kingsgate's Thai operating subsidiary Akara Mining Limited (Akara), on 29 August 2011. As a result both parties 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, the Company granted 1.5 million Kingsgate 3 year options that vested on 26 August 2012 at a strike price of $10.36 and 500,000 deferred share rights that vest, subject to the Chatree Mine meeting specified production targets, over the 14 months following settlement date. A total of 333,332 of these deferred share rights vested during the year.

Kingsgate continues to pursue the listing of Akara on the Stock Exchange of Thailand.

Business Development

Laguna acquisition

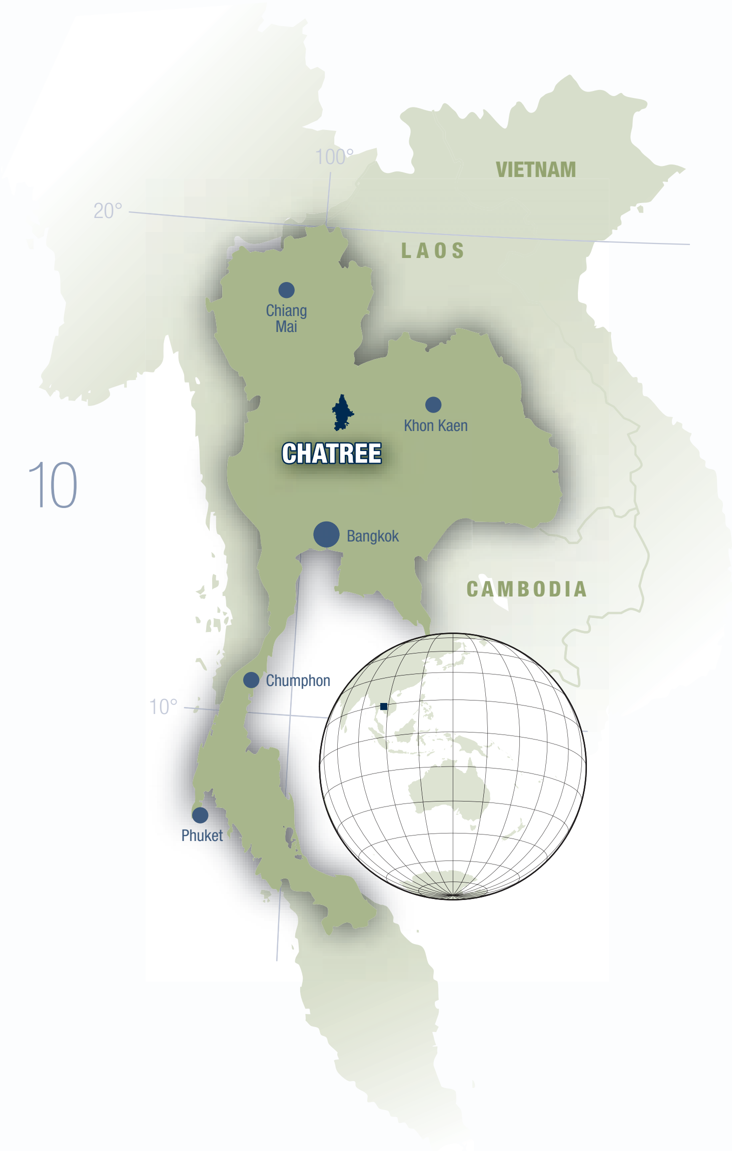
During the year Kingsgate successfully completed an off-market takeover bid for the remaining 30% of Laguna that it did not already own for consideration of $11.4 million in cash. The major asset of Laguna is the Nueva Esperanza silver/gold project located in central Chile.

Bowdens Silver Project acquisition

On 22 September 2011, Kingsgate completed the acquisition of the Bowdens Silver Project in New South Wales, Australia for consideration of $76 million comprising:

- $36 million cash;
- two payments, each of $5 million cash, paid on 31 December 2011 and 2 July 2012; and
- $30 million in Kingsgate shares.

Operations Report



Chatree Gold Mine

Thailand

Summary

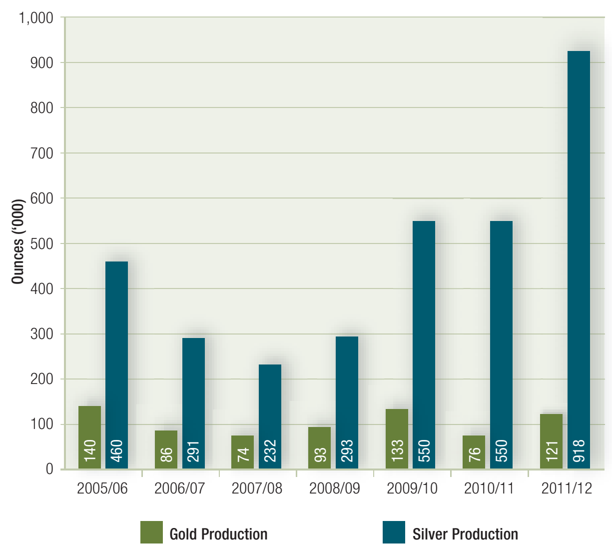
Chatree continued as Kingsgate's primary production asset throughout the year, producing over 121,000 ounces of gold and over 918,000 ounces of silver. The year was not without its operational difficulties, negative impacts resulting from high rainfall with subsequent access and mining issues, poor equipment availability and slower than anticipated Government approvals to commence production through the expanded plant.

Thailand had its worst floods in 60 years in the 2011 monsoon season. Chatree mine site had almost double its average annual rainfall and this impacted on the mining operations and particularly in delaying construction of tailings storage facility number two ("TSF#2"). Mining was impacted but improved significantly during the following dry season. The high-grade C North pit was completed late in the year.

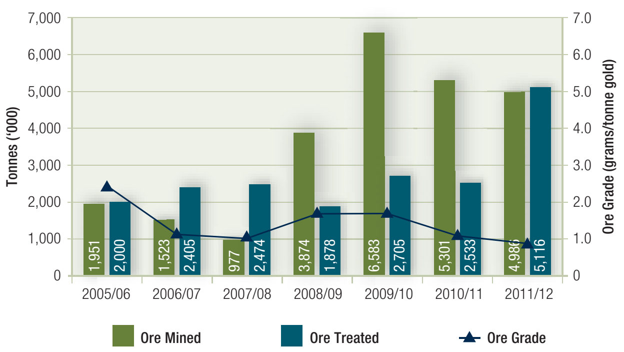
The final stages of commissioning and plant optimisation trials of the Chatree North Expansion Project were largely completed by the end of June. Full scale production will commence upon granting of approvals by the Thai Department of Primary Industries and Mines (DPIM).

Chatree continues to demonstrate world's best practice for safety. The mine has now operated for 20.7 million man hours (9.5 years) without a lost time injury.

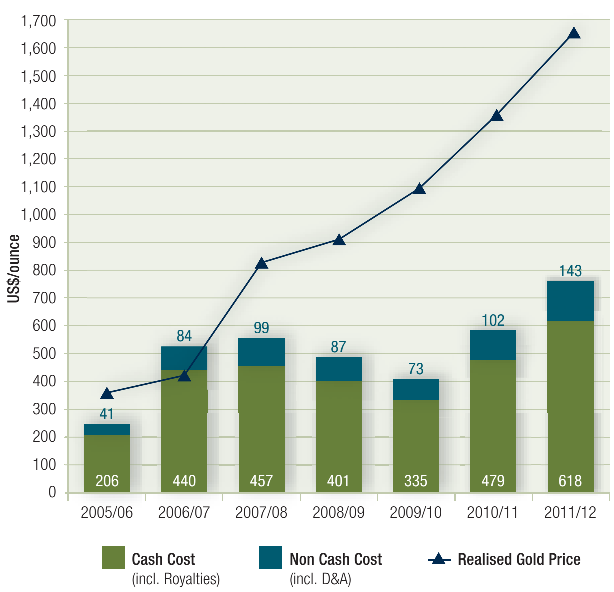
Production



Ore Mined and Treated



Cash Costs and Total Costs



Production & Costs

Gold production for the year was 121,372 ounces with 918,314 ounces of silver.

Ore throughput for the year was 5.1 million tonnes with marginally lower mined average gold head grade and recovery than anticipated. Silver head grades were 10% higher than scheduled but this was offset by 4% lower recoveries.

Total cash costs for the year were US$618 per ounce (US$460 per ounce exclusive of Thai royalties). Average royalty paid to the Thai Government was US$158 per ounce of gold. Total production costs after depreciation and amortisation were US$761 per ounce of gold produced. Chatree's cash and production costs remain lower than world average costs.

At year end, 8.36 million tonnes of ore was stockpiled with an average contained grade of 0.63 grams per tonne representing 170,314 ounces of gold.

Operational Performance

During the year 5.1 million tonnes of ore was mined, with a waste-to-ore strip ratio of 3.2:1. This figure, which was lower than expected, was due primarily to poor availability of excavators, wet weather and reduced working hours in the first half of the year. Working hours were restricted to the daytime for drilling and blasting in A North pit due to noise concerns from neighbours. These restrictions were lifted in June as the pit became deep enough to ensure noise did not adversely affect nearby villagers. Construction of an extensive noise bund also reduced operational noise outside the mine area.

Some 8.2 million Bank Cubic Metres (BCM) of rock were mined at Chatree for the year, including 1.9 million BCM of ore (High Grade, Low Grade and Marginal). In addition to the material removed from the pits, 1.0 million BCM of laterite and clay was dug out from a borrow pit and used for the construction of TSF#2.

A total of 1.37 million Loose Cubic Metres (LCM) of ore was relocated from the Marginal Stockpiles to the primary crusher to supplement ore from the mining pits.

Two areas were mined during the year:

- C North Pushback #2 where 0.86 million BCM of material was removed (0.26 million BCM of ore) at a stripping ratio of 2.4:1 waste to ore. Mining of C North began in July 2011 and was completed in June 2012.
- A Pit where 7.34 million BCM of material was mined (1.36 million BCM of ore) at a stripping ratio of 4.5:1 waste to ore.

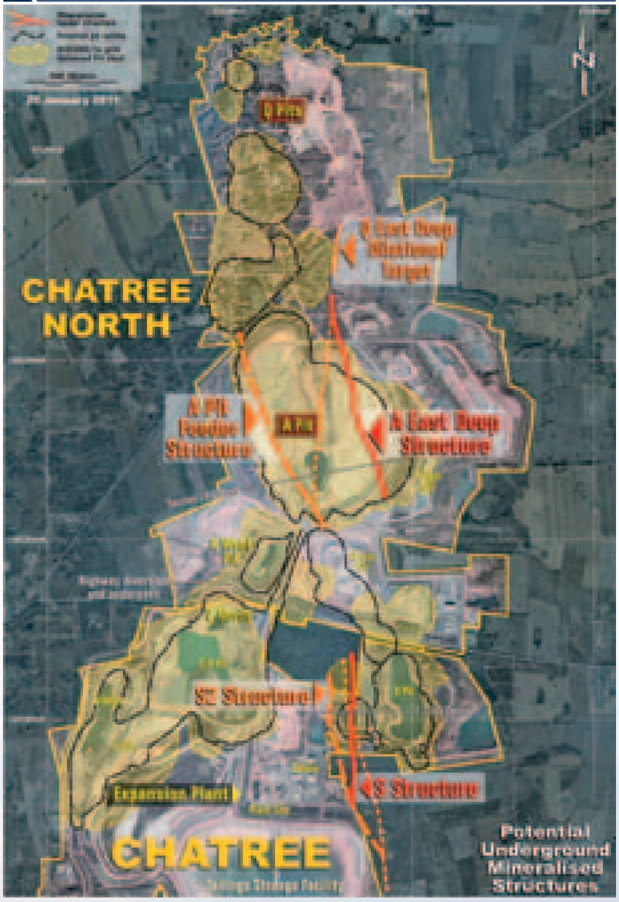
Year 2011 saw the worst floods in 60 years in Thailand. Chatree mine site, with an average annual average rainfall of 1.4 metres, had a recorded total rainfall of 2.3 metres. Most of this rain fell in the months of July (325 mm), August (448 mm) and September (450 mm). These record rains, unprecedented in the history of Chatree mine, had a strong negative impact on the mining operations and particularly in delaying construction of TSF#2.

As storage projections indicated that TSF#1 would be full by June 2012, the completion of TSF#2 by that time was necessary. Earthworks began in July 2011 but by December 2011 a second crew was added to make up for delays due to weather. TSF#2 was completed in June 2012 and was ready to receive tailings soon after.

The mechanical reliability and availability of the in-pit excavators has been a source of ongoing concern over the last two years. To alleviate this problem, a third RH-90 excavator was brought to the site and began working in June 2012.

With A Pit becoming deeper and some 21 million cubic metres of rock needed for the construction of TSF#2, four Caterpillar 777 haulage trucks (100 tonne capacity) were added to the contractor's truck fleet in June and July 2011.

Chatree/Chatree North gold mine



Chatree plant with the recently completed expansion plant

Despite less than ideal mining conditions, mill feed was able to be maintained on target at 5.1 million tonnes with an average head grade of 0.90 grams per tonne gold.

Practical completion of the Chatree North Plant Expansion was achieved on 6 October, 2011. Work continues to ensure optimum performance from the new facilities, including identifying and eliminating any bottlenecks discovered during operations. Total mill throughput of 5.1 million tonnes was 8% over plan and, as a result of the plant expansion, 102% higher than the previous year. Plant availability of 98.4% was virtually the same as last year's 98.5%.

Safety

Chatree has now achieved an enviable nine and-a-half year period representing 20.7 million man hours of operations and construction activity without a lost time injury (LTI). Chatree retains its mantle as the world's safest gold mine, based on publicly available data. Management continues to be grateful to all employees and contractors for the attention to safety and care for each other – and without whom this notable achievement would not be possible.

In recognition of this achievement and of our safety standards and emergency response preparedness, Chatree Mine received the Thai Zero Accident Gold Award – one of only nineteen companies in Thailand to receive it – and the Thailand National Occupational Health and Safety Award 2012. Chatree achieved second place in the National Emergency Response Team Competition 2012.

Mining activities – C North Pit high grade zone

Plant Expansion

The parallel crushing and processing plant circuit at Chatree has been constructed as a separate 2.7 million tonnes per annum (Mtpa) ore processing plant located besides the existing 2.3 Mtpa processing plant. This has resulted in a combined total 'name-plate' ore processing capacity of 5 Mtpa.

The final stages of commissioning and plant optimisation trials of the Chatree North Expansion Project were largely completed by the end of June 2012. Warranty testing and completion guarantees associated with the EPC Contract were finished during June. Plant optimisation to improve throughput and recovery rates is due for completion during the September 2012 quarter. Full scale production using the combined plants will commence upon granting of the required operating licences.

The Chatree North Expansion Project will be completed once the TSF#2 project is finished and will be "on time and on budget" despite cost escalations across the resource industry. Implementation and operational familiarity with the expanded plant will lead to significant efficiencies of scale, reduction of costs and increased recoveries at Chatree.

Operations Statistics

Physicals

		2011/12	2010/11	Change on Prior Year
Waste mined	bcm	**6,258,662**	6,128,347	2%
Ore mined	bcm	**1,947,275**	2,352,427	-17%
Waste:ore ratio		**3.2**	2.6	23%
Ore mined	tonnes	**4,986,173**	5,301,052	-6%
Ore treated	tonnes	**5,115,720**	2,532,926	102%
Head grade (gold)	Au g/t	**0.9**	1.1	-16%
Head grade (silver)	Ag g/t	**11.6**	15.7	-26%
Gold recovery	%	**84.4**	87.2	-3%
Gold poured	ounces	**121,372**	76,248	59%
Silver poured	ounces	**918,314**	549,699	67%

Cost category

	2011/12 $US/oz Gold Produced	2010/11 $US/oz Gold Produced	Change on Prior Year
Direct mining expenses	**666**	545	22%
Refining and transport	**4**	4	0%
By product credit	**(210)**	(187)	12%
Cash operating cost	**460**	362	27%
Royalty	**158**	117	35%
Total cash cost	**618**	479	29%
Depreciation / amortisation	**143**	102	40%
Total production cost	**761**	581	31%

CHATREE EXPLORATION

Resource development drilling continued within the Chatree Mining Leases (MLs) in the early half of the year and principally focussed on areas within A Pit and K East Pit. A total of 5,678 metres (m) of Reverse Circulation (RC) drilling and 2,388 m of Diamond Drilling (DD) were completed during the year. Decreased levels of drilling activity are due to the expiry of the Special Prospecting Licences (SPLAs) adjacent to the Chatree Operations. Reduced drilling activity provided the opportunity to conduct a comprehensive technical review of the underground potential within the Chatree Mining Leases. Several advanced high priority gold targets are currently identified within the mining lease at A Pit and C South. Drilling of these targets has now recommenced.

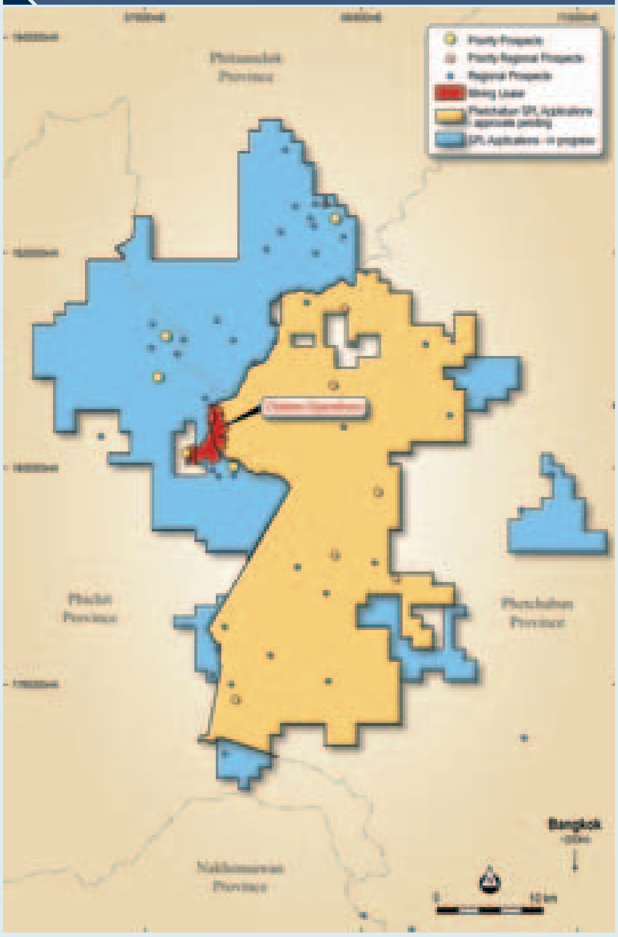
Pending the grant of Phetchabun and Phichit Province SPLAs, several advanced resource development prospects stand ready for detailed drilling.

A Pit

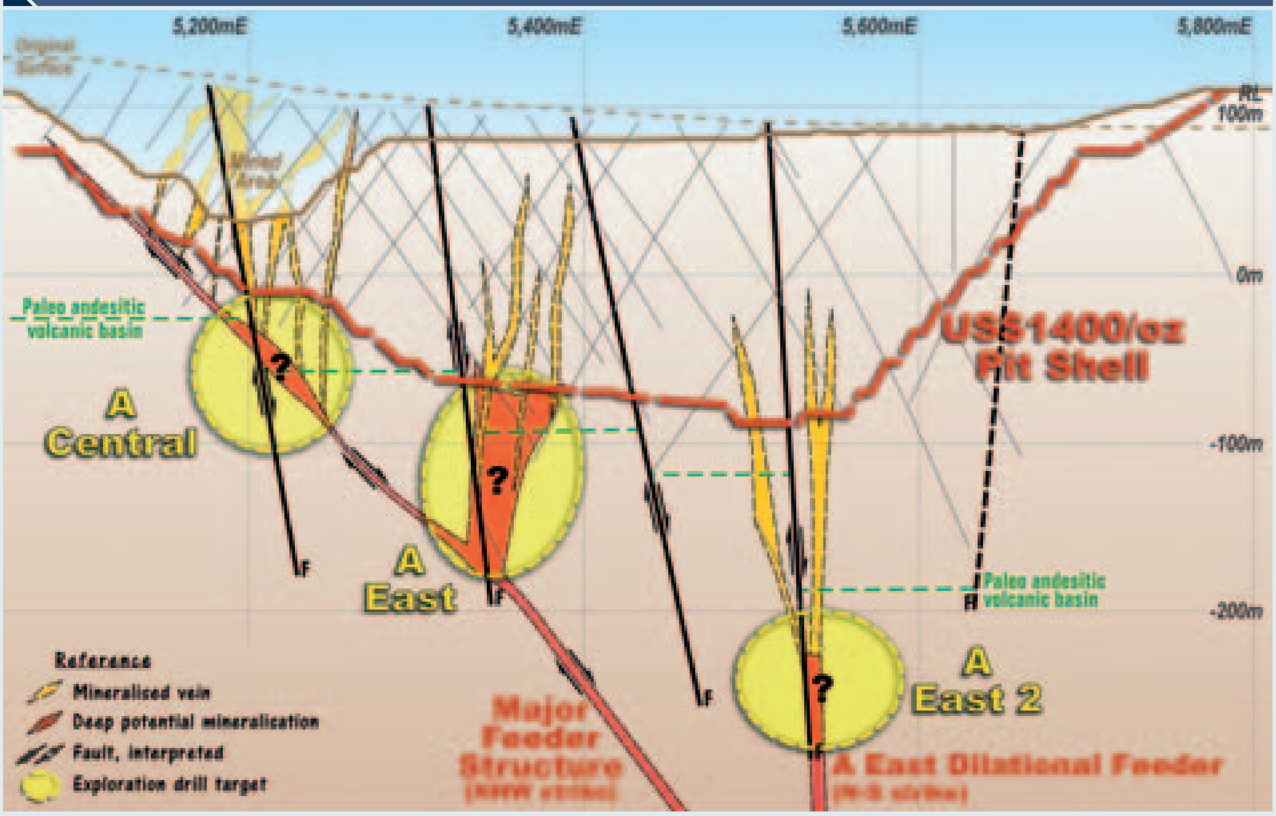
A drill program that was designed to assess additional mineralised structures directly beneath A Pit and the A East structure has delivered positive results with the best results being:

- 1.5 m x 32.30 g/t Au from 408.9 m including 0.8 m x 60.00 g/t Au from 408.9 m;
- 19.4 m x 2.19 g/t Au from 279.6 m, including 1 m x 22.40 g/t Au from 298 m;
- 17 m x 3.05 g/t Au from 148 m including 4 m x 8.06 g/t Au from 151 m and 1 m x 11.40 g/t Au from 161 m, 23 m x 3.28 g/t Au from 189 m including 6 m x 9.49 g/t Au from 196 m; and
- 19.83 m x 1.30 g/t Au from 221.67 m including 5.00 m x 2.74 g/t Au from 226 m and 9.80 m x 3.51 g/t Au from 266.0 m including 1.90 m x 10.72 g/t Au from 269.6 m and 2.00 m x 5.19 g/t Au from 303.0 m.

SPL Applications around Chatree



A Pit Cross Section – 19,600 North



K East Pit

Drilling around K East Pit was designed to intersect depth extensions to the orebody beneath that pit. Several holes were drilled into the targets during the year including a significant intercept of 29 m @ 1.74 g/t Au from 151 m (including 3 m @ 5.42 g/t Au and 7 m @ 2.44 g/t Au).

A combination of drilling results and lowering of the cut-off grade to 0.3 grams per tonne gold (g/t Au) has seen a slight increase in the Mineral Resources to 3.81 million ounces (Moz) of gold in 169 million tonnes (Mt) of ore at an average grade of 0.7 g/t Au. Contained within the Mineral Resource estimate is 32 Moz of silver at a grade of 5.9 g/t.

Ore Reserves decreased to 1.9 Moz of gold in 61.7 Mt of ore at a grade of 1.0 g/t gold. This represents a 41% decrease in Ore Reserves (~610,000 oz) after mining depletion over the past year. Contained within the Ore Reserve estimate is 19 Moz of silver at a grade of 9.4 g/t.

Underground Review

With the maturation of near-surface exploration within the MLs, attention has turned toward understanding the controls of the higher grade mineralisation at depth and their host structures. Whilst this assessment continues, several open-ended high grade lodes have been identified within A Pit and C South. Drilling of these lodes below the exiting pit will commence in August 2012. Two high grade structures within A Pit, termed M01 and M04 lodes, lie in close proximity. Confirmation of higher grades and the continuity of these two structures down-plunge will provide the operation with significant resource and reserves upside. A Pit could be deepened or the business case strengthens for an underground operation within or below A Pit.

CHATREE SUSTAINABILITY

Chatree adheres to Kingsgate's Sustainability Policy, a copy of which may be obtained from the Company's website (www.kingsgate.com.au). The primary aim is to manage the Chatree asset ethically, so the people of Thailand and the Company prosper together, enjoying safe, fair and rewarding work relationships and a healthy living environment.

The following sustainability section is a summary of a separate detailed document termed "The 2012 Akara Mining Limited Sustainability Report", which is published in both English and Thai language and will be available on Kingsgate's website.

Community

Chatree Gold Mine is located 280 km north of Bangkok on the provincial border between Phichit and Phetchabun provinces. The many villages around Chatree still lead a predominantly agrarian lifestyle, with rice growing as the main activity. It is important, therefore, that Chatree is a good corporate citizen for our immediate neighbours and in Thailand generally. Chatree has as a primary goal to minimise the impact of mining operations to those living and working nearby. We seek to achieve this through regular meetings and consultation with local government and village groups and through assisting the community in times of need.

