

# **KINGSGATE CONSOLIDATED LIMITED**

ABN 42 000 837 472

## **HALF-YEAR FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED**

**31 DECEMBER 2008**

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*This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**Kingsgate Consolidated Limited**  
**ABN 42 000 837 472**

**Appendix 4D**  
**Half Year Report**  
**For the 6 months ended 31 December 2008**

**Results for Announcement to the Market**

				\$'000
Revenue from ordinary activities	down	43.6%	to	19,330
Loss before income tax expense	N/A	N/A	to	10,370
Income tax expense	down	87.8	to	1,538
Loss from ordinary activities after tax attributable to members	N/A	N/A	to	11,908
Net loss for the period attributable to members	N/A	N/A	to	11,908
<b>Dividends / distributions</b>	<b>Amount per security</b>		<b>Franked amount per security</b>	
Interim dividend				
- current reporting period	Nil		n/a	
- previous reporting period	Nil		n/a	
Final dividend				
- previous reporting period	Nil		n/a	

**Current Reporting Period:** 6 months ended 31 December 2008  
**Previous Corresponding Reporting Period:** 6 months ended 31 December 2007

## **DIRECTORS' REPORT**

The Directors of Kingsgate Consolidated Limited present their report for the half year ended 31 December 2008.

## **DIRECTORS**

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

**Ross Smyth-Kirk**, BCom, CPA, F Fin (Chairman)  
**Gavin Thomas**, BSc FAusIMM (Managing Director)  
**Craig Carracher**, LLB (Sydney), BCL (Oxford)  
**John Falconer**, FCA, F Fin  
**Peter McAleer**, B Com , B L

## **REVIEW OF OPERATIONS**

### **Operational Performance**

Gold production during the half year was 16,996 ounces, a decrease of 56% on the half year to 31 December 2007. This was due to the delay in the grant of the Chatree North mining leases. The Chatree North mining leases were granted on 22 July 2008, however, operating permits including the important explosives licences, were not received until late November 2008. The receipt of the permits has allowed the operation to ramp up to full capacity which is on schedule to be achieved in the March 2009 quarter. As a result the operations for the December 2008 half year were restricted to remnant mining on the existing Chatree leases, treatment of low grade stockpiles and mainly selective free dig mining on the new leases. Mill throughput was restricted to 581,000 tonnes which is around 48% of rated capacity at an average head grade of 1.0 grams per tonne of gold.

The Company has continued its excellent safety and environmental record. The Chatree mine has now worked 10 million man hours without a Lost Time Injury (LTI). Based on publically available data Chatree remains the world's safest gold mine. There have been no reportable environmental incidents during the life of the mine and it was in compliance with all environmental regulations during the December 2008 half year.

During the half year, the Company's operating subsidiary in Thailand, Akara Mining Limited, received the following Thai awards:

- "Outstanding Corporate Award" in the Mining Category from the Department of Primary Industry and Mines.
- "Best Employer Award" from the Australia/Thailand Chamber of Commerce (AustCham).
- "Co-operation to Stop Violence towards Women and Children Certificate" from the Governor of Phitchit province.

### **Financial Results**

The Company incurred an after tax loss of \$11.9 million for the half year compared to an after tax profit of \$29.4 million for the previous corresponding period. The previous period included an after tax gain of \$30.9 million from the sale of the Company's shareholding in Andean Resources Limited.

Unit cash costs per ounce of gold increased to US\$911 from US\$415 for the previous corresponding period. The increase in cash cost per ounce is a direct result of the lower grade of the ore that was treated during the half year. The Company gold sales remain unhedged and it realised an average price of US\$836 per ounce of gold sold.

Cash outflow from operating activities during the half year was \$17.3 million with \$26.0 million invested in plant, mine development, exploration and land access. The Company financed the operating cash outflow and investments from existing cash reserves plus \$6.0 million from borrowings and \$1.3 million from the issue of shares.

The Company's cash position at the end of December 2008 was \$4.8 million and is expected to improve as operations ramp up to full capacity.

