2011 Annual Report

Kingsgate
Consolidated Limited

ABN 42 000 837 472

Growth through Expansion, Sustainable Development and Discovery

2011 Annual Report

Contents

Chatree Gold Mine

Thailand

THAILAND

Chatree continued its positive performance ... The new processing plant construction remains on schedule for commissioning in October 2011 and will be substantially under budget.

Challenger Gold Mine

South Australia

A record 683,913 tonnes of ore was treated during the year following the commissioning of the plant expansion in mid 2010.

AUSTRALIA

Bowdens Silver Project

New South Wales

Bowdens, located some 240 km west of Sydney, is an epithermal silver deposit with a Mineral Resource of approximately 100 million ounces of silver.

Nueva Esperanza

Chile

The project consists of three well-defined mineralised deposits ... All three deposits currently have a combined Mineral Resource of about 82 million ounces of silver.

CHILE

2011 Annual Report

Chairman's Review

Kingsgate has undergone a major transformation in 2011 as it diversifies from being a company with one mine in one country to having two mines and two advanced development projects in three countries. When coupled with the major expansion at Chatree, this operational and geographic diversification has put Kingsgate on the path to becoming the premier mid-tier precious metals producer on ASX for the benefit of all shareholders. Despite a difficult year operationally, Kingsgate continued to deliver returns to shareholders in the form of dividends.

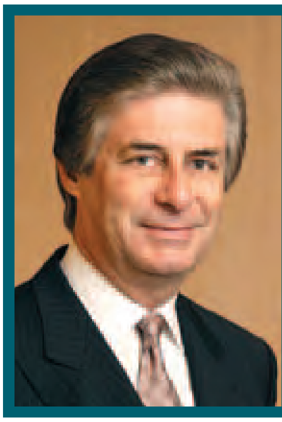
The world class Chatree gold mine in the rural heartland of Thailand remains the cornerstone operation for Kingsgate where a strong commitment to near mine exploration and a resource base of nearly 4 million ounces is supporting a major expansion of the operations, more than doubling the throughput to 5 million tonnes per annum. The expansion is expected to produce first gold in the December quarter 2011.

Production from Chatree in 2011 was impacted by an extended delay in the granting of approvals to access and mine a high grade area that required a highway to be re-aligned in order to access the ore. While the highway was moved well before the end of 2010, the approval to access and mine the area was only granted in June 2011, a delay of over six months severely impacting production and earnings for the year. Access to the high grade ore is expected in the December quarter following the removal of overburden material.

From early February 2011 Kingsgate added the 100,000 ounce per annum Challenger gold mine in South Australia to its operating base following the successful acquisition of Dominion Mining Limited via a Scheme of Arrangement. Operations at Challenger were impacted for several months by severe wet weather following cyclone Yasi in February. Major access roads were damaged thereby cutting supply routes to the remote site.

Challenger is providing a solid production base with potential resource growth, and it also adds key underground mining skills into Kingsgate. A renewed focus on the exploration potential close to the surface is delivering results.

Also in February 2011, Kingsgate secured 70% ownership of Laguna Resources NL through an off market takeover offer. Laguna's principal asset at the time was the Arqueros silver and gold advanced project in the highly prospective Maricunga gold and silver belt in central Chile. Subsequently Laguna acquired the Esperanza and Chimberos leases to complement and enhance the overall project. The combined project has been re-named Nueva Esperanza, or "new hope", and is currently undergoing a feasibility study with a decision to mine expected in the March quarter 2012.



"Kingsgate's shareholders can look forward to improved performance from Chatree and Challenger ... over the coming year."

In August 2011, following the end of the financial year, Kingsgate added to its project pipeline with the purchase of the Bowdens silver project near Mudgee 240 kilometres north-west of Sydney, NSW. Bowdens is also undergoing a feasibility study, including an Environmental Impact Study (EIS), which is expected to be completed towards the end of calendar 2012.

The financial results for the 2011 financial year were impacted by abnormal operating conditions at both Chatree and Challenger during this transition year. The significant change in the make-up and structure of Kingsgate now positions your company for significant growth in production and earnings over the next three years and into the future. Stronger gold and silver prices will enhance the overall earnings and drive increased returns to shareholders.

I would like to thank Gavin Thomas, the entire Kingsgate, Challenger, Laguna and Thai teams and management, 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 Challenger and the advancement of the two major development projects over the coming year.

Ross Smyth-Kirk
Director

2011 Annual Report

Managing Director & CEO's Report

This year has been one of major transformation for Kingsgate during which our asset portfolio has been greatly enhanced. The merger with Dominion added a second gold mining operation at Challenger in South Australia and the takeover of Laguna Resources NL delivered a 70% interest in the Nueva Esperanza (formerly Arqueros) advanced silver/gold project in the highly prospective Maricunga gold belt in central Chile. The major plant expansion at Chatree has progressed through to completion during the year with commissioning in October. Pleasingly, this expansion has remained on schedule and is likely to be more than 5% below the US$100 million EPCM contract amount that is an exceptional result considering the unusually heavy wet season this year and the pressure on major capital resource projects around the world.

Laguna subsequently acquired two strategic lease areas, Esperanza and Chimberos, which surround and enhance the overall project area and delivered an additional 20 million ounces of silver resources, major infrastructure and considerable surface rights. The combined project area is now known as Nueva Esperanza. The feasibility study for the project is well underway and expected to be completed early in 2012.

The acquisition of the Bowdens silver project near Mudgee in New South Wales complements Kingsgate's current growth pipeline. Kingsgate has commenced a feasibility study that builds on the high quality work previously completed by Silver Standard Inc. A detailed exploration programme will be undertaken over the next few months to define the full extent of the mineralisation. The feasibility and resource development work is expected to lead to a decision to mine towards the end of 2012.

This past year has set the platform for significant growth in production, cash flow and earnings over the next three years and continues to support Kingsgate as a proven value creator.

Operations

Chatree

Chatree mine produced 76,248 ounces during the year. The decrease in gold production is largely due to mining and processing of lower grade ore while approval to access C North, where higher grade ore was scheduled to be mined during the June half of the year, was delayed. Mining was also impacted by restrictions imposed by a night time operating curfew during the March and June quarters. This resulted in a lack of flexibility to access alternative high grade and less intrusive areas. These restrictions have subsequently been lifted. The heaviest wet season in a generation has had an impact on operating activities with major flooding disrupting most of Thailand.

"A challenging transitional year will cement a broad base to move forward aggressively".

Mining commenced at C North late in the June quarter and it is expected that high grade ore will be accessed in the December 2011 quarter once the laterite and clay overburden layers have been removed.

The Chatree North Expansion project is being constructed as a separate 2.7 million tonnes per annum (Mtpa) ore processing plant located besides the current 2.3 Mtpa Chatree processing plant. This will result in a combined total ore processing capacity of 5 Mtpa. Construction is on schedule for commissioning in October 2011 and the project is coming in around 5% under the original US$100 million budget. This is a significant result in particular given the excessive rainfall over the past 12 months in Thailand.

In addition, the construction programme with over 1.2 million man hours has progressed without a Lost Time Incident.

Challenger

The Challenger mine produced 36,886 ounces for five the months since ownership transferred to Kingsgate.

Production was lower than expected due primarily to the effects of unusually heavy rainfall during February and March. This prevented continuous road access with supplies of fuel, consumables and maintenance parts only intermittently delivered to the site. These disruptions resulted in low grade stockpiled ore supplementing scheduled higher grade underground ore leading to lower than planned production. In the June quarter, the mining operation was also impacted by both mine grade dilution and production rate caused by pillar failures in a number of stopes.

A new high grade shoot at Challenger West will be developed during the forthcoming year contributing to the total gold production expected to exceed 100,000 ounces.

Development Projects

Nueva Esperanza

Nueva Esperanza (formerly the Arqueros Project and the recently acquired Esperanza Project and Chimberos Mine) is 100% owned by Laguna Resources NL, a 70% subsidiary of Kingsgate Consolidated Limited. It is located in northern Chile in the Maricunga Gold Belt, near Copiapó, a regional mining centre. The silver-rich mineralisation is hosted by high sulphidation epithermal alteration associated with the Miocene-aged Cerro Bravo 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 has been previously mined on a limited scale by underground methods and Chimberos was exploited as an open pit, delivering about 40 million ounces of silver in 1998/99. All three deposits currently have a combined Mineral Resources of about 82 million ounces of silver equivalent or 1.8 million ounces of gold equivalent (EQ45).

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

The combined Arqueros Chimberos/Esperanza projects were renamed Nueva Esperanza.

A feasibility study for a decision to mine the Arqueros portion of Nueva Esperanza is expected to be complete in early 2012, with expected plant commissioning in late 2013. The Chimberos and Teterita deposits are in an advanced exploration stage and will be integrated into the project when appropriate.

Bowdens

Kingsgate entered into an agreement in August 2011 to purchase the Bowdens silver project in Lue, New South Wales, from a wholly-owned subsidiary of Silver Standard Resources Inc.

Bowdens, located some 240 km west of Sydney, is an epithermal silver deposit . Bowdens has the potential to be a robust project with the possibility of substantially increasing the resource base. Kingsgate released an estimated resource, in line with JORC reporting guidelines, of almost 100 million ounces of silver in September and expects to release the conclusions of an updated scoping study in the December quarter 2011.

Financials

Higher gold prices on fully unhedged gold sales, averaging US$1,386 per ounce, have delivered strong cash and profit margins to the Company. Kingsgate delivered a profit of A$21 million on revenue of A$173 million. During the year Kingsgate's Thai operating subsidiary, Akara Mining Limited , executed a 3.0 billion Baht (US$100 million equivalent) syndicated loan facility that completed the funding requirements for the expansion of the Chatree Mine. The Group also has a three year US$50 million secured revolving loan facility with Investec that was drawn to US$15.9 million prior to period end.

With these facilities covering capital and operating requirements, the combined cash and cash equivalents of almost A$36 million enabled Kingsgate to pay a dividend of 15 cents per share while still having the financial reserves to meet exploration and development commitments. Dividends are considered to be an important differentiator of Kingsgate as an investment in the gold sector.

Kingsgate aims to provide production growth, capital growth, exploration growth and a significant dividend yield to position itself as a solid investment choice against other gold companies and gold ETF's (Exchange Traded Funds).

Financial Summary	2011 $000	2010 $000
Total Revenue	**173,352**	176,098
Other Income	**613**	–
Income Tax Expense / (Benefit)	**(3,092)**	9,285
Net Profit / (Loss) after Tax	**20,879**	73,066
Cash flow from Operations	**34,026**	46,468
	¢/share	¢/share
Dividend Declared	**15**	35

Exploration

Resource development drilling continued within the Chatree Mining Leases throughout the year. The aim was to improve the definition of the ultimate extent of the mineralisation within the open pit mining operation at current gold prices. Future work will also focus on the definition of potential high grade ore feed including potential high grade vein systems that could be amenable to underground mining.

Regional exploration focused on locating potential additional satellite feed deposits near Chatree and new discoveries that might become new "stand-alone" gold operations within the Thai gold belt. Several prospects were identified, which will require further drilling in order to become mineral resources.

At Challenger, exploration remained focussed on the continuity of the main mineralised structures below the 79 Fault with good results returned. The second focus was the resource potential of parallel structures close to the surface, initially at Challenger West, where excellent results were obtained during the year. The drilling has successfully increased the reserves at Challenger to 0.61 million ounces, an increase of almost 50% without allowing for mining depletion.

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

Past and Future

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 is for a much stronger production performance in fiscal 2012 with Chatree benefitting from mining the high grade ore in the C North deposit, expected in the December quarter 2011, and the contribution from the Chatree North expansion which is on schedule for practical completion in October 2011.

Group gold production for the full year to 30 June 2012 is expected to be in the range of 240,000 to 260,000 ounces. This includes 145,000 to 155,000 ounces from Chatree, due to the higher grade ore from the C North deposit and the ramp-up of the Chatree North Plant expansion, and between 95,000 to 105,000 ounces from Challenger.

Beyond the new financial year, the full benefits of an expanded plant will couple with growing production from the development project pipeline of Nueva Esperanza and Bowdens. With these growth projects, Kingsgate remains focussed on increasing production per share, resources and reserves per share and earnings per share as the Company continues to be the rising mid-tier gold company on the Australian Securities Exchange.

2011 Annual Report

Ten Year Summary

for the years ended 30 June

PRODUCTION	2011 Challenger*	2011 Chatree	2010 Chatree	2009 Chatree	2008 Chatree
Ore mined ('000 bank cubic metres)		**2,352**	2,699	1,674	375
Waste mined ('000 bank cubic metres)		**6,128**	6,432	4,069	2,507
Waste to ore ratio		**2.6**	2.4	2.4	6.7
Ore mined ('000 tonnes)	**190**	**5,301**	6,583	3,874	977
Ore treated ('000 tonnes)	**289**	**2,533**	2,705	1,878	2,474
Head grade – Gold grams/tonne	**4.3**	**1.1**	1.7	1.7	1.1
Head grade – Silver grams/tonne		**15.7**	14.9	15.8	6.8
Gold recovery (%)	**92.2%**	**87.2%**	90.4%	91.2%	88.4%
Gold poured (ounces)	**36,886**	**76,248**	132,628	93,002	74,137
Silver poured (ounces)	**2,581**	**549,699**	549,522	293,472	232,039

PROFIT & LOSS (A$'000)	2011 AIFRS	2010 AIFRS	2009 AIFRS	2008 AIFRS
Sales revenue	**172,356**	175,480	113,015	74,285
Other revenue	**996**	618	1,077	2,210
Other income	**613**	–	2,432	44,443
Total income	**173,965**	176,098	116,524	120,938
Operating expenses	**121,018**	74,305	65,599	55,743
Administration & other costs	**5,719**	3,615	4,595	4,065
EBITDA	**47,228**	98,178	46,330	61,130
Depreciation & amortisation	**27,772**	14,004	11,575	9,284
EBIT	**19,456**	84,174	34,755	51,846
Borrowing costs	**1,669**	1,823	1,698	3,974
Profit/(loss) before income tax	**17,787**	82,351	33,057	47,872
Income tax expense/(benefit)	**(3,092)**	9,285	535	11,675
Net profit/(loss) after income tax	**20,879**	73,066	32,522	36,197
Non-controlling interests	**(269)**	–	–	–
Net profit attributable to owners of Kingsgate Consolidated Ltd	**21,148**	73,066	32,522	36,197

BALANCE SHEET (A$'000)	2011	2010	2009	2008
Current assets – cash	**35,864**	49,098	29,680	40,226
Current assets – other	**70,280**	54,203	27,848	16,397
Non-current assets	**688,919**	265,774	217,445	146,626
Total assets	**795,063**	369,075	274,973	203,249
Total borrowings	**99,896**	11,064	2,144	1,599
Other liabilities	**88,243**	41,968	27,789	20,637
Total liabilities	**188,139**	53,032	29,933	22,236
Shareholders' equity	**606,924**	316,043	245,040	181,013
Non-controlling interests	**7,109**	–	–	–
Equity attributable to equity holders of Kingsgate Consolidated Ltd	**599,815**	316,043	245,040	181,013

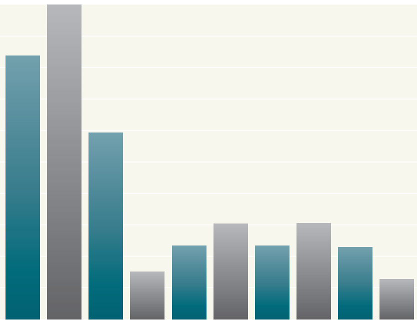
OTHER INFORMATION	2011	2010	2009	2008
Average realised gold price on physical deliveries (US$/ounce)	**1,386**	1,091	904	824
Cash cost (US$/ounce)	**639**	335	401	457
Total cost (US$/ounce)	**814**	408	488	556
Operating cash flow (A$'000)	**34,026**	46,468	18,058	18,657
Dividends paid (Cash & DRP) (A$'000)	**33,647**	29,082	–	–
Number of issued shares ('000) – Ordinary	**135,275**	99,996	96,136	92,680
Basic earnings per share (A$ Cents)	**18.7**	75.2	34.9	51.7
Dividends per share (A$ Cents)	**15.0**	35.0	15.0	–

** Challenger data for 5 months to 30 June 2011*

2007	2006	2005	2004	2003	2002
Chatree	Chatree	Chatree	Chatree	Chatree	Chatree
546	734	588	801	638	306
4,390	5,121	4,915	4,444	1,758	631
8.0	7.0	8.4	5.5	2.8	2.1
1,523	1,951	1,521	1,946	1,511	821
2,405	2,000	1,829	1,671	1,324	665
1.2	2.4	2.4	3.1	3.9	5.3
9.2	14.5	13.0	15.0	22.0	42.0
90.0%	90.1%	90.8%	91.2%	90.2%	90.8%
85,994	140,071	126,550	149,979	154,484	91,185
290,897	459,702	353,275	395,346	484,170	353,146

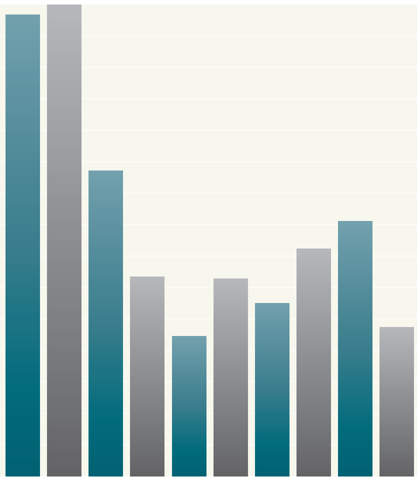
11 10 09 08 07 06 05 04 03 02

Ore mined ('000 tonnes) ▼



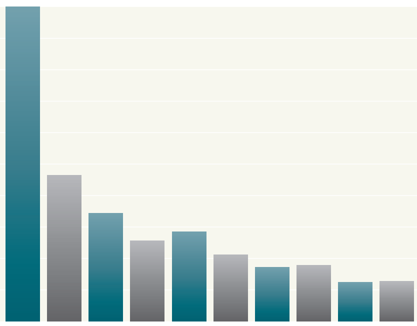
AIFRS	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP
52,044	72,782	64,299	84,410	94,020	54,688
556	1,361	2,471	2,370	627	1,818
9,857	–	–	–	–	–
62,457	74,143	66,770	86,780	94,647	56,506
64,908	47,761	47,366	34,343	28,465	9,685
2,264	1,158	1,404	1,019	3,563	2,223
(4,715)	25,224	18,000	51,418	62,619	44,598
8,446	7,805	8,720	11,323	13,293	8,620
(13,161)	17,419	9,280	40,095	49,326	35,978
2,544	757	889	2,416	2,003	2,566
(15,705)	16,662	8,391	37,679	47,323	33,412
(3,115)	–	–	–	–	390
(12,590)	16,662	8,391	37,679	47,323	33,022
–	–	–	–	–	–
(12,590)	16,662	8,391	37,679	47,323	33,022

Sales revenue ▼



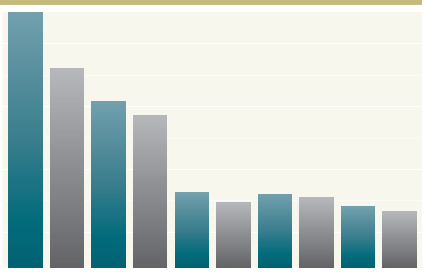
Total assets ▼

5,148	10,391	32,119	59,696	28,914	25,262
13,756	10,805	12,162	14,162	14,057	12,984
206,082	143,401	91,727	69,555	53,336	63,619
224,986	164,597	136,008	143,413	96,307	101,865
21,220	–	–	–	18,694	44,448
19,532	36,589	14,779	8,367	4,329	15,775
40,752	36,589	14,779	8,367	23,023	60,223
184,234	128,008	121,229	135,046	73,284	41,642
–	–	–	–	–	–
184,234	128,008	121,229	135,046	73,284	41,642



Average realised gold price on physical deliveries ▼

417	355	401	385	335	308
440	206	212	135	94	61
524	247	262	189	143	116
(19,888)	21,889	22,184	49,294	56,956	28,937
4,513	8,669	11,973	17,631	19,927	–
92,680	88,592	85,949	85,329	72,869	71,649
(17.3)	19.3	9.8	45.5	65.4	48.5
–	10.0	7.0	22.0	25.0	15.0



2011 Annual Report

Finance Report

Summary

The Kingsgate Group underwent a major transformation in 2011 with the successful acquisition of Dominion Mining Limited (Dominion), via a Scheme of Arrangement, and acquiring 70% of Laguna Resources NL (Laguna) through an off-market takeover. The Group also advanced the Chatree North plant expansion through the year.

Earnings

The Group's profit after income tax for the year ended 30 June 2011 amounted to $20.9 million (2010: $73.1 million).

The average gold price for the current year strengthened to US$1,386 per ounce, which was 27% higher than last year. However revenue was impacted adversely by the strength of the Australian dollar.

The Group sold 114,380 ounces (2010: 134,945 ounces) of gold in the year generating gold sales revenue of $156.3 million (2010: $165.2 million).

The mining and processing costs increased to $99.5 million (2010: $82.2 million). This was mainly a result of the addition of operating expenses attributable to the Challenger mine, offset by lower costs at Chatree mine.

The Group's total cash costs, on a unit cost basis, were US$639/oz (2010: US$335/oz) reflecting the lower production at Chatree (US$479/oz) and the higher costs associated with Challenger mine (US$968/oz).

Depreciation and amortisation expenses increased to $27.8 million reflecting an additional $18 million from Challenger, of which $6 million relates to the fair value asset allocation required under acquisition accounting.

Other significant items included in the profit before income tax are costs of $4.8 million relating to the Dominion and Laguna acquisitions and the net foreign exchange loss of $15.8 million. The comparison between the stronger Australian dollar against the Thai Baht resulted in a foreign exchange loss from the foreign currency denominated intercompany loans and bank accounts.

Cash Flow

Cash on hand at the end of the financial year totalled $35.9 million. This cash position was driven by sales of gold into rising spot prices which resulted in an operational cash flow of $34 million. Prior to 30 June 2011, the Group repaid $45 million towards the loan facility, which reduced the net borrowings at year end to $89.2 million. The proceeds of share options also provided $3.7 million additional funds during the year. Cash outgoings were used primarily to pay dividends to shareholders of $28.5 million as well as $124.6 million for investment in property, plant and equipment, mine properties, exploration and land.

Financing Arrangement

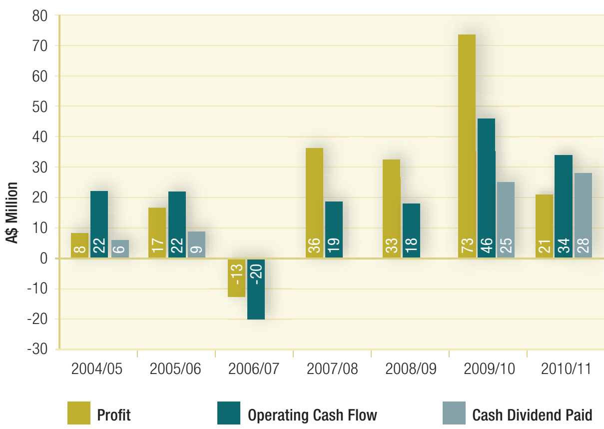
Revolving loan facility

Kingsgate has a three year secured revolving loan facility with Investec Bank (Australia) Limited (Investec). As at 30 June 2011, the facility limit increased to US$50 million (2010: US$30 million). A$15 million (US$15.9 million equivalent) was drawn down prior to period end.

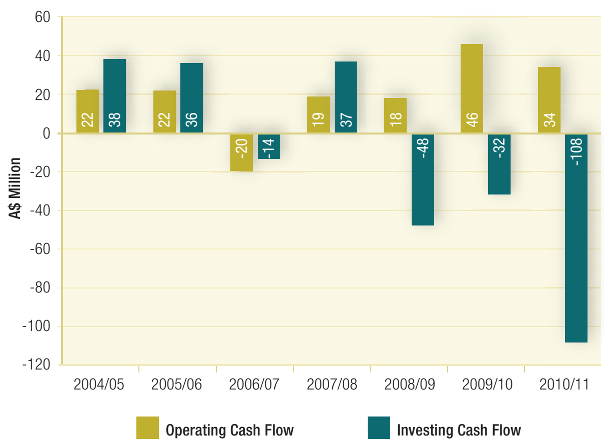
Convertible loan facility

Subsequent to year end, Kingsgate entered into a A$35 million five year convertible loan facility to fund the acquisition of the Bowdens Silver Project. This facility was fully drawn down on 22 September 2011. In addition, the US$50 million three year revolving facility was increased to A$60 million.