Employees

Chatree has been free of lost time injuries for the ninth year in a row. This exemplary safety record safety would be difficult to achieve without management support. It is the employees and contractors who have made a safe workplace a reality by ensuring a safe environment for themselves and their workmates. The Chatree employees and contractors have excelled in this regard and Kingsgate congratulates and thanks them for their unstinting efforts.

As a first rate workforce is essential to our success, we continue to offer comprehensive training in relevant safety and job-related areas to all our people. We also assist our employees to obtain tertiary education qualifications. This year Kingsgate sponsored five employees to graduate and Masters degrees. Thus far, thirty three employees have been sponsored for Masters level degrees, eight employees for Bachelor level degrees and eight employees for Diploma Certificates.

Water

While rainfall can occur year round, it is generally concentrated in the annual monsoon. The responsible management of water is therefore of utmost importance to Chatree Mine and to the surrounding area. Chatree operates on a nil-release basis; all rain falling on the mine lease is harvested and no water leaves the site. This requires continuous management of usage, quality and storage. Twenty-nine surface water and thirty-three groundwater quality sampling sites have been established, all of which are regularly monitored and sampled. To date, no results from any of these sites have caused concern.

To gauge any potential drawdown impact on local groundwater, the mine regularly monitors eighty water table measuring stations, located on the mine site and in surrounding villages. Water levels rise and fall seasonally but no long term adverse trends have been identified.

Environmental Audit

The tenth annual Tailings Storage Facility audit was undertaken: Knight Piésold found that the tailings facility continues to be operated well and that the Processing Department demonstrates a good understanding of the facility. Concern was expressed about the steepness of two access ramps which have since been remediated.

In February 2012, Environ Australia Pty Ltd undertook the eleventh "whole of site" environmental audit of the Chatree Mine. The audit is designed to assess compliance with conditions in the Mining Leases, corporate commitments made in the current Environmental Impact Assessment, adherence to Board environmental policy, observance of the Australian Minerals Industry Code for Environmental Management and Enduring Value and our environmental performance overall. The audit concluded that, with the exception of a controlled discharge from D Pit during the monsoonal floods, Chatree's operations "comply with most statutory requirements as well as voluntary environmental commitments made".

Cyanide Management

Chatree continues to meet all requirements of the International Cyanide Code for Gold Mining Operations. The Code mandates strict protocols for the manufacture, transport, storage and use of cyanide. As part of the plant expansion, the operation will move to the use of solid cyanide delivered and dispensed from sealed containers (ISOtainers). This system improves the safety of transportation and usage. No Code audit was required this year, the next being due in 2014.

Readings of discharge to the tailings storage facility are taken every 20 minutes. Not one of more than 25,000 readings during the year showed our discharge of cyanide to exceed the 20 mg/L CNTOT standard. The highest monthly reading obtained was 10.2 mg/L CNTOT with an annual average of 7.2 mg/L CNTOT.

Birds continue to nest and breed near the tailings storage facility, confirming that our cyanide discharge presents no environmental hazard. Ongoing cyanide destruction is also assisted by numerous introduced micro-organisms which are able to degrade free cyanide to carbon dioxide and ammonia.

Incident reporting

There were 54 environmental events during the year. All were minor and there were no reportable incidents. The increase in the number of spills in 2012 (up from 14 in 2011) is due to a change in corporate environmental policy, whereby all spills are reported, regardless of size. In prior years, only oil spills more than 20 litres were reported.

Rehabilitation

No contaminated land issues arose during the period. The rehabilitation program is ongoing with areas contoured and planted as soon as is practicable. Trials of various species are undertaken to ensure the optimal results for each location. Many species of trees and grass have been sown successfully across the site. Some 17.4 hectares were rehabilitated last year and 31.4 hectares of rehabilitation is planned for the present year.

Dust Management

Chatree's aim is to produce minimal dust and noise and thereby reduce neighbouring concerns by maintaining all mine roadways in good order through regular gravel sheeting and watering. Effective noise bunds have been developed around operations. In some circumstances, operations have been restricted to daylight hours. Dust monitoring stations have been established in fourteen surrounding villages. All results from the regular monitoring and sampling program have been within required quality standards.

Construction of TSF#2 at Chatree

Challenger Gold Mine

South Australia

Summary

Full year gold production was 87,388 ounces, with an average grade milled for the year of 4.55 grams per tonne. Total cash costs for the year were $835 per ounce.

Water supply and security was an issue during the year with the failure of bore number four early in the year resulting in ongoing restrictions in all areas of the operations. A replacement bore was re-drilled and on line by February 2012 and a second parallel line feed was established to ameliorate future water supply issues.

The second lift to Tailings Storage Facility Number two (TSF#2) was completed in October 2011, with the stage 3 lift expected to be complete by June of 2013.

Ongoing improvements in the village continue including additional accommodation units, upgrade of old rooms and expansion of the wet and dry mess facilities. An independent environmental survey reported mining operations had no significant impact on local flora and fauna.

Operations Statistics

		2011/12	2010/11	5 months* Feb to Jun 2011
Ore tonnes mined	tonnes	**606,659**	629,312	232,251
Ore tonnes milled	tonnes	**644,629**	683,913	289,397
Head grade (gold)	Au g/t	**4.6**	4.7	4.3
Gold recovery	%	**92.4**	92.2	92.2
Gold production	ounces	**87,388**	96,645	36,886
Cash costs per ounce	A$/oz	**775****	786	877
Cash costs/tonne milled	A$/t	**105****	111	112

* *The period of 5 months from February to June are attributable to Kingsgate Consolidated Limited.*

** *Cash costs exclude royalties of A$60/oz.*

Production & Costs

A total of 644,629 dry tonnes of ore at 4.55 grams per tonne was treated. The average mill grade was lower than budgeted because of insufficient higher grade ore from underground. The average throughput rate for the year was 77 tonnes per hour with all available ore mined being fed to the mill.

Gold production was lower than expectations at 87,388 ounces. Availability at 95.3% was slightly below budget of 96.5% and the recovery at 92.4% was below budget of 93%.

The year to date adjusted cash operating costs were $835 per ounce with total site operating cash costs of $67.5 million. Total cash expenditure including operating, capital and exploration was $130.9 million.

Capitalised expenditure for the mine was $43.5 million which extended the decline, level accesses, cross cuts, ventilation accesses, stockpile bays and diamond drill drives along with electrical and dewatering stations.

A total of $10.2 million was spent on sustaining capital including the TSF#2 lift, new primary jaw crusher, drilling of a new water bore, village infrastructure and upgrades, Krupp 90 tonne crane and routine mill liner works and maintenance.

Operational Performance

Mine production for the year totalled 606,659 tonnes of ore at a reconciled grade of 4.74 grams per tonne comprising 509,520 tonnes at 5.43 grams per tonne of high grade ore and 97,139 tonnes @1.11 grams per tonne of low grade. The main M2 Lode provided 68% of mined ounces with 12% of ounces mined from M1. Compared to the previous financial year, M2 contributed a lower percentage of the total ounces mined due to increased contributions from the Challenger West and Aminus Lodes. Challenger West Lode, which was mined for the first time in 2012, contributed 8% of total ounces from limited development and stoping.

Ore production from the Main M2 and M1 lodes during the year was adversely impacted by mining up to the "79 fault", which truncates these lodes on the current mining levels.

Gold production of 87,388 ounces for the year was achieved by processing ore with an average grade of 4.55 grams per tonne. The shortfall in budget production tonnes mined was due to a short fall in mine development and lack of high-grade development ore resulted in 97,139 tonnes of low grade feed to supplement mill production. This had a negative impact on the average annual head grade of 0.57 grams per tonne.

Significant Resource Intersections

Significant M1 intersections

Grade	Intercept RL
0.4 m @ 29 g/t Au	241 m

Significant M2 intersections (Below '79 Fault)

Grade	Intercept RL
1.9 m @ 12.1 g/t Au	192 m
0.3 m @ 12.5 g/t Au	222 m
1.5 m @ 67.8 g/t Au*	216 m
2.0 m @ 16.6 g/t Au*	215 m

Significant M3 intersections

Grade	Intercept RL
1.3 m @ 47.5 g/t Au	1027 m
1.0 m @ 29.8 g/t Au	1027 m
2.1 m @ 15.8 g/t Au	1028 m
1.0 m @ 71.8 g/t Au	1028 m
1.0m @ 11.8 g/t Au	1026 m

Significant SEZ intersections

Grade	Intercept RL
2.0 m @ 14.1 g/t Au*	290 m
1.1 m @ 13.8 g/t Au	290 m
0.9 m @ 15.7 g/t Au	1049 m
2.1 m @ 12.5 g/t Au	1044 m

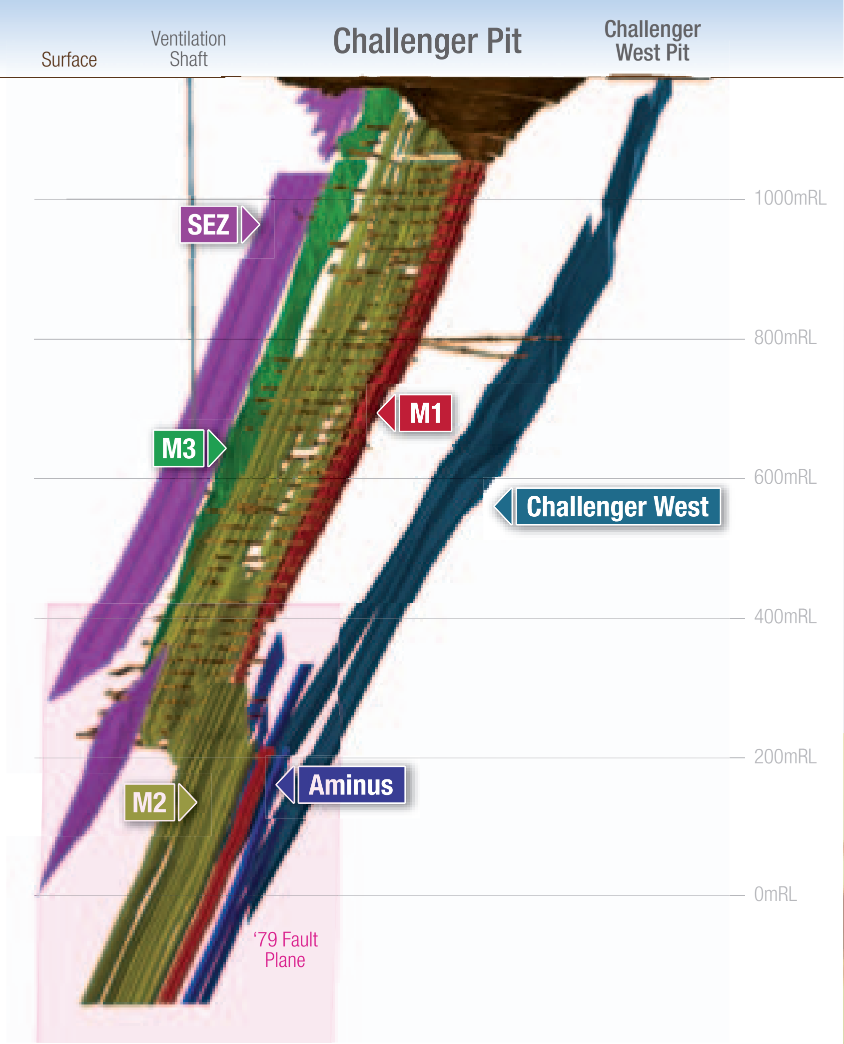
Significant Challenger West intersections

Grade	Intercept RL
0.6 m @ 28.6 g/t Au	852 m

Significant Aminus intersections

Grade	Intercept RL
1.0 m @ 81.0 g/t Au	240 m
0.3 m @ 1443.1 g/t Au	239 m
3.0 m @ 16.5 g/t Au	240 m

*Reported in March 2012 Quarterly



Development

The current decline and mining front of the M1/M2 orebodies has been offset by approximately 150 metres to the north west by a significant fault structure referred to as the "79 Fault". The offset of the main lode by the 79 Fault has resulted in the decline being switched to a more suitable position relative to the ore body on the northern (far) side of the fault. The change has required a significant amount of waste development to re-establish a stoping front and maintain the vent and second means of egress.

The mine schedule saw a concerted focus on development on two fronts with the new high grade shoot at Challenger West on the 800 and 790 RLs and the shift to the north western side of the 79 Fault on the 215, 205 and 195 RLs. A total of 6,217 metres of development was achieved for the year which was 532 metres below budget.

The Challenger West (CW) ore body has proven to have significant grade with the initial 800 mRL trial level and 790 mRL development nearing completion. The CW ore body currently has the highest grade in the mine and has the potential to extend from the surface to the base of the mine. A primary target for the next 12 months is to set up for stoping in CW which will make a significant contribution to ore production over the coming years. CW is offset over 300 metres from the existing orebodies and requires significant development to set up two means of egress, flow-through vents and stoping.

Operational Health and Safety

During 2012 there were two incidents resulting in lost time injuries, nine restricted work injuries and fourteen medically treated injuries, an overall reduction of 11 percent on the previous year's recordable injuries, total injuries reported have increased by 1.4 percent.

The Health Centre was involved in the coordination of five air medical evacuations. Four of these evacuations were due to non-mining related medical conditions; the fifth was an injured driller from a unrelated exploration company.

Health programs delivered on site include health assessments and lifestyle promotional programs. The Health Centre has commenced a remote health care clinic in conjunction with the RFDS aimed at the provision of advice, assistance with private medical conditions and other issues. The employee assistance program continued to be well utilised by personnel on site for both private and work-related counselling services.

The site's emergency preparedness response and recovery capabilities have been further enhanced by the ongoing review and development of the site Emergency Management Team. This review process has involved real time exercises, document review and training for site senior personnel. Challenger Emergency Response Team won second place at the South Australian mines rescue competition.

CHALLENGER EXPLORATION

Exploration expenditure in 2012 totalled $11.0 million comprising $2.2 million of resource development and delineation of targets outside of the reserve and $8.8 million on underground development of lodes outside of the reserve. The expansion of the underground diamond drilling team allowed accelerated drilling of priority targets within the peripheral lodes that have potential to add to Resources and Reserves at previously developed levels. Ongoing evaluation of conceptual targets was also facilitated.

Challenger South West was targeted with eleven surface RC holes totalling 1,370 metres. This infill program targeted potential hidden high-grade shoots. Two holes returned significant intersections (best intersection of 3.0 metres @ 9.47 grams per tonne gold) in otherwise broad low grade mineralisation.

Traditional surface and underground exploration drilling near-mine has focussed on the known lodes and peripheral features within the "Challenger Matrix" model. There is potential to extend these positions where historical RAB drilling has been relatively sparse. A program of underground wildcat diamond drill holes is proposed to test across the Challenger matrix to search for repeat low strain positions (gold 'traps').

South East Zone (SEZ)

The SEZ structure was targeted on the 1040–1000 levels identifying localised high grade mineralisation including 2.76 metres @ 26.73 grams per tonne and 2.07 metres @ 12.49 grams per tonne within an elongate low grade feature. This is now being evaluated from the 1100 level. The south westerly extension of the SEZ, identified adjacent to the 280 Level Diamond Drill Drive (formerly termed 'Far East Structure'), was targeted with a horizontal fan of holes, from which two high grade intersections were returned. Further drilling is planned to evaluate the eastern portion of SEZ from this location.

Resource Development

Resource development primarily involved underground diamond drilling testing the various Challenger lodes. The main strategy was the ongoing evaluation of the M1 and M2 shoot systems below the 79 Fault, as well as the Challenger West lodes. A total of 27,784 metres was drilled from underground into a number of targets. This comprised 6,295 metres of development drill core into targets within the known Reserves and 21,489 metres of drill core into targets outside the known Reserves.

M2 Shoot System below the 79 Fault

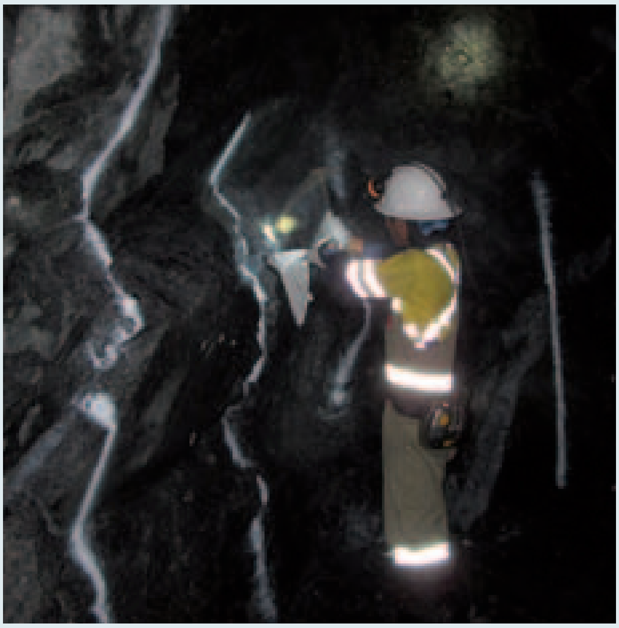
Systematic vertical fan drilling from the 280 level exploration drive to evaluate continuity of the main shoot system below the 79 Fault was completed early in the year. Further intersections confirmed the offset position of the shoots as previously interpreted from surface and underground drilling. The probable reserve of the main M1-M2 shoot system exists down to 0 mRL and inferred resources down to – 300 mRL. A strategic decision was made to target M2 beyond the fault which was highly successful and further delineated the new extended position.

Challenger West

The Challenger West Shoot continued to be a focus of resource development drilling, and was targeted with programs from the 800, 720 and 680 levels (targeting 740 – 470 mRL), 300 level (targeting 200 – 130 mRL), and 215 Level (targeting 210 – 170 mRL). The narrow nature of the lodes made targeting difficult but visible gold was encountered in one drill hole and the deepest intersection to date was also identified at 136 mRL. Drilling is ongoing from the 215 level to demonstrate continuity of the lode, which has been verified from a recent intersection of 0.35 metres @ 100.71 grams per tonne with associated visible gold returned from 165 mRL.

Aminus

A series of programs were completed on the 280, 260 and 240 levels targeting Aminus as a response to historical surface diamond drilling intersections (as part of the M1-M2 resource drilling from surface). A number of narrow high grade intersections including 1.00 metre @ 50.53 grams per tonne gold were returned. The best intersections were along the northern longer feature of Aminus, whereas previous mining of this lode on other levels had been on the southern feature and was relatively modest. As a result, this lode was successfully mined on the 280, 260, 240 and 205 Levels.



CHALLENGER SUSTAINABILITY

Employees

The total Challenger workforce is 257, comprising 98 Kingsgate personnel and 159 contractors. Recruitment and retention of staff continues to be a significant issue with turnover for Challenger permanent employees being in the order of 37%. Contractors engaged through employment agencies have been utilised throughout the year to cover permanent roles, particularly in processing and maintenance.

The site has been successful in recruiting technical staff by promoting Challenger as a technically interesting operation. Updated rosters have kept the mine competitive. There is a marked increase in the salary expectations of mid-range technical staff and upward salary pressures are expected to continue. Staff retention continues to be a large issue with extra training causing additional pressure on trainers, administration and supervisors.

Community

The remoteness of Challenger mine – 310 kilometres by road from the nearest town at Coober Pedy – reduces the capacity for local involvement with surrounding communities. Challenger continued to support its nearest communities with local sponsorships including;

- The Umoona Community Council;
- Glendambo Pastoralists Ball;
- The Royal Flying Doctor Service; and
- The Coober Pedy Football Club.

Challenger is located within the Commonwealth Government, Woomera Prohibitive Area (WPA). The Department of Defence continues to utilise the area for rocket testing and other commercial activities.

Challenger Mine has fostered strong relations with the University of Adelaide over the past eight years. Each year selected students from the Schools of Geology and Mining Engineering undertake field trips to Challenger, where they experience a very detailed and hands-on introduction to mining. Kingsgate offers academic bursaries and prizes to students in both disciplines.

Environment

Environmental surveys were undertaken by independent environmental specialists during the spring of 2011. The surveys report that mining operations at Challenger had no significant impact on flora and fauna assemblages and communities surrounding the mine site.

Full details of all environmental monitoring reports and a detailed review of all environmental issues are contained within the 2012 Mining and Rehabilitation Compliance Report (MARCR). The MARCR can be downloaded from DMITRE's website (www.minerals.dmitre.sa.gov.au) and can be found using the search word "Challenger".

Water Usage

Production bore four, which failed in 2011, was re-commissioned by January 2012 to supplement provision of water to the processing circuit. A total of 429,200 tonnes of water was used to process 644,544 tonnes of ore at a ratio of 0.67 tonnes of water to one tonne of ore. Water usage was reduced onsite via recycling of supernatant water from TSF#2 via the decant water return system. Improvements in the operation of the processing plant have reduced the amount of water sent to the TSF which allows a greater volume of water to be retained in the processing circuit.

Water Quality

Challenger's groundwater quality criteria for monitoring bores were updated in the 2012 Program for Environmental Protection and Rehabilitation ("PEPR"). Criteria revision focussed on total dissolved solids (TDS), pH, arsenic and cyanide limits in the groundwater monitored south of the TSF. The annual groundwater review reported that concentrations have remained relatively stable and there is no evidence of groundwater contamination.

Incident Reporting

Challenger's online incident reporting system was upgraded during the financial year. New reporting commitments were made in the revised PEPR. These commitments state that all spills greater than twenty litres must be reported to the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE). New reporting commitments, together with an improved reporting culture at Challenger saw the total number of reported incidents increase. A total of seven environmental incidents were reported to government regulators with the majority of these assessed as low risk and comprising leaks of hypersaline water along the production bore line. All incidents were investigated and were closed out before the end of the financial year.

Environmental Audit

An independent environmental compliance audit was undertaken by specialist consultants Outback Ecology in January, 2012. The compliance report was submitted to DMITRE as part of the annual MARCR in April, 2012. The compliance audit identified action tasks which have now been completed.

Cyanide Management

Groundwater monitoring was sampled quarterly via monitoring bores around the TSF in line with Challenger's PEPR. The supernatant pool water was well managed throughout the year with the cyanide concentration remaining below the adopted guideline limit of 0.5 mg/L within the TSF. The South Australian Environmental Protection Authority (EPA) revised the cyanide groundwater limit to 0.08 mg/L in December 2011. To date cyanide groundwater quality has remained under the revised limit.

Rehabilitation

Ecosystem Function Analysis (EFA) was monitored at five previously-established sites around Challenger for the eighth successive year. EFA monitored Acacia and Chenopod sites located within the mining lease and compared these with the eastern and western Integrated Waste Landform (IWL) monitoring sites. Additional monitoring sites will be installed in August 2012 on the lower embankment of TSF#2 and pastoral lease.

The 2011 EFA report concluded that the eastern and western IWLs at Challenger support stabilizing ecosystems which display positive responses to rainfall, with changes in annual perennial vegetation influencing soil indices and stability.

Other initiatives such as Progressive Rehabilitation and Closure (PRAC) tasks were completed to ensure that Challenger is meeting its closure criteria progressively prior to mining being completed. In October 2011 a crest bund was installed around the top of the integrated waste land forms (IWLs) to manage water flow from the top of the landforms. The lower embankment of TSF#2 was rehabilitated in October 2011 and seeded with endemic native seeds.

Dust Monitoring

The latest annual particulate dust monitoring program was completed in July 2012 with samples sent for analysis by Amdel. Results are forthcoming. Specific dust monitoring (analysed on site) was conducted in two areas (600L crib room and 680L rise) where underground personnel reported possible high dust levels. The cause of the 600L "dust" was not determined as by the time monitoring was conducted the conditions had returned to normal. The rise miner working in the 680 reported high dust levels while bogging was occurring in the 700L. Supervisors reviewed the bogging and loading procedure and ensured watering down was conducted correctly. Subsequent low levels from dust monitoring indicated that the remedial action was effective.