### **Exploration**

Resource Development drilling within the mining leases at Chatree North was the main exploration focus during the transition period from July to December 2008.

Wide ore-grade drill intersections will extend the current orebodies and known mineralization at the A Pit and Q Pits. Best results included 30 metres at 5 grams/tonne gold and 21.5 metres at 3.5 grams/tonne gold.

This aggressive drilling program will continue for at least another 12-18 months. Continued positive drill results should expand and deepen the currently planned open pit shells.

A major new gold discovery was made at Chokdee prospect, 20km north of Chatree, from regional exploration drilling.

Wide zones of low grade gold mineralization were intersected with narrower high grade gold zones over a horizontal strike extent of over 700 metres. Gold mineralization is open-ended in all directions.

Best drill results included 66 metres at 2.1 grams/tonne gold and 36 metres at 2.9 grams/tonne gold. High grade intercepts included 2 metres at 23 grams/tonne and 1 metre at 28 grams/tonne. A large gold-in-soil anomaly covering 7km x 7km surrounds the area of drilling, which is more extensive than the 23km<sup>2</sup> gold-in-soil anomaly which surrounded Chatree.

### **Dividends**

Your directors have considered it prudent not to declare an interim dividend given the level of the Company's cash position. The decision to pay a final dividend in the future will be reviewed in conjunction with investment demands on operating cash flow.

### **Outlook**

The Company's forecast production for the year ended 30 June 2009 is approximately 100,000 ounces of gold.

The Company is continuing to review its plans to expand the Chatree Mine to 5.0 million tonnes per annum of ore treated. The decision to proceed with the proposed expansion will depend on the outcomes of the re-assessment of its capital cost and the resource development drilling program together with state of the financial markets.

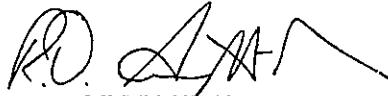
### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

**Rounding of amounts to nearest thousand dollars**

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



**ROSS SMYTH-KIRK**  
Chairman

Sydney

18 February 2009

## Auditor's Independence Declaration

As lead auditor for the review of Kingsgate Consolidated Limited for the half year ending 31 December 2008, 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.



Marc Upcroft  
Partner  
PricewaterhouseCoopers

Sydney  
18 February 2009

**Consolidated Income Statement**  
**For the half year ended 31 December 2008**

	Half Year	
	2008	2007
	\$'000	\$'000
Revenue from continuing operations	19,330	34,244
Other income	773	44,443
Changes in inventories of finished goods and work in progress	3,112	1,943
Direct costs of mining and processing	(22,320)	(23,521)
Employee benefits expense	(4,021)	(3,673)
Depreciation and amortisation expenses	(2,496)	(4,761)
Finance costs	(1,611)	(3,170)
Exploration expensed	(242)	(71)
Foreign exchange gains / (losses)	809	143
Other expenses	(3,704)	(3,565)
<b>(Loss)/Profit before income tax</b>	<b>(10,370)</b>	<b>42,012</b>
Income tax expense	(1,538)	(12,629)
<b>(Loss)/Profit for the half year</b>	<b>(11,908)</b>	<b>29,383</b>
<b>(Loss)/Profit attributable to members of Kingsgate Consolidated Limited</b>	<b>(11,908)</b>	<b>29,383</b>
Earnings per share for profit attributable to ordinary equity holders of the Company		
	Cents	Cents
Basic earning per share	(12.7)	31.7
Diluted earnings per share	(12.7)	31.5

*The above consolidated income statement should be read in conjunction with the accompanying notes.*