Operating Profit and Cash Flow



Operating and Investing Cash Flow



Syndicated loan facility

A US$100 million 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 was executed in May 2011. The syndicated loan facility is a four year amortising loan with equal half-yearly repayments commencing on 31 March 2012. Akara has fully drawn down the facility at the time of this report.

Financial Position

Shareholders' equity at 30 June 2011 was $599.8 million, an increase of $283.8 million over the previous year. This was positively impacted by 2011's profit, the acquisition of Dominion and Laguna and offset by the dividend payments and exchange differences arising from the translation of foreign controlled entities.

Income Tax

The mine operation in Thailand has approvals for tax benefits from the Royal Thai Board of Investment (BOI). During the year, the current processing plant was taxed at half tax holiday (15% tax rate) as the previous eight year full tax holiday (nil tax rate) expired in November 2009.

The BOI promotion for the new Chatree North gold processing plant will be in place once the construction is completed and the plant is commissioned for use. 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.

Dividends

An interim dividend declared for the year ended 30 June 2011 of 10 cents per fully paid share was paid on 16 March 2011.

A final dividend declared for the year ended 30 June 2011 of 5 cents per fully paid share was paid on 30 September 2011.

Planned IPO in Thailand

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

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

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

As part of the settlement, the Company has granted 1.5 million Kingsgate 3 year options that vest in 12 months 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 next 14 months.

This settlement will allow Kingsgate to recommence preparations for an IPO of Akara on the Thai stock exchange.

Plant Expansion

Construction of the Chatree North Expansion Project (Project) is on schedule and the Project is coming in approximately 5% under the original US$100 million budget. Once the Project is complete, the total ore processing capacity is expected to be around 5 million tonnes per annum.

The Project was funded through a US$100 million Baht denominated syndicated loan facility between 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.

Business Development

Kingsgate continues to pursue opportunities in the gold sector from early to advanced stage projects which could deliver substantial value to Kingsgate shareholders. During the year, Kingsgate successfully acquired 100% of Dominion and 70% of Laguna.

Dominion acquisition

On 2 February 2011, Kingsgate acquired all of the shares in Dominion via a Scheme of Arrangement (Scheme). The major asset of Dominion is the Challenger Gold Mine in South Australia. Under the Scheme, Kingsgate issued 32,416,572 fully paid ordinary shares at the quoted price of $9.33 per share, for a total consideration of $302.4 million. On acquisition, Dominion became a member of the Kingsgate tax-consolidation group.

Laguna acquisition

During the year, Kingsgate also undertook an off-market takeover bid for Laguna and received acceptances for 70% of Laguna's issued capital when the bid closed in February 2011. The major asset of Laguna is the Nueva Esperanza silver / gold project located in central Chile. In consideration Kingsgate issued 1,434,386 fully paid ordinary shares and paid $2.4 million in cash.

Bowdens Silver Project acquisition

On 22 September 2011, Kingsgate completed the acquisition of the Bowdens Silver Project in New South Wales, Australia. Consideration for the acquisition was $75 million comprising:

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

Operations Report

Chatree Gold Mine

Thailand

Summary

Chatree continued its positive performance. Access difficulties in C North pit meant that 19% less ore than scheduled was mined. However, this was more than twice the amount fed to the mill and provided a useful stockpile to ensure ore feed for the expanded plant. Ore milled was in accordance with budget but with a lower than planned head grade that saw gold production fall by 43% to 76,248 ounces.

The new processing plant construction remains on schedule for commissioning in October 2011 and will be substantially under budget. This plant, with new SAG mill and ball mill and CIP circuit, will more than double throughput to 5 million tonnes per annum when completed. A thickener has been included to maximise cyanide and water reuse.

With the completion of the expansion, production for next year is expected to be approximately 150,000 ounces of gold.

Production and Costs

Gold production for the year was 76,248 ounces, 43% below the forecast. 549,699 ounces of silver were produced. While tonnes of ore milled were in line with budget, gold head grade of 1.08 grams per tonne was 33% less than anticipated. This was due to licensing delays in the C North pit. Silver head grade was as budgeted.

Total cash costs for the year were $US479 per ounce of gold ($US362 per ounce before Thai royalties). Average royalty per ounce paid to the Thai government was $US117. Total production costs, after depreciation and amortisation, were $US581 per ounce of gold produced.

This places Chatree in the lowest quartile for cash operating costs and second quartile for total production costs (Gold Fields Mineral Services 2011). This result is lower than last year, caused by the reduced production experienced.

Stockpiled ore at the end of June 2011 was 8.4 million tonnes at a grade of 0.7 g/t gold for 187,000 ounces.

Operational Performance

5.3 million tonnes of ore was mined during the year with a waste to ore strip ratio of 2.6:1. Production was adversely impacted by external restrictions on where we could mine. Nevertheless, ore mined was 2.1 times mill feed. This enabled us to blend feed and to increase stockpiles, which will be available when the additional processing capacity commences operation early in the second quarter of 2011.

Ore feed was sourced predominantly from the A and K West pits and mining of the K West Pit was completed in October 2010.

The stripping of the enlarged A Pit continued in three different areas: A Hill, A Stage 2 and A Stage 1 North. This approach is to ensure a sustained ore delivery to the mill.

In November and December 2010, preparation work for future mining was completed at the C North Stage 2 Pushback and at the Q pit.

The fleet of the mining contractor, Lotus Hall, was increased by an additional Caterpillar D-9 dozer and by four Caterpillar 777 haulage trucks.

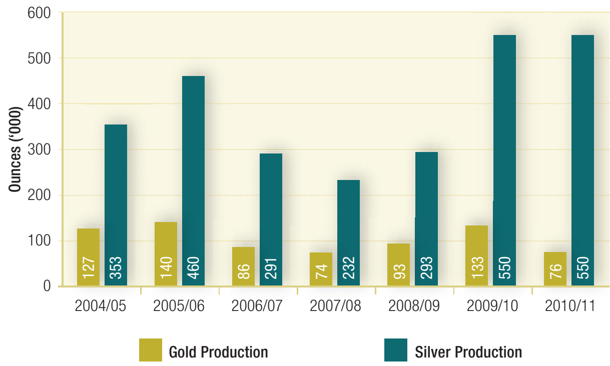
The new underpass under the highway between Chatree South and Chatree North was completed in June 2010, providing much more efficient haulage of ore between the pits and the crusher.

The Tailings Storage Facility ("TSF") #1 was raised by 4 metres during the year and has now reached its final elevation. Harvesting of teak trees and clearing of topsoil for a second TSF #2 began in October 2010.

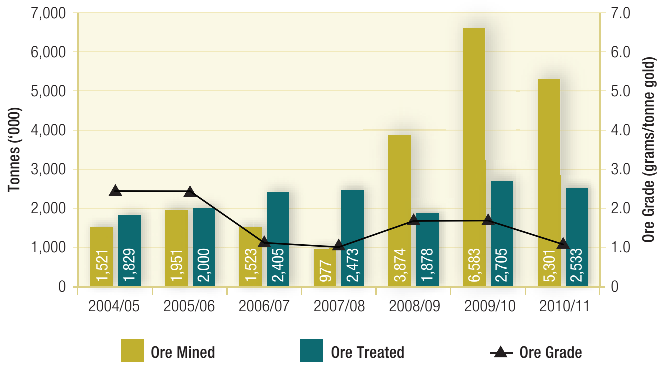
In the coming years, ore will also be sought from higher grade, small, near surface veins, to augment the primary lower grade feed and maintain low costs and gold production levels. Due to the rising gold price, lower grade ore can be mined economically and the potential exists for bulk mining to be introduced, utilising larger and hence more cost effective equipment while maintaining the waste-to-ore strip ratio.

During the financial year, the processing plant ran at a throughput rate of 2.5 million tpa ("tonnes per annum") as per budget. This is considerably above its rated capacity of 2.3 million tpa. The plant operating time for the year was 96.9% against a budget of 96.0%. During the year the plant had only 1 unplanned mechanical stoppage for 15 minutes.

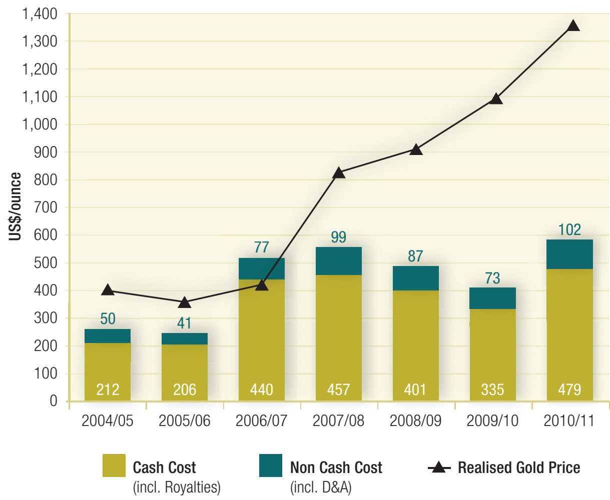
Production



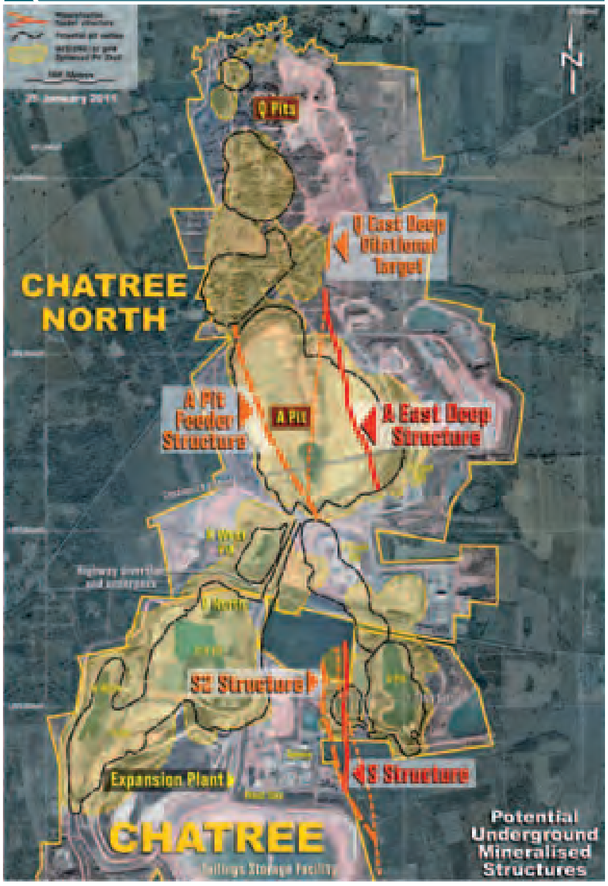
Ore Mined and Treated



Cash Costs and Total Costs



Chatree/Chatree North gold mine



Safety Record Performance

With 17.6 million hours worked since the last Lost Time Injury ("LTI") eight years ago, Chatree continues its enviable record as the safest gold mine in the world, based on publicly available data. Since initial construction commenced in 2000, more than 19.7 million man-hours have been worked with only one lost time accident. Chatree's LTI Frequency Rate of 0 compares most favourably with the Australian rate of 2.9 (Minerals Council of Australia June 2009).

Chatree's safety record was recognised by it receiving the Thailand National Occupational Safety and Health Award – 2011 and the Zero Accident Gold Award 2011, as well as other awards for emergency response and drug and alcohol prevention.

Plant Expansion

The plant expansion to provide for 5 million tonnes per annum throughput remains on time and under budget. The plant should be commissioned and fully operational in October 2011. Naturally, as we gain experience with the new plant, we expect to achieve more efficiencies, reducing costs and increasing recoveries.

Operations Statistics

Physicals

		2010/11	2009/10	Change on Prior Year
Waste mined	bcm	**6,128,347**	6,432,359	-5%
Ore mined	bcm	**2,352,425**	2,698,836	-13%
Waste:ore ratio		**2.6**	2.4	8%
Ore mined	tonnes	**5,301,052**	6,582,906	-19%
Ore treated	tonnes	**2,532,926**	2,704,657	-6%
Head grade (gold)	Au g/t	**1.1**	1.7	-36%
Head grade (silver)	Ag g/t	**15.7**	14.9	5%
Gold recovery	%	**87.3**	90.4	-3%
Gold poured	ounces	**76,248**	132,628	-43%
Silver poured	ounces	**549,699**	549,522	0%

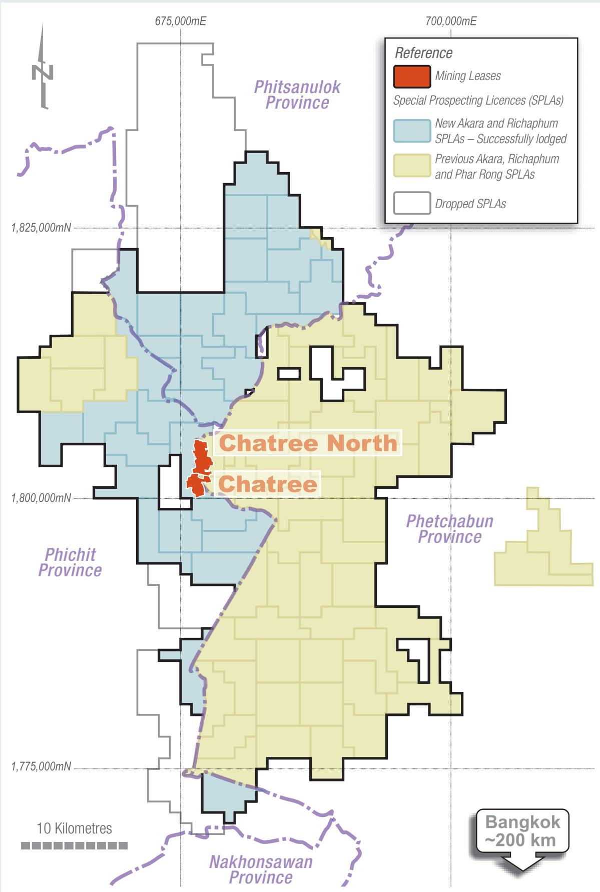
Cost category

	2010/11 $US/oz Gold Produced	2009/10 $US/oz Gold Produced	Change on Prior Year
Direct mining expenses	**545**	317	72%
Refining and transport	**4**	2	100%
By product credit	**(187)**	(62)	202%
Cash operating cost	**362**	257	41%
Royalty	**117**	78	50%
Total cash cost	**479**	335	43%
Depreciation/amortisation	**102**	73	40%
Total production cost	**581**	408	42%

CHATREE EXPLORATION

Resource development drilling continued within the Chatree Mining Leases throughout the year. The aim was to improve the definition of the ultimate extent of the mineralisation within the open pit mining operation at the current higher gold prices.

At the current gold price, the open pits at Chatree show considerable potential to grow beyond the currently scheduled designs. The primary aim of the drilling programme at Chatree over the last few years has been to increase resources and to improve the understanding of the possible open pit potential of the mine, so that a fully integrated mining programme can be designed and ensure the appropriate location for infrastructure and waste dumps. Future work will also focus on the definition of potential high grade ore feed including potential high grade vein systems that could be amenable to underground mining.



Regional exploration focused on locating potential additional satellite feed deposits near Chatree and new discoveries that might become new "stand-alone" gold operations within the Thai gold belt. Several prospects were identified, which will require further drilling in order to become mineral resources.

Regional exploration for the past year concentrated in tenements around the Chatree mine covering an area of 1,253 square kilometres (km^2). Beside the discovery of significant gold mineralisation in two new gold districts (Chokdee and Suwan) over the last few years, at least 15 drill ready targets have been identified within the broader Chatree region with a total of 56 prospects identified regionally.

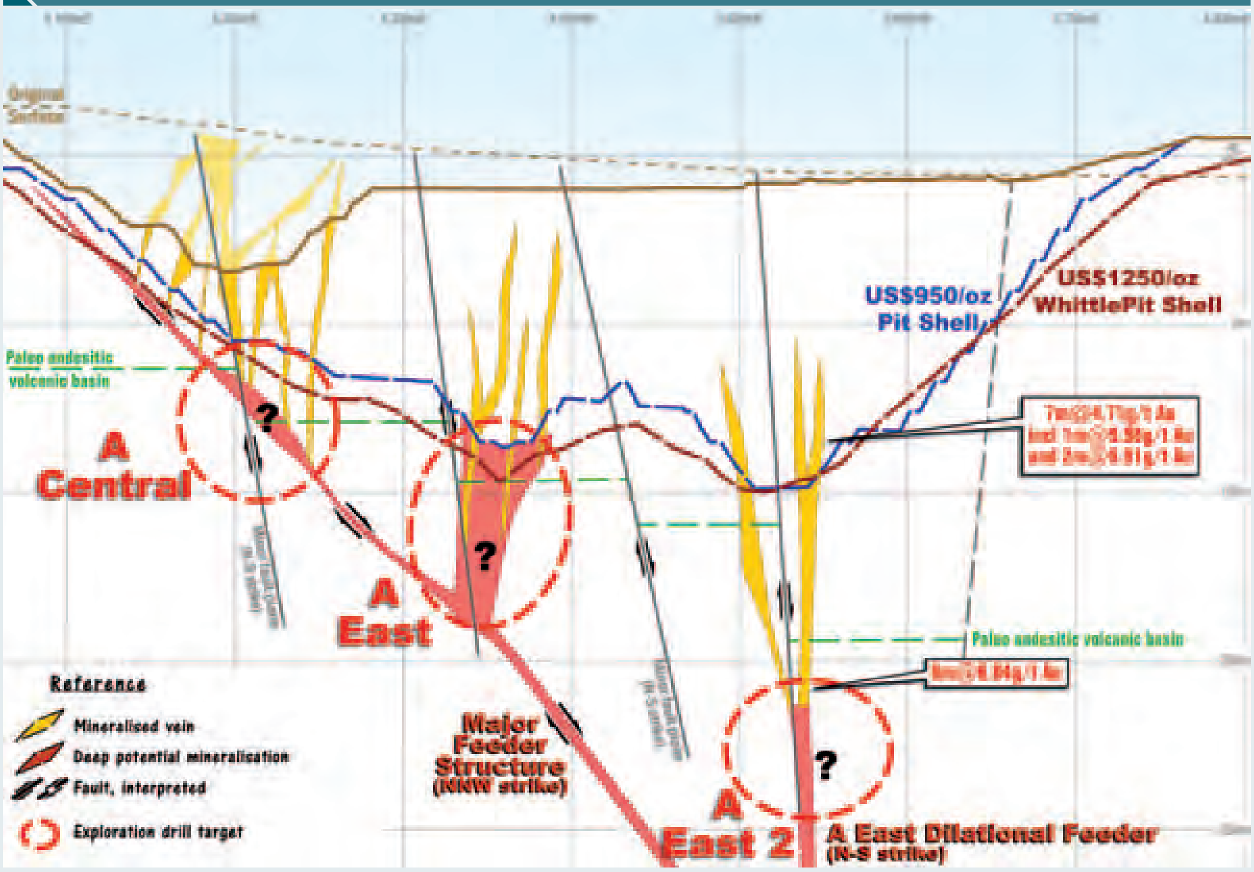
Surface sampling, mapping, ground geophysics and air-core drilling continued in other granted Special Prospecting Licences (SPL's) during the period. A major review aimed at ranking prospects and planning exploration programmes for all targets within the SPL's and Special Prospecting Licence Applications (SPLA's) is ongoing. This will define the priorities for the next financial year and beyond, as there is an expectation that the SPLA's will be granted in the near future.

Chatree Mineral Resources (Inclusive of Ore Reserves and Stockpiles) > 0.4g/t Au

Source	Category	Tonnes (million)	Grade Gold (grams/tonne)	Grade Silver (grams/tonne)	Contained Ounces Gold (million ounces)	Contained Ounces Silver (million ounces)
Chatree	Measured	59.2	0.95	7.2	1.81	13.8
	Indicated	39.7	0.90	5.7	1.14	7.3
	Inferred	19.3	0.87	4.9	0.54	3.0
	Total	**126.7**	**0.90**	**6.7**	**3.68**	**27.3**

Note some rounding of figures may cause numbers not to add correctly.

A East Pit Section 19,600 mN Deep Feeder Structures



Resource Development

Drilling at the Chatree Mine had two main areas of focus during 2010–2011 year. Further resource definition drilling was carried out at the proposed Q Pit area and potential underground targets at A and S Pits were drilled. Drilling was also carried out on SPL's near Chatree in the Suwan area.

A total of 57,284 metres (m) of Reverse Circulation (RC) drilling and 8,300 m of Diamond Drilling (DD) were completed during the year. The increased levels of drilling are indicative of the effort placed on completing additional resource drilling at Chatree and defining targets in the Chatree District.

The aims of the drilling programmes were successfully met with significant intersections in several areas confirming new mineralisation. The proposed drilling for the forthcoming year will continue to test for potential underground targets and to explore for new ones.

Mineral Resources after mining depletion are 3.68 million ounces of gold in 126.7 million tonnes of ore at an average grade of 0.90 g/t gold at a 0.4 g/t cut-off gold grade as at 30 June 2011. This is a 5% decrease in ounces and tonnes compared to the 2010 resource statement.

New resource models for the A, Q and S Pits were completed during the year. New drilling with updated geology interpretation and fact mapping in the mined areas was taken into consideration in the new models.

Chatree Ore Reserves > 0.4g/t Au

			Grade		Contained Ounces	
Source	Category	Tonnes (million)	Gold (grams/tonne)	Silver (grams/tonne)	Gold (million ounces)	Silver (million ounces)
Chatree	Proven	36.0	0.99	8.5	1.14	9.86
	Probable	15.6	0.97	7.0	0.49	3.53
	Stockpiles	8.4	0.69	11.7	0.19	3.18
	Total	**60.0**	**0.94**	**8.6**	**1.82**	**16.56**

Note some rounding of figures may cause numbers not to add correctly.

1. *Reserves are based on a three (3) year average gold price of US$1,100/oz and a silver price of US$20/oz.*
2. *Underground options have not been included in the reserves.*
3. *All reserves are based on detailed pit designs.*

CHATREE EXPLORATION

In A Pit there was a decrease of 8% in ounces and tonnes compared to the previous block model from 2009. The change in ounces and tonnes is a mainly a result of mining depletion and reconciliation changes.

In Q Prospect there was an increase of 5% ounces and 4% tonnes compared to the 2010 block model. The increase was due to better drill coverage allowing more mineralisation to be defined in the updated block model. Compared to the 2010 model the Inferred Resource decreased in tonnes by 25% as these resources were upgraded to Indicated Resources. There was also an upgrade from Indicated to Measured resources in the latest model.

There is an increase of 22% ounces and 41% tonnes at S Pit. The new drilling and interpretation extended the block model at depth and along strike. Updated mineral resources are based on Multiple Indicator Kriging as per previous Chatree resource estimates.

Further drilling will be carried out over the mining leases as some of the modelled open pits, which were based on lower than current gold prices, are limited by the present drilling data.

A Pit

Drilling designed to assess the underground potential below the A Pit along the 'A East' structure has delivered varied results with 19.0m at 2.64g/t Au including 3.0m at 9.88g/t Au; 10.0m at 2.85g/t Au including 5.85m at 4.43g/t Au; 8.0m at 6.00g/t Au including 4.0m at 11.30g/t Au; 51.0m at 2.28g/t including 3.0m at 8.07g/t Au; 8.0m at 4.30g/t Au, and 23.0m at 2.38g/t Au including 8.0m at 3.03g/t Au. Drilling of the A East structure at depth and along strike is continuing in conjunction with an alteration study that will be utilised to refine future target areas.