Projects Report

NUEVA ESPERANZA

Chile

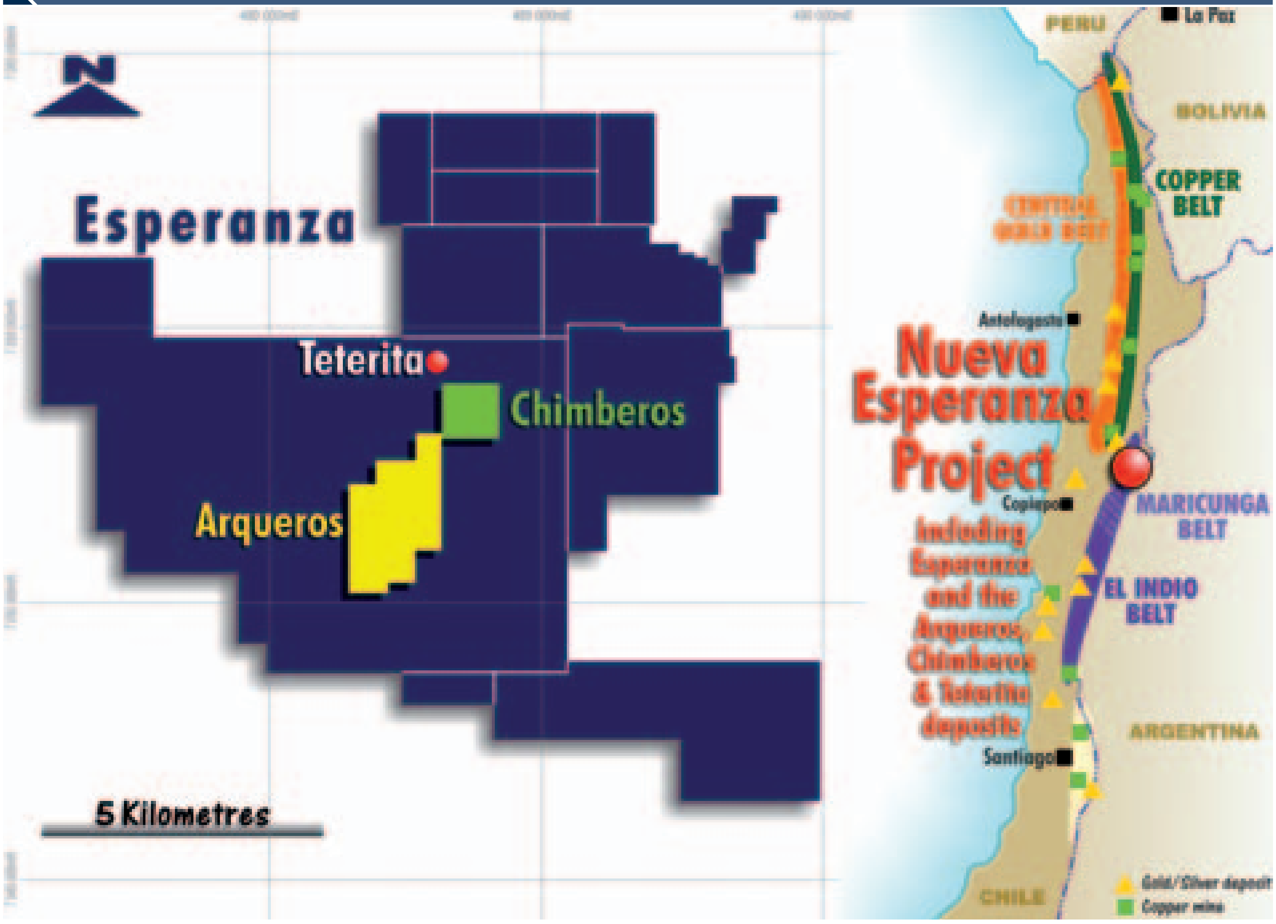
Summary

The Nueva Esperanza Project (formerly the Arqueros Project), now 100% owned by Kingsgate, is located near Copiapó, a regional mining centre in the Maricunga Gold Belt of Northern Chile. The silver-rich mineralisation is hosted by high-sulphidation epithermal alteration associated with the Cerros Bravos volcanic complex.

The project consists of three well-defined mineralised deposits and a number of undeveloped exploration targets. The main deposits are Arqueros, Chimberos and Teterita. Arqueros was previously mined on a limited scale by underground methods and Chimberos was an open pit mine, delivering around 40 million ounces of silver in 1998/99. All three deposits currently have a combined Mineral Resources of approximately 85 million ounces of silver equivalent or 1.9 million ounces of gold equivalent (EQ45)[1].

1
- *Gold equivalent on basis of gold/silver revenue ratio of 45; calculated as Au + Ag/EQ (gold plus [silver divided by 45]).*
- *Silver equivalent on the basis of gold/silver revenue ratio of 45; calculated as Au x EQ + Ag ([gold times 45] plus silver]).*
- *EQ = (Price Gold x Recovery Gold) / (Price Silver x Recovery Silver).*
- *Price basis US$1250/oz Au and US$30/oz Ag.*
- *Metallurgical recovery factors 85% Au and 78% silver.*
- *It is the Company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.*
- *Rounding of numbers may generate rounding errors.*

Locations of the Nueva Esperanza Project including the principal deposits Arqueros, Chimberos and Teterita



In June 2011, the neighbouring Chimberos mine and Esperanza mining leases were acquired, delivering to the project additional mineral resources, expanded surface rights and infrastructure associated with Chimberos mine, including the mine camp.

A feasibility study for a development decision for Nueva Esperanza is expected to be completed in late 2012. The Chimberos and Teterita deposits are in an advanced exploration stage, with the latter now incorporated into the project development schedule.

Geology

The mineralisation is hosted within Tertiary-aged volcanic units at Arqueros and Teterita, and in Paleozoic sediments at Chimberos. The alteration and mineralisation are all Miocene in age and associated with the Cerros Bravos paleovolcano.

Mineralisation comprises two main components. Silver-rich horizontal units termed "mantos" (Spanish for blanket) and a series of near-vertical, cross-cutting gold-rich structures. The mantos silver mineralisation is hosted by vuggy silica within dacitic lapilli tuff. Mantos occurs at Arqueros and Teterita where the mineralising process has replaced horizontal porous tuffs. At Chimberos, silver mineralisation is hosted in vuggy silica hydrothermal breccia superimposed on folded Paleozoic sediments.

The vertical gold-rich mineralisation, also characterised by vuggy silica, is well-developed at Arqueros. It has been interpreted as feeders for mineralising fluids. Nonetheless, this style of mineralisation has not yet been observed at Teterita and is poorly preserved at Chimberos.

Resource

The combined Indicated and Inferred mineral resource for the Nueva Esperanza Project is based on resource block modelling of Arqueros, Chimberos and Teterita, and has been estimated at a cut-off grade of 0.5 grams per tonne gold equivalent to be 29.7 million tonnes at 0.25 grams per tonne gold and 79 grams per tonne silver.

This represents about 230,000 ounces of gold and 75.4 million ounces of silver. The Indicated mineral resource was estimated at 21.4 million tonnes at 0.32 grams per tonne gold and 84 grams per tonne silver, representing 220,000 ounces of gold and 57.4 million ounces of silver.

The Indicated and Inferred resource may be expressed in gold or silver equivalent ounces as:

- Gold equivalent ounces (EQ45): 1.9 million ounces at 2.0 grams per tonne gold equivalent; and
- Silver equivalent ounces (EQ45): 86.2 million ounces at 90 grams per tonne silver equivalent.

Feasibility Study

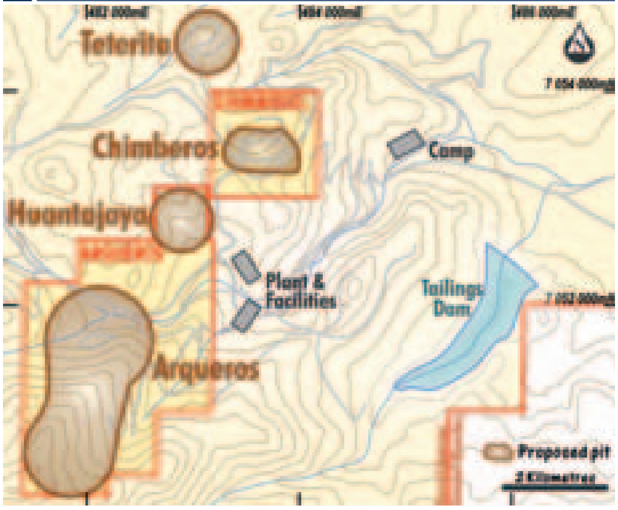
A definitive feasibility study commenced on the project at the end of May 2011 and has progressed steadily, with a development decision expected to be taken late in 2012. The extended timeframe is due to the incorporation of the Teterita deposit, requiring additional drilling, geotechnical work and metallurgical testwork.

The environmental permitting process is nearly complete, extensive community consultation has occurred, and approvals are expected in the last quarter of 2012, which will allow earthworks to commence.

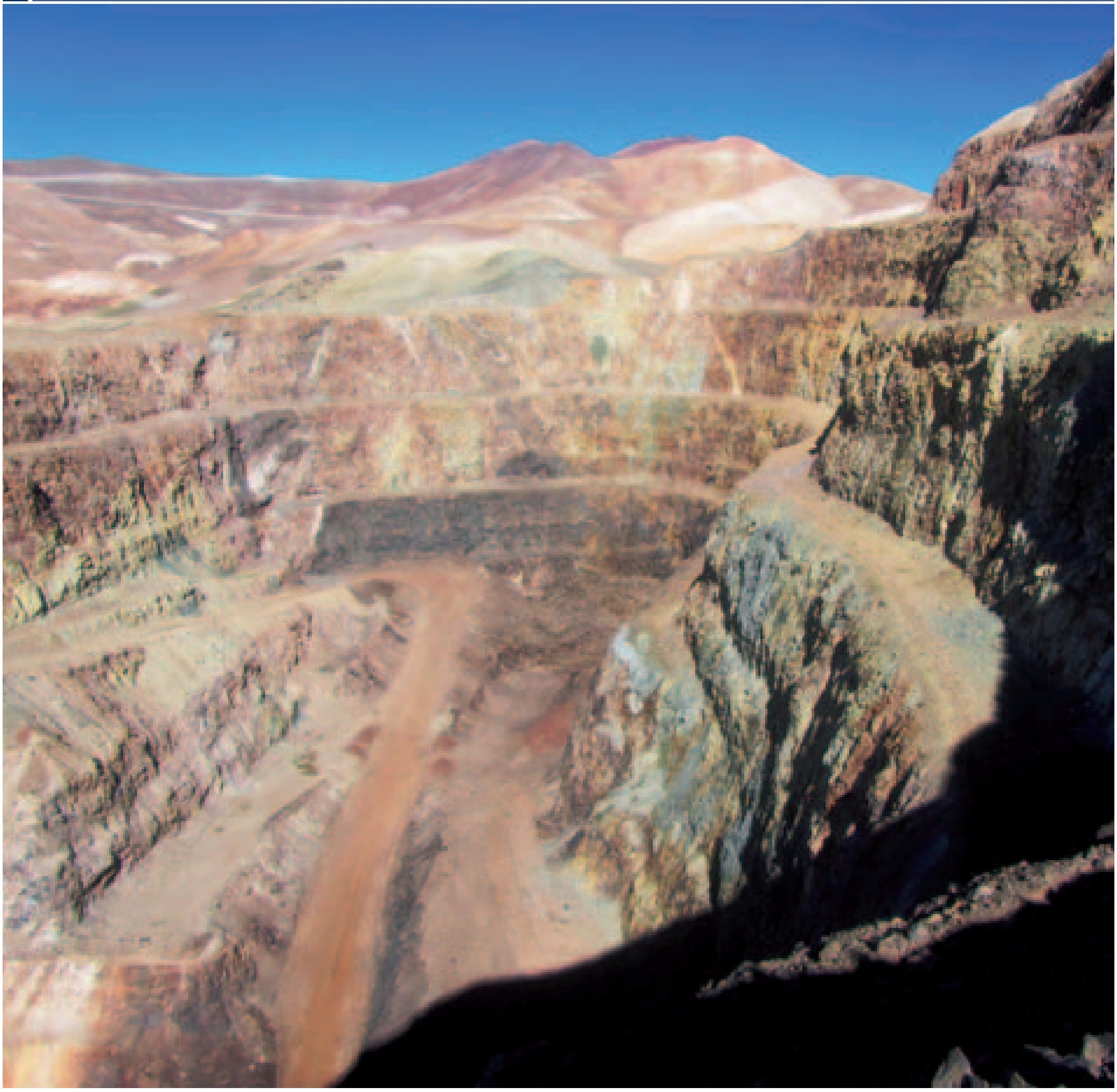
The target is an open-pit mine producing 100,000 to 120,000 gold-equivalent ounces per year, using conventional agitation cyanide leaching in tanks.

Based on current information, it is likely that Teterita (and potentially Chimberos) will supply the mill feed for the first 3 – 4 years of production given a lower strip ratio and the ability to defer the required pre-strip from the Arqueros deposit. With a negligible gold content in these deposits, metal production during this phase will be primarily silver.

The conceptual Nueva Esperanza Mining Complex



Former open pit at Chimberos



Bowdens Silver Project

New South Wales, Australia

Summary

Kingsgate Bowdens Pty Ltd holds two Exploration Licences (ELs) located between Lue and Rylstone in central western NSW. EL 5920 is divided into two separate areas. The Bowdens project is adjacent to the village of Lue some 26 km east of Mudgee.

Silver mineralisation was discovered at Bowdens in the mid 1980s. Prior to Kingsgate's acquisition of the project, 485 exploration drill holes totalling 44,000 metres had been drilled by previous owners. Programs of geophysical and geochemical exploration had also been undertaken.

Geology

The Bowdens Silver Project is situated on the north-eastern margin of the Lachlan Fold Belt. Bowdens is hosted by flat-lying Early Permian Rylstone Volcanics. The Rylstone Volcanics are partially overlain by a sequence of marine sediments of the Sydney Basin (Shoalhaven Group). The Rylstone Volcanics range from 10 to 200 metres thick and are dominated by silica rich volcanically derived rocks.

The silver mineralisation occurs as flat-lying to moderately dipping zones of disseminations and silicic fracture-filling and is closely associated with sulphides of iron, arsenic, lead and zinc. High grade silver mineralisation is also hosted in steeply-dipping fracture zones which host banded sulphide veins.

Resource

The current resource and optimised pit shell for Bowdens is based on block modelling from previous drill data. A JORC-compliant resource calculation was undertaken in late 2011 and the current total indicated and inferred resource (at a 30 grams per tonne silver lower cut-off grade) is 99 million ounces of silver. When the co-products lead and zinc are added the recalculated contained silver equivalent (AgEq) resource is 131 million ounces.[2] The resource model will be updated following completion of the current drilling program.

Feasibility Study

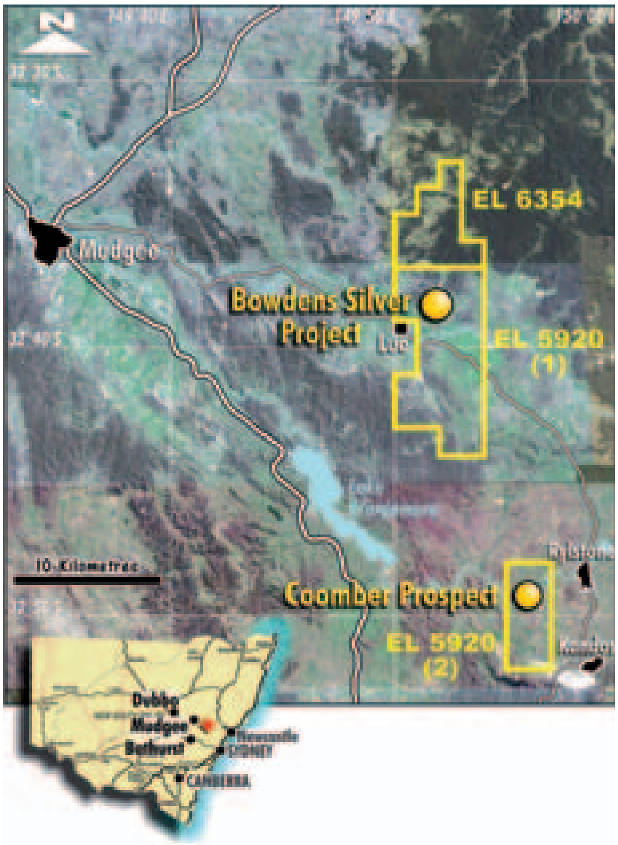
The 2012 exploration drilling program comprises up to 180 holes (total 20,000 metres) incorporating metallurgical core samples, confirmation of the known resource and sterilisation drilling to allow for the planning of mine-associated infrastructure.

Initial results from reverse circulation hammer ("RC") and diamond core ("DD") drilling programs have been encouraging. The DD holes designed for metallurgical test work have confirmed high grade mineralisation. Several RC holes intended for resource definition have returned significant intersections outside of the current proposed pit shell, indicating the potential to increase the current resource estimate.

As at the end of June 2012, the drilling program was approximately 45% complete with envisaged completion by October 2012.

Metallurgical testwork being undertaken by Metcon was close to completion as at 30 June 2012. The testwork is aimed at confirming optimal design parameters being used for the current feasibility study, and reagent optimisation within the flotation process.

Engineering, process and infrastructure studies for use towards a bankable feasibility continued throughout the year.



2
- *Bowdens silver equivalent equation (AgEq) g/t = Ag (g/t) + 22.4 x Pb (%) + 25.5 x Zn (%).*
- *Price basis Ag US$28/oz, Pb US$2,200/t and Zn US$2,200/t.*
- *Metallurgical recovery factors Ag 81%, Pb 73% and Zn 83%.*
- *Cut-off grade for Bowdens is 30g/t AgEq.*
- *It is the company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.*
- *Rounding of numbers may generate rounding errors.*

EIS, Community and Project Approval Process

A Review of Environmental Factors ("REF") document was submitted to the NSW Department of Resources and Energy ("DRE") in late 2011 and approved in December. The 2012 exploration work commenced in January 2012 within the parameters and guidelines of the REF document.

Kingsgate submitted a conceptual project development plan (CPDP) to the NSW Department of Trade, Investment, Regional Infrastructure and Services (TIRIS) on April 2, 2012. The CPDP contains sufficient information to demonstrate that the Bowdens Project is practical, feasible, and can be achieved within existing environmental and other constraints, and optimises resource recovery. The CPDP provides the information required for Government Departments to recognise that planning is sufficiently advanced for the Project to be considered by relevant NSW government agencies in the Government's approval process.

The next required stage is lodgement to the NSW Department of Planning ("Planning") of an Application for the Director General's Requirements (DGR). The DGR document combines the elements of the CPDP and sets out environmental assessment requirements for the proposed development.

Baseline monitoring for an Environmental Impact Statement (EIS) continues. Data for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels are collected routinely. Preliminary investigations of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken on site.

There have been no serious safety incidents reported to date. At the end of June there were over 200 days Lost Time Injury free since exploration activities began on site.

Environmental, regulatory and NSW Government approvals remain the key determinants to the timing of project development at Bowdens. Time lines remain uncertain and recent implementation of a further regulatory step termed a "project gateway" may serve to prolong the approvals process.

Kingsgate has employed an Environmental Manager and a Lands and Community Relations Manager for Bowdens, both of whom are resident on site. They have been engaged to act as the conduit between the local community and the company and their tasks include responding to queries that have arisen through the exploration process.

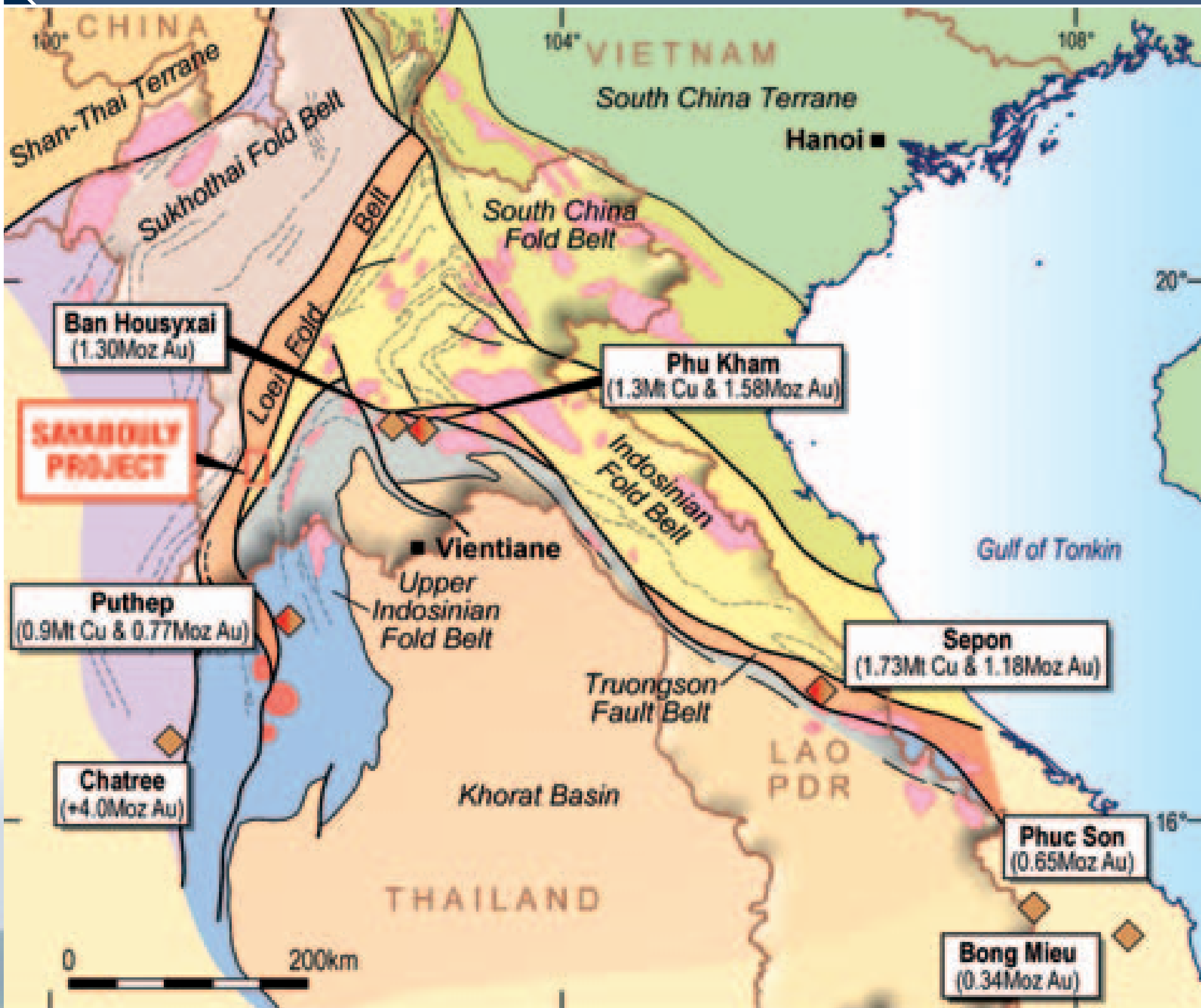
In New South Wales companies are not required to set up a formal community liaison forum whilst a project is in exploration stage. There is no requirement to formally engage the community until and unless a specific project has been approved for development. Nonetheless, Kingsgate has formed the Bowdens Community Liaison Group (CLG) to address issues of concern to neighbours of the project. The CLG held its first meeting on June 8, 2012.

Exploration Report

Regional Exploration – Thailand

Following the expiry of Akara's Special Prospecting Licences (SPLs) in August 2011, regional exploration attention has turned to high priority targets within the Phetchabun Province. Government processing of forty-four (44) key SPL Applications within the Phetchabun Province is now complete and now only awaiting the Minister of Industry's approval. Once approved, exploration drilling will immediately commence on these high value targets where geological mapping and surface geochemistry has identified the presence of epithermal gold mineralisation at surface.

General geology of the Lao PDR – Kingsgate applications



Sayabouly Project – Lao PDR

In May 2012, Kingsgate signed a Concession Agreement between the Government of the Lao People's Democratic Republic and Kingsgate's subsidiary Dominion Metals Pty Ltd and covering the Sayabouly Project.

The project is located in the remote North-west of Lao PDR at the major structural convergence between the Loei Fold Belt and the Truongson Fold Belt. Several major mines are located on or adjacent to these belts, including the Chatree mine, Pan Australian's Phu Kham and Ban Houayxai mines and Minmetals copper/gold mine at Sepon.

Early assay results from surface geochemistry shows an extensive multi-element soil anomaly elevated in copper, platinum, cobalt and nickel. The soil anomaly remains open to the north and is currently defined over eight kilometres in strike and approximately one kilometre width.

This soil anomaly appears to be closely associated with a differentiated mafic-ultramafic intrusive and reconnaissance mapping suggests this intrusive extends for approximate 20 kilometres within the concession.