**Consolidated Balance Sheet**  
**As at 31 December 2008**

	Note	31 December 2008 \$'000	30 June 2008 \$'000
<b>Current assets</b>			
Cash and cash equivalents		4,802	40,226
Trade and Receivables		4,933	3,245
Inventories		7,796	4,594
Other assets		13,872	8,558
Total current assets		<u>31,403</u>	<u>56,623</u>
<b>Non-current assets</b>			
Mine property, plant and equipment		213,605	140,315
Deferred tax assets		169	3,852
Other assets		5,658	2,459
Total non-current assets		<u>219,432</u>	<u>146,626</u>
<b>Total assets</b>		<u>250,835</u>	<u>203,249</u>
<b>Current liabilities</b>			
Payables		11,295	7,317
Provisions		1,094	788
Borrowings		5,823	-
Current tax liabilities		7,799	7,798
Total current liabilities		<u>26,011</u>	<u>15,903</u>
<b>Non-current liabilities</b>			
Borrowings		1,881	1,599
Provisions		7,688	4,566
Deferred tax liabilities		6,730	168
Total non-current liabilities		<u>16,299</u>	<u>6,333</u>
<b>Total liabilities</b>		<u>42,310</u>	<u>22,236</u>
<b>Net assets</b>		<u>208,525</u>	<u>181,013</u>
<b>Equity</b>			
Contributed equity		113,015	111,576
Reserves	5	29,012	(9,202)
Retained profits		66,498	78,639
<b>Total equity</b>		<u>208,525</u>	<u>181,013</u>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**Consolidated Statement of recognised income and expense**  
**For the half year ended 31 December 2008**

	Note	Half Year	
		2008	2007
		\$'000	\$'000
Available-for-sale financial assets		-	(24,658)
Changes in fair value of cash flow hedges		-	3,394
Changes in fair value of exchange differences on translation of foreign operations		39,024	3,157
Employee share options		(810)	181
<b>Net income recognised directly in equity</b>		<b>38,214</b>	<b>(17,926)</b>
<b>(Loss)/Profit for the half year</b>		<b>(11,908)</b>	<b>29,383</b>
<b>Total recognised income and expense for the half year attributable to equity holders of Kingsgate Consolidated Limited</b>		<b>26,306</b>	<b>11,457</b>

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

**Consolidated Cash Flow Statement**  
**For the half year ended 31 December 2008**

	Half Year	
	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	18,377	33,564
Payments to suppliers and employees (inclusive of goods and services tax)	(35,302)	(31,121)
Interest received	815	672
Finance costs	(1,211)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(17,321)</b>	<b>3,115</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of available-for-sale financial assets	-	69,908
Payments for exploration acquisitions	(5,197)	(2,607)
Payment for mine properties	(16,245)	(8,806)
Payments for property, plant and equipment	(4,565)	(3,880)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(26,007)</b>	<b>54,615</b>
<b>Cash flows from financing activities</b>		
Proceed from issue of shares	1,308	-
Payment of dividends	-	-
Proceeds from borrowings – net of transaction costs	5,966	7,000
Payment of borrowings	-	(27,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>7,274</b>	<b>(20,000)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(36,054)</b>	<b>37,730</b>
Cash at the beginning of the reporting period	40,226	5,148
Effects of exchange rate changes on cash	630	(135)
<b>Cash at the end of the reporting period</b>	<b>4,802</b>	<b>42,743</b>

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

**Notes to the Consolidated Financial Statements**  
**For the half year ended 31 December 2008**

**1. Basis of preparation of the half year report**

This general purpose financial report for the interim half year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

During the period the Group defers waste 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 waste costs deferred is based on the ratio ('Ratio') obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. 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 against reported profits 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 waste costs are included in 'Other assets'.

Otherwise, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**2. Consolidated segment information**

***Primary reporting - Business segments***

The Group operated exclusively in one business segment being gold mining and exploration.