S Pit

During the current year, drilling continued in the S Pit area aimed at extending the mineralisation in a known high-grade structure beneath the previously mined pit. Although the mineralised structure at S Pit is narrow, it is consistently high-grade with good strike and down dip continuity. Drilling was successful in intersecting veins that returned assays of 10.0m at 5.99g/t Au including 2.0m at 19.20g/t Au; 8.55m at 5.34g/t Au; 12.0m at 4.17g/t Au and 8.0m at 3.87g/t Au. Further drilling to the north of S Pit is planned to define the intersection between the north trending S structure and a northwest trending structure that has been interpreted between the south end of D Pit and the northern end of C Pit.

Proposed Q Pit Area

An extensive drill programme to increase resources in the proposed Q Pit areas was completed. Around the proposed Q Pits, drilling has extended the known gold mineralisation with the best results including 15.0m at 2.78g/t Au; 9.0m at 2.69g/t gold; 11.0m at 1.79g/t gold and 13.0m at 1.36g/t gold.

Suwan Area

Drilling in Suwan Prospect was designed to follow up previous RAB drilling and geophysical anomalies. The Suwan area is split into a number of prospects, most of which are only available for drilling during the dry season. The drilling carried out in 2010 – 2011 was in the Sua area. This programme is ongoing.

CHATREE SUSTAINABILITY

Stakeholders are Vital to Our Business

Chatree Gold Mine is situated in a rural area of Thailand, straddling the border between Phichit and Phetchabun provinces. Though 250 km from Bangkok, there are many nearby villages and substantial rice growing areas. It is, therefore, imperative that we minimise our impact on our neighbours as much as possible and remain a good corporate citizen of our area and of Thailand. We focus on a safe and healthy workplace that has the minimum possible effect on the local area. Through regular meetings and active engagement with the community, we seek to work with our stakeholders for our mutual benefit.

The areas of most concern to our immediate community are water, dust, noise and cyanide.

In a rural agrarian area, maintaining quality water supplies is a central issue. Given the proximity of villages, where many of our employees reside, dust and noise have the potential to be a nuisance to the local way of life. Cyanide, of course, is an issue of concern to all who are involved with mining, from operators to local communities.

Minimising our water use and monitoring quality, including that of stored water, is a continual process. No water leaves the property, all being harvested for our operational needs. Twenty nine surface water quality sampling stations have been developed on the property, together with thirty three groundwater quality testing stations, of which fourteen are in local villages. No results have given cause for concern. Eighty groundwater level measuring stations are in operation on site and near local villages. Water levels rise and fall with the wet and dry seasons but no long term trends have become apparent.

Proper maintenance of roadways, including gravel sheeting, watering, construction of noise bunds and working only in daylight hours in some cases, reduces dust and noise to a minimum. Dust monitoring stations are operating in thirteen surrounding villages. Four of those were added this year to deal with our plant expansion. Quarterly monitoring is undertaken by qualified third parties. With the exception of one location in one sampling period, all results were in compliance with the relevant air quality standards.

Our primary concern is to maintain a safe and healthy workforce. Through the efforts of all our employees and those of our contractors, we have enjoyed another year free of LTI's, our eighth year in a row. While management can promote safety, only individuals can make it happen through their own actions and through the care of their workmates. Our Thai employees are to be congratulated for their unceasing efforts to maintain a safe workplace. Our zero alcohol policy and regular drug testing also promote our aims in this regard.

Many training courses are offered throughout the year, both in safety and vocational areas. Additionally, during the year we are sponsoring a further six employees as they undertake Bachelor degrees and ten employees studying for a Master's qualification. At Chatree, we consider that training employees creates an asset rather than incurring a cost.

Kingsgate's Sustainability Policy

Chatree adheres to Kingsgate's Sustainability Policy, a copy of which can be found on the website www.kingsgate.com.au.

We are committed to operating our business while respecting the safety, health, social, economic and environmental needs of our stakeholders. We strive to anticipate the needs of future generations in our operating area.

There is no value in espousing these policies unless systems are there to put them into effect. To this end, management systems support the policy and sustainability is an integral part of the agreed duties of all employees and contractors.

Focusing on the Important Issues

In adhering to Kingsgate's Sustainability Policy, we analyse and review those issues of most importance to our stakeholders and ensure that management effort is directed to those areas of concern. These issues are:

1. water management;
2. cyanide management;
3. workplace safety and training;
4. building local capacity; and
5. continued economic growth for Chatree and Thailand.

They can be represented in a table (opposite)

OUR 2011 ACHIEVEMENTS

For our Employees

- 99% of the Chatree workforce is Thai.
- 81% of the workforce has been sourced from the local area.
- 39% of management positions are held by women.
- Another year without a LTI, bringing the total to eight years since the last, and only, LTI.
- Received second place in the Best Employer in Thailand 2011 award, recognizing our performance driven culture, first class people practices and strong organisational alignment.
- Achieving over 90% score for the standards assessed, we were awarded the Thailand National Occupational Safety and Health Award – 2011.

For our Communities

- We have maintained our SA8000 accreditation, first earned in 2007. Chatree is one of the few miners in the world to achieve this Standard.
- 60% of the A$8.9 million mining royalties paid in Thailand go directly to local provinces and village councils.
- A$705,000 was spent in communities during the year, covering areas such as education, infrastructure and health.
- Business development assistance was provided to the Thepnimit drinking water factory.
- A 15 seat van was donated to Phichit Red Cross, the third such van we have contributed to that cause.

Environment

- No reportable incidents occurred while 14 minor incidents were recorded.
- Airborne dust levels remained low due in large part to watering and road maintenance.
- A total of A$13.0 million is held in the Environmental Levy Fund. This is financed by an A$1.85 per ounce levy for mine closure and A$3.50 per ounce levy for ongoing environmental remediation.

Kingsgate stakeholders and major material issues

	Employees	Community	Supply Chain	Governments	Investors
Water quality and water efficiency		The potential impact of mining activities on farmland and local communities.		Compliance with "Licence to Operate" conditions.	
Cyanide management		Keeping tailings cyanide levels lower than allowed. Maintain all outputs on site, and avoiding any contamination.			No long term operational issues. Maintain the "Licence to Operate".
Safe workplace and investing in people	Opportunity to thrive and grow at work, in a fair, diverse and healthy workplace.				Low turnover of workforce.
Local investment and capacity building		Opportunity to build skills and wealth in communities where the Company operates.	Participate in economic development of region. Build partnerships with other suppliers.	Investment in Thai goods and services, commitment to contribute to infrastructure and compliance with "Licence to Operate".	
Profitable and generating returns				Royalties and foreign exchange.	Managing risk and material issues so that future growth, reputation and profit is secured.

Cyanide Management

- On only one day of the year did cyanide discharged to the tailings storage facility exceed allowable levels.
- The average monthly cyanide concentration for the year was 6.3 mg/L CN_{TOT}, well below the standard of 20 mg/L CN_{TOT}.

Water Management

- Our programme to ensure we capture and store all surface water ensures that we have minimal impact on local water sources.

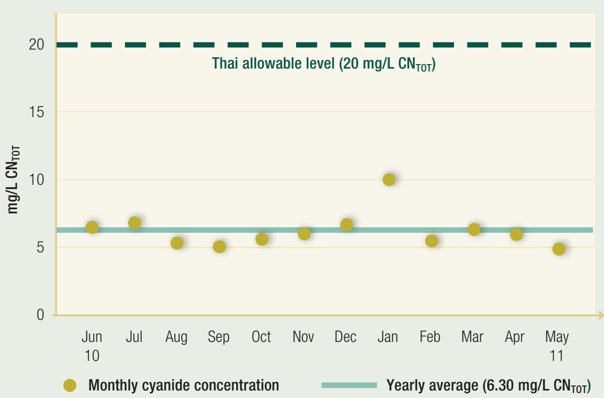
For our Supply Chain

- 90% of all goods are sourced within Thailand, an increase of 5% on last year's result while 96% of warehouse stock comes from within the country.

For Government

- We had 100% compliance with all Thai laws covering mining and mineral processing.

Total Cyanide Measurement 2010/11



CHATREE SUSTAINABILITY

EMPLOYEES

Our employees are central to our success. With that in mind, we strive to provide a safe workplace that respects each individual and provides opportunities for each person to develop. All employees are encouraged to find safer and improved means of undertaking their roles. Honest feedback, both up and down the chain of command, is encouraged and merit based promotion is central to our reward system.

Safety

We have developed a safety management system to guide safety and we complement this with appropriate standards. The commitment of all employees to be aware of their own safety and that of their work colleagues is integral to our safety success and to ensuring that each person returns to his or her family injury free at the end of each shift.

Like all heavy industry, a mine presents challenges when seeking to ensure all employees remain safe. Chatree's employees and contractors, about 1,000 people in all, have set an enviable record. Based on available published data, Chatree has maintained its position as the world's safest gold mine with no LTI recorded during the past eight years (17.6 million man-hours).

Safety Statistics

	2011	2010	2009	2008	2007	2006	2005
Lost time injuries	**0**	0	0	0	0	0	0
Total recordable injuries	**0**	5	5	4	8	4	2
Total injuries	**11**	10	12	29	23	24	10
LTIFR*	**0**	0	0	0	0	0	0
TRIFR*	**0**	2	2.5	2.2	3.9	2	1.3
TIFR*	**2.9**	4	6	15.7	11.3	12	6.4

Total recordable injuries includes all injuries except first aid cases.
Total injuries includes all injuries including first aid injuries.
** Per million man-hours worked.*

Development and Growth

Continuous training is essential for the development and growth of our staff.

99% of our workforce is Thai. As our employees have improved their skill sets, some have exported those skills to mines in other countries.

Our employees have attended more than 73 different training courses and industry seminars during the year. In all, 1,162 attendances were recorded.

At year end, 39% of management positions were held by women, an increase of 7% on last year's figure. Rather than employing bias in promoting women, this result has been achieved through our merit based promotion system.

CHATREE SUSTAINABILITY

COMMUNITY

During the year, the Thai government introduced the concept of Corporate Social Responsibility, requiring companies to engage with their communities for their mutual benefit. This concept continues Chatree's practice since construction commenced, as we have always believed that we need a "licence to operate" from the local community and governments. The government initiative will require us to submit a formal report each year and this will replace the sustainability reports we have made available to stakeholders for the past ten years. Transparency will remain our focus.

It is the responsibility of Chatree's General Manager to ensure that we engage meaningfully with our stakeholders. He is assisted in this by the Corporate Responsibility Manager, who is the primary point of contact, together with the Environment Manager, Administration and Systems Manager and Human Resources Manager.

Our Corporate Social Responsibility team works with stakeholders in five main areas:

- community involvement – ensuring that the local community is heard and that any concerns they raise are dealt with satisfactorily;
- education and culture – assisting with local cultural events, by direct donation or by the involvement of our employees in the organisation of those happenings;
- wealth and income creation – helping the community to develop sustainable enterprises that will provide long term benefit;
- health – supporting health services and sport within the local provinces; and
- social investment – supplementing community facilities by such means as assisting flood victims or helping with educational development.

Two students have earned Chatree funded scholarships to assist with their university education.

During the year, an agricultural demonstration farm was developed. Not only does this provide employment but it also advances local agricultural techniques aimed at increasing productivity. Akara contributed 8 hectares of land for this project.

About 35 of our employees donate blood each quarter to the Phichit Red Cross. The Blood Bank has been visiting Chatree for the past eight years and the support of our people has been consistent.

During the year we have continued our work with a pig husbandry project. We provide seed capital to enable participants to purchase piglets and feed. From sale proceeds of the mature animals, they repay some of that capital and build up the herd again.

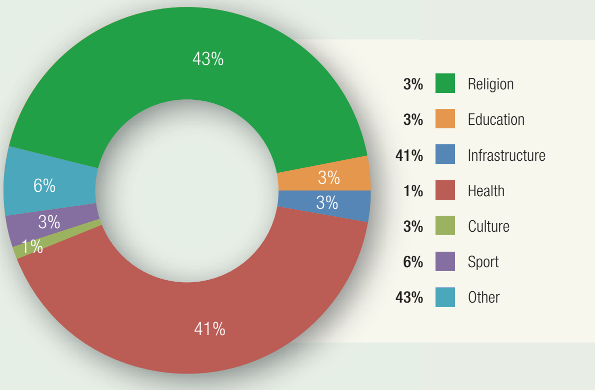
We regularly donate to worthwhile causes within our local communities, aimed mostly at infrastructure. Additionally, there are lease conditions requiring donations to Community Funds in two villages and these funds are controlled by local committees. The UN Millennium Fund Goals are our guide. Contributions have been made to schools, Red Cross, sporting events and community-building projects and services.

Our 2011 donations comprised:

Community Development Expenditure

	2011 A$	2010 A$	2009 A$	2008 A$
Religion	**24,314**	28,968	7,322	45,132
Education	**22,238**	39,194	27,824	23,992
Infrastructure	**290,898**	628,514	12,659	307
Health	**5,434**	41,331	40,592	36,138
Culture	**23,243**	26,608	12,379	49,016
Sport	**41,701**	34,971	26,245	43,346
Other	**296,814**	53,856	24,535	0
TOTAL	704,642	853,442	151,556	197,931

Community Development Expenditure 2010/11



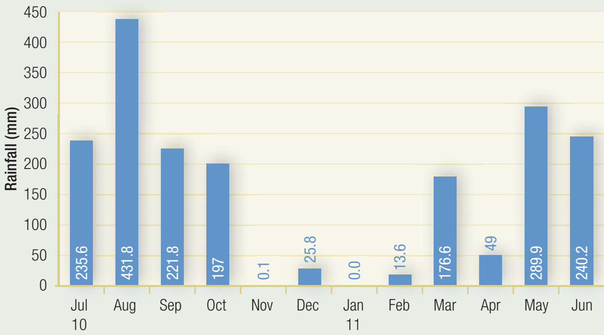
ENVIRONMENT

Water Quality, Water Efficiency and Dust Control

Assistance with drinking water to ten villages affected by drought last year has continued, though longer term solutions are being sought. Continued monitoring of water and dust showed that we maintain quality control systems.

Groundwater monitoring results have generally been within prescribed limits. Elevated iron and manganese levels were detected across most sites which suggests a natural, regional trend rather than as a result of our mining activities. Surface water pH levels were generally excellent, though local agricultural practices are thought to have affected some three results.

Rainfall at Chatree 2010/11 (mm)



Water usage and efficiency was in line with previous years though marginally elevated.

Dust

Air quality was found to vary depending on the season, with respirable dust and total suspended particles increasing during the dry season and decreasing in the wet. For most of the year air quality results were within limits, the only exception being one village in one month. We do take any complaints about dust seriously, as we strive to maintain all roads in good condition with gravel surfaces and regular watering. All disturbed areas are revegetated as soon as practical, both to reduce dust and to prevent erosion in the wet season.

Noise and Vibration

Noise monitoring is undertaken at nine sites near the mine while vibration measurements are taken at the three nearest villages. Results are measured by an independent consultant and reported to Akara quarterly. All noise results were within the guidelines issued by the Thai Ministry of Natural Resources and Environment, while vibration measurements were less than those suggested by the Ministry of Science's Control Standards for Rock Crushing Plant.

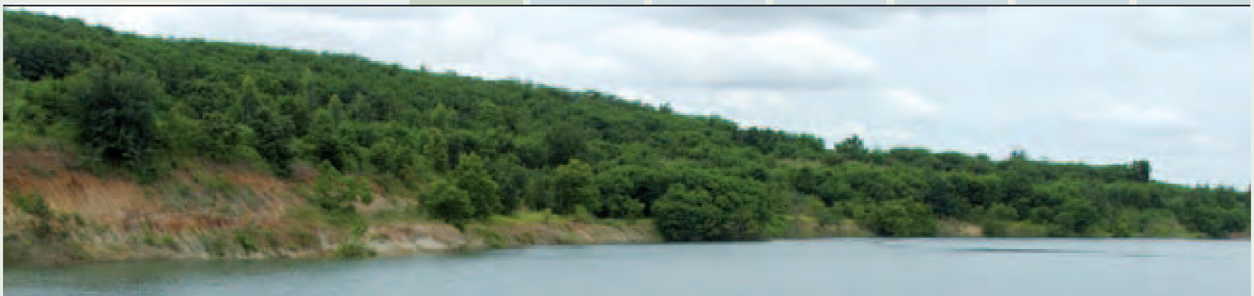
Rehabilitation

No contaminated land issues arose during the period.

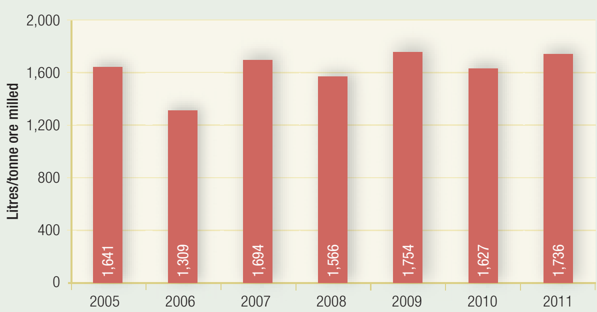
Our rehabilitation programme is ongoing with areas contoured and planted as soon as is practicable. Trials are also undertaken to ensure the best possible results. Many varieties of trees and grass have been sown successfully across the site. Some 111 hectares are planned for rehabilitation during the coming year.

Water Usage

	2011	2010	2009	2008	2007	2006	2005
Throughput ('000 tonnes)	**2,533**	2,705	1,878	2,474	2,405	2,000	1,829
Water use ('000 litres)	**4,397**	4,400	3,294	3,873	4,075	2,619	3,003
Litres/tonne ore milled	**1,736**	1,627	1,754	1,566	1,694	1,309	1,641



Water Efficiency (Litres/tonne ore milled)



CHATREE SUSTAINABILITY

Cyanide Management

Chatree continues its strict adherence to the International Cyanide Management Code for Gold Mining Operations, which covers cyanide from its production through transport, storage, use and environmental protection.

In March 2011, the independent, three yearly audit of our adherence to the Cyanide Management Code was undertaken. Chatree was found to be in full compliance with every Standard of Practice in the Code and the International Cyanide Management Institute confirmed our recertification for a further three years.

One short term overage of the 20 mg/L CN_{TOT} standard occurred in February 2011. Readings are taken every 20 minutes and this current information assists us to manage levels effectively.

High levels of cyanide destruction are being achieved and cyanide released to the tailings storage facility presents no environmental hazard. Confirming our results are the migratory birds who settle on the tailings storage facility during their migration each year.

Environmental Incidents

There were fourteen minor environmental incidents, a 25% reduction from last year. There were no reportable incidents.

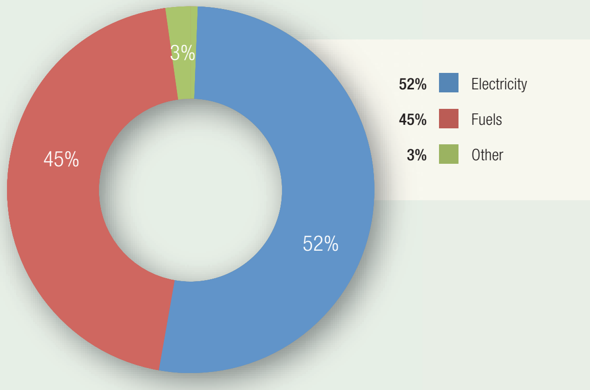
Climate Change

Thailand is a signatory to the Kyoto Protocol, a part of the United Nations convention on Climate Change Mining is one of the industries in Thailand that has capacity to reduce emissions and to develop clean technologies and Chatree works hard to minimise our emissions.

CO_2 Emissions

The major energy source at Chatree that contributes to CO_2 emissions is our electricity usage. Ameliorating that impact is the fact that natural gas accounts for 72% of the fuels used in electricity generation in Thailand. Electricity accounts for 52% of our emissions with diesel and petrol accounting for a further 45%. Electricity usage has risen over 2010 – 11 due to construction associated with the plant expansion and larger pumps in use as pits deepen in Chatree North.

Source of CO_2 Emissions 2010/11



Environmental Incidents

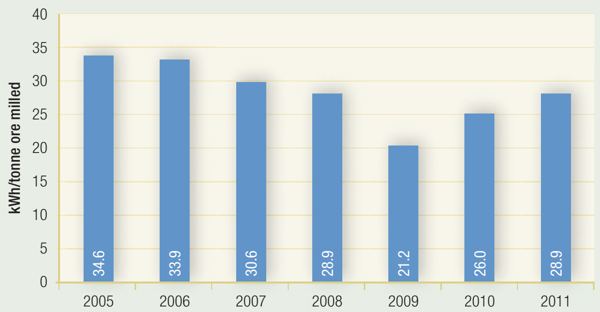
Category	Definition	2011	2010	2009	2008	2007	2006	2005
Level 1	Low severity (includes oil spills less than 10 litres)	**14**	19	16	4	20	15	2
Level 2	Minor severity (one off occurrence)	**0**	0	0	0	0	0	0
Level 3	Minor severity (repeated occurrence)	**0**	0	0	0	0	0	0
Level 4	Medium occurrence (effects can be reversed)	**0**	0	0	0	0	0	0
Level 5	High severity (non reversible, serious impact)	**0**	0	0	0	0	0	0

CO_2 Emissions

	2011	2010	2009	2008	2007	2006	2005
From electricity use (tonnes)	**37,089**	35,980	30,359	44,198	45,516	35,899	33,493
From mobile equipment (tonnes)	**31,578**	30,459	18,848	13,709	20,089	23,697	19,041
From LPG (tonnes)	**1,142**	436	866	833	873	849	786
From explosives (tonnes)	**869**	883	492	197	259	340	373
TOTAL (tonnes)	**70,678**	67,758	50,565	58,937	66,737	60,785	53,693
CO_2 Emissions per 1,000 tonnes of ore							
Ore mined ('000 tonnes)	**5,301**	6,583	3,874	977	1,523	1,951	1,521
CO_2 Total (tonnes)	**70,678**	67,758	50,565	58,937	66,737	60,785	53,693
CO_2 (tonnes) per 1,000 tonnes ore mined	**13.33**	10.29	13.05	60.32	43.82	31.16	35.3

CO_2 Efficiency (tonnes CO_2/1,000 tonnes of ore mined)

Electricity Use (kWh/tonne of ore milled)



Energy Reduction Programme

Thailand has introduced new laws requiring large businesses to have energy saving measures in place and to report progress regularly. Some of our staff have attended the Departmental training sessions and we have purchased the legislated monitoring equipment. Once the additional workload of the plant expansion construction has finished, the Power Smart Committee will be re-energised to assist us to meet the government's objectives.

Environmental Audits

Two independent audits were conducted during the year.

1. In January, 2011, Knight Piésold Pty. Ltd., consultants, conducted their ninth annual audit of our tailings storage facility. Their audit was undertaken in accordance with the Department of Industry and Resources (Western Australia) guidelines (DME, May 1999) and cross-referenced to our Thai mining licence conditions. It was found that the tailings facility continues to be operated well and the Processing Department demonstrates a good understanding of the facility.
2. Environ Australia Pty. Ltd. undertook the tenth annual audit. This audit is undertaken at the request of the Board of Kingsgate to assess compliance with lease approvals, commitments in the current Environmental Impact Assessment and Akara's Environmental Policy. It also addresses our compliance with the Australian Minerals Industry *Code for Environmental Management and Enduring Value*, to which Kingsgate is a signatory. The examination concluded that our operations conform to statutory requirements and our voluntary environmental commitments.

GOVERNMENT

Royalties and Taxes

During 2010 – 2011, we paid A$8.9 million in royalties to the Thai authorities. These payments are split between the provincial government and local village councils (60%) and the central government (40%).

On a per ounce of gold basis, this year's royalties were US$117 per ounce compared to US$78 per ounce in the previous year. The royalty system has an incremental rate based on the Baht denominated gold price and this, together with the higher price of gold, caused the higher royalty cost per ounce.

Certification

Chatree was the first, and for several years, the only mine in the world to be certified to the SA8000:2008 standard for social accountability. SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. Chatree has also attained TLS 8001, the Thai Labour Standard 8001 certification.

Our management systems are certified to ISO9001:2008, ISO14001:2004 and OHSAS18001:2007, standards for quality, environment and occupational health and safety, respectively. Our laboratory is certified to ISO17025 for fire and bullion assaying.