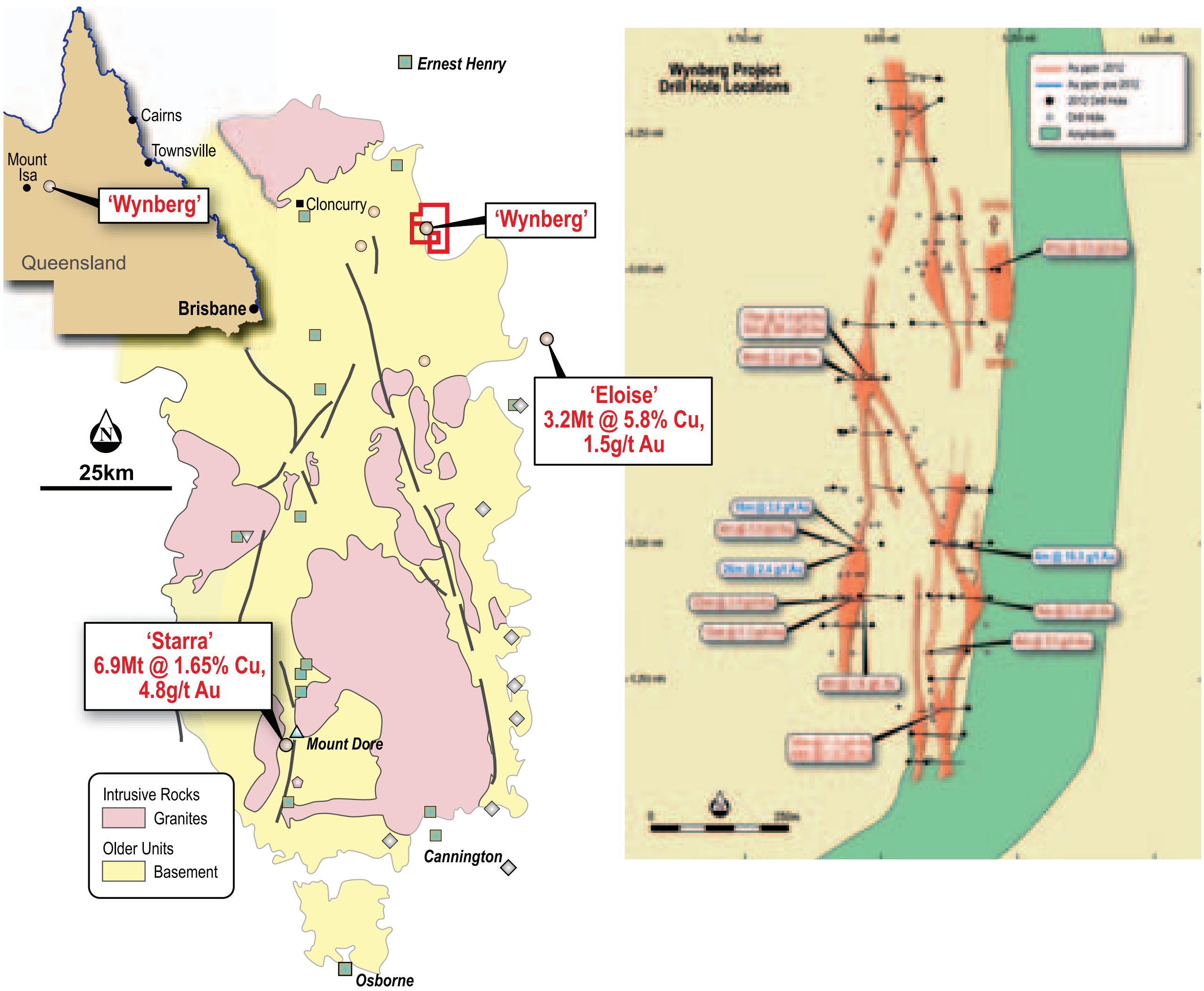
Wynberg – Queensland

Drilling during the year at Wynberg Project has enhanced the resource potential for the prospect, with the discovery of several new zones of mineralisation. Numerous gold intercepts were identified during this recent program and detailed follow up drilling is required. Significant intercepts include:

- 23 metres @ 1.8 grams per tonne gold from 13 metres;
- 41 metres @ 1.6 grams per tonne gold from 5 metres; and
- 3 metres @ 22.4 grams per tonne gold from 50 metres.

Of particular note is new mineralisation encountered in the near surface intercept of 41 metres @ 1.6 grams per tonne gold from 5 metres depth. This intersection is open to the north and south. Drilling on adjacent structures suggests that gold mineralisation encountered thus far is hosted within near-vertical shear zones.

Wynberg Project, Queensland



Regional Exploration – Australia

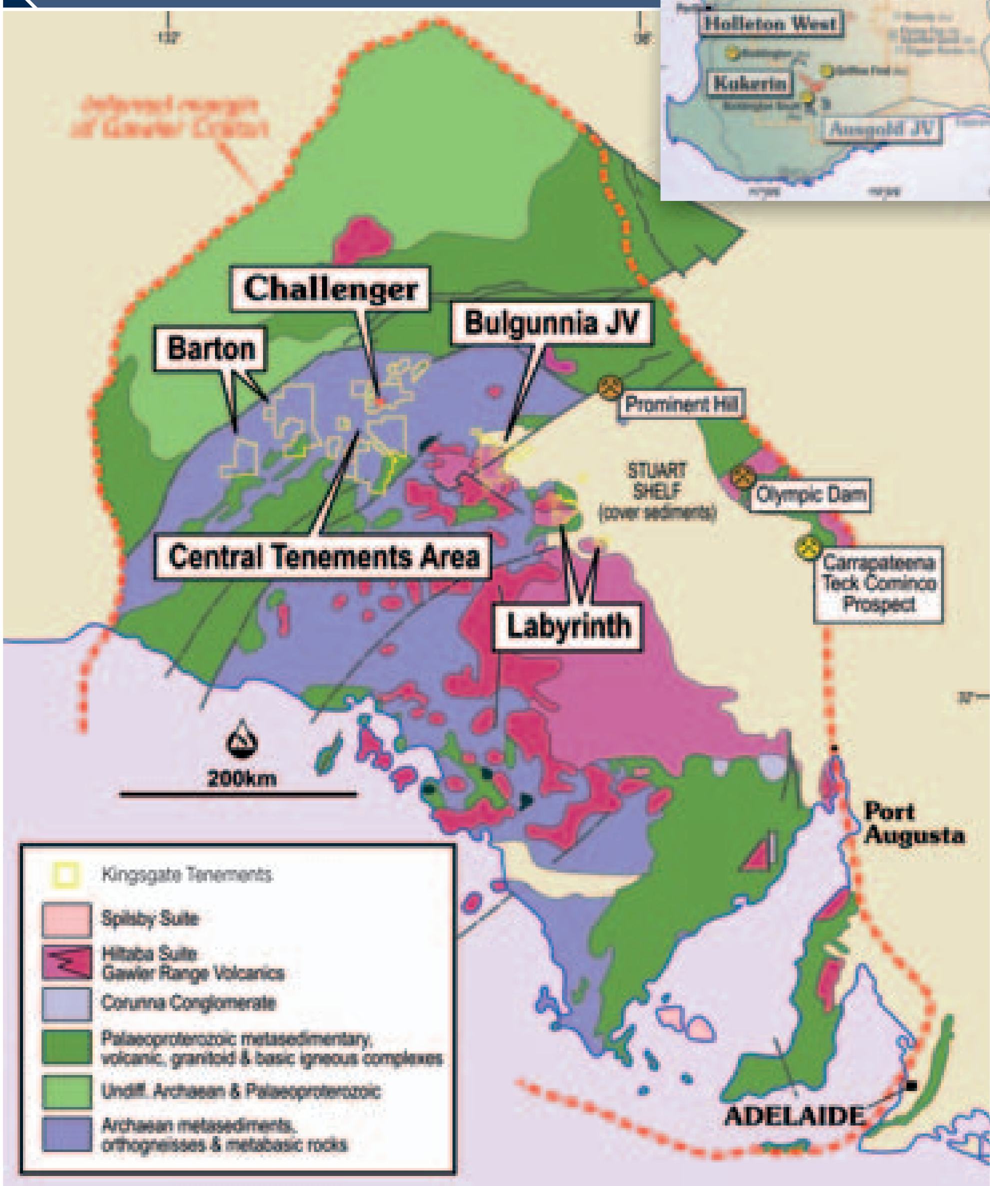
Significant exploration activity during the year has been focussed on the Wynberg Project, where a gold resource potential has been defined. Evaluation of other regional exploration assets in Western Australia and South Australia has been suspended while strategic objectives have been reviewed. A number of lower priority assets have been the subject of both tenement sales and farm out agreements which have returned both cash and equity value. The priority assets require a significant commitment to medium – long term funding and, given the company's exposure to funding requirements, in particular for the Nueva Esperanza and Bowdens Development Projects, strategies to secure external funding for the regional exploration assets are being pursued.

ASX listed Iron Road Limited increased their equity from 50% to 90% in the rights to iron ore within certain of the Gawler (SA) tenements for $1.15 million cash. Ownership of four WA exploration tenements in WA was transferred to AIM-listed Strategic Minerals in January, 2012 with payment comprising six million shares in Strategic Minerals.

As at year end there is a pending sale of the Bulgunnia and Labyrinth tenements, (SA). There is high potential to further realise the inherent value from Kingsgate's Australian exploration assets either through listing those assets in an IPO or from further sale or Joint Venture agreements.

Western Australian exploration tenements

Gawler Craton exploration tenements



Ore Reserves at 30 June 2012 – Challenger and Chatree

Source	Category	Tonnes Million	Grade: Gold grams/tonne	Grade: Silver grams/tonne	Contained Ounces: Gold Million ounces	Contained Ounces: Silver Million ounces
Challenger	Proven	0.64	4.32	–	0.09	–
	Probable	2.61	6.61	–	0.55	–
	Stockpiles	incl		–	–	–
	Total	**3.25**	**6.16**	**–**	**0.64**	**–**
Chatree	Proven	46.2	0.79	7.9	1.17	11.78
	Probable	16.7	0.72	5.9	0.39	3.15
	Stockpiles	8.6	0.63	10.7	0.17	2.87
	Total	**71.2**	**0.75**	**7.8**	**1.73**	**17.80**
Total Reserves		**74.5**	**0.99**	**7.5**	**2.37**	**17.80**

Mineral Resources – Challenger and Chatree (inclusive of Ore Reserves and Stockpiles)

Source	Category	Tonnes Million	Grade: Gold grams/tonne	Grade: Silver grams/tonne	Contained Ounces: Gold Million ounces	Contained Ounces: Silver Million ounces
Challenger	Measured	1.15	3.56	–	0.13	–
	Indicated	2.55	7.80	–	0.64	–
	Inferred	1.31	7.46	–	0.31	–
	Total	**5.01**	**6.73**	**–**	**1.08**	**–**
Chatree See Notes below	Measured	86.9	0.73	7.3	2.23	22.4
	Indicated	50.7	0.67	4.8	1.09	7.9
	Inferred	31.2	0.65	4.3	0.66	4.3
	Total	**168.8**	**0.70**	**5.9**	**3.81**	**31.8**
Total Resources		**173.8**	**0.87**	**5.7**	**4.89**	**31.8**

Mineral Resources – Nueva Esperanza and Bowdens

Source	Category	Tonnes Million	Grade: Gold g/t	Grade: Silver g/t	Grade: Lead %	Grade: Zinc %	Contained Ounces: Gold M oz	Contained Ounces: Silver M oz	Silver Equivalent: Ag Eq M oz
Nueva Esperanza See Notes below	Measured	1.8	0.01	90.0	–	–	0.00	5.1	**5.1**
	Indicated	20.2	0.3	81.0	–	–	0.17	52.6	**60.1**
	Inferred	8.7	0.2	66.0	–	–	0.06	18.5	21.3
	Total	**30.7**	**0.23**	**77.0**	**–**	**–**	**0.23**	**76.2**	**86.5**
Bowdens See Notes below	Indicated	31.2	–	60.6	0.3	0.4	–	60.8	78.0
	Inferred	27.0	–	44.0	0.3	0.4	–	38.7	53.0
	Total	**58.2**	**–**	**52.9**	**0.3**	**0.4**	**–**	**99.4**	**131.0**
Total Resources		**88.90**	**–**	**61.2**	**–**	**–**	**0.23**	**175.6**	**217.5**

Notes:

Some rounding of figures may cause numbers to not add correctly.

1 *Nueva Esperanza silver equivalent (AgEq) on the basis of gold/silver ratio of 45 calculated as Au x Eq + Ag, where Eq = (Price Gold x Recovery Gold) / (Price Silver x Recovery Silver);*
Price basis US$1250/oz Au and US$30/oz Ag; and
Metallurgical recovery basis 85% Au and 78% silver. (For full details see note on page 27)

2 *Bowdens silver equivalent (AgEq) g/t = Ag (g/t) + 22.4 x Pb (%) + 25.5 x Zn (%). (For full details see note on page 31)*

3 *Cut-off grade for Chatree is 0.3g/t Au; Nueva Esperanza is 0.5g/t AuEq; Bowdens is 30 g/t AgEq.*

Refer to page 109 for Competent Persons Statement – Resources and Ore Reserves.

Corporate Governance Statement

Corporate Governance Practices

This statement provides an outline of the main corporate governance policies and practices that the Company had in place during the financial year.

The Board places considerable importance on high standards of ethical behaviour, governance and accountability. The Board is committed to ensuring its corporate governance policies adhere, as much as is practicable, to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board has recognised the need for the continual development of the Company's corporate governance policies and practices, particularly in view of the Australian Securities Exchange Corporate Governance Principles and Recommendations with 2010 Amendments.

Roles and Responsibilities of the Board

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder funds.

The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- providing leadership of the Company within a framework of prudent and effective controls which enable risks to be assessed and managed;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- setting the Company's direction, strategies and financial objectives;
- ensuring compliance with regulatory and ethical standards;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- appointing, terminating and reviewing the performance of the Managing Director;
- ratifying the appointment and the termination of senior executives;
- monitoring senior executives' performance and implementation of strategy; and
- ensuring appropriate resources are available to senior executives.

Responsibility for the day-to-day management of the Company is delegated to the Managing Director and the senior executives.

In carrying out its duties the Board meets formally at least nine times per year. Additional meetings are held to address specific issues or are held as the need arises. Directors also participate in meetings of various Board committees. In the financial year ending 30 June 2012, the Board met eleven times and there were seven Committee meetings.

Composition of the Board

The Board may, in accordance with the Company's constitution, be comprised of a minimum of three and a maximum of ten Directors.

The roles of the Non-Executive Chairman and the Managing Director / Chief Executive Officer are exercised by different individuals.

During the 2012 financial year there were five Directors. Details of the Directors who held office during the 2012 financial year, including their qualifications, experience and the period for which each Director has held office are set out on page 48 of this Report.

At each Annual General Meeting of the Company, one third of the Directors (or the number nearest one-third) must retire from office. In addition any other Director who has held office (without re-election) for 3 years or more must also retire from office. The Directors to retire at any Annual General Meeting must be those who have been in office the longest since their last election. The retirement of Directors who were elected on the same day, must be determined by lot (unless they agree otherwise between themselves). A retiring Director is eligible for re-election.

A Director appointed to fill a casual vacancy or as an addition to the existing Directors will hold office until the next Annual General Meeting at which he or she may be re-elected.

The Managing Director is not subject to retirement by rotation and along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

Director Independence

The Board considers that independence from management and non-alignment with other interests or relationships with the Company is essential for impartial decision making and effective governance.

Directors are deemed to be independent if they are independent of management and have no material business or other relationship with the Company that could materially impede their objectivity or the exercise of independent judgement or materially influence their ability to act in the best interests of the Company.

For the 2012 financial year, four of the Company's five Directors (including the Non-Executive Chairman) were considered by the Board to be independent throughout the year. Those Directors were Mr Ross Smyth-Kirk, Mr Peter McAleer, Mr Craig Carracher and Mr Peter Alexander.

In assessing independence, the Board has regard to whether any Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;

- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the above mentioned adviser / consultant;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company other than as a Director.

The concept of 'materiality' is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors.

Appointment of Directors

Nominations of new Directors, recommended by the Nomination Committee, are considered by the full Board.

The Nomination Committee employs external consultants to access a wide base of potential Directors, considering their range of skills and experience required in light of the:

- current composition of the Board;
- need for independence;
- the Company's Diversity Policy;
- strategic direction and progress of the Company; and
- nature of the Company's business.

The Board assesses nominated Directors against a range of criteria including experience, professional expertise, personal qualities, potential conflicts of interest and their capacity to commit themselves to the Board's activities.

Performance Review of the Board and Senior Executives

Each year the Board receives reports from management detailing interactions with and outlining the expressed views of the Company's shareholders. The Nomination Committee is responsible for evaluation of the Board, its committees and its key executives.

Performance evaluations of the Board, its committees, the individual Directors and key executives were undertaken in the 2012 financial year in accordance with the above processes.

The Managing Director undertakes an annual review of the performance of each Senior Executive against individual tasks and objectives.

Independent Professional Advice

Directors are able to access members of the management team at any time to request relevant information.

It is also Board policy that Directors may seek independent advice at the Company's expense.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board has established three committees to consider certain issues and functions. These committees are as follows:

- Audit Committee;
- Remuneration Committee; and
- Nomination Committee.

Each committee operates under its own charter.

Audit Committee

The members of the Audit Committee as at the date of this Report are:

- Mr Craig Carracher (Chairman of Audit Committee);
- Mr Ross Smyth-Kirk; and
- Mr Peter McAleer.

The Committee has appropriate financial expertise. All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

The Audit Committee's role is to assist the Board to fulfil its responsibilities associated with the Company's accounts, its external financial reporting, its internal control structure, risk management systems and audit function. The primary functions of the Audit Committee are to:

- review the financial information provided by the Board to shareholders and other parties ensuring that it is true and fair and complies with relevant accounting standards;
- ensure that corporate risk management policies and internal controls are in place and are maintained in accordance with appropriate standards and statutory requirements;
- oversee and evaluate the quality of the audits conducted by the external auditors;
- provide for open communication between the external auditors and the Board for the exchange of views and information; and
- recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity.

In fulfilling its responsibilities, the Audit Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information.

The Audit Committee met twice during the 2012 financial year.

The Audit Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Auditor Independence and Engagement

The charter adopted by the Audit Committee confirms its role in assisting the Board in respect of the appointment, compensation, retention and oversight of the Company's external auditors. The external auditors are required to confirm that they have maintained their independence in accordance with the *Corporations Act 2001* (Cth) and the rules of professional accounting bodies.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested when deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is requested to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

PricewaterhouseCoopers was appointed as external auditor of the Company for the 2012 financial year.

Risk Oversight and Management

The Board, through the Audit Committee, is responsible for ensuring that there are adequate policies in place in relation to risk management, compliance and internal control systems.

Kingsgate has a systematic and structured risk oversight and management program that involves a detailed analysis of material risks to the business and operates at various levels underpinned by specific systems and procedures.

Risk monitoring, managing, mitigating and reporting is conducted regularly and includes the following:

- regular internal management reporting;
- reporting at Board and Committee meetings by relevant managers;
- site visits by the Board and senior management;
- internal and external audits; and
- training, procedural manuals and meetings.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the solvency declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's risk oversight and management policy is published in the 'Corporate Governance' section of the Company's website.

Remuneration Committee

The members of the Remuneration Committee as at the date of this Report are:

- Mr Ross Smyth-Kirk (Chairman of Remuneration Committee)
- Mr Peter McAleer;
- Mr Craig Carracher; and
- Peter Alexander.

The Remuneration Committee's role is to oversee the Company's remuneration and compensation plans.

To ensure that the review of remuneration practices and strategies on which decision making is based is objective and well founded, the Remuneration Committee engages external remuneration consultants.

The Remuneration Committee supports and advises the Board in fulfilling its responsibilities to shareholders by:

- ensuring shareholder and employee interests are aligned;
- ensuring the Company is able to attract, develop and retain talented employees;
- recommending to the Board, with the Managing Director, an appropriate executive remuneration policy;
- determining the remuneration of Directors;
- having regard to the Company's Diversity Policy, including issues relating to remuneration by gender;
- reviewing and approving the remuneration of those reporting directly to the Managing Director and other senior executives, as appropriate; and
- reviewing all equity based plans for approval by the Board.

The Remuneration Committee operates in accordance with the Company's remuneration policy. The policy is designed so that it motivates senior executives to pursue the long-term growth and success of the Company and demonstrates a clear relationship between senior executives' performance and remuneration.

The Remuneration Committee met four times during the 2012 financial year.

The Remuneration Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Nomination Committee

The members of the Nomination Committee as at the date of this Report are:

- Mr Ross Smyth-Kirk (Chairman of Nomination Committee)
- Mr Peter McAleer; and
- Mr Craig Carracher.

The role of the Nomination Committee supports and advises the Board in fulfilling its responsibility to ensure that it comprises individuals who are best able to discharge the responsibilities of the Directors, having regard to the law and the highest standards of governance, by:

- assessing the skills required on the Board;
- reviewing the structure, size and composition of the Board;
- from time to time assessing the extent to which the required skills are represented on the Board and ensuring an appropriate succession planning is in place;
- establishing processes for the review of the performance of individual Directors and the Board as a whole, its committees and key executives; and
- establishing processes for the identification of suitable candidates for appointment to the Board.

To ensure that the Board has an appropriate mix of skills and experience, the Nomination Committee will consider men and women from diverse backgrounds for Board membership who have demonstrated high levels of integrity and performance in improving shareholder returns, and who can apply such skills and experience to the benefit of the Company.

The Nomination Committee met once during the 2012 financial year.

The Nomination Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Ethical Standards and Code of Conduct

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour.

The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates.

The core values of the Code of Conduct are:

- honesty and integrity;
- fairness and respect; and
- trust and openness.

The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.

The Code of Conduct is published in the 'Corporate Governance' section of the Company's website.

Diversity

The Company has a policy to improve the diversity of its workforce over time by identifying women and individuals from under-represented backgrounds for recruitment, and by rewarding and promoting employees on the basis of performance. The Company will develop programs to promote diversity and in appointing directors, account will be taken of the potential for women and candidates from under-represented backgrounds to bring fresh and valuable perspectives to the governance of the Company.

Because the Company, at this stage of its development, has a small Board of Directors, and a small management team which is geographically dispersed and because of the industry in which the Company operates, the Board does not consider it to be practicable to set measurable objectives to achieve greater gender diversity at this time. However, the Board acknowledges the benefits of seeking to improve gender diversity at all levels in the Company over time and will keep this issue under review.

Current Proportion of Women Employees

Total Workforce	18%
Management	22%
Professionals	42%
Other	9%

There are no women currently appointed to the Board.

Share Trading Policy

In the interests of shareholder confidence and compliance with insider trading laws, the Company has formal policies governing the trading of the Company's securities by Directors, officers and employees. Details of Directors' shareholdings are disclosed in the Directors' Report.

The policy prohibits Directors and employees from engaging in short-term trading of any of the Company's securities and buying or selling the Company's securities if they possess unpublished, price-sensitive information.

Directors and senior management may buy or sell Company securities in the four week period following significant announcements by the Company, including the release of the quarterly report, half-yearly results, the preliminary annual results and the lodgement of the Company's Annual Report (subject to the prohibition of dealing in the Company's securities if they possess unpublished price sensitive information).

Directors and senior management must also receive approval from the Chairman before buying or selling Company securities.

The Company's Share Trading Policy is available in the 'Corporate Governance' section of the Company's website.

Communication with Shareholders and Continuous Disclosure

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth).

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All releases are posted on the Company's website and released to the ASX in a timely manner.

The Company has practices in place throughout the year governing who may authorise and make disclosures and the method by which the market is to be informed of any price sensitive information.

The Company Secretary is responsible for communications with the ASX and ensuring that the Company meets its continuous disclosure obligations.

The Company's Continuous Disclosure Policy is available in the 'Corporate Governance' section of the Company's website.

Annual General Meeting

All shareholders are encouraged to attend and participate in the Company's Annual General Meeting. Shareholders may attend in person or send a proxy as their representative.

The Company's external auditor is routinely invited to and attends the Annual General Meeting in order to respond to questions raised by shareholders relating to the content and conduct of the audit and accounting policies adopted by the Company in relation to the preparation of the financial statements.

Corporate Governance Disclosure

The Company's governance policies and procedures comply in all substantial respects with the Australian Securities Exchange Corporate Governance Principles and Recommendations with 2010 Amendments. The following table compares the ASX Recommendations and the Company's corporate governance policies and practices.

Corporate Governance Disclosure		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✔
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✔
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✔
2.1	A majority of the board should be independent directors.	✔
2.2	The chair should be an independent director.	✔
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✔

2.4	The board should establish a nomination committee.	✔
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✔
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✔
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: › the practices necessary to maintain confidence in the company's integrity; › the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and › the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✔
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.	✔
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	*
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✔
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✔
4.1	The board should establish an audit committee.	✔
4.2	The audit committee should be structured so that it: › consists only of non-executive directors; › consists of a majority of independent directors; › is chaired by an independent chair, who is not chair of the board; and › has at least three members.	✔
4.3	The audit committee should have a formal charter.	✔
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✔
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✔
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✔
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✔
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✔
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✔
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✔
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✔
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✔
8.1	The board should establish a remuneration committee.	✔
8.2	The remuneration committee should be structured so that it: › consists of a majority of independent directors; › is chaired by an independent chair; and › has at least three members.	✔
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✔
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✔

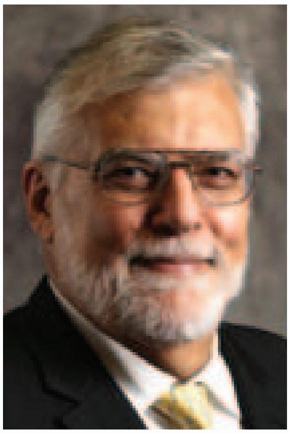
* *Because the Company, at this stage of its development, has a small Board of Directors, and a small management team which is geographically dispersed and because of the industry in which the Company operates, the Board does not consider it to be practicable to set measurable objectives to achieve greater gender diversity at this time. However, the Board acknowledges the benefits of seeking to improve gender diversity at all levels in the Company over time and will keep this issue under review.*

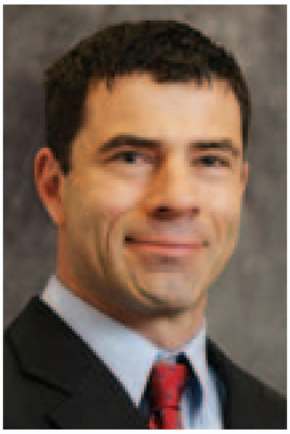
Senior Management

for the year ended 30 June 2012

Kingsgate's executives have a comprehensive range of skills and experience including mine development and operations, exploration, finance and administration. They are supported by highly qualified specialists, whose backgrounds cover the full scope of mining resources activities.

Senior members of Kingsgate's management team are:





Gavin Thomas

BSc (Geology), FAusIMM

Managing Director and Chief Executive Officer

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold or copper producers. He has over 41 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. Amongst Gavin's credits is the discovery of "Lihir" in Papua New Guinea, one of the largest gold deposits in the world. In particular, he has extensive experience in Thailand and South America.