***Secondary reporting - Geographical segments***

	Half Year	
	2008 \$'000	2007 \$'000
Sales to external customers - Asia Pacific	18,557	34,244
Other income – Asia Pacific	773	44,443
	<u>19,330</u>	<u>78,687</u>

**Segment results:**

Asia Pacific	(10,206)	29,358
South America	(164)	25
	<u>(10,370)</u>	<u>29,383</u>

**3. Profit for the half-year**

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

	Half Year	
	2008	2007
	\$'000	\$'000
<b>Gains</b>		
Gain on sale of available-for-sale financial assets	-	44,443

**4. Contributed equity**

	Half Year		Half Year	
	2008	2007	2008	2007
	Shares	Shares	\$'000	\$'000
<b>Issue of ordinary shares during the half-year:</b>				
Exercise of options	280,000	-	1,290,000	-
	<u>280,000</u>	<u>-</u>	<u>1,290,000</u>	<u>-</u>

The on-market buyback continues at the date of this report.

**5 Reserves**

	31 December	30 June
	2008	2008
	\$'000	\$'000
Foreign currency translation reserve	23,511	(15,513)
General reserve	1,050	1,050
Share-based payments reserve	4,451	5,261
	<u>29,012</u>	<u>(9,202)</u>

*Foreign currency translation reserve*

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

*General reserve*

Pursuant to the laws of Thailand, Akara Mining Limited appropriated to a reserve fund at each distribution of dividends, an amount equal to one-twentieth of the profit after tax payment until the reserve fund reached one-tenth of its registered capital. The reserve fund is now equal to one-tenth of the registered share capital of Akara Mining Limited.

*Available-for-sale investment revaluation reserve*

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

*Share-based payments reserve*

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

**6. Dividends**

	Half Year	
	31 December 2008	31 December 2007
	\$'000	\$'000
<b>Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half year</b>		
Paid in cash	-	-
Satisfied by the issue of shares	-	-
	<u>-</u>	<u>-</u>

**7. Contingent Liabilities**

**Guarantees**

Cross guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the revolving credit facility as part of the security package.

The 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 the guarantees. No material losses are anticipated in respect of the above contingent liabilities.

**Lotus Hall**

Akara Mining Limited has entered into Memorandum of Understandings with Lotus Hall Mining Heaving Engineering Construction Co Ltd (Lotus Hall's equipment supplier) to give Akara the right, in the event of a default by the mining contractor, of continuing the rental payments or acquiring the equipment. Amounts payable under the Memorandum are as follows:

	2008
	\$
Within 1 year	15,410,124
Later than 1 year not later than 5 years	52,615,083
Later than 5 years	-
	<u>68,025,207</u>

**8. Events occurring after reporting date**

There are no matters or circumstances which have arisen since 31 December 2008 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the financial period subsequent to 31 December 2008.

**9. Controlled entities acquired or disposed of**

There were no controlled entities acquired or disposed of during the half year.

**10. Net tangible asset per ordinary share**

	<b>31 December 2008</b>	<b>31 December 2007</b>
Net tangible asset backing per ordinary share: \$/share	<b>2.24</b>	<b>2.11</b>

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**11. Earnings per share**

	Half Year	
	2008	2007
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(12.7)	31.7
Diluted earnings per share	<u>(12.7)</u>	<u>31.5</u>
	<b>\$'000</b>	<b>\$'000</b>
Net (loss)/profit used to calculate basic and diluted earnings per share	<u>(11,908)</u>	<u>29,383</u>
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>92,919,081</u>	<u>92,680,392</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>92,919,081</u>	<u>93,150,811</u>



## **DIRECTORS' DECLARATION**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its performance, for the half year ended on that date; and
  
- (b) there are reasonable grounds to believe that Kingsgate Consolidated Limited will be able to pay its debts as and when they become due and payable.

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



**ROSS SMYTH-KIRK**  
Chairman

Sydney  
18 February 2009

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsgate Consolidated Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Kingsgate Consolidated Limited Group (the consolidated entity). The consolidated entity comprises both Kingsgate Consolidated Limited (the company) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsgate Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of Kingsgate Consolidated Limited (the Company) for the half-year ended 31 December 2008 included on Kingsgate Consolidated Limited web site. The company's directors are responsible for the integrity of the Kingsgate Consolidated Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

  
PricewaterhouseCoopers

  
Marc Upcroft  
Partner

Sydney  
18 February 2009