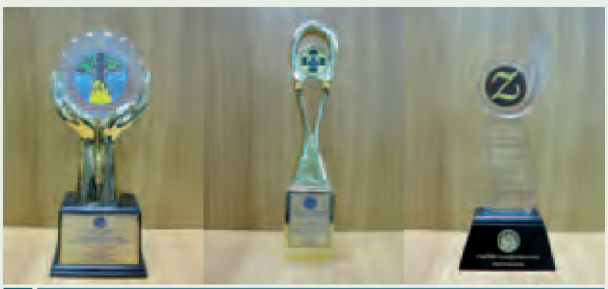
Through Kingsgate, Chatree is a signatory to the International Cyanide Management Code for Gold Mining Operations, supervised by the International Cyanide Management Institute.

Kingsgate Consolidated Limited is also a signatory to EITI, the Extractive Industries Transparency Initiative. This is a coalition of governments, companies, civil society groups, investors and international organisations that sets a global standard for transparency in oil, gas and mining industries. Its aim is to promote transparency in the extractive sector so as to strengthen good governance.

Suppliers and Buyers

Chatree has always supported a "buy Thai" policy, believing that we should support the country in which we are resident. During this year, A$125.2 million or 90.1% of all purchases was spent in Thailand.

Excluding equipment purchased for the plant expansion, 96% of items in our warehouse stock was sourced from within the country. Following this policy helps us to build local capacity.



Chatree Awards

Challenger Gold Mine

South Australia

Summary

A record 683,913 tonnes of ore was treated during the year following the commissioning of the plant expansion in mid 2010. This was in spite of the unusual heavy rainfalls during February 2011 that hampered access to the mine site causing disruptions to deliveries of fuel and consumables.

The mine rescheduled ore sources with a refocus on development and stoping the M2 shoot. This shoot contains the majority of the gold resources, replacing the M1 shoot which continues at depth but at reduced widths and average grade.

A new high grade shoot at Challenger West will be developed during the forthcoming year contributing to the total production expected to exceed 100,000 ounces (oz).

Operational Statistics – Challenger Gold Mine

Operational Statistics		Period Ended		5 months*
		30 June 2011	30 June 2010	Feb to Jun 2011
Ore tonnes mined	tonnes	**629,312**	572,139	232,251
Ore tonnes milled	tonnes	**683,913**	546,649	289,397
Gold grade	g/t	**4.74**	5.00	4.28
Gold recovery	%	**92.3**	92.1	92.2
Gold production	ounces	**96,645**	80,570	36,886
Cash costs per ounce **	A$/oz	**786**	697	868
Cash costs/tonne milled **	A$/t	**111**	103	110

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

** *Cash costs exclude royalties of A$49/oz.*

Production and Costs

Gold production for the financial year of 96,645 oz (36,866 oz attributable to Kingsgate) was achieved by processing ore with a grade of 4.74 grams/tonne (g/t). The grade milled was diluted by having to treat some low grade ore due to the unusually heavy rainfalls.

Gold recoveries averaged 92.3% for the year.

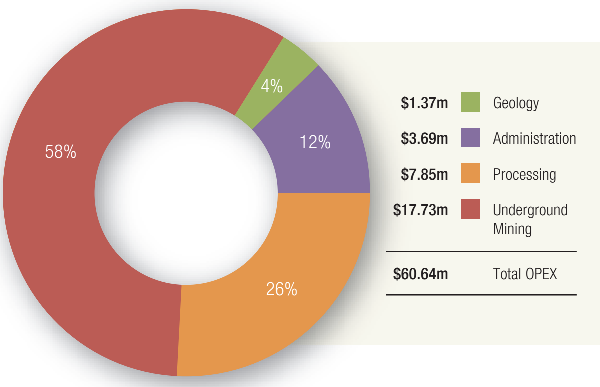
Operating cash costs before royalties were A$111/tonne of ore treated or A$786 per ounce (A$/oz). Royalties paid during the year to the South Australian State Government and Native Title groups were A$49/oz.

Capital expenditure in the mine was A$26.96 million. This extended the decline, accessed cross-cuts, ventilation circuits, stockpile bays and diamond drill cuddies, and constructed electrical and pump stations.

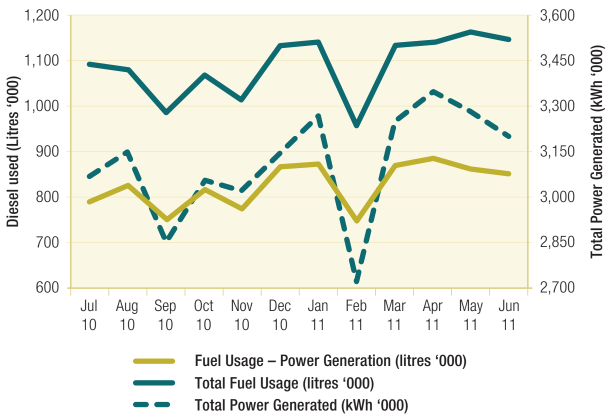
A further A$5.24 million of sustaining capital expenditure was incurred to refurbish plant and equipment and to purchase surface mobile equipment, loaders and a rockbreaker. In addition, the access road needed refurbishment due to the unseasonal rainfall.

Stockpiled low grade ore on surface at 30 June 2011 totalled 106,548 tonnes at a grade of 1.7g/t containing 5,829 oz of gold.

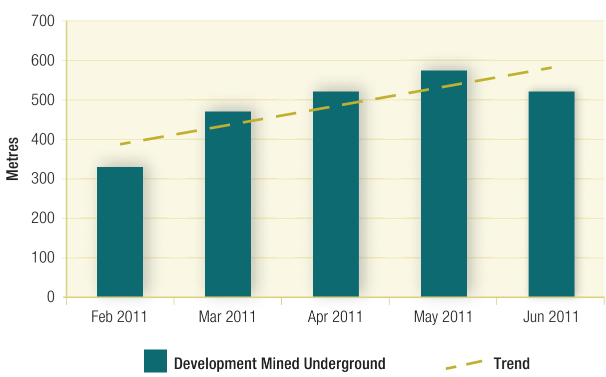
Challenger Mine Site Cash Operating Costs (Feb to Jun 2011)



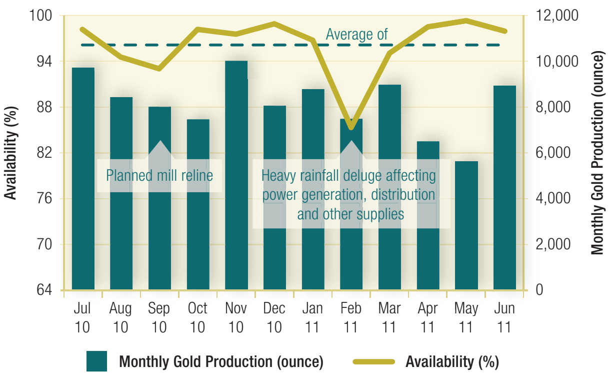
Total Diesel Fuel Used Monthly (July 2010 to June 2011)

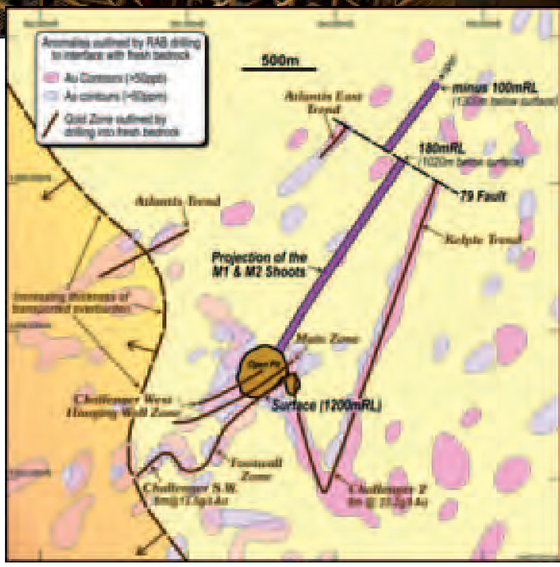


Development Mined Underground (Feb to Jun 2011)



Treatment Plant Availability (July 2010 to June 2011)





Operational Performance

A total of 629,312 tonnes of ore was mined as well as 205,400 tonnes of development waste rock.

The M2 shoot was the principal ore source supplying 76% of total ore tonnes mined at a grade of 5.3g/t. A disproportionate amount of ore from development drives, preparing for future stopes, lowered the average grade mined.

The M1 and M3 shoots supplied the balance of the ore mined.

Mining underground was carried out by HWE Mining contractors. Additional equipment was required during the year as the depth of the mine increased. Seven CAT AB45 tonne trucks to haul ore and waste and four underground loaders were in operation by year's end.

Generating power on site was a major expense. A total of 13.03 million litres of diesel fuel was used at a cost of A$13.26 million.

The processing plant expansion, comprising a second ball mill with thickener designed to operate at 63 tonnes per hour, was commissioned at the start of the year. Ore treated was increased to 80t/hr by the end of the year, contributing to a record annual tonnage.

Plant availability averaged 96.1%.

The Challenger mine has produced 743,850 oz of gold from inception in October 2002.

Challenger Resource Development

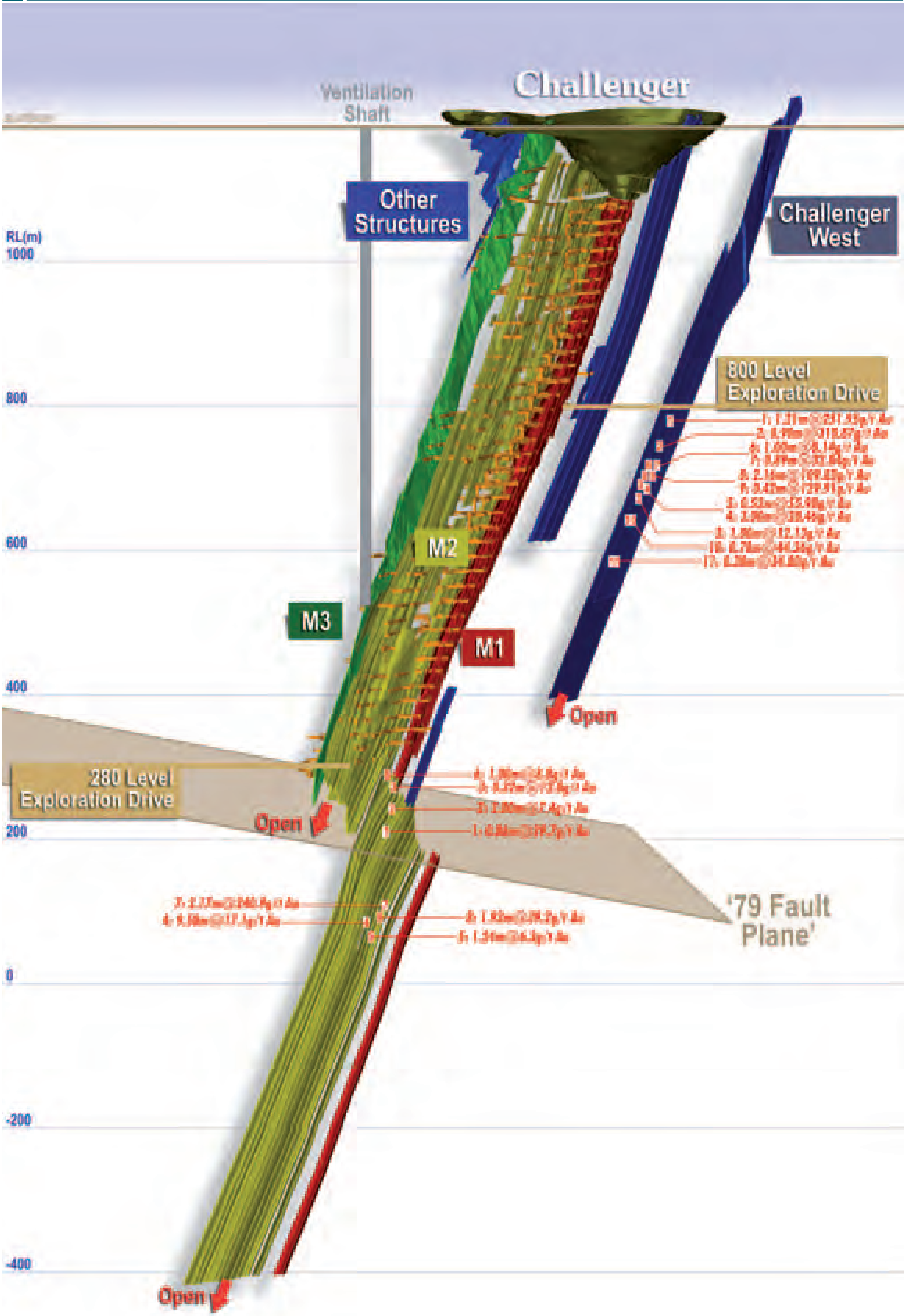
Resource development strategies at Challenger have been focused on underground development and drilling primarily to evaluate the continuity of the M1 and M2 Shoot system below the 79 Fault, with secondary focus on targets with the potential to add to Resources and Reserves at higher levels in the mine.

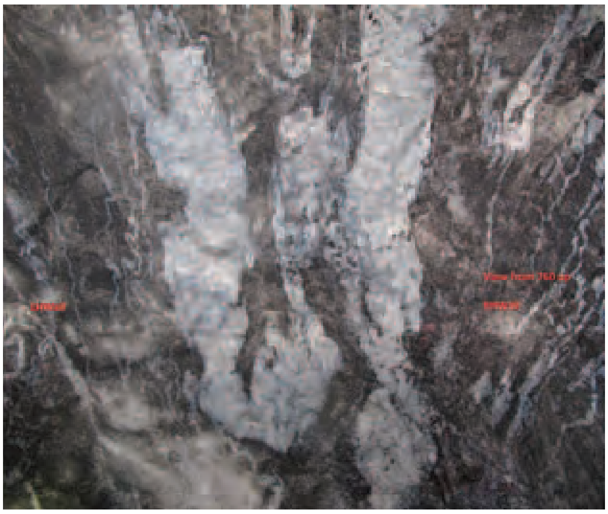
M1 and M2 Shoot Systems

In the June 2010 Statement, Reserves within the M1 and M2 Shoots had been estimated down to the interpreted position where they were displaced by the 79 Fault, i.e., 220m RL (M2) and 180m RL (M1). Inferred Resources (totalling 364,400 oz), based on surface drilling, had been estimated down to the minus 200m RL, i.e. approximately 400m below the 79 Fault. As the deepening mine development approached the position of the 79 Fault it became more cost effective to drill the shoots below the fault from underground positions rather than from surface drill holes.

To this effect an exploration drive was developed on the 280m RL from which two dedicated drilling positions were constructed. The drilling from these positions, which is ongoing, comprises a series of fans of 4 – 6 holes drilled from the 2 positions. Each fan is designed to facilitate an approximate cross sectional interpretation of the shoot system at successively deeper (down plunge) levels beneath the fault.

Significant Resource Intersections





The position of the shoot system as previously interpreted from deeper surface drilling has been confirmed by the visual extent of shoot style veining and sulphide mineralisation. This is supported by the associated extent of gold values at >100 ppb Au (an excellent indicator of the system), the intersection of visible gold and a number of higher grade intersections including 9.58m @ 17.09g/t Au.

The drilling completed to date has facilitated the upgrading of confidence levels in the M1 and M2 Resources to an Indicated category down to the 0m RL (1,195m vertical depth) and the estimation of additional Ore Reserves down to this level.

This drilling and related development is also demonstrating that ground conditions, both through and adjacent to the fault, will not present any significant geotechnical problems and that, apart from the main displacement fault, the shoot system appears to be minimally disrupted.

3D visualisation of the assay data from below the 79 Fault has also defined a continuous zone of gold mineralisation in a previously undeveloped position. This zone can be traced from intersections in the 280m RL exploration drive, through fans A1 and B1 and all the surface diamond drill holes down to the 80m RL. Intersections within this structure include a number of high grade results, including 1.58m @ 57.0g/t. Further evaluation of this zone (termed the Far East Structure) can be effectively achieved from close spaced sludge drilling from the 280m RL drive. This will be carried out when access for a sludge rig is available, following completion of the current fan drilling programme.

Upper Level Targets

Previous mine development and exploration has defined multiple targets with the potential to increase resources and reserves. The focus of exploration strategies is to evaluate targets that can be potentially developed from existing development access locations. Within the past year drilling has mainly been directed at the Challenger West Shoot while planned programmes to evaluate other targets are either underway or yet to be commenced.

Mineral Resources and Ore Reserve estimation within the Challenger West Shoot had been based on surface drilling. The orebody is interpreted as two adjacent narrow, very high grade structures with undiluted resource grades of 15–34g/t gold. Apart from near surface depletion, gold content averages in excess of 350 oz per vertical metre. Ore Reserve estimation (22,780 oz averaging 8.3g/t) had previously been limited to the better drilled zone above 1000m RL. Drilling programmes during the year have utilised access from the 800m RL exploration drive and have targeted the structure between the 820m and 600m RLs. This drilling has demonstrated excellent continuity of the shoot with intersections including 3.00m at 28.46g/t, 2.16m at 109.83g/t and 0.42m at 129.91g/t. This drilling has provided significant increases to the resources and reserves for this shoot. Drilling to evaluate further depth continuity is ongoing.

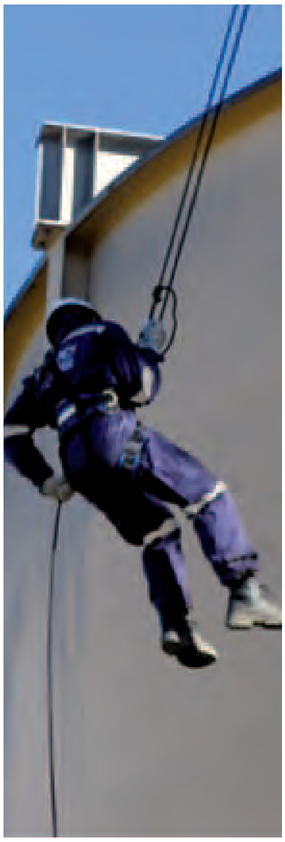
Resources and Reserves at 30 June 2011

Challenger Ore Reserves

Source	Category	Tonnes Million	Grade: Gold grams/tonne	Contained Ounces: Gold Million ounces
CHALLENGER (See notes below)	Proven	0.60	4.46	0.09
	Probable	2.74	5.94	0.52
	Stockpiles	incl		-
	Total	**3.34**	**5.67**	**0.61**

Challenger Resources (inclusive of Ore Reserves and Stockpiles)

Source	Category	Tonnes Million	Grade: Gold grams/tonne	Contained Ounces: Gold Million ounces
CHALLENGER (See notes below)	Measured	0.81	3.97	0.10
	Indicated	2.62	7.00	0.59
	Inferred	1.63	7.59	0.40
	Total	**5.07**	**6.71**	**1.09**



Notes:
1 *Based upon 3D block Model by DGO, A top cut of 180 g/t has been applied.*
2 *Based upon close spaced grade control and detailed stope designs carried out by DGO.*
3 *Based upon 'generic' approach…*
4 *Based upon 3D Block Models by DGO, M3 Using 2g/t cut off grade and a 180 g/t top cut SEZ shoot open pit optimisation based upon 0.5g/t cutt off grade and a 5g/t top cut.*
5 *Based upon 3D Block Models by DGO, Top cut of 80g/t applied.*
5* *Mining width > ore width, no ore loss expected.*
6 *Resources are inclusive of Reserves.*

As at 30 June 2011 the Mineral Resources at Challenger totalled 1.09 million ounces of gold which, allowing for mining depletion is an increase of 0.24 million ounces over the June 2010 total. Ore Reserves of 0.61 million ounces have increased by 0.28 million ounces, almost a 50% increase without allowance for mining depletion. Ongoing and planned resource development programmes should underpin both the replacement of and the increases to these Resources and Reserves during the coming year.

Occupational Health & Safety Record

Underground mining is a unique working environment and demands a robust safety management system coupled with a strong safety leadership culture. Participation by all visitors, employees and contractors is essential in providing and promoting an effective, safe and productive work place.

Ensuring that our people are at the forefront of all we do, Challenger provides services to all personnel including on site emergency and clinical medical services for work related or private injuries and illness. Health programmes delivered on site include health assessments and lifestyle promotional programmes. During the year the site medical centre provided seven hundred and eighty four consultations for non-work related injuries and illness. The employee assistance counseling service was utilised by a number of site personnel during the year for non-work related issues.

During the year there were four air medical evacuations, all of these evacuations were as a precautionary measure. Three of these evacuations were due to private medical conditions, the fourth was related to a Lost Time Injury.

Safety and Sustainability Statistics

		2011	2011*
Lost Time Injuries (LTI)		**6**	3
LTIFR (LTI Frequency Rate)	per million hours worked	**10**	12
Total Reportable Injuries		**18**	11
Total Injuries		**141**	63

* *Refers to the 5 months attributable to Kingsgate.*
Total Recordable Injuries includes all medically treated injuries excluding first aid cases.
Total Injuries includes all injuries including first aid cases.

Environment

Environmental surveys conducted during the year were monitored by independent environmental specialists. No adverse findings from mining and processing operations were reported for the year.

Full details of monitoring around the mine and a detailed review of all environmental issues are contained within an Annual Environmental Report available at PIRSA's (Primary Industry and Resources Department of the South Australian Government website under www.pirsa.gov.au and can be found using the search word "Challenger".

Environmental Incidents

During the year, there were no reportable incidents, however twelve environmental incidents were recorded internally and rated as low and medium risk. The incidents consisted mainly of small quantities of hydrocarbon spills from vehicles.

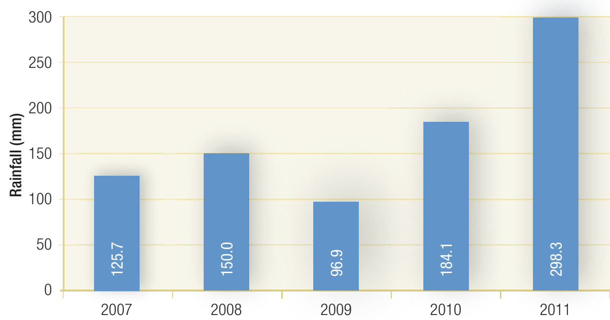
Environmental Incidents

Risk Level	2011	2010	2009	2008
Extreme	**0**	0	0	0
High	**0**	0	1	0
Medium	**3**	2	2	1
Low	**9**	7	6	3

Water Usage

Until the expansion of the processing plant in 2010, the amount of water extracted from the borefield averaged 1.12 tonnes of water used by the processing plant per tonne of ore treated. Improvements to operating practices and a thickener introduced into the plant during 2010 significantly reduced the volume of water used by the plant to a current average of 0.54 tonnes of water per tonne of ore treated.

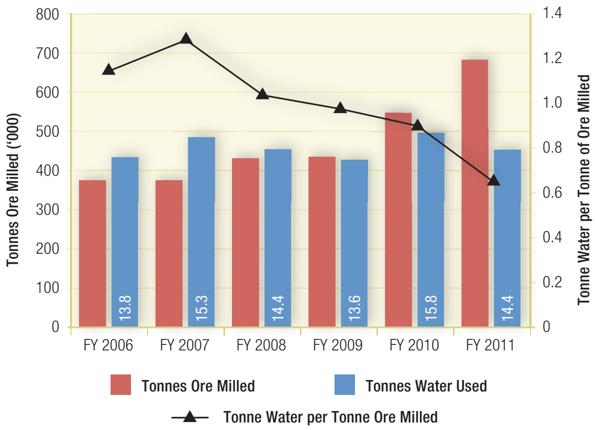
Rainfall (measured annually to February)



Water Quality

Three dewatering bores adjacent to the vent shaft were installed in 2010 to reduce groundwater seepage into the vent shaft ventilation fan system and to mitigate corrosion. Dewatering around the vent shaft also aids in reducing salt spray impacting on the surrounding vegetation.