Gavin was appointed CEO of Kingsgate in 2004 and joined the Kingsgate Board on 16th November 2007.

Duane Woodbury

BEc (Hons)

Chief Financial Officer

Duane Woodbury was appointed CFO of Kingsgate on 1 September 2011. Duane has a BEc (Hons) Degree and has worked in various financial, accounting and advisory roles during his career in a number of locations, including London, New York and Singapore. He has been assisting Kingsgate in its business development initiatives since August 2007 and brings over 19 years of experience in financial markets and corporate finance transactions, principally with the Macquarie Group.

Tim Benfield

Dip CSM (mining), MBA, MAusIMM

Chief Operating Officer

Tim Benfield joined Kingsgate in February 2012 as Chief Operating Officer. Tim is a mining engineer with over 20 years' underground and open pit experience in the mining industry in both operational and corporate roles. He has operational and project development experience in Australia, Africa and Saudi Arabia. This includes 10 years with Barrick Gold of Australia where he provided support to 4 operating mines and two development projects. Tim was most recently General Manager of the Pajingo Gold mine in Queensland for Evolution Mining Limited.

Ross Coyle

BA, FCPA, FCIS

General Manager Finance and Administration
Company Secretary

Ross Coyle joined Kingsgate in March 2011 following the Company's acquisition of Dominion Mining Limited. He is a qualified accountant and was with the Dominion group for over 21 years and has over 26 years experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Company Secretary in September 2011.

Joel Forwood

Bsc (Hons) FFin

General Manager Corporate and Markets

Joel Forwood joined Kingsgate in November 2010 and has over 26 years experience in the resource and investment industries covering investor relations, funds management and exploration. For over 11 years, he has been leading investor relations at a number of listed companies, most recently for Lihir Gold Limited. Prior to this he was a fund manager with Queensland Investment Corporation (QIC) following his early career in mineral exploration with BHP and corporate development with RGC.

Ronald James

BSc (Geology), MAusIMM, MAIG

General Manager Exploration and Resource Development

Ron James has 29 years of experience in exploration and mining at management level inclusive of setting up gold mines and exploration projects from their earliest stages through to development and sustainability. Before joining Kingsgate, he was Chief Mine Geologist at the Gold Ridge Mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. Ron is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments and has a strong focus on maximising returns from ore bodies through optimum waste and ore classification as well as increasing reserves from near-mine resource development.

Philip MacIntyre

BSc (Hons), FAusIMM, MCIM, SME

Chief Operating Officer and General Manager, Akara Mining Limited

Phil MacIntyre joined Kingsgate as the General Manager of Chatree Gold Mine in July 2001. He has a metallurgical and management background with over 38 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand. Previously, Phil was Mine General Manager at the Kidston Gold Mine in Queensland, Australia and, before that, Mill Superintendent at the Porgera Joint Venture in Papua New Guinea, at the Royal Oak Giant Mine, at Westmin Resources' Myra Falls Mine and at the Premier Gold Project and other projects in Canada.

Pakorn Sukhum

BSc (Hons) University of London, UK
MBA Sasin Graduate Institute of Business Administration Thailand

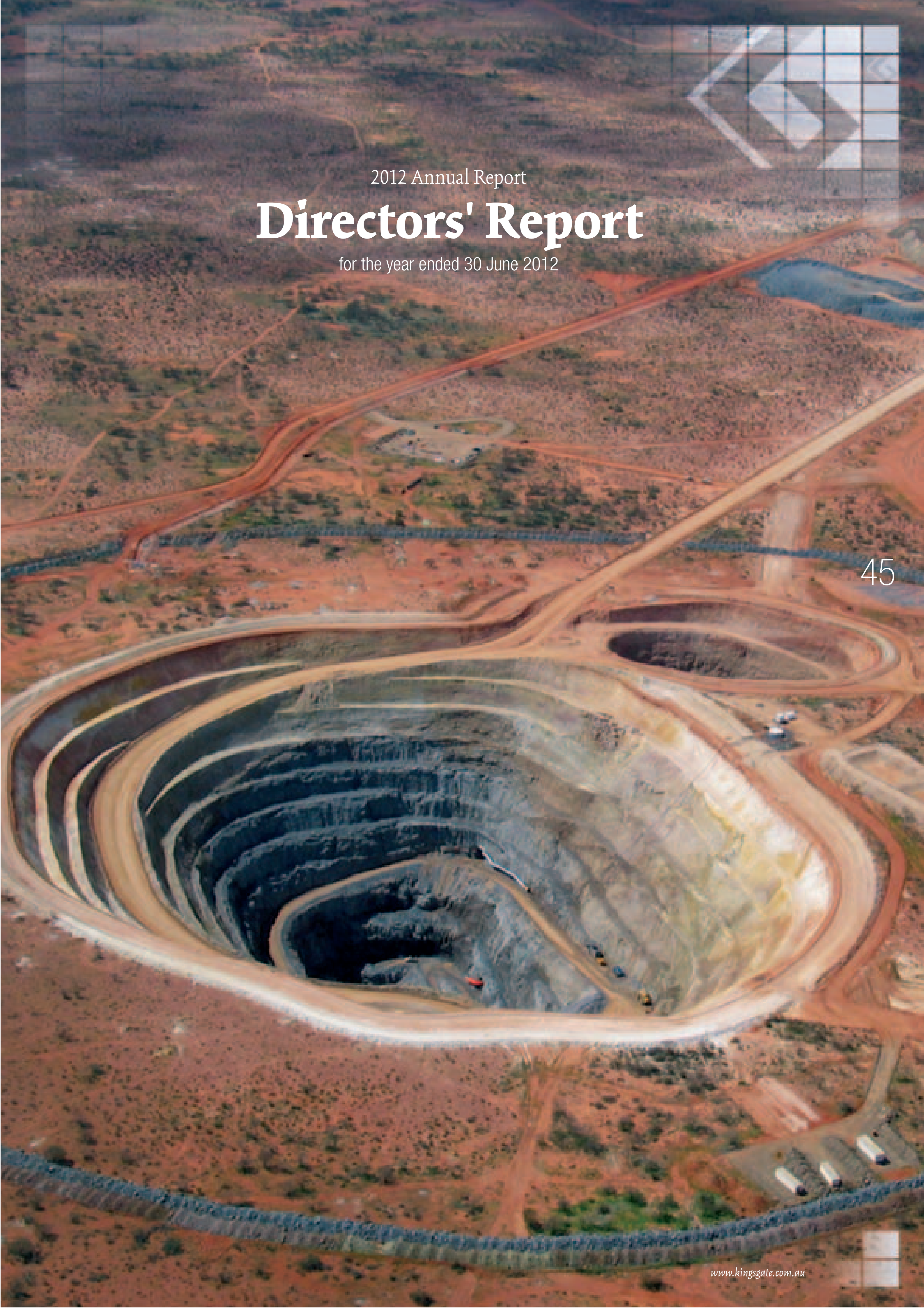
Chief Executive Officer – Akara Mining Limited

Pakorn Sukhum joined the management team of Akara Mining Limited as Chief Executive Officer at the end of 2009. He brings to Akara over 23 years of industrial commercial managerial experience in various industries such as metallurgy, chemicals & ceramics in international & domestic markets of Thailand, having held senior management positions in both Thai & Multinational joint venture companies such as Basell Poyolefins, Bayer AG as well as Padeang Industry of Thailand. His major contributions & responsibilities have ranged from project management, commercial marketing & sales to business development.

2012 Annual Report

Directors' Report

for the year ended 30 June 2012



Your Directors present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The following persons were Directors of Kingsgate Consolidated Limited during the whole of the financial 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

Principal activities

The principal activities of Kingsgate Consolidated Limited were mining and mineral exploration in Australia, South East Asia and South America.

Dividends

Dividends paid to members during the financial year were as follows:

	Consolidated	
	2012 $'000	2011 $'000
Final dividend declared for the year ended 30 June 2011 of 5 cents per fully paid share paid on 30 September 2011.	**6,829**	20,150
Interim dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share paid on 21 March 2012.	**15,197**	13,497
Total dividends paid	**22,026**	33,647

Review of operations and results

Over the past year the Company has implemented its growth strategy with a major expansion of the process plant at Chatree in Thailand to a throughput rate of around 6.2 million tonnes per annum and a full year of operations at Challenger in South Australia. Together these operations produced a record year of gold production for the Company of 208,760 ounces.

The growth strategy continued with the successful completion of an off-market takeover offer for the balance of around 30% of Laguna Resources NL ("Laguna") that was not owned by the Company, in January 2012. The acquisition of a major tenement package, including identified silver and gold resources, surrounding the Laguna leases, in Central Chile, significantly enhanced the project opportunity as they are now being integrated into a technical feasibility study.

The Company also completed the purchase of the Bowdens advanced silver development project in New South Wales. This project has moved forward with additional drilling, the advancement of a technical feasibility study and baseline environmental data collection.

The following table shows the Group's financial performance over the last 5 years. The profit for 2012 was a result of a full fiscal year of production of 121,372 ounces of gold and 918,314 ounces of silver from the Chatree mine in Thailand, operated by the Company's Thai subsidiary Akara Mining Limited, and 87,388 ounces of gold and 4,971 ounces of silver production from the Challenger mine in South Australia.

The Group is consolidating its current operational base and is pursuing the advancement of its development projects and continues to have a major commitment to exploration within Thailand, other countries in South East Asia, Australia and South America.

	2012	2011	2010	2009	2008
Net Profit after tax ($'000)	**75,006**	20,879	73,066	32,522	36,197
Dividends paid (Cash & DRP) ($'000)	**22,026**	33,647	29,082	–	–
Share price 30 June ($)	**4.85**	8.00	9.47	6.70	5.23
Basic earnings per share (Cents)	**52.5**	18.7	75.2	34.9	51.7
Diluted earnings per share (Cents)	**52.5**	18.6	74.5	34.9	51.5

Significant change in the state of affairs

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

Matters subsequent to the end of the financial year

Dividends declaration

A dividend of 10 cents per share was declared on 30 August 2012 with respect to the year end 30 June 2012. The record date is 14 September 2012 and the dividend will be paid on 1 October 2012.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

At the Chatree mine in Thailand the expanded plant will result in an increase in gold production to between 120,000 ounces to 130,000 ounces for the 2013 financial year. At the Challenger mine in South Australia, production for the year is expected to be in line with 2012 with production in the range of 80,000 ounces to 90,000 ounces of gold.

Significant progress has been made at the Nueva Esperanza Project in Chile, with the draft technical feasibility study expected to be completed in September 2012 and a development decision scheduled for the December quarter 2012.

A technical feasibility study on the Bowdens silver project in New South Wales is also expected to be completed during the year and in addition it is anticipated a draft environmental impact statement will be submitted to the New South Wales Government thereafter.

The Group continues to investigate a listing of its Thai mining operations on the Stock Exchange of Thailand.

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Argentina, Chile, Peru and PDR Laos. For the year ended 30 June 2012, the Group has operated within all environmental laws.

Directors attendance at meetings (1 July 2011 – 30 June 2012)

	Appointed	Independent	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held			11	2	1	4
Meetings attended						
Ross Smyth-Kirk	1994	Yes	11	2	1	4
Peter Alexander	2011	Yes	11	–	–	4
Craig Carracher	2007	Yes	11	2	1	4
Peter McAleer	2000	Yes	10	2	1	4
Gavin Thomas	2007	No	11	–	–	–

During the financial year, 11 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 4 Remuneration Committee meetings were held. The table above shows information on Board members and their attendance (including by telecommunication) during the year.

Information on Directors

Ross Smyth-Kirk *B Com, CPA, F Fin* – Age 65

Chairman

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He has been a Director of a number of companies over the past 32 years in Australia and the UK and is currently a Director of Argent Minerals Limited. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited.

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

Peter McAleer *B Com (Hons), B L (Kings Inn – Dublin, Ireland)* – Age 69

Non-Executive Director

Peter McAleer is Senior Independent Director and Chairman of the Audit Committee of Kenmare Resources Plc (Ireland). Previously, he was Chairman of Latin Gold Limited, Director and Chief Executive Officer of Equatorial Mining Limited and was a Director of Minera El Tesoro (Chile).

Responsibilities: Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Craig Carracher *LLB (Sydney), BCL (Oxford)* – Age 46

Non-Executive Director

Craig Carracher brings considerable relevant Thai experience having been managing partner of an international law firm based in Thailand for many years. Mr Carracher has held numerous directorships of listed and private groups throughout Asia. He was previously Group General Counsel of Consolidated Press Holdings Limited, Managing Director of Asian private equity firm Arctic Capital based in Hong Kong, Special Advisor to the Chairman of the Australian Securities and Investment Commission and Associate to the former Chief Justice of the Supreme Court of New South Wales. Mr Carracher is Managing Director of Telopea Capital Partners, an Asia focussed private equity and advisory group based in Sydney. Mr Carracher is also a Non-Executive Director of the ASX listed Sunland Group Limited.

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

Peter Alexander *Ass. Appl. Geol* – Age 60

Non-Executive Director

Peter Alexander has had 39 years experience in the Australian and off-shore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr Alexander is also Chairman of the ASX listed company Doray Minerals Limited.

Responsibilities: Member of the Remuneration Committee.

Gavin Thomas *BSc FAusIMM* – Age 61

Managing Director

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and / or copper production entities. He has over 41 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe. Amongst other things he was credited with the discovery of the Lihir gold deposit in Papua New Guinea, one of the largest gold deposits in the world. In particular he has extensive experience in Thailand, Southwest Pacific and South America. Mr Thomas was previously Chairman of the TSX listed company Mercator Minerals and Chairman of the formerly ASX listed company Laguna Resources NL.

Responsibilities: Managing Director and Chief Executive Officer.

Company Secretary

The Joint Company Secretaries during the year were Ross Coyle BA, FCPA, FCIS (appointed 1 September 2011) and Peter Warren B Com. CPA (appointed 13 November 2006 and resigned as Company Secretary on 15 June 2012). Before joining Kingsgate Consolidated Limited Mr Coyle was Company Secretary of Dominion Mining Limited while Mr Warren held similar positions with listed and unlisted public companies for 19 years.

REMUNERATION REPORT

The Remuneration Report is set out under the following main headings and finishes on page 55:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Additional information

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

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- Non-Executive Director fees;
- remuneration levels of Executive Directors and other key management personnel;
- the executive remuneration framework and operation of the incentive plan; and
- key performance indicators and performance hurdles for the executive team.

The Corporate Governance Statement provides further information on the role of this committee.

A. Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amount of emoluments of Board members and senior executives is set by the Board's Remuneration Committee. The Committee makes recommendations to the Board concerning the remuneration of Executive and Non-Executive Directors having regard to the Group's stage of development, remuneration in the industry and performance.

The objectives of this policy are:

- to motivate executive management to manage and lead the business successfully and to drive strong long term organisational growth in line with the Company's strategy and business objectives;
- to encourage executives to align their interest with those of shareholders;
- to encourage executives to perform to their fullest capacity;
- to make sure that there is transparency and fairness in executive remuneration policy and practices;
- to deliver a balanced solution addressing all elements of remuneration;
- to make sure appropriate superannuation arrangements are in place for executives;
- to be competitive and cost effective in the current employment market; and
- to contribute to appropriate attraction and retention strategies for executives.

In consultation with external remuneration consultants, the Group seeks to structure an executive remuneration program that is market competitive and complementary to the reward strategy of the organisation.

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

Non-Executive Directors

The aggregate remuneration of Directors is set by shareholders in general meeting, in accordance with the Constitution of the Company, with individual Director's remuneration determined by the Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants is taken into account. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is $1,000,000.

The level of Non-Executive Director remuneration is to be set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

The Board also has regard to the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Retirement allowances for Directors

There are no retirement allowances for Non-Executive Directors.

Executive pay

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

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in executive rights plan.

The combination of these comprises the executive's total remuneration.

Base pay

This is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' agreements.

Benefits

Executives may receive benefits including car allowances and car parking.

Short-term incentives

Effective from 1 July 2012, the Group implemented a Short Term Incentive Plan. The objectives of the Short Term Incentive Plan are to link the remuneration of certain executives to their performance and the performance of the Group. The Board set key performance indicators and measures for individual executives on an annual basis that reinforce the Group's business plan and targets for the year.

The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The Committee has the discretion to adjust short-term incentives in light of unexpected or unintended circumstances.

Long-term incentives

Effective from 1 July 2012, the Group implemented a Long Term Incentive Plan. The objectives of the Long Term Incentive Plan are to retain key executives and to align the "at risk" component of certain executives' remuneration with shareholder returns.

In general, executives can be granted Kingsgate Consolidated Limited share rights each year that will vest after three years depending either on length of service or total shareholder return.

At the date of this report share rights are yet to be issued to any of the executives.

Remuneration Consultants

Kingsgate Consolidated Limited's Remuneration Committee employed the services of the Godfrey Remuneration Group Pty Ltd to review its existing remuneration policies and to provide recommendations in respect of both the executive short-term and long-term incentive plan design.

These recommendations also covered the Group's key management personnel.

Under the terms of the engagement, the Godfrey Remuneration Group Pty Ltd provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $76,520 for these services.

The Godfrey Remuneration Group Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- The Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations was provided by the Godfrey Remuneration Group Pty Ltd directly to the chair of the Remuneration Committee; and
- The Godfrey Remuneration Group Pty Ltd was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, the Godfrey Remuneration Group Pty Ltd was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the Group's key management personnel.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and other key management personnel of the Group are set out in the following tables.

The key management personnel of the Group are the Directors of Kingsgate Consolidated Limited (see page 48) and those executives that report directly to the Managing Director being:

- Duane Woodbury — Chief Financial Officer;
- Tim Benfield — Chief Operating Officer;
- Phil MacIntyre — Chief Operating Officer and General Manager, Akara Mining Limited;
- Ron James — General Manager Exploration and Resource Development;
- Ross Coyle — General Manager Finance and Administration / Company Secretary; and
- Joel Forwood — General Manager Corporate and Markets.

2012	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
Non-executive directors						
Ross Smyth-Kirk	160,000	–	2,041	14,400	–	176,441
Peter McAleer *	100,000	–	–	–	–	100,000
Craig Carracher	100,000	–	–	9,000	–	109,000
Peter Alexander	100,000	–	–	9,000	–	109,000
Sub-total non-executive directors compensation	**460,000**	**–**	**2,041**	**32,400**	**–**	**494,441**
Executive director						
Gavin Thomas	1,030,000	240,000	56,768	50,000	–	1,376,768
Other key management personnel						
Duane Woodbury	484,220	–	4,695	16,967	–	505,882
Tim Benfield #	201,758	–	–	6,575	–	208,333
Phil MacIntyre	831,979	44,522	9,881	–	–	886,382
Ron James	400,000	–	–	–	–	400,000
Ross Coyle	332,500	–	–	50,000	–	382,500
Joel Forwood	290,220	15,000	16,387	39,780	–	361,387
Sub-total executive director and other key management personnel compensation	**3,570,677**	**299,522**	**87,731**	**163,322**	**–**	**4,121,252**
TOTAL	**4,030,677**	**299,522**	**89,772**	**195,722**	**–**	**4,615,693**

* *Consulting fees of $100,000 (2011: $100,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

\# *Commenced employment February 2012.*

2011	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
Non-executive directors						
Ross Smyth-Kirk	160,000	–	1,884	14,400	–	176,284
Peter McAleer*	100,000	–	–	–	–	100,000
Craig Carracher	100,000	–	–	9,000	–	109,000
Peter Alexander	41,667	–	–	3,750	–	45,417
Sub-total non-executive directors compensation	**401,667**	**–**	**1,884**	**27,150**	**–**	**430,701**
Executive director						
Gavin Thomas	940,000	400,000	42,094	50,000	–	1,432,094
Other key management personnel						
Peter Warren	564,400	200,000	8,344	46,803	12,786	832,333
Phil MacIntyre	727,513	105,759	9,727	–	18,990	861,989
Ron James	424,600	–	1,832	–	10,128	436,560
Duane Woodbury	390,000	250,000	1,142	–	50,776	691,918
Peter Bamford†	123,335	–	11,515	20,833	–	155,683
Stephen Promnitz**	258,978	–	–	10,417	–	269,395
Sub-total executive director and other key management personnel compensation	**3,428,826**	**955,759**	**74,654**	**128,053**	**92,680**	**4,679,972**
TOTAL	**3,830,493**	**955,759**	**76,538**	**155,203**	**92,680**	**5,110,673**

* *Consulting fees of $100,000 (2010: $100,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

** *Resigned 30 November 2010.*

† *Applies from 1 February 2011 following the Dominion Mining Limited takeover.*

C. Service agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Remuneration and other terms of employment for the Chief Executive Officer and the other key management personnel are formalised in service agreements. Each of these agreements provides for and participation, when eligible, in the short term and long term incentive plans. Other major provisions of the agreements relating to remuneration are set out below.

Gavin Thomas – Chief Executive Officer / Managing Director

- Term of agreement – No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of $1,090,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 12 months notice or payment in lieu of notice.
- Redundancy is in accordance with that defined under the *Fair Work Act 2009* (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 12 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Duane Woodbury – Chief Financial Officer

- Term of agreement – No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of $500,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 6 months notice or payment in lieu of notice.
- Redundancy is in accordance with that defined under the *Fair Work Act 2009* (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 12 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Tim Benfield – Chief Operating Officer

- Term of agreement – No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of $500,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 6 months notice or payment in lieu of notice.
- Redundancy is in accordance with that defined under the *Fair Work Act 2009* (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 12 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Phil MacIntyre – Chief Operating Officer and General Manager, Akara Mining Limited

- Term of agreement – The service agreement is in the process of being renewed.
- Base salary of Canadian $520,000 net of applicable tax to be reviewed annually by the Remuneration Committee.

Ron James – General Manager Exploration and Resource Development

- Term of agreement – The service agreement is in the process of being renewed.
- Salary of $400,000 to be reviewed annually by the Remuneration Committee.

Ross Coyle – General Manager Finance and Administration / Company Secretary

- Term of agreement – No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of $390,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 6 months notice or payment in lieu of notice.
- Redundancy is in accordance with that defined under the Fair Work Act 2009 (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 6 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Joel Forwood – General Manager Corporate and Markets

- Term of agreement – No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of $330,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 3 months notice or payment in lieu of notice
- Redundancy is in accordance with that defined under the Fair Work Act 2009 (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 6 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

D. Share-based compensation

Options

Options were previously issued to executives to provide long-term incentives for executives to deliver long-term shareholder returns. In general, the options vest over 3 years and the executive must still be employed by the Group. The options expire 5 years from the date of issue. The exercise price of the options is at a premium to the market price of Kingsgate shares at the date of grant.

The terms and conditions of each grant of options affecting remuneration are in accordance with the Kingsgate Executive Option Plan. For details of these plans and the valuation of options, including models and assumptions used, please refer to Note 22.

The options are issued pursuant to Board's discretion and no individual has a contractual right to receive options or any guaranteed benefits. Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. Once vested the options may be exercised at any time. The exercise price is based on a premium to the Company's share price at the time of grant. Option holders may not enter into any transactions designed to remove the "at risk" aspect of the instrument before it vests.

No options over ordinary shares in the Company were provided as remuneration to each of the key management personnel during the current year. Further information on the options is set out in Note 22 to the financial statements.

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each Director of Kingsgate Consolidated Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Intrinsic value at exercise date* $	Exercise price $ per share
Key management personnel				
Phil MacIntyre	6 Sep 2011	50,000	100,000	$6.00

* *The value at the exercise date of options that were granted as part of remuneration and were exercised during the year, has been determined as the intrinsic value being the difference between the fair value of shares and the price that a counterparty is required to pay for those shares.*

E. Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Emphasis is also placed on the level of executive remuneration paid by the Company peers in the Australian gold industry.

Shares under options

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date of grant	Number of options	Terms
04 Apr 2008	896,000	$6.00 expiring 03 Apr 2013
04 Apr 2008	500,000	$7.00 expiring 03 Apr 2013
26 Aug 2011	1,500,000	$10.36 expiring 26 Aug 2014
23 Sep 2011	3,333,334	$10.50 expiring 22 Sep 2016

Shares issued on the exercise of options

In 2012:

- 58,535 options were exercised at $4.68; and
- 135,001 options were exercised at $6.00.

This resulted in the issue of 193,536 fully paid ordinary shares being issued. No amounts are unpaid on any of the shares.

Interest in shares and options of the Company

As at the date of this report, the interests of the Directors and other key management personnel in the shares and options of Kingsgate Consolidated Limited were:

Name	Ordinary shares	Options over ordinary shares
Directors		
Ross Smyth-Kirk	4,586,271	400,000
Peter McAleer	100,000	200,000
Craig Carracher	100,000	100,000
Peter Alexander	36,525	–
Gavin Thomas	1,047,937	–
Other key management personnel		
Tim Benfield	–	–
Phil McIntyre	200,000	–
Ron James	–	80,000
Duane Woodbury	–	280,000
Ross Coyle	39,049	–
Joel Forwood	–	–

Insurance of officers

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

Directors' interest in contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in the note to the accounts.

Non-audit services

During the year, the Group's auditor (PricewaterhouseCoopers) has performed certain other services in addition to their statutory duties.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as shown, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the Group's auditor (PricewaterhouseCoopers) and its related practices for audit and non-audit services provided during the year are set out below.

Remuneration of Auditors

	Consolidated	
	2012 $	2011 $
a) Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**507,300**	542,300
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**228,378**	209,983
Total remuneration for audit services	**735,678**	752,283
b) Other services		
PricewaterhouseCoopers Australian Firm		
Due diligence services and investigating accountants report	**–**	247,000
Transaction services (IPO)	**25,125**	61,000
Other services	**28,055**	30,000
Related Practices of PricewaterhouseCoopers Australian Firm		
Other services	**–**	–
Total remuneration for non-audit related services	**53,180**	338,000
c) Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**78,310**	187,060
Transaction services (IPO)	**–**	67,940
Legal services (Class Order and tax consolidation agreements)	**25,870**	24,049
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**32,949**	77,622
Total remuneration for tax related services	**137,129**	356,671

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58.

Rounding of amounts

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

Auditors

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

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

Ross Smyth-Kirk
Director

Sydney
30 August 2012

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
30 August 2012

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Financial Statements

for the year ended 30 June 2012

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000 Restated*
Sales revenue	4(a)	**357,372**	172,356
Cost of sales	4(b)	**(238,826)**	(113,689)
Gross profit		**118,546**	58,667
Exploration expenses		**(1,933)**	(2,447)
Corporate and administration expenses	4(c)	**(19,303)**	(17,784)
Other income and expenses	4(d)	**1,565**	862
Foreign exchange gain / (loss)		**1,268**	(15,832)
Business acquisition costs	32	**(964)**	(4,757)
Profit before finance costs and income tax		**99,179**	18,709
Finance income		**1,470**	747
Finance costs	4(e)	**(9,372)**	(1,669)
Profit before income tax		**91,277**	17,787
Income tax benefit / (expense)	5	**(16,271)**	3,092
Profit after income tax		**75,006**	20,879
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax)		**2,306**	(30,795)
Change in fair value of available-for-sale financial assets (net of tax)		**(700)**	791
Other comprehensive (loss) / income for the year, net of tax		**1,606**	(30,004)
Total comprehensive income for the year		**76,612**	(9,125)
Profit after tax attributable to:			
Owners of Kingsgate Consolidated Limited		**75,159**	21,148
Non-controlling interests		**(153)**	(269)
Profit after tax for the year		**75,006**	20,879
Total comprehensive income attributable to:			
Owners of Kingsgate Consolidated Limited		**76,765**	(8,856)
Non-controlling interests		**(153)**	(269)
Total comprehensive (loss) / income for the year		**76,612**	(9,125)
		Cents	Cents
Earnings per share			
Basic earnings per share	30	**52.5**	18.7
Diluted earnings per share	30	**52.5**	18.6

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

* *Refer Note 1 – Basis of Preparation*

Statement of Financial Position

as at 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**90,623**	35,864
Receivables	7	**12,226**	15,050
Inventories	8	**56,079**	30,962
Other assets	9	**35,128**	24,268
Total current assets		**194,056**	106,144
Non-current assets			
Inventories	8	**30,314**	43,265
Available-for-sale financial assets	10	**1,751**	2,200
Property, plant and equipment	11	**255,814**	209,485
Exploration, evaluation and development	12	**528,455**	407,093
Deferred tax assets	5	**10,211**	10,261
Other assets	9	**27,858**	16,615
Total non-current assets		**854,403**	688,919
TOTAL ASSETS		**1,048,459**	795,063
LIABILITIES			
Current liabilities			
Payables	14	**42,597**	34,802
Provisions	15	**2,993**	3,264
Current tax liabilities		**11,655**	2,953
Borrowings	13	**35,697**	23,912
Derivatives held for trading		**2,685**	2,260
Total current liabilities		**95,627**	67,191
Non-current liabilities			
Payables	14	**6,681**	4,294
Provisions	15	**19,381**	11,968
Borrowings	13	**121,847**	75,984
Deferred tax liabilities	5	**29,110**	28,702
Total non-current liabilities		**177,019**	120,948
TOTAL LIABILITIES		**272,646**	188,139
NET ASSETS		**775,813**	606,924
EQUITY			
Contributed equity	16	**599,618**	482,874
Reserves	17	**(20,406)**	(26,527)
Retained profits	17	**196,601**	143,468
Total equity attributable to equity holders of Kingsgate Consolidated Limited		**775,813**	599,815
Non-controlling interests		**–**	7,109
TOTAL EQUITY		**775,813**	606,924

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

Statement of Changes in Equity

for the year ended 30 June 2012

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2010		**156,068**	**4,008**	**155,967**	**316,043**	**–**	**316,043**
Total comprehensive income for the year		–	(30,004)	21,148	(8,856)	(269)	(9,125)
Transaction with owners in their capacity as owners:						–	
Contributions of equity, net of transaction costs	16	9,659	–	–	9,659	–	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets	16	317,147	–	–	317,147	–	317,147
General reserve		–	23	–	23	–	23
Dividends provided for or paid		–	–	(33,647)	(33,647)	–	(33,647)
Movement in share option reserve	17	–	(554)	–	(554)	–	(554)
Total transactions with owners		**326,806**	**(531)**	**(33,647)**	**292,628**	**–**	**292,628**
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		**482,874**	**(26,527)**	**143,468**	**599,815**	**(269)**	**599,546**
Acquisition of non-controlling interests		–	–	–	–	7,378	7,378
Balance at 30 June 2011		**482,874**	**(26,527)**	**143,468**	**599,815**	**7,109**	**606,924**
Balance at 1 July 2011		**482,874**	**(26,527)**	**143,468**	**599,815**	**7,109**	**606,924**
Total comprehensive income for the year		–	1,606	75,159	76,765	–	76,765
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	16	2,068	–	–	2,068	–	2,068
Institutional share placement	16	70,000	–	–	70,000	–	70,000
Issue of ordinary shares related to Bowdens acquisition of subsidiaries and assets	16	30,000	–	–	30,000	–	30,000
Issue of ordinary shares as part consideration for the settlement of a legal dispute	16	3,024	–	–	3,024	–	3,024
Issue of ordinary shares related to loan facility repayment	16	11,652	–	–	11,652	–	11,652
Dividends provided for or paid	20	–	–	(22,026)	(22,026)	–	(22,026)
Movement in share option reserve	17	–	8,918	–	8,918	–	8,918
Total transactions with owners		**116,744**	**8,918**	**(22,026)**	**103,636**	**–**	**103,636**
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		**599,618**	**(16,003)**	**196,601**	**780,216**	**7,109**	**787,325**
Acquisition of non-controlling interests	32	–	(4,403)	–	(4,403)	(7,109)	(11,512)
Balance at 30 June 2012		**599,618**	**(20,406)**	**196,601**	**775,813**	**–**	**775,813**

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

Statement of Cash Flow

for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers		**361,754**	176,686
Payments to suppliers and employees		**(182,759)**	(133,470)
Interest received		**1,394**	747
Finance costs paid		**(8,431)**	(1,346)
Income tax paid		**(6,711)**	(8,591)
Net cash inflow from operating activities	23	**165,247**	34,026
Cash flows from investing activities			
Payments for property, plant and equipment		**(92,343)**	(103,708)
Payments for exploration, evaluation and development		**(75,054)**	(12,937)
Payments for acquisition of Bowdens Silver Project		**(41,000)**	–
Payments for acquisition of non-controlling interests		**(11,359)**	–
Cash acquired on acquisition of subsidiaries, net of cash paid		**136**	16,478
Interest capitalised to expansion and development projects		**(6,939)**	(4,960)
Deposits		**(2,470)**	–
Payments for other assets		**(3,526)**	(3,022)
Proceeds from disposal of property, plant and equipment		**–**	72
Net cash (outflow) from investing activities		**(232,555)**	(108,077)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		**96,627**	134,193
Repayment of borrowings		**(26,622)**	(45,000)
Payments for interest		**–**	(233)
Proceeds from the issue of shares		**70,792**	3,728
Dividends paid		**(18,933)**	(28,461)
Net cash inflow from financing activities		**121,864**	64,227
Net increase / (decrease) in cash held		**54,556**	(9,824)
Cash at the beginning of the year		**35,864**	49,098
Effects of exchange rates on cash and cash equivalents		**203**	(3,410)
Cash at the end of the year		**90,623**	35,864

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

Notes to the Financial Statements

for the year ended 30 June 2012

CONTENTS

The Financial Report of Kingsgate Consolidated Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of Directors on 29 August 2012.

Kingsgate Consolidated Limited (the "Company") is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

1. BASIS OF PREPARATION

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit or loss.

Functional and presentation currency

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

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, or in certain cases, the nearest dollar.

Critical accounting estimates

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

Changes to presentation – classification of expenses

The Group decided in the current financial year to change the classification of its expense in the Statement of Comprehensive Income from a classification by nature to a functional classification. The Group believes that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industry the Group operates. The comparative information has been reclassified accordingly.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Principles of consolidation

(i) Business combinations

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

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

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

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The non-controlling interest in the acquiree is based on the fair value of the acquiree's net identifiable assets. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

The acquisition of an asset or group of assets that is not a business is accounted for by allocating the cost of the transaction to the net identifiable assets and liabilities acquired based on their fair values.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

b. Foreign currency translation

(i) Transactions and balances

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

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

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

(ii) Foreign operations

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

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

c. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue represents the net proceeds receivable from the buyer.

Gold and silver sales

Gold and silver revenue is recognised when the refinery process has been finalised and the sale transaction to a third party has been completed. Transportation and refinery costs are expensed when incurred.

d. Income tax

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

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

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

Deferred tax is not recognised for:

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

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

Tax consolidation

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

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

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

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

Tax funding and sharing agreements

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

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

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

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

e. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

f. Impairment of assets

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

g. Cash and cash equivalents

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

h. Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments more than 60 days overdue are considered indicators that the trade and other receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

i. Inventories

Raw materials and stores, work in progress and finished goods

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

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

j. Non-derivative financial assets

Classification and recognition

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Attributable transaction costs are recognised in the profit or loss when incurred. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

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

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity net of attributable tax. When an asset is derecognised the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

(iv) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

k. Derivative financial instruments

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

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

l. Property, plant and equipment

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

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

Depreciation

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

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

The expected useful lives are as follows:

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

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

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

Impairment

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

Derecognition

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

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

m. Deferred stripping costs

Stripping costs represent mining costs of waste materials. Stripping costs incurred by the Group prior to production in relation to accessing recoverable reserves are carried forward as part of 'Mine properties' when future economic benefits are established, otherwise such expenditure is expensed as part of the cost of production.

Amortisation of costs is provided on the units-of-production method. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves.

Where there is a change in the reserves during a six month period, depreciation and amortisation rates are adjusted prospectively from the beginning of that reporting period.

Deferred stripping costs (pre-production) are included under 'Mine properties'.

The Group also defers stripping costs incurred during production where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in waste costs over the life of a pit, and the effect is material.

The amount of stripping costs deferred is based on the ratio ("Ratio") obtained by dividing the amount of waste mined by the ore mined. Waste costs incurred in the period are deferred to the extent that the current period Ratio exceeds the life of the pit Ratio. Such deferred costs are then charged to profit or loss to the extent that in subsequent periods the current period Ratio falls short of the life of the pit Ratio. The life of pit Ratio is based on ore reserves of the pit.

The life of pit waste-to-ore ratio is a function of the pit design(s) and therefore changes to that design will generally result in changes to the Ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of the pit Ratio even if they do not affect the pit design(s). Changes to the life of the pit Ratio are accounted for prospectively.

Deferred stripping costs incurred during the production stage of operations are included in 'Other assets'.

n. Deferred mining services costs

Provisions to the group of mining services by its contractor do not systematically align with the billing made by the contractor employed for these services. When there is a material difference between the provisions of the mining services and the amount paid for these services, a portion of the billing is deferred on the statement of financial position. These amounts are subsequently recognised in the profit or loss. Mining services are recognised in the profit or loss on a systematic basis based on bank cubic metres mined by the contractor.

o. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

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

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

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

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

Feasibility expenditure

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

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

p. Mine properties

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

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

Amortisation of costs is provided on the units-of-production method with separate calculations being made for each area of interest. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Development and land expenditure still to be incurred in relation to the current reserves are included in the amortisation calculation. Where the life of the assets are shorter than the mine life their costs are amortised based on the useful life of the assets.

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

q. Trade and other payables

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

r. Borrowings

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

s. Borrowing costs

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

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

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

t. Provisions

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

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

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

u. Restoration and rehabilitation provision

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

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

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

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

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

v. Employee benefits

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

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

(ii) Long service leave and severance pay

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

(iii) Cash bonuses

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

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

(iv) Retirement benefit obligations

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

(v) Share-based payment transactions

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

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

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

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

w. Dividends

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

x. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) *Diluted earnings per share*

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

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

y. Contributed equity

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

z. Goods and Services Tax (GST)

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

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

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

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

aa. Operating segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 26.

bb. New accounting standards and interpretations

(i) *New and amended standards adopted by the Group*

The following new and amended accounting standards and amendments to accounting standards are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2010-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements project*;
- AASB 124 *Related Party Disclosure*.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) *New accounting standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2015). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is continuing to assess its full impact.
- AASB 10 *Consolidated Financial Statements* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 10 establishes a new control model which broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.
- AASB 12 *Disclosure of Interests in Other Entities* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.
- AASB 13 *Fair Value Measurement* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual reporting periods commencing on or after 1 January 2013). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013). AASB 2011-4 makes amendments to remove individual key management personnel disclosure requirements from AASB 124.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(i) Mineral resources and ore reserves estimates

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in reported ore reserves may affect the Group's financial position and results, including asset carrying value, depreciation and amortisation expenses using units-of-production method, provision for restoration and rehabilitation and stripping costs if the stripping ratios are revised.

(ii) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met (Note 2o). Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgement. The related carrying amounts are disclosed in Note 12.

(iii) Deferred mining expenditure

The Group defers mining costs incurred during the production stage of its operations. Changes in an individual mine's design will generally result in changes to the life of mine waste to contained gold ounce (life of mine) ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine ratio even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

(iv) Impairment of assets

The Group assesses each cash-generating unit half-yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 2f. These assumptions require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining capital requirements and operating performance (including the magnitude and time of related cash flows).

(v) Restoration and rehabilitation provision

Significant judgement is required in determining the restoration and rehabilitation provision as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include change in mineral resources and reserves estimates, changes in technology, commodity price changes and changes in interest rates.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see Note 15). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

(vi) Units-of-production method of depreciation

The Group applies the units-of-production method for depreciation and amortisation of its mine properties, mine buildings, plant and equipment. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the estimated recoverable reserves used in the determination of the depreciation and amortisation charges. Factors that must be considered in determining estimated recoverable reserves (which includes both reserves and resources) and production capacity are the history of converting resources to reserves and the relevant time frames, anticipated mining method and costs, the complexity of metallurgy, markets, and future developments.

(vii) Share-based payments

The Group measures share-based payments at fair value at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instrument were granted.

(viii) Deferred tax balances

Deferred tax assets in respect of tax losses for the Kingsgate tax-consolidation group (Note 5) are recognised in the financial statements as management considers that it is probable that future taxable profits will be available to utilise those tax losses. Management reviews on a regular basis the future profitability of the entities included in the tax-consolidation group to ensure that the tax losses recognised will be utilised.

Deferred tax balances for temporary differences in respect of Akara Mining Limited are measured based on their expected rate of reversal. The rate of reversal for these temporary differences is mainly impacted by the allocation of the temporary differences between the two Royal Thai Board of Investment ("BOI") activities (Note 5) which are undertaken by Akara Mining Limited. The estimated time period when they will reverse is largely based on the expected production of gold during the BOI period.

(ix) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(x) Acquisition of Bowdens Silver Project

The Group applied the definition of a business as per AASB 3 in determining the Bowdens Silver Project is a group of asset rather than a business, on the basis that:

- only assets were acquired; and
- no management, operational, administration or resource processes were acquired.

(xi) Capitalisation of borrowing costs to exploration, evaluation and development

The Group's funding of Bowdens Silver Project included borrowings of $35,000,000. In applying the Group's accounting policy on borrowing costs (see Note 2 s), the Bowdens Silver Project is considered to be a qualifying asset as defined in AASB 123. As such finance costs in relation to these borrowings have been capitalised as part of the Bowdens Silver Project.

(xii) Change in recoverable reserves

Following a review of the reserves and resources at Chatree gold mine during the year, the estimated recoverable reserves were increased effective 1 January 2012. This resulted in a decrease in depreciation and amortisation of $2,176,000 compared to using the previous estimate of recoverable reserves.

4. REVENUE AND EXPENSES

	Consolidated	
	2012 $'000	**2011** $'000
(a) Sales revenue		
Gold	**329,579**	156,344
Silver	**27,793**	16,012
Total sales revenue	**357,372**	172,356
(b) Cost of sales		
Direct costs of mining and processing	**159,500**	106,740
Royalties	**27,196**	12,646
Inventory movements	**(8,131)**	(23,865)
Deferred mining	**(7,059)**	(9,374)
Depreciation (operations)	**67,320**	27,542
Total cost of sales	**238,826**	113,689

4. REVENUE AND EXPENSES continued

	Consolidated 2012 $'000	Consolidated 2011 $'000
(c) Corporate and administration expenses		
Administration	12,736	11,304
Technical support and business development	2,867	3,355
Statutory and professional fees	3,467	2,895
Depreciation	233	230
Total corporate and administration expenses	19,303	17,784
(d) Other income and expenses		
Sale of mineral rights	1,150	–
Net gain on sale of fixed assets	35	72
Change in fair value of undesignated gold contracts held for trading	(425)	541
Change in fair value of available-for-sale financial assets	(260)	–
Gain on close-out hedge contract	819	–
Other revenue	246	249
Total other income and expenses	1,565	862
(e) Finance costs		
Interest and finance charges	13,783	5,573
Rehabilitation provision discount adjustment	390	323
Amortisation of deferred borrowing costs	2,138	733
Less: borrowing costs capitalised	(6,939)	(4,960)
Total finance costs	9,372	1,669
(f) Depreciation and amortisation		
Property, plant and equipment	17,600	7,379
Mine properties	50,353	21,011
Less: Depreciation capitalised	(400)	(618)
Total depreciation and amortisation expenses	67,553	27,772
Included in:		
Cost of sales depreciation	67,320	27,542
Corporate depreciation	233	230
(g) Employee benefits expenses		
Included in:		
Cost of sales	17,474	10,476
Corporate and administration expenses	8,822	6,268
Total employee benefits expenses	26,296	16,744
(h) Other items		
Operating lease rentals	749	435
(i) Significant items		
Foreign exchange (gain) / losses	(1,268)	15,832
Dominion acquisition cost (see Note 32)	964	4,757
Total significant items	(304)	20,589

5. INCOME TAX

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Income tax expense		
Current tax	15,591	7,717
Deferred tax	680	(10,809)
Income tax (benefit) / expense	**16,271**	(3,092)
Deferred tax expense / (benefit) included in tax expense comprises:		
(Increase) / decrease in deferred tax assets	(4,908)	(9,027)
Increase / (decrease) in deferred tax liabilities	5,588	(1,782)
Deferred tax	**680**	(10,809)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	91,276	17,787
Tax at Australian rate of 30%	**27,383**	5,336
Tax effect of amounts not deductible / assessable in calculating taxable income:		
Non-deductible expenses	1,302	2,736
Non-deductible amortisation	1,695	755
Non-deductible interest expense to preference shareholders	169	533
Share-based payment remuneration	–	51
Double deduction of expenses (Thailand)	(1,218)	(1,997)
Differences in Thailand tax rates	(13,316)	(6,796)
Non-temporary differences affecting the tax expense	(106)	(97)
Temporary differences previously not recognised	–	(663)
Temporary difference adjustment (either change in estimate of rate of reversal or not previously recognised)	1,229	(1,733)
Other temporary difference adjustment	(196)	790
Tax benefit of tax losses not brought to account in the prior year recognised this year	(2,687)	(2,007)
Tax benefit of tax losses not brought to account for the Australia and tax consolidated group	1,103	–
Temporary difference adjustment – change in tax rate for Thailand	913	–
Income tax (benefit) / expense	**16,271**	(3,092)

Akara Mining Limited, a controlled entity, has received approval from the Royal Thai Board of Investment (BOI) of the Office of the Prime Minister for promotion of the Chatree gold mine.

Subject to meeting BOI conditions and based on an annual production limit of 178,416 ounces of gold and 583,733 ounces of silver, Akara Mining Limited's Chatree gold mine is entitled to:

a) an 8 year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;

b) a further 5 year half tax holiday following a) above (at 15% tax rate); and

c) other benefits.

The start of the promotion period was 27 November 2001.

Akara Mining Limited also received on 18 June 2010 a BOI promotion for the Chatree North gold processing plant. Based on an annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara Mining Limited is entitled to:

a) an 8 year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;

b) 25% investment allowance on the capital cost of certain assets of the new processing plant; and

c) other benefits.

5. INCOME TAX continued

	Consolidated 2012 $'000	Consolidated 2011 $'000
(c) Tax recognised in other comprehensive income		
Available-for-sale investment revaluation reserve	**(300)**	339
Foreign exchange losses recognised directly in foreign currency translation reserves	**102**	(507)
Total tax recognised in other comprehensive income	**(198)**	(168)
(d) Unrecognised deferred tax liabilities		
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses.	**19,853**	11,031
Tax at Australian tax rate of 30%	**5,956**	3,309

No deferred tax liabilities have been recognised in respect of undistributed earnings of Akara Mining Limited which, if paid out as dividends, would be subject to a withholding tax of 10%. An assessable temporary difference exists, however no deferred tax liabilities have been recognised as the parent entity is able to control the timing of distributions from this subsidiary and it is not expected to distribute these profits in the foreseeable future.

	2012 $'000	2011 $'000
(e) Unrecognised deferred tax assets		
Tax losses	**2,185**	10,868
Potential tax benefit at 30%	**655**	3,260

(f) Tax consolidation group

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

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

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

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

During the year, Kingsgate Bowdens Pty Limited and Laguna Resources NL joined Kingsgate Consolidated Limited tax-consolidation group upon being wholly-owned subsidiaries of Kingsgate Consolidated Limited (see Note 32).

5. INCOME TAX continued

(g) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax assets / liabilities:						
Derivatives	**808**	680	**–**	–	**808**	680
Employee benefits	**1,571**	1,611	**–**	–	**1,571**	1,611
Provision for restoration and rehabilitation	**3,390**	2,683	**–**	–	**3,390**	2,683
Provision for obsolescence	**278**	449	**–**	–	**278**	449
Unrealised exchange (gains) / losses	**2,990**	3,510	**(200)**	–	**2,790**	3,510
Other items	**1,096**	1,328	**–**	–	**1,096**	1,328
Tax losses	**36,334**	31,413	**–**	–	**36,334**	31,413
Available-for-sale financial assets	**78**	–	**(39)**	(339)	**39**	(339)
Mine properties and exploration	**–**	–	**(65,205)**	(59,776)	**(65,205)**	(59,776)
Total deferred tax assets / (liabilities)	**46,545**	41,674	**(65,444)**	(60,115)	**(18,899)**	(18,441)
Set off of tax	**(36,334)**	(31,413)	**36,334**	31,413	**–**	–
Net deferred tax assets (liabilities)	**10,211**	10,261	**(29,110)**	(28,702)	**(18,899)**	(18,441)

(h) Movement in deferred tax balances

2012	Balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquired in business combinations $'000	Foreign exchange $'000	Balance 30 June $'000
Deferred tax assets / liabilities:						
Derivatives	**680**	128	–	–	–	**808**
Employee benefits	**1,611**	(55)	–	–	15	**1,571**
Provision for restoration and rehabilitation	**2,683**	664	–	–	43	**3,390**
Provision for obsolescence	**449**	(181)	–	–	10	**278**
Unrealised exchange losses	**3,510**	(617)	(103)	–	–	**2,790**
Other items	**1,328**	(230)	–	–	(2)	**1,096**
Tax losses	**31,413**	4,921	–	–	–	**36,334**
Mine properties and exploration	**(59,776)**	(5,389)	–	–	(40)	**(65,205)**
Available-for-sale financial assets	**(339)**	78	300	–	–	**39**
Net deferred tax assets	**(18,441)**	**(681)**	**197**	**–**	**26**	**(18,899)**

2011	Balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquired in business combinations $'000	Foreign exchange $'000	Balance 30 June $'000
Deferred tax assets / liabilities:						
Derivatives	–	(160)	–	840	–	680
Employee benefits	829	(342)	–	1,250	(126)	1,611
Provision for restoration and rehabilitation	2,384	346	–	326	(373)	2,683
Provision for obsolescence	519	(3)	–	8	(75)	449
Unrealised exchange losses	–	3,003	507	–	–	3,510
Other items	–	330	–	998	–	1,328
Tax losses	–	5,853	–	25,560	–	31,413
Mine properties and exploration	(5,619)	1,782	–	(56,610)	671	(59,776)
Available-for-sale financial assets	–	–	(339)	–	–	(339)
Net deferred tax	(1,887)	10,809	168	(27,628)	97	(18,441)

6. CASH AND CASH EQUIVALENTS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash on hand	**17**	17
Deposits at call	**87,014**	31,949
Cash and other bank balances	**87,031**	31,966
Other deposits	**3,592**	3,898
Total cash and cash equivalents	**90,623**	35,864

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

The deposits at call are bearing floating interest rates between 0% – 5.30% (2011: 0% – 5.60%) and they may be accessed daily.

Other deposits

This represents restricted cash held on deposit with financial institutions.