Water extracted from borefield per Tonne of Ore Milled

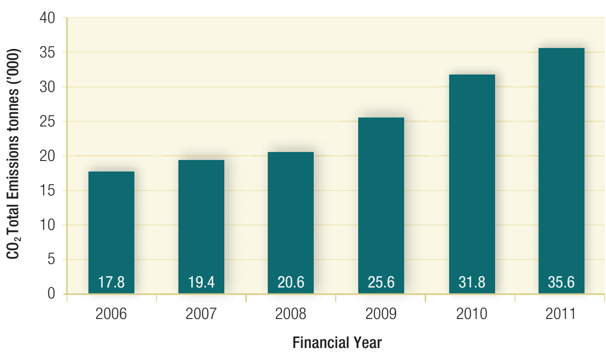


The guideline for Total Dissolved Solids (TDS) for production wells was reviewed during the 2010 – 2011 reporting period to align with baseline TDS results. Salinity concentration trends have remained stable throughout the monitoring period. Major ion data for the fractured rock aquifer indicates groundwater is predominantly sodium chloride-sulfate type water, and that reported concentrations have remained relatively constant. There has been no evidence of any Cyanide Weak Acid Dissociable (CWAD) contamination occurring in the groundwater.

CO_2 Total Emissions FY

	2011	2010	2009	2008	2007	2006
CO_2 total emissions FY (tonnes)	**35,604**	31,764	25,583	20,556	19,404	17,780
From electricity use (tonnes)	**26,587**	20,065	17,462	13,786	14,484	13,792
From mobile equipment (tonnes)	**8,377**	11,194	7,568	6,313	4,484	3,681
From LPG (tonnes)	**462**	351	423	365	365	263
From explosives (tonnes)	**178**	154	130	91	71	43
Ore mined (tonnes)	**628,800**	614,240	460,036	434,868	404,624	371,653
CO_2 emitted (tonnes) per tonne ore mined	**0.057**	0.052	0.056	0.047	0.048	0.048
Pre acquisition – to 1 February 2011	**20,972**					
Post acquisition – 1 February to 30 June 2011	**14,632**					

CO_2 Total Emissions FY (Estimate)



Dust

Quarterly monitoring of particulate, respirable and inhalable dust was undertaken at a range of locations around Challenger Mine Site by the Occupational Health and Safety staff. Strategies such as exhaust filters to reduce diesel particulate matter levels have been implemented underground to help reduce any levels that may result in elevated readings.

Rehabilitation

The Environmental Department has developed updated on-site environmental standard operating procedures for exploration hole capping. Ecosystem Function Analysis of the Integrated Waste Landform (IWL) and Acacia and Chenopod sites continued for the seventh successive year.

Rehabilitation monitoring on the eastern and western wings of the IWL at Challenger has reported that both landforms support a stabilising ecosystem. The ecosystems on both landforms have generally displayed positive responses to rainfall with positive changes in annual and perennial vegetation influencing soil indices and overall stability.

Other initiatives including Progressive Rehabilitation and Closure are ensuring that Challenger is meeting its closure requirements. Tailings capping trials also have been monitored over the past several years, outcomes from these trials help develop the most effective combination of material for capping the Tailings Storage Facility (TSF).

Environmental Audit

A comprehensive Environmental Audit was conducted in March 2011 by specialist consultants, Outback Ecology and was lodged to comply with the Department of Primary Industries and Resources South Australia (PIRSA) requirements. The audit identified several environmental tasks required which have been actioned. This report is available on the PIRSA website: www.pirsa.gov.au.

Cyanide Management

Cyanide is continually monitored in the TSF supernatant and groundwater via monitoring wells. The supernatant water in TSF2 has remained below the 0.5mg/l guideline throughout 2010–2011 reporting year. Monitoring wells show no sign of CWAD groundwater contamination.

Social and Community Relations

The remote location of Challenger mine, 310 km by road from the nearest town of Coober Pedy, limits the extent of local involvement with small local communities but support is given through local sponsorships including:

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

Four indigenous personnel were trained and worked on site during the year. Regular meetings are held with the Native Title Holders.

Exploration Report

Regional Exploration – Thailand

Regional exploration for the past year concentrated in all tenements covering an area of 1,253 square kilometres (km²) around the Chatree mine. Beside the discovery of significant gold mineralisation in two new gold districts (Chokdee and Suwan) last year, at least 15 drill ready targets have been identified in the Chatree region. A total of 56 prospects have now been identified in the region.

Exploration activity included 201 line-km three-dimensional induced polarisation surveys, 3,212 line-km ground magnetic surveys, 1,146 holes for air-core drilling with 16,023 m, 59 RC holes with 8,200 m, 14 diamond holes with 1,954.8 m, 1,346 rock samples and 1,005 soil samples.

Most of drill ready targets are classified as low sulphidation epithermal system – similar in style to Chatree. Other targets include replacement and Cu porphyry together with some skarn mineralisation.

A review of our current SPL's was also completed during this year. These SPL's were up for renewal in August 2011 and recommendations for renewal or relinquishment have been made.

The Thai geological team reviewed numerous projects outside the Chatree area within South East Asia and South America as part of an ongoing project-focused search for "brownfield" and advanced projects. These in-house studies have assisted the Company in taking strategic positions in various geologic and political environments.

General geology of the Lao PDR – Kingsgate applications

Regional Exploration – Asia

Lao People's Democratic Republic (Lao PDR)

Kingsgate has three licence applications totalling 1,500 km² that lie adjacent to a convergence between the Loei Fold Belt and the Truongson Fold Belt within Lao PDR. Several major gold and copper mines are located on or adjacent to these belts, including Kingsgate's Chatree gold operations in Thailand, Pan Australian's copper/gold operations at Phu Kham and Ban Houayxai and also Minmetals copper/gold operation at Sepon.

The Lao PDR represents an emerging under explored region of Asia that is highly prospective for a wide range of commodities including gold and copper.

The applications are currently pending the outcome of a review by the government of the Lao PDR.

Once the exploration licences are granted, it is intended to commence exploration activities immediately within the licence areas.

Regional Exploration – Australia

Calingiri Project

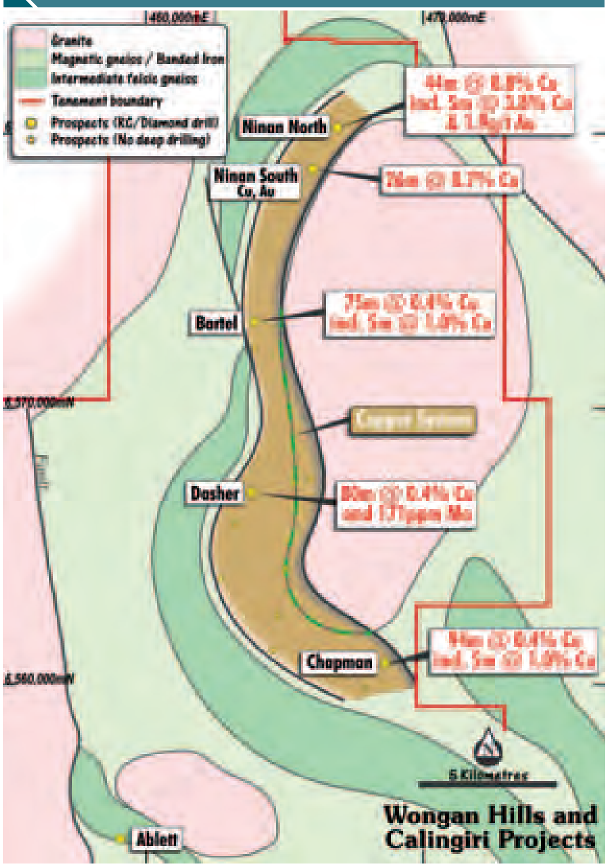
Previous work has identified two prospects (Bartel and Chapman) where limited drilling has intersected extensive copper sulphide mineralisation. Ongoing exploration during the year has demonstrated a copper-molybdenum system that extends for over 25 km and remains open along strike and down dip.

Initial reverse circulation drilling at the Dasher Prospect intersected significant copper sulphide mineralisation from the 2 holes drilled including an intersection of 80m @ 0.42% Cu and 171ppm Mo from a depth of 9 metres (excluding a late dyke within this intercept). This mineralisation is open in all directions.

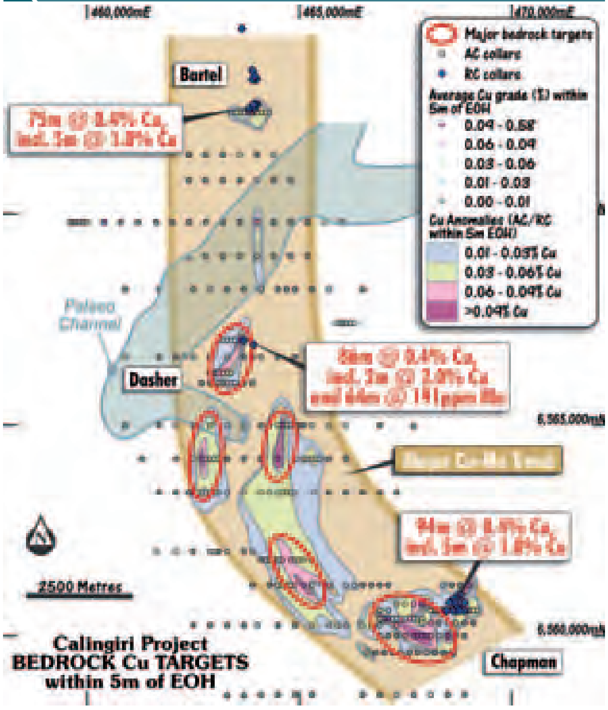
Reconnaissance air-core drilling of the broader Cu-Mo system continues to identify additional bedrock copper mineralisation within the system. Significant copper intercepts from this air-core drilling includes 12m @ 0.57% Cu (to the bottom of hole), 27m @ 0.28% copper (including 3m @ 1.06% Cu) and 15m @ 0.21% Cu.

Further evaluation of this significant mineralised trend will be intensified following the end of the cropping season in January 2012.

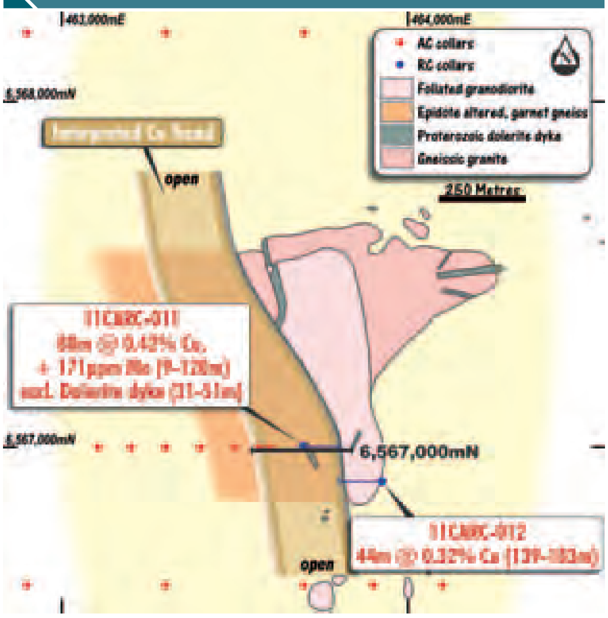
Calingiri regional copper-molybdenite system



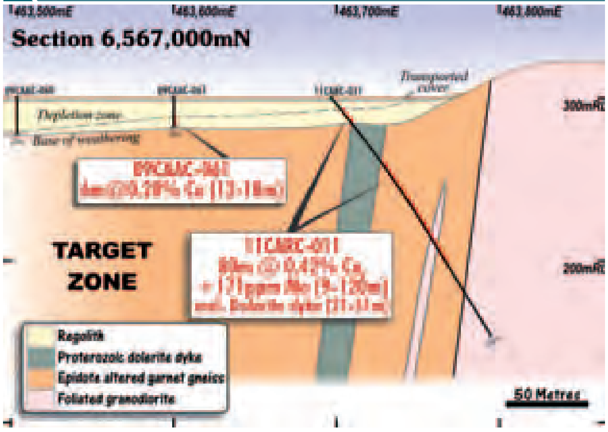
Bartel to Chapman regional priority targets



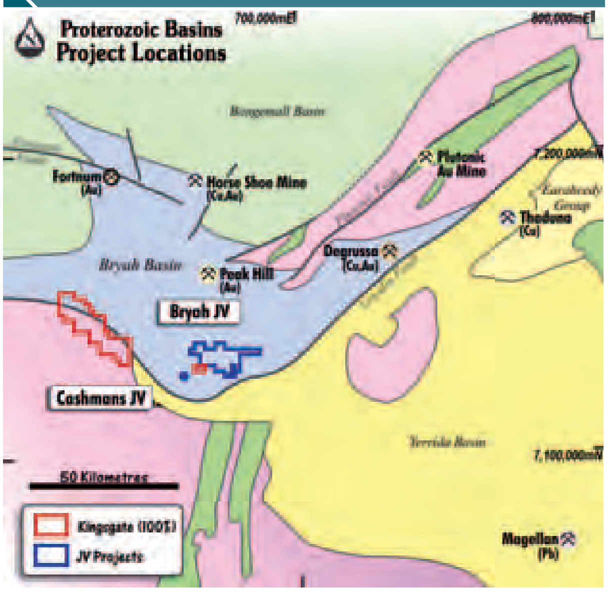
Dasher Prospect – copper molybdenum target



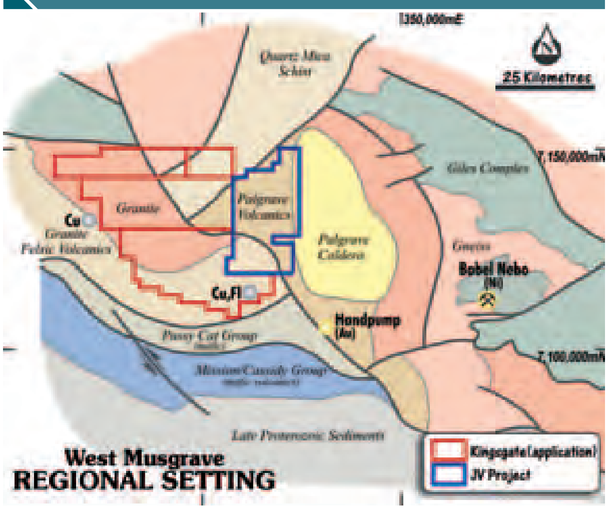
Dasher Prospect significant Cu + Mo intercept in RC hole



Bryah regional geology



West Musgrave regional geology



Bryah Basin Projects

Kingsgate has secured a significant tenement holding covering the same geology that hosts Sandfire's Degrussa major copper – gold deposit. Following the successful negotiation for an access agreement with the Native Title owners, on-ground exploration activity commenced during the year. Systematic geochemical and geological evaluation is ongoing and to date has defined a number of priority targets.

Follow up geophysics and drilling is planned for the coming year.

Blue Dam Project

Reconnaissance air-core drilling (800m x 400m) at Blue Dam during the year has encountered a broad palaeo-ridge of silica-pyrite altered met-sedimentary rocks beneath Lake Cowan. A significant gold intercept of 1m @ 3.0g/t Au was noted at the bottom of hole 11BDAC015 within a silicified shale. Immediately to the east of this drill hole visible gold was panned from an overlying palaeochannel in three holes 200 metres apart.

Further evaluation is planned once the salt lake dries.

Golden Point Project

Kingsgate has a large tenement package (including both applications and farm in agreements) within the Western Musgrave district. Native Title issues have limited previous access to the area that has never been evaluated by modern on-ground exploration techniques. The area is believed to be prospective for gold and base metals and there are a number of immediate targets, including an undrilled coincident circular magnetic and airborne electromagnetic anomaly.

It is hoped that ongoing access negotiations will allow on ground exploration to commence in the coming year.

Kukerin

Air-core drilling at the Stanley Hill Prospect has encountered significant gold mineralisation including 12m @ 0.5g/t Au, 3m @ 3.8g/t Au and 6m @ 1.3g/t Au on adjacent traverses 360 metres apart. Intercepts lie adjacent to a geological contact between granitic and garnet gneiss stratigraphy. Follow-up exploration is planned, when access becomes available after the cropping season in January 2012.

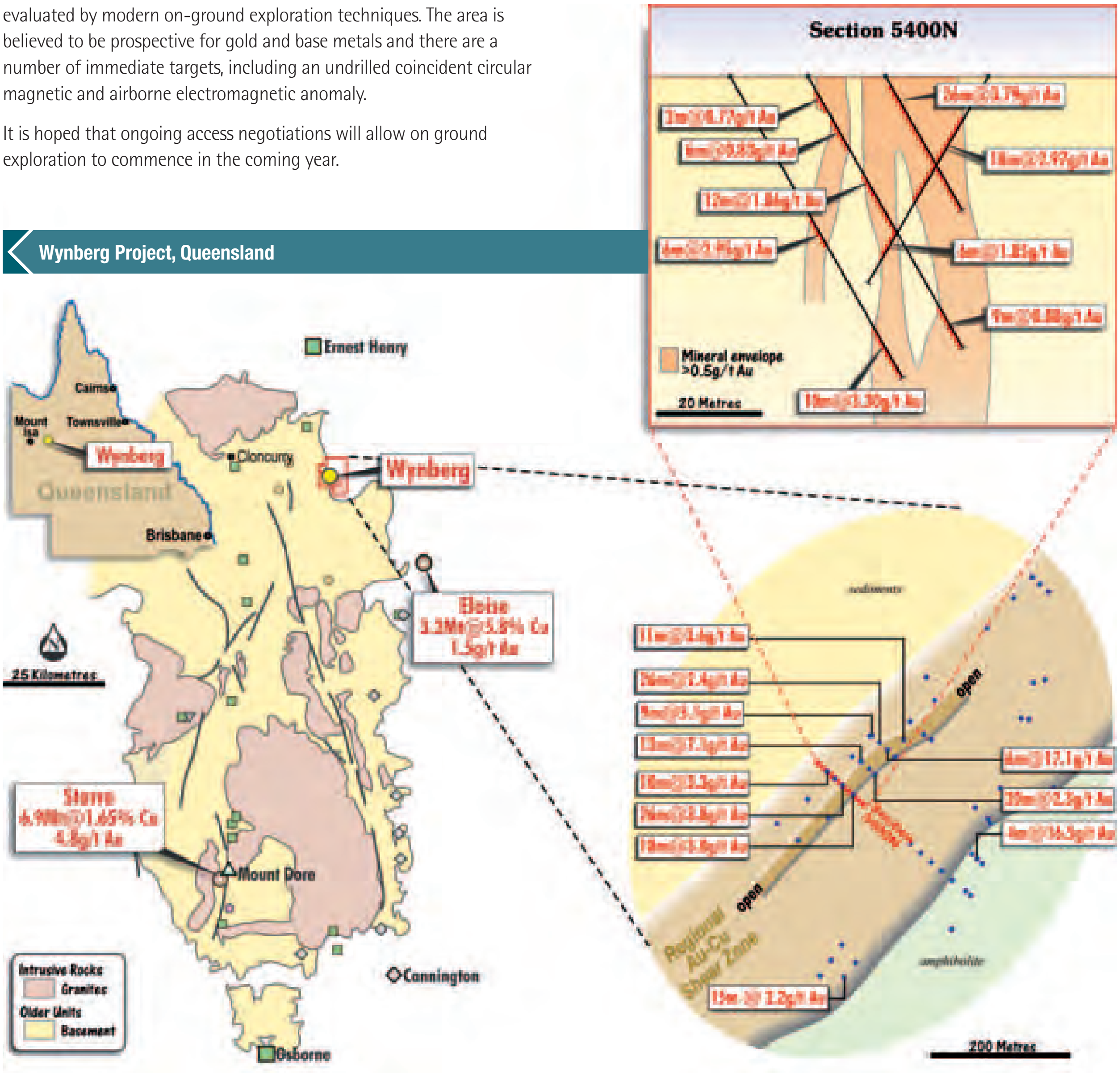
Follow-up reverse circulation drilling at the Bottleneck Prospect encountered low grade gold mineralisation directly below previously reported high grade intercepts. Drilling was on 100m line spacing and it is probable that the results reflect a strike limited zone of gold mineralisation.

Wynberg

A technical review of previous drilling at Wynberg shows excellent potential to significantly upgrade the existing gold resource. Gold mineralisation remains open at depth with a large proportion of drill holes ending in significant intersections.

A reverse circulation and diamond drilling programme is scheduled for early 2012 once all approvals, including heritage clearances are in place.

Wynberg Project, Queensland



Nueva Esperanza

Chile

Summary

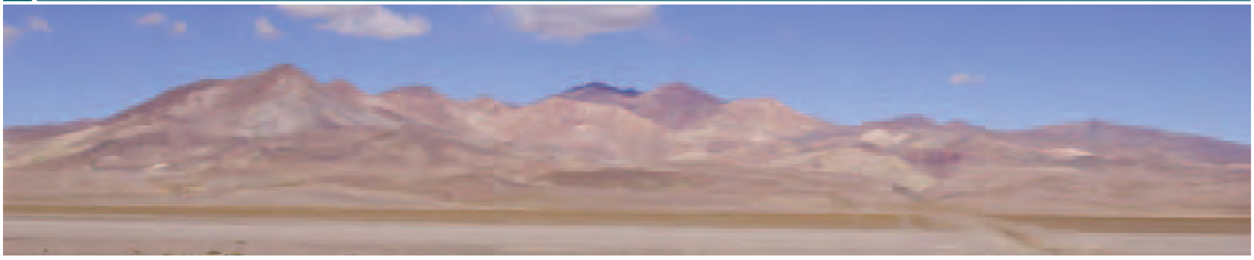
Nueva Esperanza (formerly the Arqueros Project and the recently acquired Esperanza Projects and Chimberos Mine) is 100% owned by Laguna Resources NL, a 70% subsidiary of Kingsgate Consolidated Limited[1]. It is located in northern Chile in the Maricunga Gold Belt, near Copiapó, a regional mining centre). The silver-rich mineralisation is hosted by high sulphidation epithermal alteration associated with the Miocene-aged Cerro Bravo 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 has been previously mined on a limited scale by underground methods and Chimberos was exploited as an open pit, delivering about 40 million ounces of silver in 1998/99. All three deposits currently have a combined Mineral Resources of about 82 million ounces of silver equivalent or 1.8 million ounces of gold equivalent (EQ45)[2].

1 *Unless stated otherwise, all resource estimates refer to Laguna Resources NL 100% ownership.*

2 *Equivalence is based on gold/silver price ratio of 45. Gold equivalence = gold content plus (silver content divided by 45), whereas Silver equivalent silver content plus (gold content times 45).*

Panorama of the Cerro Bravo paleovolcano (Miocene)



In October 2010, Kingsgate Consolidated Limited made an offer to acquire the shares of Laguna Resources NL. Kingsgate took control of the company and at the end of the takeover process in February 2011, held 70% of the shares in Laguna.

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

The combined Arqueros Chimberos/Esperanza projects were renamed Nueva Esperanza.

A feasibility study for a decision to mine the Arqueros portion of Nueva Esperanza is expected to be complete in early 2012, with expected plant commissioning in late 2013. The Chimberos and Teterita deposits are in an advanced exploration stage and will be integrated into the project when appropriate.