Minimum cash balance

Under the terms of the loan facilities (see Note 13), the Group is required to maintain a minimum cash balance of A$5,000,000 in respect of its Australian operations and US$15,000,000 in respect of Akara at the end of each reporting period.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

7. RECEIVABLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Trade receivables	**3,201**	4,894
Other debtors	**9,025**	10,156
Total receivables	**12,226**	15,050

Trade receivables

Trade receivables represent gold sales at the end of the financial year, where payment was yet to be received.

Other debtors

Other debtors mainly relate to GST / VAT receivables, advances made for land acquisition and diesel fuel tax credits.

Risk exposure

The Group's exposure to credit and currency risks is disclosed in Note 27.

8. INVENTORIES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Raw materials and stores	10,947	9,685
Provision for obsolescence	(1,172)	(1,470)
Stockpiles and work in progress	43,365	19,601
Gold bullion	2,939	3,146
Total inventories – current	56,079	30,962
Non-current		
Stockpiles	30,314	43,265
Total inventories – non-current	30,314	43,265

9. OTHER ASSETS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Prepaid mining services	10,457	11,692
Prepayments	15,011	7,449
Deferred cost of divestment	7,298	5,024
Deferred stripping costs	1,910	–
Other deposits	452	103
Total other assets – current	35,128	24,268
Non-current		
Deferred stripping costs	19,626	14,477
Prepayments	4,014	–
Other deposits	4,218	2,138
Total other assets – non-current	27,858	16,615

Other deposits – non-current includes $1,490,000 restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Equity securities		
At the beginning of the year	2,200	1,071
Addition	812	–
Revaluation	(1,261)	1,129
At the end of the year	1,751	2,200

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2012 $'000	Consolidated 2011 $'000
Opening balance		
Cost	**242,589**	98,374
Accumulated depreciation and amortisation	**(33,104)**	(31,217)
Net book amount	**209,485**	67,157
Year ended 30 June		
Opening net book amount	**209,485**	67,157
Additions on Dominion acquisition	**–**	74,613
Additions on Laguna acquisition	**–**	95
Additions other	**71,552**	96,527
Reclassified	**(9,305)**	(5,231)
Disposals	**(28)**	(12)
Depreciation and amortisation expense	**(17,600)**	(7,379)
Foreign currency exchange differences	**1,710**	(16,285)
Closing net book amount	**255,814**	209,485

12. EXPLORATION, EVALUATION AND DEVELOPMENT

	Exploration and evaluation $'000	Feasibility expenditure $'000	Mine properties $'000	Total $'000
At 30 June 2010				
Cost	20,479	–	193,103	213,582
Accumulated depreciation and amortisation	–	–	(59,223)	(59,223)
Net book amount	20,479	–	133,880	154,359
Year ended 30 June 2011				
Opening net book amount	20,479	–	133,880	154,359
Additions on Dominion acquisition (see Note 32)	36,638	–	202,769	239,407
Additions on Laguna acquisition (see Note 32)	22,852	–	–	22,852
Additions – other	12,937	–	23,677	36,614
Reclassified	95	–	5,136	5,231
Disposals	(2,181)	–	(250)	(2,431)
Depreciation and amortisation expense	–	–	(21,011)	(21,011)
Foreign currency exchange differences	(2,975)	–	(24,953)	(27,928)
Closing net book amount	87,845	–	319,248	407,093
Year ended 30 June 2012				
Opening net book amount	**87,845**	**–**	**319,248**	**407,093**
Additions	**72,784**	**35,004**	**60,213**	**168,001**
Reclassified *	**(9,297)**	**(4,345)**	**18,593**	**4,951**
Disposals	**(2,009)**	**(952)**	**(690)**	**(3,651)**
Depreciation and amortisation expense	**–**	**–**	**(50,353)**	**(50,353)**
Foreign currency exchange differences	**293**	**(254)**	**2,375**	**2,414**
Closing net book amount	**149,616**	**29,453**	**349,386**	**528,455**
At 30 June 2012				
Cost	**149,616**	**29,453**	**472,088**	**651,157**
Accumulated depreciation and amortisation	**–**	**–**	**(122,702)**	**(122,702)**
Net book amount	**149,616**	**29,453**	**349,386**	**528,455**

* *The amount of $4,354,000 has been reclassified to other assets.*

12. EXPLORATION, EVALUATION AND DEVELOPMENT continued

Capitalised borrowing costs

Included in mine buildings, plant and equipment is an amount of $6,939,000 that represents borrowing costs capitalised during the year ($4,960,000 during the year ended 30 June 2011).

13. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see Note 27.

	Consolidated	
	2012 $'000	2011 $'000
Current		
Secured bank loans	**26,860**	13,291
Preference shares in controlled entity	**8,837**	10,621
Total borrowings – current	**35,697**	23,912
Non-current		
Secured bank loans	**121,765**	75,902
Preference shares in controlled entity	**82**	82
Total borrowings – non-current	**121,847**	75,984
Borrowings		
Secured bank loans	**148,625**	89,193
Preference shares in controlled equity	**8,919**	10,703
Total borrowings	**157,544**	99,896

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest	Year of maturity	Face value $'000	Carrying amount $'000
Syndicated loan facility	Thai Baht	THBFIX + margin	2015	80,605	78,552
Corporate loan facility	AUD	BBSY + margin	2014	40,000	39,444
Convertible loan facility	AUD	BBSY + margin	2016	35,000	30,629

Syndicated loan facility

A baht denominated syndicated loan facility between Akara Mining Limited ("Akara") and a bank syndicate comprising CIMB Thai Bank Public Company Limited, the Bangkok branch of Sumitomo Mitsui Banking Corporation and Investec Bank (Australia) Limited ("Investec") was executed in May 2011. The facility is provided subject to security over Akara's assets and undertakings and guarantees from Akara's subsidiary.

The syndicated loan facility is a four year amortising loan with equal half-yearly repayments commencing on 31 March 2012. The loan documentation contains no mandatory hedging requirements.

The loan balance as at 30 June 2012 is for THB 2,588,165,000 (A$80,605,000), following the first loan repayment of THB 456,735,000 (A$14,296,000) on 31 March 2012.

Corporate loan facility

Kingsgate has a three year secured loan facility with Investec with a limit of A$50,000,000 as at 30 June 2012 (30 June 2011: US$50,000,000), of which A$40,000,000 has been drawn down as at 30 June 2012.

In addition, Kingsgate has a one year revolving loan facility in place with Investec. Kingsgate drew down a total of A$11,652,000 under this facility to fund the acquisition of the non-controlling interests in Laguna Resources (see Note 32). This amount was fully repaid during the period by the issue of Kingsgate shares to Investec (see Note 16).

13. BORROWINGS continued

Convertible loan facility

Kingsgate has entered into a five year A$35,000,000 convertible loan facility with Investec to provide funding for the Bowdens acquisition (see Note 32). A total of 3,333,334 Kingsgate options have been issued as required under the loan agreement (see Note 17).

Covenants

The syndicated loan facility, corporate loan facility and the convertible loan facility contain covenants and restrictions requiring the Group to meet certain financial ratios and reporting requirements, as well as subsidiaries that are guarantors of borrowings. The Group is in compliance with the debt covenants as at 30 June 2012.

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 agreed to cease all legal and arbitration actions and as part of the settlement Sinphum transferred the preference shares in Akara 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 granted 1,500,000 Kingsgate 3 year options that vest in 12 months at a strike price of $10.36 and 500,000 performance rights (see Note 17) that vest, subject to the Chatree mine meeting its specified production targets, over a 14 month period.

14. PAYABLES

	Consolidated	
	2012 $'000	2011 $'000
Current		
Trade payables	**22,735**	18,345
Other payables and accruals	**19,862**	16,457
Total payables – current	**42,597**	34,802
Non-current		
Other payables	**6,681**	4,294
Total payables – non-current	**6,681**	4,294

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

15. PROVISIONS

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Current			
Employee benefits	22	**2,993**	3,264
Total provisions – current		**2,993**	3,264
Non-current			
Restoration and rehabilitation		**14,899**	8,943
Employee benefits	22	**4,482**	3,025
Total provisions – non-current		**19,381**	11,968
Movements in the restoration and rehabilitation provision is set out below			
Restoration and rehabilitation			
At the beginning of the financial year		**8,943**	7,946
Addition on Dominion acquisition		**–**	1,086
Revision of rehabilitation provision		**5,445**	768
Unwind of discount rate for provision		**390**	323
Foreign currency exchange differences		**121**	(1,180)
At the end of the financial year		**14,899**	8,943

16. CONTRIBUTED EQUITY

	Notes	2012 Shares	2011 Shares	2012 $'000	2011 $'000
Opening balance		**135,274,823**	99,995,783	**482,874**	156,068
Exercise of options	(a)	**193,536**	893,978	**1,397**	4,679
Dividend reinvestment plan	(b)	**412,835**	534,104	**2,929**	5,186
Institutional share placement	(c)	**9,859,155**	–	**70,000**	–
Issue of ordinary shares related to Bowdens acquisition	(d)	**3,440,367**	–	**30,000**	–
Issue of ordinary shares related to Dominion acquisition		**–**	32,416,572	**–**	302,447
Issue of ordinary shares related to Laguna acquisition		**–**	1,434,386	**–**	14,700
Issue of ordinary shares as part consideration for the settlement of a legal dispute (see Note 17)		**333,332**	–	**3,024**	–
Issue of ordinary shares related to loan facility repayment (see Note 13)		**1,749,741**	–	**11,652**	–
Options expired / lapsed		**–**	–	**–**	10
Share issue costs		**–**	–	**(2,258)**	(216)
Closing balance		**151,263,789**	135,274,823	**599,618**	482,874

(a) Share options exercised

193,536 (2011: 893,978) fully paid ordinary shares were issued following the exercise of the same number of options.

(b) Dividend reinvestment plan

412,835 (2011: 534,104) fully paid ordinary shares were issued under the dividend reinvestment plan.

(c) Institutional share placement

On 22 February 2012, Kingsgate announced a $70,000,000 Fully Underwritten Institutional Share Placement ("Share Placement"). The Share Placement resulted in 9,859,155 new ordinary shares being issued on 29 February 2012 at an issue price of $7.10 per share. Transaction costs associated with the Share Placement were $2,189,000, resulting in net cash proceeds of $67,811,000.

(d) Shares issued for the acquisition of Bowdens

On 23 September 2011, 3,440,367 fully paid ordinary shares were issued pursuant to the Share Purchase Agreement dated 1 August 2011 between Kingsgate Consolidated Limited, Silver Standard Australia (BVI) Inc. and Silver Standard Resources Inc. The fair value of $8.72 per share has been determined with reference to the quoted price of Kingsgate at the acquisition date. Refer to Note 32 for further details.

17. RESERVES AND RETAINED PROFITS

(a) Reserves

	Consolidated 2012 $'000	Consolidated 2011 $'000
Foreign currency translation reserve	(26,457)	(28,763)
Available-for-sale investment revaluation reserve	91	791
Share-based payment reserve	10,340	1,422
General reserve	(4,380)	23
Total reserves	(20,406)	(26,527)
Movements:		
Foreign currency translation reserve		
At the beginning of the financial year	(28,763)	2,032
Exchange differences on translation of foreign controlled entities (net of tax)	2,306	(30,795)
At the end of the financial year	(26,457)	(28,763)
Available-for-sale investment revaluation reserve		
At the beginning of the financial year	791	–
Change in available-for-sale investment revaluation reserve (net of tax)	(700)	791
At the end of the financial year	91	791
Share-based payment reserve		
At the beginning of the financial year	1,422	1,976
Options issued to financial institution	4,177	–
Options issued to preference shareholder	3,543	–
Performance rights issued to preference shareholder	4,536	–
Performance rights to preference shareholder exercised (see Note 16)	(3,024)	–
Employee share options – value of employee options	–	74
Employee share options – options issued to employees of subsidiaries	–	117
Contractor share options	–	2
Transfer to share capital (Options exercised and lapsed)	(314)	(747)
At the end of the financial year	10,340	1,422
General reserve		
At the beginning of the financial year	23	–
Net change	(4,403)	23
At the end of the financial year	(4,380)	23

Foreign currency translation reserve

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

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 as described in Note 2j *(iii)*.

Share-based payment reserve

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

17. RESERVES AND RETAINED PROFITS continued

Issue of options to financial institution

During the year, Kingsgate issued 3,333,334 options to a financial institution as required under the $35,000,000 convertible loan facility agreement (see Note 13). The terms of the options issued are as follows:

a) each option will entitle the holder to subscribe for one ordinary share of the Company;

b) options are granted for no consideration;

c) options granted under the plan carry no dividend or voting rights; and

d) settlement proceeds for exercised options must first be applied against the outstanding loan principal.

Set out below are summaries of options granted to the financial institution:

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
23 Sep 11	22 Sep 16	$10.50	–	3,333,334	–	3,333,334	3,333,334

Fair value of options granted

The fair value at grant date of the options is determined using the bi-nomial option pricing model which incorporates the following inputs:

	30 Jun 2012
Term	**2.5 years**
Exercise price	**$10.50**
Underlying share price at the date of grant	**$7.50**
Expected share price volatility over the term of the options	**40.60%**
Risk free rate for the term of the options (based on Government bond rate)	**4.75%**

The assessed fair value of the share options issued was $1.253.

Issue of options to preference shareholder

On 26 August 2011, Kingsgate granted 1,500,000 Kingsgate 3 year options that vested on 26 August 2012 at a strike price of $10.36 as part of the settlement with the preference shareholder of Akara.

The terms of the options issued to the preference shareholder are as follows:

a) each option will entitle the holder to subscribe for one ordinary share of the Company;

b) options are granted for no consideration; and

c) options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options granted to preference shareholder:

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
26 Aug 11	28 Aug 14	$10.36	–	1,500,000	–	1,500,000	–

Fair value of options granted

The fair value at grant date of the options is determined using the Black-Scholes option pricing model which incorporates the following inputs:

	30 Jun 2012
Term	**3 years**
Exercise price	**$10.36**
Dividend yield	**2.95%**
Underlying share price at the date of grant	**$9.21**
Expected share price volatility over the term of the options	**40.78%**
Risk free rate for the term of the options (based on Government bond rate)	**6.25%**

The assessed fair value of the share options issued was $2.36.

17. RESERVES AND RETAINED PROFITS continued

Issue of performance rights to preference shareholder

On 29 August 2011, Kingsgate granted 500,000 performance rights that vest, subject to the Chatree mine meeting its specified production targets, over a 14 month period as part of the settlement with the former preference shareholder of Akara.

The performance rights convert to ordinary shares on a one for one basis. The fair value of the performance rights is based on the number of performance rights issued multiplied by the share price for $9.07 as at the date of the issue of the performance rights multiplied by the probability that the Chatree mine meeting its specified production targets are achieved.

During the year, a total of 333,332 shares (see Note 16) have been issued on the conversion of performance rights.

General reserve

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

(b) Retained profits

	Consolidated	
	2012 $'000	**2011** $'000
Retained profits at the beginning of the year	**143,468**	155,967
Net profit attributable to members of Kingsgate Consolidated Limited	**75,159**	21,148
Dividends paid (see Note 20)	**(22,026)**	(33,647)
Retained profits at the end of the year	**196,601**	143,468

18. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2012 $'000	**2011** $'000
Capital commitments		
Within 1 year	**–**	18,099
Total capital commitments	**–**	18,099
Operating leases		
Within 1 year	**2,909**	2,740
Later than 1 year but not later than 5 years	**1,199**	3,816
Total operating leases	**4,108**	6,556
Exploration commitments		
Within 1 year	**2,082**	8,289
Total exploration commitments	**2,082**	8,289
Remuneration commitments		
Within 1 year	**574**	561
Later than 1 year but not later than 5 years	**690**	160
Total remuneration commitments	**1,264**	721

Capital commitments

Commitments for the plant, equipment and mine properties contracted as at the reporting date but not recognised as liabilities.

Operating leases

Commitments for minimum lease payments are in relation to non-cancellable operating leases. Operating leases for the current year primarily relates to Dominion's power generation operating leases.

18. COMMITMENTS FOR EXPENDITURE continued

Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group has exploration expenditure requirements up until expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements.

Remuneration commitments

The Group employs certain employees on fixed term contracts. The commitment relates to future payments under the contracts not provided for in the financial statements.

19. CONTROLLED ENTITIES

Entity	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Limited	Australia	Ordinary	**100**	100
Dominion Gold Operations Pty Limited	Australia	Ordinary	**100**	100
Quadrio Resources Limited	Australia	Ordinary	**100**	100
Gawler Gold Mining Pty Limited	Australia	Ordinary	**100**	100
Dominion Copper Pty Limited	Australia	Ordinary	**100**	100
Dominion Metals Pty Ltd	Australia	Ordinary	**100**	100
Yilgarn Metals Limited	Australia	Ordinary	**100**	100
Yilgarn Metals Exploration Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Bowdens Pty Limited	Australia	Ordinary	**100**	100
Kingsgate Capital Limited	Australia	Ordinary	**100**	100
Kingsgate South America Pty Ltd	Australia	Ordinary	**100**	100
Laguna Resources NL	Australia	Ordinary	**100**	70
Laguna Exploration Pty Ltd	Australia	Ordinary	**100**	70
Akara Mining Limited	Thailand	Ordinary	**100**	100
Issara Mining Limited	Thailand	Ordinary	**100**	100
Suan Sak Patana Limited	Thailand	Ordinary	**100**	100
Phar Mai Exploration Limited	Thailand	Ordinary	**100**	100
Richaphum Limited	Thailand	Ordinary	**100**	100
Phar Lap Limited	Thailand	Ordinary	**100**	100
Phar Rong Limited	Thailand	Ordinary	**100**	100
Dominion (Lao) Co., Ltd	Laos	Ordinary	**100**	–
Laguna Chile Ltda	Chile	Ordinary	**100**	70
Minera Kingsgate Limitada	Chile	Ordinary	**100**	100
Kingsgate Peru SRL	Peru	Ordinary	**100**	100
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	**100**	100

Minera Kingsgate Limitada, Kingsgate Peru SRL, Minera Kingsgate Argentina S.A., Laguna Resources NL, Dominion (Lao) Co., Ltd and Kingsgate Bowdens Pty Limited depend on funding from the Group to sustain exploration activities.

20. DIVIDENDS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Final dividend declared for the year ended 30 June 2011 of 5 cents per fully paid share paid on 30 September 2011	**6,829**	20,150
Interim dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share paid on 21 March 2012	**15,197**	13,497
Total dividends	**22,026**	33,647

Refer Note 16 for the dividend reinvestment plan portion of total dividends.

The Group's franking credit balance as 30 June 2012 is $880,548 (2011: $880,548).

21. RELATED PARTIES

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 28.

Wholly-owned Group

The wholly-owned Group consists of Kingsgate Consolidated Limited and its wholly-owned controlled entities. A list of the controlled entities and the ownership interest is set out in Note 19.

Intercompany loans

Transactions between Kingsgate Consolidated Limited and controlled entities during the year ended 30 June 2012 consisted of loans advanced and received by Kingsgate Consolidated Limited.

During the year, Kingsgate Consolidated Limited provided a US$15,124,000 intercompany loan to Laguna Resources NL for general corporate and working capital purposes (US$6,978,000 for the year ended 30 June 2011). The facility is interest bearing and unsecured. A total of A$598,000 interest has been charged during the year ended 30 June 2012 (A$30,000 during the year ended 30 June 2011).

The other intercompany loans provided by Kingsgate Consolidated Limited to its controlled entities do not bear interest. During the year parent entity advanced $20,400,000 (2011: $24,100,000) to controlled entities, and received $9,500,000 (2011: $33,500,000) in repayments.

During the year, one of the controlled entities advanced $6,000,000 to Kingsgate Consolidated Limited and a total of $3,000,000 was repaid subsequent to 30 June 2012.

A dividend of $36,000,000 was declared from one of the controlled entities to Kingsgate Consolidated Limited.

Management fees

During the year, Kingsgate Consolidated Limited charged the following management fees to its subsidiaries:

- management fees of $1,000,000 (2011: $600,000) were charged to Akara Mining Limited;
- service fees of $540,000 (2011: $679,000) were charged to Phar Mai Exploration Limited;
- management fees of $300,000 (2011: $75,000) were charged to Laguna Resources NL;
- service fees of $300,000 (2011: $75,000) were charged to Laguna Resources NL; and
- management fees of $675,000 were charged to Kingsgate Bowdens Pty Limited.

Controlling entity

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

22. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

	Consolidated	
	2012 $'000	2011 $'000
Provision for employee benefits – current	**2,993**	3,264
Provision for employee benefits – non-current	**4,482**	3,025
Total employee provisions	**7,475**	6,289

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee's wages and salaries. Contributions to defined contribution plans for 2012 were $225,000 (2011: $133,000).

22. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS continued

Kingsgate executive option plan

The terms of the options issued pursuant to the plan are as follows:

(i) each option will entitle the holder to subscribe for one ordinary share of the Company;

(ii) options are granted under the plan for no consideration; and

(iii) options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options granted under the plans.

Year ended 30 June 2012 – Employees

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
07 Jul 2006	01 Jul 2011	$6.00	50,000	–	50,000	–	–
04 Apr 2008	03 Apr 2013	$4.68	58,535	–	58,535	–	–
04 Apr 2008	03 Apr 2013	$6.00	566,001	–	85,001	481,000	481,000
Total			**674,536**	**–**	**193,536**	**481,000**	**481,000**
Weighted average exercise price			**$5.89**		**$5.60**	**$6.00**	**$6.00**

Year ended 30 June 2011 – Employees

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
08 Jul 2005	01 Jul 2010	$4.00	500,000	–	500,000	–	–
13 Oct 2005	01 Aug 2010	$3.25	25,000	–	25,000	–	–
13 Oct 2005	01 Aug 2010	$4.00	50,000	–	50,000	–	–
13 Oct 2005	01 Aug 2010	$5.00	100,000	–	100,000	–	–
07 Jul 2006	01 Jul 2011	$6.00	50,000	–	–	50,000	50,000
04 Apr 2008	03 Apr 2013	$4.68	172,180	–	113,645	58,535	58,535
04 Apr 2008	03 Apr 2013	$6.00	671,334	–	105,333	566,001	566,001
Total			**1,568,514**	**–**	**893,978**	**674,536**	**674,536**
Weighted average exercise price			**$5.05**		**$4.41**	**$5.89**	**$5.89**

The share prices at the grant dates were $2.82 at 8 July 2005, $4.03 at 13 October 2005, $5.12 at 7 July 2006, $4.05 at 4 April 2008, $9.18 at 26 August 2011 and $7.50 at 23 September 2011.

The fair value of shares issued on the exercise of options is the weighted average price at which the Company's shares were traded on the Australian Securities Exchange on the day prior to the exercise of the options.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.95 years (2011: 1.71 years).

Year ended 30 June 2012 – Other

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
04 Apr 2008	03 Apr 2013	$6.00	415,000	–	–	415,000	415,000
04 Apr 2008	03 Apr 2013	$7.00	500,000	–	–	500,000	500,000
26 Aug 2011	26 Aug 2014	$10.36	–	1,500,000	–	1,500,000	1,500,000
23 Sep 2011	22 Sep 2016	$10.50	–	3,333,334	–	3,333,334	3,333,334
Total			**915,000**	**4,833,334**	**–**	**5,748,334**	**5,748,334**
Weighted average exercise price			**$6.55**	**$10.46**		**$9.83**	**$9.83**

22. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS continued

Year ended 30 June 2011 – Other

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
04 Apr 2008	03 Apr 2013	$6.00	415,000	–	–	415,000	415,000
04 Apr 2008	03 Apr 2013	$7.00	500,000	–	–	500,000	500,000
Total			**915,000**	**–**	**–**	**915,000**	**915,000**
Weighted average exercise price			**$6.55**			**$6.55**	**$6.55**

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

	Consolidated	
	2012 $'000	**2011** $'000
Profit for the year	**75,006**	20,879
Depreciation and amortisation	**67,553**	28,390
Share-based payments	**–**	169
(Gain) / loss on disposal of property, plant and equipment	**(35)**	190
Write off of exploration costs capitalised	**1,933**	2,181
Unwind of discount rate for provision	**390**	323
Write back of inventories provision	**–**	(261)
Amortisation of deferred borrowing costs	**503**	–
Unrealised (gains) / losses	**685**	–
Net exchange differences	**2,577**	15,832
Change in operating assets and liabilities		
(Increase) / decrease in payables	**(8,767)**	3,717
(Increase) / decrease in prepayments	**6,938**	1,346
(Increase) / decrease in inventories	**12,166**	(14,011)
(Increase) / decrease in deferred tax asset	**50**	23,353
(Increase) / decrease in other operating assets	**(7,089)**	(11,220)
Increase / (decrease) in current tax liabilities	**8,702**	(272)
Increase / (decrease) in creditors	**3,386**	1,472
Increase / (decrease) in provisions	**841**	(3,298)
Increase / (decrease) in deferred tax liabilities	**408**	(34,764)
Net cash inflow / (outflow) from operating activities	**165,247**	34,026

24. EVENTS OCCURRING AFTER REPORTING DATE

Dividends declaration

A dividend of 10 cents per share was declared on 30 August 2012 with respect to the year end 30 June 2012. The record date is 14 September 2012 and the dividend will be paid on 1 October 2012.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

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

Issue of performance rights

A further 83,333 performance rights were issued to the preference shareholder in July 2012 (see Note 17).

25. CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2012 in respect of:

Guarantees

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 13 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 non-current other asset is $1,490,000 are restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

26. OPERATING SEGMENTS

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
- Challenger Gold Mine, South Australia, Australia
- Bowdens Silver Project, New South Wales, Australia
- Nueva Esperanza Silver / Gold Project, Chile.

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

	Operation		Development		Exploration	Corporate	Total Group
2012	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	$'000	$'000	$'000
External sales revenue	217,307	140,065	–	–	–	–	**357,372**
Other revenue	281	819	–	–	1,150	–	**2,250**
Total segment revenue	**217,588**	**140,884**	**–**	**–**	**1,150**	**–**	**359,622**
Segment EBITDA	120,751	65,730	–	(1,020)	(519)	(18,206)	**166,736**
Depreciation and amortisation	(18,601)	(48,723)	–	–	–	(233)	**(67,557)**
Segment result (Operating EBIT)	**102,150**	**17,007**	**–**	**(1,020)**	**(519)**	**(18,439)**	**99,179**
Finance income	335	256	9	1	11	858	**1,470**
Finance costs	(4,558)	(141)	(5)	(3)	–	(4,665)	**(9,372)**
Net finance costs	**(4,223)**	**115**	**4**	**(2)**	**11**	**(3,807)**	**(7,902)**
Profit before tax	97,927	17,122	4	(1,022)	(508)	(22,246)	**91,277**
Income tax benefit / (expense)	(17,085)	(5,113)	–	863	–	5,064	**(16,271)**
Profit after tax	**80,842**	**12,009**	**4**	**(159)**	**(508)**	**(17,182)**	**75,006**
Other segment information							
Segment assets	493,647	379,434	87,974	50,481	28,555	8,368	**1,048,459**
Segment liabilities	(131,314)	(91,915)	(926)	(7,312)	(882)	(40,299)	**(272,648)**

26. OPERATING SEGMENTS continued

2011	Operation		Development		Exploration	Corporate	Total Group
	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	$'000	$'000	$'000
External sales revenue	122,660	49,696	-	-	-	-	**172,356**
Other revenue	128	48	-	-	146	(1)	**321**
Total segment revenue	**122,788**	**49,744**	**-**	**-**	**146**	**(1)**	**172,677**
Segment EBITDA	70,159	17,213	-	-	(3,936)	(36,955)	**46,481**
Depreciation and amortisation	(9,585)	(17,957)	-	-	(29)	(201)	**(27,772)**
Segment result (Operating EBIT)	**60,574**	**(744)**	**-**	**-**	**(3,965)**	**(37,156)**	**18,709**
Finance income	53	254	-	-	15	425	**747**
Finance costs	(1,593)	2	-	-	(34)	(44)	**(1,669)**
Net finance costs	**(1,540)**	**256**	**-**	**-**	**(19)**	**381**	**(922)**
Profit before tax	59,034	(488)	-	-	(3,984)	(36,775)	**17,787**
Income tax benefit / (expense)	(6,469)	328	-	-	(22)	9,255	**3,092**
Profit after tax	**52,565**	**(160)**	**-**	**-**	**(4,006)**	**(27,520)**	**20,879**
Other segment information			-	-			
Segment assets	367,739	344,345	-	-	61,597	21,382	**795,063**
Segment liabilities	(88,511)	(76,490)	-	-	(2,794)	(20,344)	**(188,139)**

Major customers

Major customers to whom the Group provides goods that are more than 10% of external revenue are as follows:

	Revenue		% of External Revenue	
	2012 $'000	2011 $'000	2012 %	2011 %
Customer A	**217,307**	122,660	**61**	71
Customer B	**140,065**	49,696	**39**	29

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management

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

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

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

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

The Group holds the following financial instruments:

	Consolidated	
	2012 $'000	**2011** $'000
Financial assets		
Cash and cash equivalents	**90,623**	35,864
Receivables	**12,226**	15,050
Available-for-sale financial assets	**1,751**	2,200
Other financial assets	**4,670**	2,241
Total financial assets	**109,270**	55,355
Financial liabilities		
Payables	**(49,278)**	(39,096)
Borrowings	**(157,544)**	(99,896)
Derivatives held for trading	**(2,685)**	(2,260)
Total financial liabilities	**(209,507)**	(141,252)

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Thai Baht and as discussed earlier, no financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board.

Current year foreign exchange risks arise primarily from:

- the sale of gold, which is in US dollars;
- the significant Group financial assets at the Chatree gold mine which are denominated in Thai Baht;
- the financial liabilities incurred by the mining and exploration activities in Thailand which are also denominated in Thai Baht; and
- financial assets and liabilities of the Group's Chilean subsidiary, which are denominated in Chilean Pesos.

The functional currency of the Thai subsidiaries is Thai Baht.

The Company's functional currency is Australian dollars.

The Group's exposure to US dollar foreign currency risk at the reporting date was as follows:

	Consolidated	
	2012 $'000	**2011** $'000
Cash and cash equivalents	**211**	789
Receivables	**4,014**	2,297
Payables	**(5,834)**	(483)
Total exposure to foreign currency risk	**(1,609)**	2,603

The Group's sale of gold produced from Chatree gold mine is in US dollars, however most of the assets and operating costs for Chatree gold mine are in Thai Baht and therefore, the Group's profit is sensitive to movement in those currencies.

If the spot Australian dollar weakened / strengthened by 1 cent against the US dollar with all other variables held constant, the Group's revenue for the year would have been $3,552,000 higher / $3,483,000 lower (2011: $1,642,000 higher / $1,611,000 lower).

The Group's current exposure to other foreign exchange movements is not material.

Commodity price risk

At 30 June 2012 the Group's subsidiary, Dominion Mining Limited, has forward sold 6,500 ounces of gold at an average price of $1,151 per ounce. This represents approximately 1% of current Challenger gold resources.

The following table displays fluctuations in the fair value of the Group's gold forward contracts due to movements in the spot price of gold with all other variables held constant. The 10% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices.

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

	Consolidated 2012 $'000	Consolidated 2011 $'000
Mark to market movement of the fair value of gold forward contracts		
10% increase in the spot price of gold	**(590)**	(862)
10% decrease in the spot price of gold	**899**	1,944

Equity price risk

The Group is exposed to equity securities price risk, which arises from investments classified on the statement of financial position as available-for-sale financial assets.

A 10% increase / (decrease) of the share price for the equity securities at 30 June 2012 would have increased /(decreased) equity by the amounts shown as follows.

	Consolidated			
	+10%		-10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Available-for-sale financial asset – 2012	**55**	**120**	**(55)**	**(120)**
Available-for-sale financial asset – 2011	–	220	–	(220)

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2012 and 30 June 2011 are set out as follows:

2012	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Non-interest bearing $'000	Total 2012 $'000
Financial assets				
Cash and cash equivalents	73,005	16,582	1,036	90,623
Receivables	–	–	12,226	12,226
Other financial assets	1,490	–	3,180	4,670
Available-for-sale financial assets	–	–	1,751	1,751
Total financial assets	74,495	16,582	18,193	109,270
Financial liabilities				
Payables	–	–	(49,278)	(49,278)
Borrowings	(148,625)	(8,919)	–	(157,544)
Derivatives held for trading	–	–	(2,685)	(2,685)
Total financial liabilities	(148,625)	(8,919)	(51,963)	(209,507)
Net financial (liabilities) / assets	(74,130)	7,663	(33,770)	(100,237)

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

2011	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Non–interest bearing $'000	Total 2011 $'000
Financial assets				
Cash and cash equivalents	32,820	1,594	1,450	35,864
Receivables	–	–	15,050	15,050
Other financial assets	–	–	2,241	2,241
Available-for-sale financial assets	–	–	2,200	2,200
Total financial assets	32,820	1,594	20,941	55,355
Financial liabilities				
Payables	–	–	(39,096)	(39,096)
Borrowings	(89,193)	(9,095)	(1,608)	(99,896)
Derivatives held for trading	–	–	(2,260)	(2,260)
Total financial liabilities	(89,193)	(9,095)	(42,964)	(141,252)
Net financial (liabilities) / assets	(56,373)	(7,501)	(22,023)	(85,897)

The weighted average rate on floating rate borrowings was 6.36% for the year ended 30 June 2012 (2011: 5.76%).

A change of 100 basis points ("bps"') in interest rate at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Consolidated			
	100 bps increase		100 bps decrease	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Variable rate instrument – 2012	**481**	**–**	**(481)**	**–**
Variable rate instrument – 2011	186	–	(186)	–

(b) Credit risk

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

The Group has no significant concentrations of credit risk. The sale of gold and other cash transactions are limited to counterparties with sound credit ratings.

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

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents	**90,623**	35,864
Receivables	**12,226**	15,050
Other financial assets	**4,670**	2,241
Total exposure to credit risk at year end	**107,519**	53,155

(c) Liquidity risk

The Group's liquidity requirements are based upon cash flow forecasts which are based upon forward production, operations, exploration and capital projections. Liquidity management, including debt / equity management, is carried out under policies approved by the Board and forecast material liquidity changes are discussed at Board meetings. The following table analyses the Company's financial assets and liabilities into relevant maturity grouping based on the remaining period at the reporting date. The amounts disclosed are the contractual undiscounted cash flows.

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2012						
Payables	**49,278**	**42,597**	**4,637**	**2,044**	**–**	**49,278**
Borrowings	**157,544**	**45,474**	**75,260**	**66,359**	**–**	**187,093**
Derivatives held for trading	**2,685**	**2,685**	**–**	**–**	**–**	**2,685**
Total financial liabilities 2012	**209,507**	**90,756**	**79,897**	**68,403**	**–**	**239,056**
2011						
Payables	39,096	34,802	1,634	2,330	330	39,096
Borrowings	99,896	30,016	41,510	42,206	–	113,732
Derivatives held for trading	2,260	2,260	–	–	–	2,260
Total financial liabilities 2011	141,252	67,078	43,144	44,536	330	155,088

The borrowings include secured bank loans (see Note 13) and preference shares in Akara Mining Limited have been classified as borrowings on consolidation and have an interest rate of 12% per annum (see Note 13). During the year, Kingsgate issued 3,333,334 options to a financial institution as required under the $35,000,000 convertible loan facility agreement (see Note 17). The terms of the options issued included a requirement that settlement proceeds for exercised options must first be applied against the outstanding loan principal.

Trade and other receivables are to be received in less than 90 days. There are no past due amounts at the reporting date.

(d) Fair value measurements

The carrying values of financial assets and liabilities of the Group approximate their fair values.

Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table following analyses financial instruments carried at fair value, by the valuation method. The different levels in the hierarchy have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2012				
Available-for-sale financial assets	*** 1,751**	**–**	**–**	**1,751**
Derivatives held for trading	**–**	**(2,685)**	**–**	**(2,685)**
Total as at 30 June 2012	**1,751**	**(2,685)**	**–**	**(934)**
30 June 2011				
Available-for-sale financial assets	2,200	–	–	2,200
Payables	–	**(1,416)	–	(1,416)
Derivatives held for trading	–	(2,260)	–	(2,260)
Total as at 30 June 2011	2,200	(3,676)	–	(1,476)

* *Level 1 asset includes available-for-sale financial assets of $1,751,000, at 30 June 2012 which relate to investments in listed entities.*

** *Level 2 liability includes a payable balance of $1,400,000 (US$1,500,000 equivalent) as at 30 June 2011 as part consideration for the settlement of a legal dispute (see Note 17).*

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of Kingsgate Consolidated Limited during the financial year.

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

(b) Other key management personnel

Duane Woodbury	Chief Financial Officer
Tim Benfield	Chief Operating Officer
Phil MacIntyre	Chief Operating Officer and General Manager – Akara Mining Limited
Ron James	General Manager Exploration and Resources Development
Ross Coyle	General Manager Finance and Administration Company Secretary
Joel Forwood	General Manager Corporate and Markets

(c) Key management personnel compensation

	Consolidated	
	2012 $	2011 $
Short-term employee benefits	**4,419,971**	4,862,790
Post-employee benefits	**195,722**	155,203
Share-based payments	**–**	92,680
Total key management personnel compensation	**4,615,693**	5,110,673

(d) Equity instrument disclosures relating to key management personnel

Share holdings

The number of shares in the Company held during the financial year by each Director of Kingsgate Consolidated Limited and each of the other key management personnel of the Group, including their personally-related entities are set out as follows:

2012	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at year end
Directors				
Ross Smyth-Kirk	4,586,271	–	–	4,586,271
Peter McAleer	100,000	–	–	100,000
Craig Carracher	100,000	–	–	100,000
Peter Alexander	36,525	–	–	36,525
Gavin Thomas	3,114,982	–	(2,067,045)	1,047,937
Other key management personnel				
Duane Woodbury	–	–	–	–
Tim Benfield	–	–	–	–
Phil MacIntyre	150,000	50,000	–	200,000
Ron James	–	–	–	–
Ross Coyle	38,232	–	817	39,049
Joel Forwood	–	–	–	–

28. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

2011	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at year end
Directors				
Ross Smyth-Kirk	4,586,271	–	–	4,586,271
Peter McAleer	100,000	–	–	100,000
Craig Carracher	100,000	–	–	100,000
Peter Alexander	–	–	36,525	36,525
Gavin Thomas	2,763,721	500,000	(148,739)	3,114,982
Other key management personnel				
Duane Woodbury	–	–	–	–
Peter Warren	–	–	–	–
Phil MacIntyre	150,000	50,000	(50,000)	150,000
Ron James	–	–	–	–
Peter Bamford *	–	–	98,529	98,529
Stephen Promnitz **	–	175,000	(175,000)	–

* *Resigned 25 February 2012.*

** *Resigned 30 November 2010.*

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of Kingsgate Consolidated Limited and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2012	Balance at start of year	Granted / (expired) during the year	Exercised during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Directors						
Ross Smyth-Kirk	400,000	–	–	–	400,000	400,000
Peter McAleer	200,000	–	–	–	200,000	200,000
Craig Carracher	100,000	–	–	–	100,000	100,000
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	–	–	–	–	–	–
Other key management personnel						
Duane Woodbury	280,000	–	–	–	280,000	280,000
Tim Benfield	–	–	–	–	–	–
Phil MacIntyre	50,000	–	50,000	–	–	–
Ron James	80,000	–	–	–	80,000	80,000
Ross Coyle	–	–	–	–	–	–
Joel Forwood	–	–	–	–	–	–

28. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

2011	Balance at start of year	Granted / (expired) during the year	Exercised during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Directors						
Ross Smyth-Kirk	400,000	–	–	–	–	400,000
Peter McAleer	200,000	–	–	–	–	200,000
Craig Carracher	100,000	–	–	–	–	100,000
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	500,000	–	500,000	–	–	–
Other key management personnel						
Duane Woodbury	280,000	–	–	–	280,000	280,000
Peter Warren	151,000	–	–	–	151,000	151,000
Phil MacIntyre	100,000	–	50,000	–	50,000	50,000
Ron James	80,000	–	–	–	80,000	80,000
Peter Bamford *	–	–	–	–	–	–
Stephen Promnitz **	175,000	–	175,000	–	–	–

* *Resigned 25 February 2012.*

** *Resigned 30 November 2010.*

29. REMUNERATION OF AUDITORS

	Consolidated 2012 $	Consolidated 2011 $
a) Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**507,300**	542,300
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**228,378**	209,983
Total remuneration for audit services	**735,678**	752,283
b) Other services		
PricewaterhouseCoopers Australian Firm		
Due diligence services and investigating accountants report	**–**	247,000
Transaction services (IPO)	**25,125**	61,000
Other services	**28,055**	30,000
Related Practices of PricewaterhouseCoopers Australian Firm		
Other services	**–**	–
Total remuneration for non-audit related services	**53,180**	338,000
c) Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**78,310**	187,060
Transaction services (IPO)	**–**	67,940
Legal services (Class Order and tax consolidation agreements)	**25,870**	24,049
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**32,949**	77,622
Total remuneration for tax related services	**137,129**	356,671

30. EARNINGS PER SHARE

	Consolidated 2012	Consolidated 2011
	2012 Cents	**2011** Cents
Basic earnings per share	**52.5**	18.7
Diluted earnings per share	**52.5**	18.6
	$'000	$'000
Net profit used to calculate basic and diluted earnings per share	**75,159**	21,148
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**143,104,817**	113,284,262
Adjustment for calculation of diluted earnings per share: option	**129,980**	557,722
Weighted average number of ordinary shares and potential shares used as the denominator in calculating dilute earnings per share.	**143,234,797**	113,841,984

Options

Options granted to employees and Directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 22.

31. PARENT ENTITY FINANCIAL INFORMATION

As at, and throughout, the financial year ending 30 June 2012 the parent entity of the Group was Kingsgate Consolidated Limited.

Summary of financial information

	Consolidated 2012 $'000	Consolidated 2011 $'000
Results of parent entity		
Loss for the year	**7,791**	(11,868)
Other comprehensive income	**(509)**	791
Total comprehensive loss	**7,282**	(11,077)
Financial position of parent entity at year end		
Current assets	**211,404**	138,081
Total assets	**668,437**	494,344
Current liabilities	**32,140**	41,399
Total liabilities	**103,243**	56,007
Total equity of the parent entity comprising of:		
Issued capital	**599,618**	482,874
Reserve	**10,409**	2,191
Accumulated losses	**(44,833)**	(46,728)
Total financial equity	**565,194**	438,337

Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 13 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.

32. ACQUISITION OF SUBSIDIARIES AND ASSETS

(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 $76,000,000 comprising:

- $36,000,000 cash;
- two payments, each of $5,000,000 cash, payable on 31 December 2011 and 30 June 2012 (the second tranche of $5,000,000 was paid on 2 July 2012); and
- $30,000,000 in Kingsgate shares.

Kingsgate has entered into a five year A$35,000,000 convertible loan facility to provide funding for the Bowdens acquisition. Kingsgate issued 3,333,334 options (see Note 17) to Investec pursuant to the A$35,000,000 convertible loan facility agreement.

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

Consideration

	2012 $'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

(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 was conditional on Kingsgate becoming entitled to compulsorily acquire the securities which were 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 15 February 2012, Laguna shares were delisted from the Australian Securities Exchange.

32. ACQUISITION OF SUBSIDIARIES AND ASSETS continued

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

	2012 $'000
Kingsgate's ownership interest at 30 June 2011	**17,070**
Effect of increase in Kingsgate's ownership interest	**11,512**
Share of comprehensive loss	**(153)**
Kingsgate's ownership interest at 30 June 2012	**28,429**

(iii) Dominion Mining Limited

Kingsgate Consolidated Limited ("Kingsgate") and Dominion Mining Limited ("Dominion") entered into a Scheme Implementation Agreement on 20 October 2010 for Kingsgate to acquire all of the shares in Dominion via a Scheme of Arrangement ("Scheme").

Consideration for the transaction was Kingsgate shares with Dominion shareholders offered 0.31 Kingsgate shares for each Dominion share they own. In addition, all Dominion options were cancelled in return for ordinary shares in Kingsgate based on the exercise price and expiry date of the options held.

The Scheme was approved by Dominion shareholders and option holders on 2 February 2011 and was approved by the Federal Court of Australia on 4 February 2011. The acquisition date was 2 February 2011. The Scheme was implemented on 21 February 2011.

Acquisition related costs

	Consolidated	
	2012 $'000	**2011 $'000**
Charged to the profit or loss	**964**	4,757
Charged to equity	**–**	155
Total acquisition related costs	**964**	4,912

32. ACQUISITION OF SUBSIDIARIES AND ASSETS continued

Fair value

Fair value at the acquisition date was finalised during the year ended 30 June 2012 resulting in $7,300,000 being transferred from Exploration to Mine Properties. Details of fair value are set out as follows:

	Fair value $'000
ASSETS	
Current assets	
Cash and cash equivalents	17,104
Receivables	8,282
Inventories	10,660
Other assets	536
Total current assets	36,582
Non-current assets	
Property, plant and equipment	82,080
Exploration, evaluation and development	*231,940
Deferred tax assets	30,220
Total non-current assets	344,240
TOTAL ASSETS	380,822
LIABILITIES	
Current liabilities	
Payables	15,277
Provisions	4,165
Total current liabilities	19,442
Non-current liabilities	
Provisions	1,086
Deferred tax liabilities	57,847
Total non-current liabilities	58,933
TOTAL LIABILITIES	78,375
FAIR VALUE OF IDENTIFIABLE NET ASSETS	302,447

* *Includes $42,845,000 related to future potential of the resource which is not currently amortised. Relocation of amounts to future potential resource on finalisation of the purchase price allocation did not have a material impact on profit or loss in the previous financial year.*

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 60 to 105 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

   ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

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

DATED at SYDNEY this 30 August 2012
On behalf of the Board

Independent Auditor's Report

for the year ended 30 June 2012

pwc

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

Report on the financial report

We have audited the accompanying financial report of Kingsgate Consolidated Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Kingsgate Consolidated Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Kingsgate Consolidated Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 49 to 55 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

30 August 2012

Competent Persons Statement

Resources and Ore Reserves

In this report, information concerning Thailand operations relates to Exploration Results, Mineral Resources and Ore Reserve estimates and is based on information compiled by the following Competent Persons: Ron James, Brendan Bradley, Guy Davies, Fiona Davidson and Suphanit Suphananthi who are employees of the Kingsgate Group – all except Brendan Bradley are members of The Australasian Institute of Mining and Metallurgy. Brendan Bradley is a member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 edition) and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

In this report, the information concerning Challenger operations that relates to Exploration Results, Mineral Resources and Ore Reserves estimates is based on information compiled by Paul Androvic, Tim Benfield, Tony Poustie and Andrew Giles who are full-time employees of the Kingsgate Group. Paul Androvic, Tim Benfield and Tony Poustie are members of The Australasian Institute of Mining and Metallurgy and Andrew Giles is a member of the Australian Institute of Geoscientists. These persons have sufficient experience that is relevant to the mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Androvic, Tim Benfield, Tony Poustie and Andrew Giles consent to the inclusion in the report of the matters based on their information in the form in which it appears.

The information in this report that relates to Bowdens and Nueva Esperanza Mineral Resource estimation is based on work completed by Jonathon Abbott who is a full-time employee of MPR Geological Consultants and a member of the Australasian Institute of Geoscientists, and Ron James. Mr Abbott and Mr James have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott and Mr James consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to data quality, comments on the resource estimates and economic potential of the estimated resources for Bowdens and Nueva Esperanza is based on information compiled by Ron James who is a member of the Australasian Institute of Mining and Metallurgy. Mr James has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

Shareholder Information

as at 14 September 2012

Substantial shareholders and their associates who have notified the Company are listed below:

Holder	No. of shares held as disclosed in notices to the Company	Percentage
Van Eck Associates Corporation (at 22 August 2012)	10,654,665	7.04
FMR LLC and FIL Limited (at 27 June 2012)	9,225,936	6.10
BlackRock Group (at 17 May 2012)	7,567,546	5.00

Distribution of equity securities

Size of holding	No. of shareholders of fully paid ordinary shares	No. of option holders
1–1,000	6,416	0
1,001–5,000	4,234	0
5,001–10,000	786	0
10,001–100,000	583	4
100,001+	81	7
Total	12,100	11

20 largest shareholders of quoted ordinary shares

		No. of shares	Percentage
1	HSBC Custody Nominees (Australia) Limited	31,913,488	21.09
2	National Nominees Limited	29,668,539	19.60
3	J P Morgan Nominees Australia Limited	7,264,400	4.80
4	J P Morgan Nominees Australia Limited <Cash Income A/C>	6,146,293	4.06
5	Ross Donald Smyth-Kirk	4,586,271	3.03
6	Yandal Investments Pty Ltd	3,442,939	2.27
7	Silver Standard Australia (BVI) Inc.	3,440,367	2.27
8	Bruce Clayton Bird	3,207,110	2.12
9	AMP Life Limited	2,682,899	1.77
10	Lujeta Pty Ltd <Margaret A/C>	2,643,982	1.75
11	Citicorp Nominees Pty Limited	2,426,444	1.60
12	BNP Paribas Noms Pty Ltd <SMP Accounts DRP>	2,044,537	1.35
13	UBS Wealth Management Australia Nominees Pty Ltd	1,240,345	0.82
14	Sixteen Pty Ltd	1,050,000	0.69
15	Citicorp Nominees Pty Limited <DRP Account>	635,186	0.42
16	BNP Parabis Noms Pty Ltd <Master Cust DRP>	627,050	0.41
17	Bahulu Holdings Pty Ltd <Thomas Family Super Fund A/C>	608,448	0.40
18	Christopher Komor & Diane Grady <Grady Komor Super Fund A/C>	566,055	0.37
19	Christopher Komor	531,407	0.35
20	QIC Limited	518,912	0.34

Unquoted equity securities

There were 11 option holders holding 6,229,334 options.

Voting rights

a) Ordinary shares

On a show of hands every member present at a meeting, in person or by proxy, shall have one vote.

b) Options

No voting rights.

Corporate Information

Kingsgate Consolidated Limited

ABN 42 000 837 472

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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Email: info@kingsgate.com.au

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Fax: +61 8 8672 1958

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Chatree Mine Office

Akara Mining Limited

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Fax: +66 56 614 195

Thailand Exploration Office

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Amphoe Chon Daen
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Fax: +66 56 64 9082

Chile Office

Laguna Resources Chile Ltda

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Providencia
Santiago
Chile
Tel: +56 2 231 7565

Share Registry

Security Transfer Registrars Pty Ltd

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PO Box 535, Applecross WA 6953
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Fax: +61 8 9315 2233
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

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