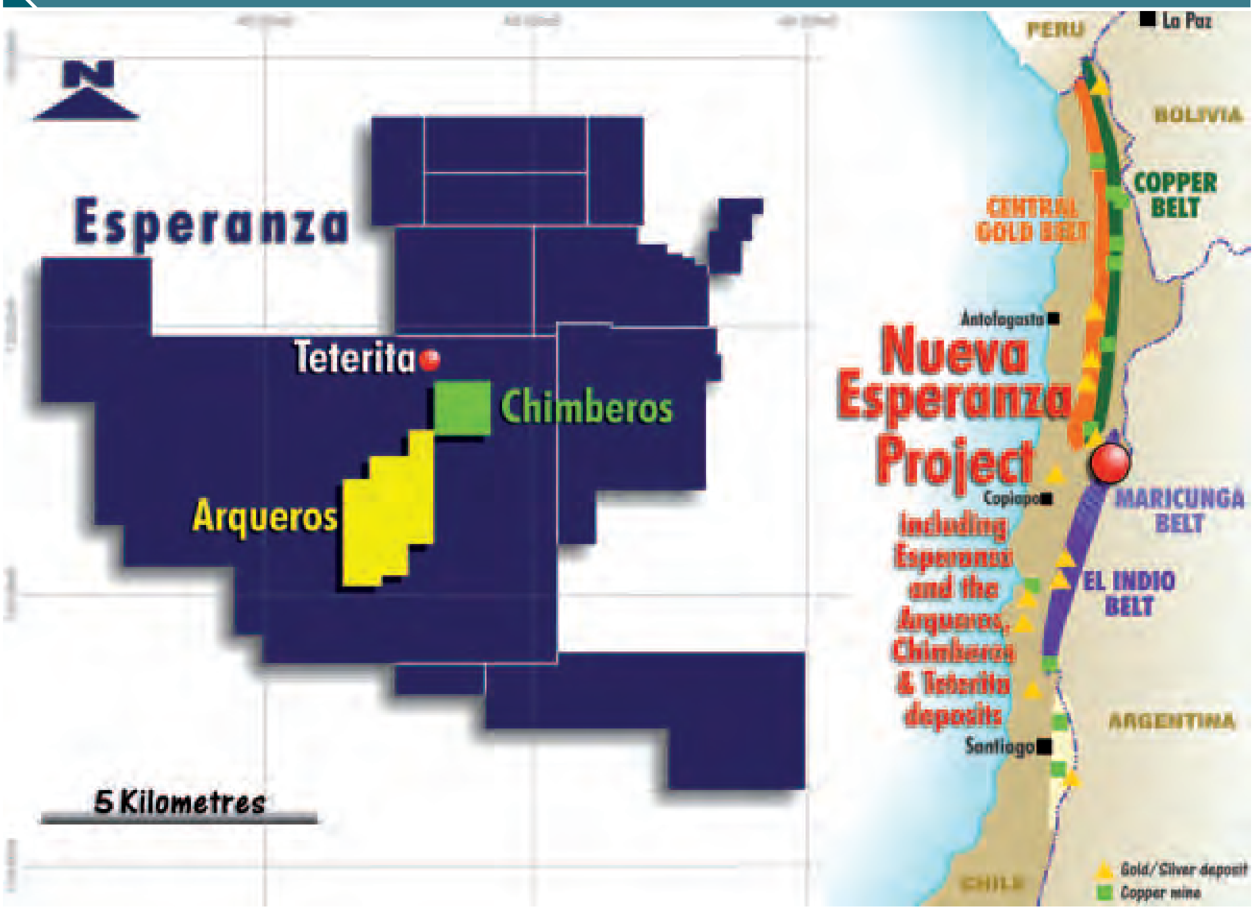
Geology

The mineralised deposits are hosted within Tertiary-aged volcanic units in the case of Arqueros and Teterita, and Paleozoic sediments for Chimberos. The alteration and mineralisation are all Miocene in age and associated with the Cerro Bravo paleovolcano.

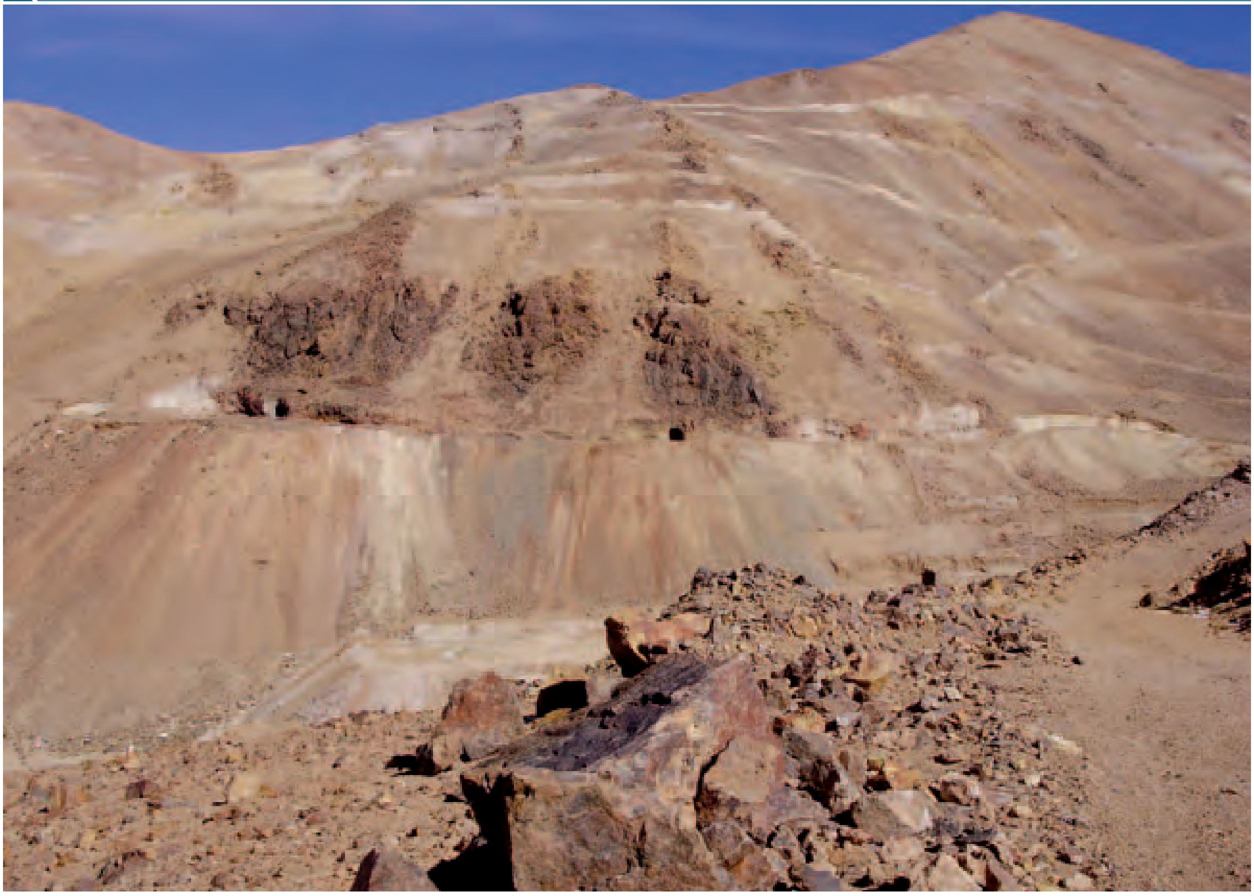
Mineralisation comprises two main components. These are silver-rich horizontal units called "mantos" and a series of cross-cutting gold-rich vertical units. The mantos silver mineralisation is hosted by vuggy silica within dacitic lapilli tuffs. It occurs at Arqueros and Teterita where the mineralising process has replaced horizontal porous tuffs. At Chimberos, silver mineralisation is hosted in vuggy silica hydrothermal breccias 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.

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



Looking south at Arqueros, with portals into main mantos ore body (horizontal) and vertical veins as prominent outcrops



Resource

The combined Indicated and Inferred mineral resource for the Nueva Esperanza Project (Table 1) is based on resource block modelling of Arqueros, Chimberos and Teterita, and has been estimated at a cut-off grade of 0.5g/t gold equivalent to be:

- 28.5 million tonnes at 0.25g/t gold and 78g/t silver.

This represents about 229,000 ounces of gold and 71.3 million ounces of silver. The Indicated mineral resource was estimated at 16 million tonnes at 0.32g/t gold and 81g/t silver, representing 165,000 ounces of gold and 41.7 million ounces of silver.

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

- gold equivalent ounces (EQ45): 1.81 million ounces at 2.0g/t gold equivalent; and
- silver equivalent ounces (EQ45): 81.6 million ounces at 89g/t silver equivalent.

Table 1. **Mineral Resource of the Nueva Esperanza Project encompassing the Arqueros, Chimberos and Teterita sectors**[1]

			Grade		Contained Ounces		Silver Equivalent
Source	Category	Tonnes Million	Gold grams/tonne	Silver grams/tonne	Gold Million ounces	Silver Million ounces	Ag Eq Million ounces
NUEVA ESPERANZA	Indicated	11.2	0.32	81.0	0.12	29.2	34.4
(see Notes below)	Inferred	8.8	0.20	73.8	0.06	20.8	23.3
	Total	**20.00**	**0.25**	**77.8**	**0.16**	**49.9**	**57.1**

Notes:

1. *Nueva Esperanza figures are those attributable to Kingsgate Consolidated (70%).*
2. *Nueva Esperqanza silver equivalent (AgEq) on the basis of gold/silver ratio of 45 calculated as Au*Eq + Ag, where Eq = (Price Gold * Recovery Gold)/(Price Silver * Recovery Silver); Price basis US$1,250/oz Au and US$30/oz Ag; Metallurgical recovery basis 85% Au and 78% silver.*
3. *Cut-off grade for Nueva Esperanza is 0.5g/t AuEq.*

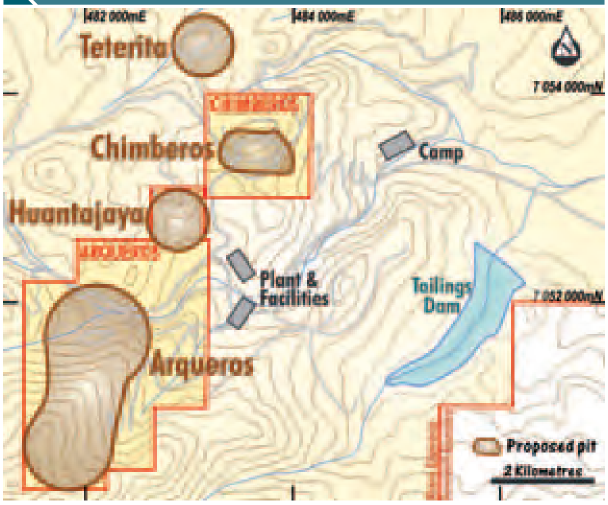
Feasibility Study

The feasibility study commenced at the end of May 2011 and is progressing steadily, with a decision to mine expected to be made in the first quarter of 2012. The objective is to have this project commence production in 2013. 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.

The conceptual Nueva Esperanza mining complex has four pits: Arqueros, Huantajaya, Chimberos and Teterita. The feasibility study only considers Arqueros, with Chimberos and Teterita yet to be integrated. Huantajaya has not yet been assessed in detail. The final location of mine infrastructure has yet to be confirmed, and will be subject to geotechnical and environmental assessment.

The feasibility study is currently only considering the Arqueros deposit, with the Chimberos and Teterita deposits to be incorporated following completion of further drilling later this year. However, based on current information, it is likely that Teterita (and potentially Chimberos) will supply the mill feed for the first 2 – 3 years of production given a likely lower strip ratio and the ability to defer the required pre-strip from the Arqueros deposit. Given negligible gold content in these deposits, metal production during this phase will be primarily silver.

The conceptual Nueva Esperanza Mining Complex



The Chimberos mine camp and pit

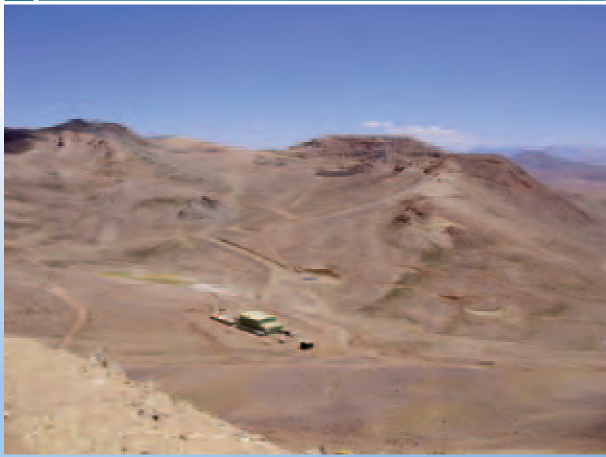


Figure 6. **Teterita silver deposit.**

Bowdens Silver Project

New South Wales

Summary

Kingsgate entered into an agreement in August 2011 to purchase the Bowdens silver project in Lue, New South Wales, from a wholly-owned subsidiary of Silver Standard Resources Inc., subject to the satisfaction of certain conditions precedent.

Bowdens, located some 240 km west of Sydney, is an epithermal silver deposit with a resource of approximately 100 Moz silver reported in line with JORC guidelines. Bowdens has the potential to be a robust project with the possibility of increasing the resource base.

Key Attributes of Bowdens

1. Robust Project

- Bowdens has the potential to be developed as an open pit operation with the capacity to sustain a 3 – 4 Mtpa ore processing rate over a minimum 10 year mine life.
- Low strip ratio is expected due to the near-surface and flat lying nature of the mineralisation.
- Availability of key infrastructure with access to water, proximity to grid power and a skilled workforce. Silver Standard has already acquired, and has further options, over land covering a significant portion of the likely footprint of the project, and these will pass to Kingsgate as part of the transaction.

2. Advanced Nature of the Project

- Bowdens underwent a detailed assessment by respected technical consultants as part of a 2004 resource modelling and detailed scoping study which included metallurgical, mining, environmental, capital and operating cost aspects of the project.
- Previous scoping studies provide the platform to accelerate environmental base line, feasibility and development work and move through the required regulatory and environmental approvals.
- The region hosts a large number of skilled workers, given the presence of numerous operating mines.

3. Resource Potential

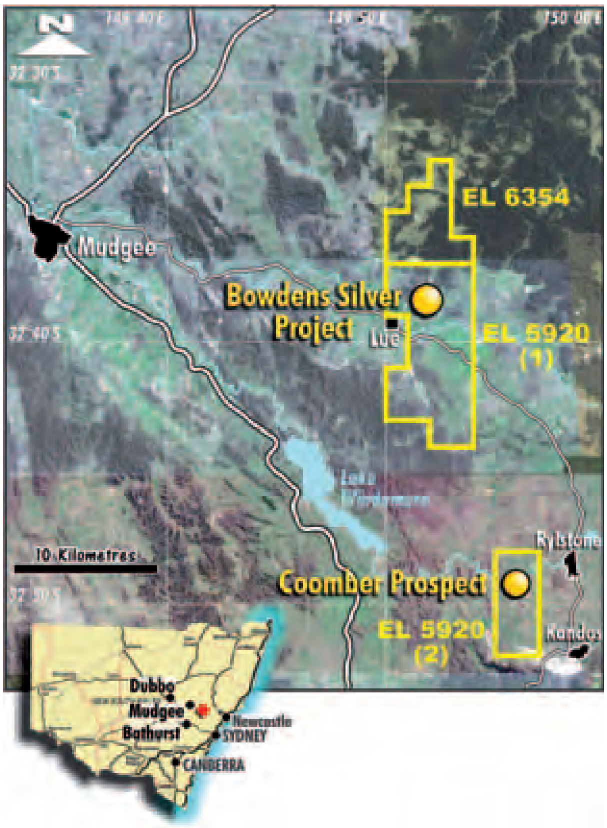
- The current pit shell has been optimised based on existing drilling. Areas of potential for further mineralisation will be the subject of a planned drill programme over the next 6 – 9 months.
- Kingsgate will assess the project based on the current resource base, with any exploration success having the potential to scale-up the project and extend mine life.

The previous owners completed 395 drill holes totalling more than 43,000 metres of drilling. As this project was Silver Standard's only project outside of the Americas, only minor work has been undertaken on it since 2006.

Mining

Mineralisation at Bowdens occurs as gently dipping continuous zones that outcrop over large parts of the deposit and plunge to the north. Mining is likely to occur through an open pit operation. The strip ratio is expected to be low as a result of the favourable location and character of the mineralisation.

Initial pit optimisation work indicates a near-surface zone of higher grade silver that could be accessed in the early stages of production. This will have a positive impact on project economics and payback period.



Mineral Resources

Mineral Resources – Bowdens Silver Project

			Grade			Contained Ounces	Silver Equivalent
Source	Category	Tonnes Million	Silver grams/tonne	Lead %	Zinc %	Silver Million ounces	Ag Eq Million ounces
BOWDENS (see Notes below)	Indicated	31.2	60.6	0.3	0.4	60.8	78.0
	Inferred	27.0	44	0.3	0.4	38.7	53.0
	Total	**58.2**	**52.9**	**0.3**	**0.4**	**99.4**	**131.0**

Notes:

1. *Bowdens silver equivalent (Ag Eq) g/t = Ag (g/t) + 22.4 x Pb (%) + 25.5 x Zn (%).*
2. *Cut-off grade for Bowdens is 30g/t Ag Eq.*
3. *Bowdens was purchased after 30 June 2011.*

Mineralisation and Processing

Bowdens is an epithermal silver deposit hosted in volcanic rocks, comprising rhyolite and volcanic breccia. Silver mineralisation is associated with lead and zinc sulphides. Early stage mineralisation is disseminated within siliceous fill-cementing breccia with late stage mineralisation being quartz-carbonate-sulphide assemblages in crustiform veining. Visible sulphides are pyrite, sphalerite and galena.

Previous metallurgical work has been completed in Australia and Canada. Most of the payable silver reports to a silver-rich lead concentrate with minor silver reporting to the zinc concentrate. Early indications are that the concentrate will be of high quality and in strong demand by off takers and traders. This could assist Kingsgate when assessing optimum funding routes for project development.

Exploration

The potential exists to grow the resource base over time through further exploration. A drilling programme has been planned to test the possible extent of the mineralisation. This exploration will not impact the planned feasibility and development work schedule.

Further growth potential is considered from the following:

- in and around the currently defined zone of mineralisation; and
- several prospects in close proximity to the Bowdens Deposit require further exploration. Drilling elsewhere within the Exploration Licence has identified similar mineralisation and grades with excellent potential to increase the resource portfolio.

Forward Work Programme

Kingsgate has commenced a Bankable Feasibility Study building on the high quality work previously completed by Silver Standard. A detailed exploration programme to define the extent of the mineralisation better has been planned which, pending board approval, will be undertaken over the next 6–9 months.

Work on updating the scoping study is well advanced and results should be available for release in the short term.

Environmental, regulatory and government approvals are likely to be the key determinants to the timing of project development. Whilst these time-lines are uncertain, significant base-line studies have already been completed over a number of years, which will facilitate completion of the required work.

Panoramic view looking west – Main Zone South on left, Main Zone North on right

Panoramic view looking north along the eastern side of Main Zone South towards eastern side of Main Zone North

Ore Reserves at 30 June 2011

Source	Category	Tonnes Million	Grade: Gold grams/tonne	Grade: Silver grams/tonne	Contained Ounces: Gold Million ounces	Contained Ounces: Silver Million ounces
Challenger	Proven	0.60	4.46	–	0.09	–
	Probable	2.74	5.94	–	0.52	–
	Stockpiles	incl	–	–	–	–
	Total	**3.34**	**5.67**	**–**	**0.61**	**–**
Chatree	Proven	36.0	0.99	8.5	1.14	9.86
	Probable	15.6	0.97	7.0	0.49	3.53
	Stockpiles	8.4	0.69	11.7	0.19	3.18
	Total	**60.0**	**0.94**	**8.6**	**1.82**	**16.56**
Total Reserves		**63.3**	**1.03**	**8.6**	**2.43**	**16.56**

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	0.81	3.97	–	0.10	–
	Indicated	2.62	7.00	–	0.59	–
	Inferred	1.63	7.59	–	0.40	–
	Total	**5.07**	**6.71**	**–**	**1.09**	**–**
Chatree See Notes below	Measured	59.2	0.95	7.2	1.81	13.8
	Indicated	39.7	0.90	5.7	1.14	7.3
	Inferred	19.3	0.87	4.9	0.54	3.0
	Total	**126.7**	**0.90**	**6.7**	**3.68**	**27.3**
Total Resources		**131.8**	**1.13**	**6.4**	**4.77**	**27.3**

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	Indicated	11.2	0.32	81.0	–	–	0.12	29.2	**34.4**
	Inferred	8.8	0.20	73.8	–	–	0.06	20.8	**23.3**
	Total	**20.00**	**0.25**	**77.8**	**–**	**–**	**0.16**	**49.9**	**57.1**
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	–	99.4	131.0
	Total	**58.2**	**–**	**52.9**	**0.3**	**0.4**	**–**	**99.4**	**131.0**
Total Resources		**78.20**	**–**	**59.3**	**–**	**–**	**0.16**	**149.3**	**188.1**

Notes:

1. *Nueva Esperanza figures are those attributable to Kingsgate Consolidated (70%).*
2. *Nueva Esperanza silver equivalent (AgEq) on the basis of gold/silver ratio of 45 calculated as Au*Eq + Ag, where Eq = (Price Gold * Recovery Gold)/(Price Silver * Recovery Silver); Price basis US$1250/oz Au and US$30/oz Ag; and Metallurgical recovery basis 85% Au and 78% silver.*
3. *Bowdens silver equivalent (AgEq) g/t = Ag (g/t) + 22.4 x Pb (%) + 25.5 x Zn (%).*
4. *Cut-off grade for Chatree is 0.4g/t Au; Nueva Esperanza is 0.5g/t AuEq; Bowdens is 30g/t AgEq.*
5. *Bowdens was purchased after 30 June 2011.*

Refer to page 130 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 Corporate Governance Principles and Recommendations (Second Edition Corporate Guidelines) released in August 2007.

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 2011, the Board met 26 times and there were 4 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 2011 financial year there were five Directors (Peter Alexander was appointed on 22 February 2011). Details of the Directors who held office during the 2011 financial year, including their qualifications, experience and the period for which each Director has held office are set out on page 59 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 2011 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;
- 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 2011 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 2011 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 break-down 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 2011 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 programme 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; and
- Mr Craig Carracher.

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;
- 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 once during the 2011 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 individuals 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 2011 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 ASX Principles have been revised to require companies to establish diversity-related measurable objectives and annually assess both the measurable objectives and the progress in achieving them. The Company is currently developing and formalising targets for diversity in line with the requirements under the ASX Principles, and these will be disclosed in the 2012 Annual Report.

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 Stock Exchange Corporate Governance Principles and Recommendations (Second Edition Corporate Guidelines, August 2007). 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 an independent director.	✓
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual.	✓

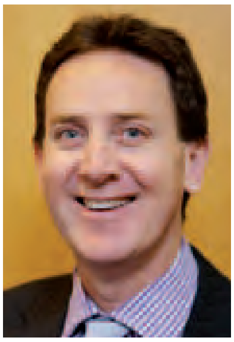
Corporate Governance Disclosure continued		
2.4	The board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the Guide to 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 trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3	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.	✓

Senior Management

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.

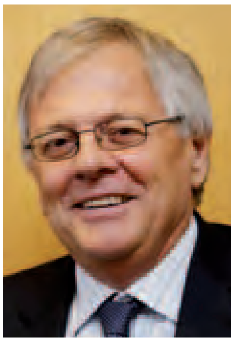
Senior members of Kingsgate's management team are:

Gavin Thomas



Duane Woodbury

Joel Forwood



Ross Coyle

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 40 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. He is currently a Non-Executive Director of the TSX listed company Mercator Minerals Limited and Chairman of the ASX listed company Laguna Resources NL.

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 18 years of experience in financial markets and corporate finance transactions, principally with the Macquarie Group.

Joel Forwood

Bsc (Hons) FFin

General Manager Corporate and Markets

Joel Forwood joined Kingsgate in November 2010 and has over 25 years experience in the resource and investment industries covering investor relations, funds management and exploration. For over 10 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.

Ross Coyle

BA, FCPA, FCIS

General Manager Finance and Administration

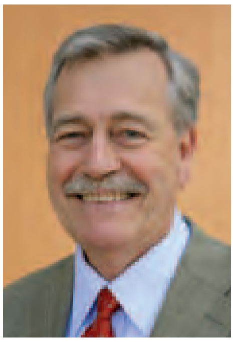
Company Secretary

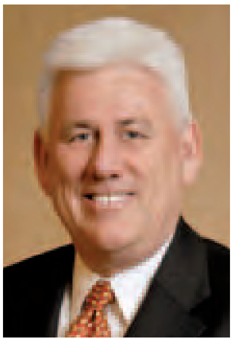
Ross Coyle joined Kingsgate in March 2011 following the Company's acquisition of Dominion Mining Limited. He is a qualified accountant and was with the Dominion group for over 20 years and has over 25 years experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Company Secretary on 1 September 2011.


Ronald James


Philip MacIntyre


Pakorn Sukhum


Peter Bamford


Peter Warren

Ronald James

BSc (Geology), MAusIMM, MAIG

General Manager Exploration and Resource Development

Ron James has 28 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 37 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 22 years of industrial commercial managerial experience in various industries such as metallurgy, chemicals and ceramics in international and domestic markets of Thailand, having held senior management positions in both Thai and Multinational joint venture companies such as Basell Poyolefins, Bayer AG as well as Padeang Industry of Thailand. His major contributions and responsibilities have ranged from project management, commercial marketing and sales to business development.

Peter Bamford

BSc(Eng), ARSM, FAusIMM (CP), MAICD

General Manager Challenger Operations and Development

Peter Bamford has over 40 years experience in mining and civil engineering operations in Australia and the United Kingdom. His experience has included various executive roles within base metal mining (MIM Holdings Limited now Xtrata) and gold mining within Metana/Gold Mines of Australia and other gold mining companies. Peter joined Dominion Mining Limited in 1996 and since that time has been responsible for the feasibility study, development and operation of the Challenger gold mine.

Peter Warren

B Com, CPA

Chief Financial Officer (resigned 31 August 2011)

Peter Warren joined Kingsgate in March 2006 as Chief Financial Officer and is a CPA of 35 years standing, with an extensive involvement in the resources industry. Prior to Kingsgate, he was Company Secretary and Chief Financial Officer of Equatorial Mining Limited and of the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources and Hamersley Iron. Peter has been retained by the Company providing corporate advisory services.

2011 Annual Report

Directors' Report

Your Directors present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

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 McAleer — Non-Executive Director
- Craig Carracher — Non-Executive Director
- Gavin Thomas — Executive Director

Peter Alexander was appointed as a Non-Executive Director on 22 February 2011.

Principal activities

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

Dividends

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Final dividend declared for the year ended 30 June 2010 of 20 cents per fully paid share paid on 23 September 2010	**20,150**	14,434
Interim dividend declared for the year ended 30 June 2011 of 10 cents per fully paid share paid on 16 March 2011	**13,497**	14,648
Total dividends paid	**33,647**	29,082

Review of operations and results

Over the past year the Company has undergone a major transformation. In February 2011, the Company successfully completed an agreed transaction to acquire all of the shares in Dominion Mining Limited ("Dominion"), via a Scheme of Arrangement. The major asset of Dominion is the Challenger Gold Mine in South Australia. The Company also undertook an off-market takeover bid for Laguna Resources NL ("Laguna") and received acceptances for around 70% when the bid closed in February 2011. The major asset of Laguna is the Arqueros silver/gold development project located in Central Chile. Laguna is currently undertaking a feasibility study for the development of Arqueros.

The following table shows the Group's financial performance over the last 5 years. The profit for 2011 was a result of a full fiscal year of production of 76,248 ounces of gold and 549,699 ounces of silver from the Chatree Mine in Thailand, operated by the Company's Thai subsidiary Akara Mining Limited, and 36,886 ounces of gold and 2,581 ounces of silver from 5 months production from the Challenger mine in South Australia.

The Group continues to pursue opportunities to diversify geographically and operationally and has a major commitment to exploration within Thailand, other countries in South East Asia, Australia and South America.

	2011	2010	2009	2008	2007
Net Profit/(Loss) After Tax ($'000)	**20,879**	73,066	32,522	36,197	(12,590)
Dividends Paid (Cash & DRP) ($'000)	**33,647**	29,082	–	–	4,513
Share Price 30 June ($)	**8.00**	9.47	6.70	5.23	5.55
Basic Earnings Per Share (Cents)	**18.7**	75.2	34.9	51.7	(17.3)
Diluted Earnings Per Share (Cents)	**18.6**	74.5	34.9	51.5	(17.3)

During the year 534,104 shares were issued under the Group's dividend reinvestment plan contributing $5.2 million of equity. In addition, 893,978 options were exercised at various prices for $4.7 million equity.

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

Acquisition of Bowdens Silver Project

On 1 August 2011, the Company 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. ("Silver Standard"), subject to the satisfaction of certain conditions precedent.

Completion of the Bowdens acquisition is subject to customary conditions including receipt of required regulatory approvals and third party comments. Kingsgate expects the transaction to be closed by October 2011.

Consideration for the acquisition is $75 million comprising:

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

Kingsgate is undertaking a review of all drilling and other technical data and is in the process of calculating a Mineral Resource for Bowdens in line with JORC guidelines.

Kingsgate has entered into financing facilities to fund the Bowdens acquisition. The Investec Bank (Australia) Limited ("Investec") current US$50 million three year revolving facility will be increased to A$60 million and Investec will also provide a A$35 million five year convertible loan facility.

Management restructure

In July 2011, the Chief Financial Officer and Company Secretary functions have been restructured subsequent to Mr Peter Warren's notification to the Board of his intention to retire at the end of August 2011. Mr Ross Coyle, General Manger Finance and Administration, will assume the role of Company Secretary from 1 September 2011. Mr Duane Woodbury, General Manager Strategic Development, has been appointed to succeed Mr Warren as Chief Financial Officer and will continue to be responsible for business development. As part of the transition, Mr Warren will be retained providing corporate advisory services.

Preference shares

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

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

Kingsgate has agreed to meet outstanding financial obligations to Sinphum under the original shareholder agreement, including outstanding preference share dividends, up to the settlement date.

As part of the settlement, the Company will grant 1.5 million Kingsgate 3 year options that vest in 12 months at a strike price of $10.36 and 500,000 share performance rights that vest over the next 14 months to a company associated with the former preference shareholder, subject to the Chatree Mine meeting specified production targets.

This settlement will allow Kingsgate to recommence preparations for an IPO of its Thai mining operations on the Thai stock exchange.

Exercise of options

During July and August 2011, 71,667 employee options were exercised raising $430,000.

Facilities draw down

The Company has drawn down a total of A$40 million out of the US$50 million revolving loan facility subsequent to year end.

Akara Mining Limited has fully drawn down the 3.0 billion Baht (US$100 million equivalent) syndicated loan facility subsequent to year end.

Subsequent to 30 June 2011, Kingsgate agreed to increase the cash advance facility to Laguna Resources NL from US$10 million to A$15 million with the maturity date extended to 31 December 2012.

Dividends declaration

A dividend of 5 cents per share was declared on 29 August 2011 with respect to the year end 30 June 2011. The record date is 12 September 2011 and the dividend will be paid on 30 September 2011.

No other matter or circumstance has arisen since 30 June 2011 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 an expansion of the processing plant is expected be completed in October 2011 that will lift nominal throughput from around 2.3 million tonnes per annum to over 5 million tonnes per annum. This uplift in throughput rates together with the higher grade ore mined from the C North pit will result in an increase in gold production between 145,000 ounces to 155,000 ounces for the 2012 financial year. At the Challenger mine in South Australia, production for the year is expected to be in line with 2011 with production in the range of 95,000 ounces to 105,000 ounces of gold.

Significant progress has been made at the Nueva Esperanza (Kingsgate 70%) in Chile, formerly the Arqueros project. Stage 1 of the feasibility study was completed in July with completion of the final feasibility study to enable a decision to mine in Q1 2012.

On the 1 August 2011, the Company announced that it had entered into an agreement to acquire the Bowdens Silver project in New South Wales. The Company is currently undertaking a review of all drilling and other technical data relating to the project and is in the process of finalising a Mineral Resource in line with JORC guidelines. It is planned to initiate a full feasibility study once the review is finalised and the purchase transaction completed.

Other developments of the Group will include the evaluation of opportunities in the gold sector and continuing exploration programmes, both near mine site at Chatree and Challenger and regionally, within Thailand, South East Asia, Australia and South America in order to further increase Mineral Resources and Ore Reserves.

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Argentina, Chile and Peru. For the year ended 30 June 2011, the Group has operated within all environmental laws and there were no known contraventions at the date of this report.

Directors' attendance at meetings (1 July 2010 to 30 June 2011)

	Appointed	Independent	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held:			26	2	1	1
Meetings attended:						
Ross Smyth-Kirk	1994	Yes	26	2	1	1
Peter McAleer	2000	Yes	26	2	1	1
Craig Carracher	2007	Yes	26	2	–	1
Peter Alexander *	2011	Yes	8	–	–	–
Gavin Thomas	2007	No	26	–	–	–

* *Appointed 22 February 2011.*

During the financial year, twenty six Board meetings, two Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting 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 64

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 31 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 68

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 45

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 and was previously Group General Counsel with Consolidated Press Holdings Limited, 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 with offices in Sydney, Beijing and Hong Kong. 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 59

Non-Executive Director

Peter Alexander has had 38 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 a Director of the ASX listed company Doray Minerals Limited.

Gavin Thomas *BSc FAusIMM* – Age 60

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 40 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 is currently a Non-Executive Director of the TSX listed company Mercator Minerals Limited and also Chairman of the ASX listed company Laguna Resources NL.

Responsibilities: Managing Director and Chief Executive Officer.

Company Secretary

The Company Secretary is Peter Warren. Mr Warren was appointed to the position of Company Secretary in 2006. Before joining Kingsgate Consolidated Limited he held similar positions with listed and unlisted public companies for 19 years.

Responsibilities: Chief Financial Officer.

Remuneration Report

The Remuneration Report is set out under the following main headings:

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*.

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 programme that is market competitive and complimentary to the reward strategy of the organisation.

The programme 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 programme is comprised of three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in an option 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' contracts.

Benefits

Executives may receive benefits including car allowances and car parking.

Short-term incentives

Short-term bonus payments are made to executives at the discretion of the Remuneration Committee.

Long-term incentives

Long-term incentives are provided to certain employees through the issue of options to acquire Kingsgate shares. Options are issued to employees to provide long-term incentives for employees 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.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Kingsgate Consolidated Limited and the Kingsgate Consolidated Limited Group are set out in the following tables.

The key management personnel of the Group are the Directors of Kingsgate Consolidated Limited (see page 59) and those executives that report directly to the Managing Director being:

- Peter Warren – Company Secretary and Chief Financial Officer;
- Phil MacIntyre – Chief Operating Officer;
- Ron James – General Manager Exploration and Resource Development;
- Duane Woodbury – General Manager Strategic Development;
- Peter Bamford – General Manager Challenger Operations and Development; and
- Stephen Promnitz – Corporate Development Manager (resigned 30 November 2010).

In addition, the following person must be disclosed under the *Corporations Act 2001* as he is among the 5 highest remunerated Group executives:

- Genesio Circosta – Country Exploration Manager, Thailand.

Key management personnel of the Group and other executives of the Company and the Group

2011	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	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**
Other group executives							
Genesio Circosta ^	446,437	23,133	4,625	–	–	–	474,195
Sub-total other group executives compensation	**446,437**	**23,133**	**4,625**	**–**	**–**	**–**	**474,195**
TOTAL	**4,276,930**	**978,892**	**81,163**	**155,203**	**–**	**92,680**	**5,584,868**

* *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.*

^ *Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.*

\# *Denotes one of the 3 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.*

** *Resigned 30 November 2010.*

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

Key management personnel of the Group and other executives of the Company and the Group

2010

Name	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	160,000	–	2,120	14,400	–	–	176,520
Peter McAleer *	100,000	–	–	–	–	–	100,000
Craig Carracher	100,000	–	–	10,800	–	–	110,800
John Falconer **	25,000	–	–	2,250	–	–	27,250
Sub-total non-executive directors compensation	**385,000**	**–**	**2,120**	**27,450**	**–**	**–**	**414,570**
Executive director							
Gavin Thomas	850,000	–	36,855	50,000	–	–	936,855
Other key management personnel							
Peter Warren ^#	435,000	–	8,277	49,863	–	34,246	527,386
Phil MacIntyre ^	675,171	–	11,672	–	–	50,861	737,704
Ron James ^#	551,200	–	–	–	–	27,126	578,326
Stephen Promnitz ^#	375,000	–	–	25,000	–	–	400,000
Sub-total executive director and other key management personnel compensation	**2,886,371**	**–**	**56,804**	**124,863**	**–**	**112,233**	**3,180,271**
Other group executives							
Genesio Circosta ^	341,920	–	1,847	–	–	–	343,767
Sub-total other group executives compensation	**341,920**	**–**	**1,847**	**–**	**–**	**–**	**343,767**
TOTAL	**3,613,291**	**–**	**60,771**	**152,313**	**–**	**112,233**	**3,938,608**

* *Consulting fees of $100,000 (2009: $100,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

^ *Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.*

\# *Denotes one of the 3 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.*

** *Resigned 27 August 2009.*

C Service agreements

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 provide for the provision of performance-related cash bonuses, other benefits including car allowances and car parking, and participation, when eligible, in share and 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 – 3 years commencing on 1 July 2008. The service agreement is in the process of being renewed.
- Base salary, inclusive of superannuation, as at 30 June 2011 of $990,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with one month notice. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equals the base salary for the remaining term of the agreement.

Peter Warren – Chief Financial Officer/Company Secretary

- Term of agreement – 3 years commencing on 1 July 2008. The service agreement is in the process of being renewed.
- Base salary, inclusive of superannuation, as at 30 June 2011 of $600,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with one month notice. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equals the base salary for the remaining term of the agreement.

Phil MacIntyre – Chief Operating Officer

- Term of agreement – 3 years commencing on 1 July 2008. The service agreement is in the process of being renewed.
- Base salary as at 30 June 2011 of Canadian $460,000 net of applicable tax to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 6 months base salary plus one month base salary for each completed year of service.

Ron James – General Manager Exploration and Resource Development

- Term of agreement – 3 years commencing on 1 July 2008. The service agreement is in the process of being renewed.
- Full time employee from 1 February 2011 to 30 June 2011, with base salary of $375,000 per annum.

Duane Woodbury – General Manager Strategic Development

- A service agreement is in the process of being negotiated.
- Base salary as at 30 June 2011 of $400,000.

Peter Bamford – General Manager Challenger Operations and Development

- Term of agreement – No fixed term.
- Base salary as at 30 June 2011 of $123,335 (5 months).

Genesio Circosta – Country Exploration Manager, Thailand

- Term of agreement – 3 years commencing on 7 July 2009.
- The Company has the discretion to extend the contract for a further 12 months beyond the 3 years.
- Base salary, as at 30 June 2011 of $305,000 net of applicable tax to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

D Share-based compensation

Options

Options are 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 options are issued pursuant to Board's discretion and no individual has a contractual right to receive options or any guaranteed benefits. The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods is as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date vested and exercisable
08 Jul 2005	01 Apr 2010	$2.69	$0.36	100% on 07 Jul 2005
08 Jul 2005	01 Jul 2010	$4.00	$0.39 $0.43 $0.47	36% on 01 Jul 2006 36% on 01 Jul 2007 28% on 01 Jul 2008
08 Jul 2005	01 Jul 2010	$5.00	$0.25 $0.29 $0.33	36% on 01 Jul 2006 36% on 01 Jul 2007 28% on 01 Jul 2008
08 Jul 2005	01 July 2010	$6.00	$0.17 $0.21 $0.24	36% on 01 Jul 2006 36% on 01 Jul 2007 28% on 01 Jul 2008
08 Jul 2005	01 Jul 2010	$7.00	$0.11 $0.15 $0.18	36% on 01 Jul 2006 36% on 01 Jul 2007 28% on 01 Jul 2008
13 Oct 2005	26 Oct 2010	$3.00	$1.52	100% on 26 Oct 2005
13 Oct 2005	26 Oct 2010	$4.00	$1.15 $1.24	50% on 01 Nov 2006 50% on 01 Nov 2007
13 Oct 2005	26 Oct 2010	$5.00	$0.85 $0.94	50% on 01 Nov 2006 50% on 01 Nov 2007
13 Oct 2005	26 Oct 2010	$6.00	$0.63 $0.72	50% on 01 Nov 2006 50% on 01 Nov 2007
13 Oct 2005	01 Aug 2010	$3.25	$1.44 $1.51 $1.58	50% on 01 Aug 2006 25% on 01 Aug 2007 25% on 01 Aug 2008
13 Oct 2005	01 Aug 2010	$4.00	$1.12 $1.21 $1.29	50% on 01 Aug 2006 25% on 01 Aug 2007 25% on 01 Aug 2008
13 Oct 2005	01 Aug 2010	$5.00	$0.80 $0.90 $0.99	50% on 01 Aug 2006 25% on 01 Aug 2007 25% on 01 Aug 2008
13 Oct 2005	01 Aug 2010	$6.00	$0.58 $0.68 $0.77	50% on 01 Aug 2006 25% on 01 Aug 2007 25% on 01 Aug 2008
13 Oct 2005	01 Aug 2010	$7.00	$0.43 $0.52 $0.61	50% on 01 Aug 2006 25% on 01 Aug 2007 25% on 01 Aug 2008
07 Jul 2006	01 Jul 2011	$5.50	$1.60 $1.73 $1.84	33% on 01 Jul 2007 33% on 01 Jul 2008 34% on 01 Jul 2009
07 Jul 2006	01 Jul 2011	$6.00	$1.46 $1.59 $1.71	33% on 01 Jul 2007 33% on 01 Jul 2008 34% on 01 Jul 2009
07 Jul 2006	01 Jul 2011	$7.00	$1.22 $1.36 $1.48	33% on 01 Jul 2007 33% on 01 Jul 2008 34% on 01 Jul 2009
07 Jul 2006	01 Jul 2011	$8.00	$1.22 $1.36 $1.48	33% on 01 Jul 2007 33% on 01 Jul 2008 34% on 01 Jul 2009
04 Apr 2008	03 Apr 2013	$6.00	$1.21 $1.36 $1.50	33% on 03 Apr 2009 33% on 03 Apr 2010 34% on 03 Apr 2011
04 Apr 2008	03 Apr 2013	$6.00	$0.37	100% on 20 Nov 2008
04 Apr 2008	03 Apr 2013	$7.00	$0.30	100% on 20 Nov 2008

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 the Company's share price at the time of grant and usually includes a premium. Option holders may not enter into any transactions designed to remove the "at risk" aspect of the instrument before it vests.

Details of options over ordinary shares in the Company provided as remuneration to each of the key management personnel of the parent entity and Group are set out below. When exercisable, each option is convertible into one ordinary share of Kingsgate Consolidated Limited. Further information on the options is set out in Note 26 to the financial statements.

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
Key management personnel					
Peter Warren	–	–	33,666	–	–
Phil MacIntyre	–	–	50,000	–	–
Ron James	–	–	26,666	–	–
Duane Woodbury	–	–	133,334	–	–

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 * $
Director			
Gavin Thomas	01 Jul 2010	500,000	2,735,000
Key management personnel			
Phil MacIntyre	06 Sep 2010	15,000	74,250
	25 Feb 2011	35,000	117,250
Stephen Promnitz **	30 Jul 2010	175,000	925,000

* *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.*

** *Resigned 30 November 2010.*

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.

Details of remuneration: cash bonus and options

For each contracted bonus and grant of options (included in the tables on pages 62 to 63 and 65 to 66), the percentage of the available bonus or grant that was paid or vested, and the percentage that was forfeited (because the person did not meet the service and performance criteria) is set out as follows. No part of the bonus is payable in future years. Non-contracted bonuses (included in the tables on pages 62 to 63), paid at the discretion of the Remuneration Committee, have been excluded from this table. The options vest over a 3 year period and will vest if the executive remains an employee of the Company on the vesting date and the options will vest immediately if the executive's employment is terminated as a result of a change in control of the Company. No options will vest if the above conditions are not satisfied, hence the minimum value of the options yet to vest is nil.

The maximum value of the options yet to vest has been determined assuming the share price on the date the options are exercised and will not exceed $6.00 for options issued in April 2008.

Name	Cash bonus: Paid %	Cash bonus: Forfeited %	Options: Year granted	Options: Vested %	Options: Forfeited %	Options: Financial years in which the options may vest	Options: Maximum total value of grant yet to vest $
Gavin Thomas	–	–	2006	100	–	2006	–
Peter Warren	–	–	2007 2008	100 100	– – – –	2008 2009 2010 2011	– – – –
Phil MacIntyre	–	–	2006 2008	100 100	– – – –	2006 2009 2010 2011	– – – –
Ron James	–	–	2006 2008	100 100	– – – –	2007 2009 2010 2011	– – – –
Duane Woodbury	–	–	2008	100	– – –	2009 2010 2011	– – –
Stephen Promnitz**	–	–	2006	100	–	2007	–

*** Resigned 30 November 2010.*

Share-based compensation: options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods 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 26.

Name	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Gavin Thomas	–	624,400	213,400	–
Peter Warren	1.5	720,190	–	–
Phil MacIntyre	3.2	358,000	68,000	–
Ron James	2.3	191,483	–	–
Duane Woodbury	7.6	542,667	–	–
Stephen Promnitz **	–	311,250	183,813	–

** Resigned 30 November 2010.

A. The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B. The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the years as part of remuneration.

C. The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D. The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

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
07 Jul 2006	50,000	$6.00 expiring 01 Jul 2011
04 Apr 2008	58,535	$4.68 expiring 03 Apr 2013
04 Apr 2008	981,001	$6.00 expiring 03 Apr 2013
04 Apr 2008	500,000	$7.00 expiring 03 Apr 2013

Shares issued on the exercise of options

In 2011:

- 25,000 options were exercised at $3.25;
- 550,000 options were exercised at $4.00;
- 113,645 options were exercised at $4.68;
- 100,000 options were exercised at $5.00; and
- 105,333 options were exercised at $6.00.

This resulted in the issue of 893,978 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 key management personnel in the shares and options of Kingsgate Consolidated Limited were:

Name	Ordinary shares	Options over ordinary shares
Directors		
Ross Smyth-Kirk	4,520,176	400,000
Peter McAleer	100,000	200,000
Craig Carracher	100,000	100,000
Peter Alexander	36,525	–
Gavin Thomas	3,114,982	–
Key management personnel		
Peter Warren	–	151,000
Phil MacIntyre	–	50,000
Ron James	–	80,000
Duane Woodbury	–	280,000
Peter Bamford	98,529	–

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

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for the audit and non-audit services provided during the year are set out as follows.

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;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated	
REMUNERATION OF AUDITORS	**2011 $**	**2010 $**
a) Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**542,300**	356,350
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**209,983**	214,120
Total remuneration for audit services	**752,283**	570,470
b) Other services		
PricewaterhouseCoopers Australian Firm		
Due diligence services and investigating accountants report	**247,000**	–
Transaction services (IPO)	**61,000**	45,000
Other services	**30,000**	46,000
Related Practices of PricewaterhouseCoopers Australian Firm		
Transaction services (IPO)	**–**	101,962
Other services	**–**	6,118
Total remuneration for non-audit related services	**338,000**	199,080
c) Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**187,060**	75,740
Transaction services (IPO)	**67,940**	–
Legal services (Class Order and tax consolidation agreements)	**24,049**	–
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**77,622**	83,949
Total remuneration for tax related services	**356,671**	159,689

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 71.

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
18 October 2011

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

2011 Annual Report

Financial Statements

for the year ended 30 June 2011

www.kingsgate.com.au

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue from continuing operations	4	**173,352**	176,098
Other income	5	**613**	–
Changes in inventories of finished goods and work in progress		**23,865**	27,851
Direct costs of mining and processing		**(99,536)**	(82,212)
Employee benefits expense		**(16,744)**	(11,820)
Depreciation and amortisation expenses	6	**(27,772)**	(14,004)
Finance costs	6	**(1,669)**	(1,823)
Exploration expensed		**(2,447)**	(385)
Foreign exchange losses	6	**(15,832)**	(2,507)
Other expenses from ordinary activities	6	**(16,043)**	(8,847)
Profit before income tax		**17,787**	82,351
Income tax benefit/(expense)	7	**3,092**	(9,285)
Profit after income tax		**20,879**	73,066
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax)	21	**(30,795)**	1,634
Change in fair value of available-for-sale financial assets (net of tax)	21	**791**	–
Total other comprehensive (loss)/income for the year, net of tax		**(30,004)**	1,634
Total comprehensive income for the year		**(9,125)**	74,700
Profit attributable to:			
Owners of Kingsgate Consolidated Limited		**21,148**	73,066
Non-controlling interests		**(269)**	–
Profit for the year		**20,879**	73,066
Total comprehensive income attributable to:			
Owners of Kingsgate Consolidated Limited		**(8,856)**	74,700
Non-controlling interests		**(269)**	–
Total comprehensive (loss)/income for the year		**(9,125)**	74,700

	Notes	Cents	Cents
Earnings per share			
Basic earnings per share	34	**18.7**	75.2
Diluted earnings per share	34	**18.6**	74.5

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

Statement of Financial Position

As at 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**35,864**	49,098
Receivables	9	**15,050**	13,844
Inventories	10	**30,962**	11,744
Other assets	11	**24,268**	28,615
Total current assets		**106,144**	103,301
Non-current assets			
Inventories	10	**43,265**	37,552
Exploration, mine property, plant and equipment	13	**616,578**	221,516
Deferred tax assets	14	**10,261**	3,732
Available-for-sale financial assets	12	**2,200**	1,071
Other assets	11	**16,615**	1,903
Total non-current assets		**688,919**	265,774
TOTAL ASSETS		**795,063**	369,075
LIABILITIES			
Current liabilities			
Payables	16	**34,802**	15,055
Provisions	17	**3,264**	1,003
Current tax liabilities	18	**2,953**	3,225
Borrowings	15	**23,912**	10,982
Derivatives held for trading	31	**2,260**	–
Total current liabilities		**67,191**	30,265
Non-current liabilities			
Provisions	17	**11,968**	11,157
Payables	16	**4,294**	5,909
Borrowings	15	**75,984**	82
Deferred tax liabilities	19	**28,702**	5,619
Total non-current liabilities		**120,948**	22,767
TOTAL LIABILITIES		**188,139**	53,032
NET ASSETS		**606,924**	316,043
EQUITY			
Contributed equity	20	**482,874**	156,068
Reserves	21	**(26,527)**	4,008
Retained profits	21	**143,468**	155,967
Total equity attributable to equity holders of Kingsgate Consolidated Limited		**599,815**	316,043
Non-controlling interests		**7,109**	–
TOTAL EQUITY		**606,924**	316,043

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 2011

CONSOLIDATED	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2009		**129,300**	**4,579**	**111,161**	**245,040**	**–**	**245,040**
Total comprehensive income for the year		–	1,634	73,066	74,700	–	74,700
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	20	26,768	–	–	26,768	–	26,768
General reserve		–	(822)	822	–	–	–
Dividends provided for or paid		–	–	(29,082)	(29,082)	–	(29,082)
Movement in share option reserve	21	–	(1,383)	–	(1,383)		(1,383)
Total transactions with owners		**26,768**	**(2,205)**	**(28,260)**	**(3,697)**	**–**	**(3,697)**
Balance at 30 June 2010		**156,068**	**4,008**	**155,967**	**316,043**	**–**	**316,043**
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	20	9,659	–	–	9,659	–	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets	20	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	21	–	(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**

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

2011 Annual Report

Statement of Cash Flow

for the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		**176,686**	172,083
Payments to suppliers and employees		**(133,470)**	(119,392)
Interest received		**747**	321
Finance costs paid		**(1,346)**	(1,319)
Income tax paid		**(8,591)**	(5,225)
Net cash inflow/(outflow) from operating activities	27	**34,026**	46,468
Cash flows from investing activities			
Payments for exploration and evaluation		**(12,937)**	(2,355)
Payments for mine properties, plant and equipment and land		**(111,690)**	(28,840)
Payments for available-for-sale financial assets		**–**	(1,071)
Cash acquired on acquisition of subsidiaries, net of cash paid		**16,478**	–
Proceeds from disposal of property, plant and equipment		**72**	–
Net cash inflow/(outflow) from investing activities		**(108,077)**	(32,266)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		**134,193**	–
Repayment of borrowings		**(45,000)**	–
Payments for interest/proceeds from borrowings – preference shares		**(233)**	8,643
Proceeds from the issue of shares		**3,728**	20,423
Dividends paid		**(28,461)**	(24,585)
Net cash inflow/(outflow) from financing activities		**64,227**	4,481
Net increase/(decrease) in cash held		**(9,824)**	18,683
Cash at the beginning of the year		**49,098**	29,680
Effects of exchange rates on cash and cash equivalents		**(3,410)**	735
Cash at the end of the year		**35,864**	49,098

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

2011 Annual Report

Notes to the Financial Statements

for the year ended 30 June 2011

Contents

The previously issued Financial Report of Kingsgate Consolidated Limited for the year ended 30 June 2011, dated 29 August 2011, has been withdrawn and is replaced by this Financial Report dated 18 October 2011. The revision was necessary due to the fact that the amounts of remuneration for 2 key management personnel disclosed in the Remuneration Report of the Directors' Report dated 29 August 2011 were understated as a result of the omission of the Thai income tax component. As a result of the change made in the Directors' Report, the amounts disclosed in note 32 (c) *Key management personnel compensation* have been adjusted accordingly.

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 2011 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.

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, unless otherwise stated.

(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 rates 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-consolidated 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-consolidated 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 2(f)).

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 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 2 (f)).

When a decision is made to develop an area of interest, all carried forward exploration expenditure in relation to the area of interest is transferred to mine properties.

(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. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year used to develop the qualifying asset.

All other borrowing costs are recognised as finance costs 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 30.

(bb) New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The following new accounting standards and amendments to accounting standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue; and*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvement Project.*

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 2011 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.

- IFRS 10 *Consolidated Financial Statements* (effective for annual reporting periods commencing on or after 1 January 2013). IFRS 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to special purpose entities. The Group is continuing to assess the impact of the standard. The AASB has not yet issued the Australian equivalent of IFRS 10.
- IFRS 13 *Fair Value Measurement* (effective for annual reporting periods commencing on or after 1 January 2013). IFRS 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 Group is continuing to assess the impact of the standard. The AASB has not yet issued the Australian equivalent of IFRS 13.
- IAS 1 *Presentation of Financial Statements* (effective for annual reporting periods commencing on or after 1 July 2013). IAS 1, amended in June 2011, introduces changes to align the presentation of items of other comprehensive income with US GAAP. The Group will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements. The AASB has not yet updated the Australian equivalent of IFRS 13.
- AASB 1054 *Australian Additional Disclosures* (effective for annual reporting periods beginning on or after 1 July 2011). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. The Group is continuing to assess the impact of the standard.
- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess its full impact.
- Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standard – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the Group.

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 that 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 2(o)). 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 13.

(iii) 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 17). 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.

(iv) 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. The related carrying amounts are disclosed in Note 13.

(v) 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, as discussed in Note 26.

(vi) Deferred tax balances

Deferred tax assets in respect of tax losses for the Kingsgate tax-consolidation group (Note 7) 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 7) 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.

	Consolidated 2011 $'000	Consolidated 2010 $'000
4. REVENUE		
From continuing operations		
Sales revenue		
Gold sales	**156,344**	165,183
Silver sales	**16,012**	10,297
Total sales revenue	**172,356**	175,480
Other revenue		
Interest	**747**	321
Other revenue	**249**	297
Total other revenue	**996**	618
Revenue from continuing operations	**173,352**	176,098
5. OTHER INCOME		
Net gain on sale of fixed assets	**72**	–
Change in fair value of undesignated gold contracts held for trading	**541**	–
Total other income	**613**	–

6. EXPENSES

	Consolidated 2011 $'000	Consolidated 2010 $'000
Cost of sales	**118,988**	94,500
Foreign exchange losses (a)	**15,832**	2,507
Finance costs		
Interest and finance charges paid / payable	**5,573**	1,319
Rehabilitation provision discount adjustment	**323**	227
Amortisation of deferred borrowing costs	**733**	277
Borrowing costs capitalised	**(4,960)**	–
Total finance costs	**1,669**	1,823
Movement in provision for inventory obsolescence	**(261)**	(83)
Depreciation and amortisation		
Mine properties	**21,011**	11,442
Mine buildings, plant and equipment	**6,922**	2,472
Non-mining property, plant and equipment	**457**	181
Depreciation capitalised	**(618)**	(91)
Total depreciation and amortisation	**27,772**	14,004
Other expenses from ordinary activities		
Rental expense relating to operating leases	**254**	266
Business development	**1,659**	1,223
Dominion acquisition cost (See Note 36) (b)	**4,757**	–
Investor and community relations	**1,049**	1,216
Professional fees	**2,605**	2,527
Administration	**5,719**	3,615
Total other expenses from ordinary activities	**16,043**	8,847
Significant items during the year included the following items:		
Foreign exchange losses (a)	**15,832**	2,507
Dominion acquisition cost (b)	**4,757**	–
Total significant items	**20,589**	2,507

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
7. INCOME TAX			
a) Income tax expense			
Current tax		**7,717**	12,535
Deferred tax		**(10,809)**	(3,250)
Income tax (benefit)/expense		**(3,092)**	9,285
Deferred income tax expense/(benefit) included in income tax expense comprises:			
(Increase)/decrease in deferred tax assets	14	**(9,027)**	(3,422)
Increase/(decrease) in deferred tax liabilities	19	**(1,782)**	172
Deferred tax		**(10,809)**	(3,250)
b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax		**17,787**	82,351
Tax at Australian tax rate of 30%		**5,336**	24,706
Tax effect of amounts not deductible/assessable in calculating taxable income:			
Non-deductible expenses		**2,736**	924
Non-deductible amortisation		**755**	1,180
Non-deductible interest expense to preference shareholders		**533**	199
Share-based remuneration		**51**	140
Double deduction of expenses (Thailand)		**(1,997)**	(1,351)
Differences in Thailand tax rates *		**(6,796)**	(19,332)
Non-temporary differences affecting the tax expense		**(97)**	(297)
Temporary differences previously not recognised		**(663)**	(2,748)
Temporary difference adjustment (either change in estimate of rate of reversal or not previously recognised)		**(1,733)**	–
Temporary differences not recognised for the Australian tax consolidated group		**–**	1,313
Tax benefit of tax losses not brought to account for the Australian tax consolidated group		**790**	2,190
Tax benefit of tax losses not brought to account in the prior year recognised this year		**(2,007)**	–
Withholding tax on dividends received from Thailand operations		**–**	2,361
Income tax (benefit)/expense		**(3,092)**	9,285

* *A 30% tax holiday period existed until November 2009 and a 15% tax holiday period existed from December 2009 to June 2010 for selected BOI activities.*

7. INCOME TAX continued

	Consolidated 2011 $'000	Consolidated 2010 $'000
c) Amounts recognised directly in equity		
Deferred tax credited directly to equity	**339**	–
d) Tax expense (income) relating to items of other comprehensive income		
Foreign exchange losses recognised directly in foreign currency translation reserves	**(507)**	–
e) Tax losses		
Unused tax losses for which no deferred tax assets has been recognised	**10,868**	15,123
Potential tax benefit at 30%	**3,260**	4,537

The tax losses were incurred by the Kingsgate tax-consolidation group in Australia as well as Laguna Resources NL.

	Consolidated 2011 $'000	Consolidated 2010 $'000
f) Unrecognised temporary differences		
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses above	**11,031**	1,220
Tax at Australian tax rate of 30%	**3,309**	366

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.

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 that is currently under construction.

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 the new processing plant; and

c) other benefits.

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 2(d).

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.

7. INCOME TAX continued

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.

On 2 February 2011, Kingsgate acquired Dominion Mining Limited through a Scheme Implementation Agreement (see Note 36). Dominion Mining Limited and its controlled entities joined Kingsgate Consolidated Limited tax-consolidation group upon being wholly-owned subsidiaries of Kingsgate Consolidated Limited.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011 $'000	2010 $'000
Cash on hand	**17**	12
Deposits held at call with banks	**31,949**	44,156
Cash and other bank balances	**31,966**	44,168
Other deposits	**3,898**	4,930
Total cash and cash equivalents	**35,864**	49,098

Cash on hand

These are petty cash held by subsidiaries.

Deposits at call

The deposits at call are bearing floating interest rates between 0% – 5.60% (2010: 0.10% – 5.77%) and they may be accessed daily.

Other deposits

This represents restricted cash held on deposit with financial institutions.

Included in other deposits is $1.59 million of restricted cash against bank guarantees supporting the South Australian Government rehabilitation bond requirements against the Challenger Gold mine and various exploration projects.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 31.

9. RECEIVABLES

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables	**4,894**	3,694
Other debtors	**10,156**	10,150
Total receivables	**15,050**	13,844

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 31.

	Consolidated 2011 $'000	Consolidated 2010 $'000
10. INVENTORIES		
Current		
Raw materials and stores – at cost	**9,685**	4,107
Provision for obsolescence	**(1,470)**	(1,731)
Work in progress – at cost	**19,601**	9,368
Gold bullion	**3,146**	–
Total inventories – current	**30,962**	11,744
Non-current		
Stockpiles	**43,265**	37,552
Total inventories – non-current	**43,265**	37,552
11. OTHER ASSETS		
Current		
Prepaid mining services	**11,692**	9,639
Prepayments	**7,449**	8,795
Deferred cost of divestment	**5,024**	3,124
Other deposits	**103**	73
Deferred stripping costs	**–**	6,903
Loan establishment fees	**–**	81
Total other assets – current	**24,268**	28,615
Non-current		
Deferred stripping costs	**14,477**	–
Other deposits	**2,138**	1,903
Total other assets – non-current	**16,615**	1,903
12. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity securities		
At the beginning of the year	**1,071**	–
Additions	**–**	1,071
Disposals	**–**	–
Revaluation	**1,129**	–
At the end of the year	**2,200**	1,071

13. EXPLORATION, MINE PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Exploration and evaluation $'000	Mine properties $'000	Mine buildings, plant and equipment $'000	Non-mining plant and equipment $'000	Total $'000
At 30 June 2009					
Cost	18,647	167,969	88,963	1,338	276,917
Accumulated depreciation and amortisation	–	(47,941)	(28,696)	(580)	(77,217)
Net book amount	18,647	120,028	60,267	758	199,700
Year ended 30 June 2010					
Opening net book amount	18,647	120,028	60,267	758	199,700
Additions	2,499	10,753	24,777	357	38,386
Reclassified	(171)	15,744	(15,573)	–	–
Disposals	(352)	–	(95)	(186)	(633)
Depreciation and amortisation expense	–	(11,442)	(2,472)	(181)	(14,095)
Effect of movements in exchange rates	(144)	(1,203)	(480)	(15)	(1,842)
Closing net book amount	20,479	133,880	66,424	733	221,516
At 30 June 2010					
Cost	20,479	193,103	97,069	1,305	311,956
Accumulated depreciation and amortisation	–	(59,223)	(30,645)	(572)	(90,440)
Net book amount	20,479	133,880	66,424	733	221,516
Year ended 30 June 2011					
Opening net book amount	**20,479**	**133,880**	**66,424**	**733**	**221,516**
Additions on Dominion acquisition – (See Note 36)	**36,638**	**202,769**	**73,989**	**624**	**314,020**
Additions on Laguna acquisition – (See Note 36)	**22,852**	**–**	**–**	**95**	**22,947**
Additions – other	**12,937**	**25,071**	**94,551**	**583**	**133,142**
Reclassified	**(852)**	**6,083**	**(5,231)**	**–**	**–**
Disposals	**(2,181)**	**(250)**	**–**	**(12)**	**(2,443)**
Depreciation and amortisation expense	**–**	**(21,011)**	**(6,922)**	**(457)**	**(28,390)**
Effect of movements in exchange rates	**(2,975)**	**(25,064)**	**(16,110)**	**(65)**	**(44,214)**
Closing net book amount	**86,898**	**321,478**	**206,701**	**1,501**	**616,578**
At 30 June 2011					
Cost	**86,898**	**393,390**	**238,954**	**2,338**	**721,580**
Accumulated depreciation and amortisation	**–**	**(71,912)**	**(32,253)**	**(837)**	**(105,002)**
Net book amount	**86,898**	**321,478**	**206,701**	**1,501**	**616,578**

Capitalised borrowing costs

Included in mine buildings, plant and equipment is an amount of $4.96 million that represents borrowing costs capitalised during the year.

14. DEFERRED TAX ASSETS

	Consolidated 2011 $'000	Consolidated 2010 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**31,413**	–
Employee benefits	**1,611**	829
Provision for restoration and rehabilitation	**2,683**	2,384
Provision for obsolescence	**449**	519
Unrealised exchange losses	**3,510**	–
Derivatives	**680**	–
Other	**1,328**	–
Total deferred tax losses	**41,674**	3,732
Set off of deferred tax liabilities	**(31,413)**	–
Net deferred tax assets	**10,261**	3,732

	Tax losses $'000	Employee benefits $'000	Provision for restoration and rehabilitation $'000	Provision for obsolescence $'000	Unrealised exchange losses $'000	Derivatives $'000	Other $'000	Total $'000
Movements								
At 30 June 2010	–	829	2,384	519	–	–	–	3,732
Charged to profit or loss	5,853	(342)	346	(3)	3,003	(160)	330	9,027
Charged to equity	–	–	–	–	507	–	–	507
Acquired through business combination	25,560	1,250	326	8	–	840	998	28,982
Foreign exchange	–	(126)	(373)	(75)	–	–	–	(574)
Total deferred tax losses	**31,413**	**1,611**	**2,683**	**449**	**3,510**	**680**	**1,328**	**41,674**
Set off of deferred tax liabilities								(31,413)
At 30 June 2011								**10,261**

15. 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 31.

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Secured bank loans	**13,291**	–
Preference shares in controlled entity	**10,621**	10,982
Total borrowings – current	**23,912**	10,982
Non-current		
Secured bank loans	**75,902**	–
Preference shares in controlled entity	**82**	82
Total borrowings – non-current	**75,984**	82
Borrowings		
Secured bank loans	**89,193**	–
Preference shares in controlled equity	**10,703**	11,064
Total borrowings	**99,896**	11,064

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest	Year of maturity	Face value 2011 $'000	Carrying amount 2011 $'000
Syndicated loan facility	Thai Baht	THBFIX + margin	2015	**77,446**	**75,012**
Revolving loan facility	US$	BBSY + margin	2014	**15,000**	**14,181**

Syndicated loan facility

A US$100 million 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.

Akara Mining Limited has drawn down 2.7 billion Baht (US$83 million equivalent) as at 30 June 2011 with 0.3 billion Baht (US$17 million equivalent) available to be drawn.

Revolving loan facility

The Group has a three year secured revolving loan facility with Investec. As at 30 June 2011, the facility has a limit of US$50 million (2010: US$30 million). A$15 million (US$15.9 million equivalent) has been drawn down prior to period end. The undrawn portion of the revolving loan facility as at 30 June 2011 is A$35 million (US$34.1 million equivalent).

15. BORROWINGS continued

Covenants

The syndicated loan facility and the revolving 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 2011.

Preference shares

The preference shares were issued by the Group's Thai subsidiary. They are classified as current borrowings due to the put option to acquire the preference shares having been exercised by the Group. The preference shares were fully paid on 9 April 2010.

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
16. PAYABLES			
Current			
Trade payables		**18,345**	4,021
Other payables and accruals		**16,457**	11,034
Total payables – current		**34,802**	15,055
Non-current			
Other payables		**4,294**	5,909
Total payables – non-current		**4,294**	5,909

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

17. PROVISIONS

	Notes	2011 $'000	2010 $'000
Current			
Employee benefits	26	**3,264**	1,003
Total provisions – current		**3,264**	1,003
Non-current			
Restoration and rehabilitation		**8,943**	7,946
Employee benefits	26	**3,025**	3,211
Total provisions – non-current		**11,968**	11,157

Movements in the restoration and rehabilitation provision is set out below:

	Notes	2011 $'000	2010 $'000
Restoration and rehabilitation			
At the beginning of the financial year		**7,946**	5,130
Addition on Dominion acquisition	36	**1,086**	–
Revision of rehabilitation provision		**768**	2,648
Unwind of discount rate for provision		**323**	227
Foreign currency exchange differences		**(1,180)**	(59)
At the end of the financial year		**8,943**	7,946

18. CURRENT TAX LIABILITIES

	Notes	2011 $'000	2010 $'000
Current tax liabilities		**2,953**	3,225

19. DEFERRED TAX LIABILITIES

	Consolidated 2011 $'000	Consolidated 2010 $'000
The balance comprises temporary differences attributable to:		
Mine properties and exploration	**59,776**	5,619
Available-for-sale financial assets	**339**	–
Total deferred tax liabilities	**60,115**	5,619
Set off of deferred tax liabilities	**(31,413)**	–
Net deferred tax liabilities	**28,702**	5,619

	Mine properties and exploration $'000	Available-for-sale financial assets $'000	Total $'000
At 30 June 2010	5,619	–	5,619
Charged/credited to the profit or loss	(1,782)	–	(1,782)
Charged to equity	–	339	339
Acquired through business combination	56,610	–	56,610
Foreign exchange	(671)	–	(671)
Total deferred tax liabilities	**59,776**	**339**	**60,115**
Set off of deferred tax liabilities			(31,413)
At 30 June 2011			**28,702**

20. CONTRIBUTED EQUITY

	2011 Number of shares	2010 Number of shares	2011 $'000	2010 $'000
Share Capital				
Ordinary shares fully paid	**135,274,823**	99,995,783	**482,874**	156,068

Movements in ordinary share capital – 2010

Date	Details	Notes	Number of shares	$'000
01 Jul 2009	**Opening balance**		**96,136,392**	**129,300**
31 Jul 2009	Options exercised	(a)	26,667	192
26 Aug 2009	Options exercised	(a)	10,200	63
28 Aug 2009	Options exercised	(a)	18,000	112
02 Sep 2009	Options exercised	(a)	37,900	235
18 Sep 2009	Options exercised	(a)	23,506	146
23 Sep 2009	Dividend reinvestment plan	(b)	252,670	1,908
01 Oct 2009	Options exercised	(a)	60,000	377
09 Nov 2009	Options exercised	(a)	10,600	66
10 Nov 2009	Options exercised	(a)	16,667	120
13 Nov 2009	Options exercised	(a)	146,666	1,073

20. CONTRIBUTED EQUITY continued

Date	Details	Notes	Number of shares	$'000
17 Nov 2009	Options exercised	(a)	100,000	835
19 Nov 2009	Options exercised	(a)	150,000	1,403
23 Nov 2009	Options exercised	(a)	160,000	1,061
24 Nov 2009	Options exercised	(a)	225,000	1,602
30 Nov 2009	Options exercised	(a)	60,000	442
02 Dec 2009	Options exercised	(a)	9,000	64
25 Feb 2010	Options exercised	(a)	110,000	544
04 Mar 2010	Options exercised	(a)	100,000	637
16 Mar 2010	Dividend reinvestment plan	(b)	288,901	2,589
21 May 2010	Options exercised	(a)	34,080	216
10 Jun 2010	Options exercised	(a)	19,534	124
30 Jun 2010	Options exercised	(a)	2,000,000	12,889
30 July 2009	Options expired / lapsed	(c)	–	39
30 Nov 2009	Options expired / lapsed	(c)	–	31
30 Jun 2010	**Closing balance**		**99,995,783**	**156,068**

Movements in ordinary share capital – 2011

Date	Details	Notes	Number of shares	$'000
01 Jul 2010	**Opening balance**		**99,995,783**	**156,068**
01 Jul 2010	Options exercised	(a)	500,000	2,213
05 Jul 2010	Options exercised	(a)	8,000	51
30 Jul 2010	Options exercised	(a)	175,000	965
03 Aug 2010	Options exercised	(a)	46,666	343
13 Aug 2010	Options exercised	(a)	8,667	64
06 Sep 2010	Options exercised	(a)	15,000	110
28 Sep 2010	Options exercised	(a)	52,065	329
28 Sep 2010	Dividend reinvestment plan	(b)	286,605	3,034
03 Dec 2010	Acquisition of Laguna	(e)	254,544	2,551
06 Dec 2010	Acquisition of Laguna	(e)	314,934	3,212
07 Dec 2010	Acquisition of Laguna	(e)	69,878	725
08 Dec 2010	Acquisition of Laguna	(e)	79,603	850
09 Dec 2010	Acquisition of Laguna	(e)	50,629	529
10 Dec 2010	Acquisition of Laguna	(e)	27,683	281
13 Dec 2010	Acquisition of Laguna	(e)	155,141	1,579
20 Dec 2010	Acquisition of Laguna	(e)	246,053	2,581
31 Jan 2011	Acquisition of Laguna	(e)	169,514	1,760
15 Feb 2011	Acquisition of Laguna	(e)	66,407	632
21 Feb 2011	Acquisition of Dominion	(d)	32,416,572	302,447
25 Feb 2011	Options exercised	(a)	35,000	258
16 Mar 2011	Dividend reinvestment plan	(b)	247,499	2,152
27 May 2011	Options exercised	(a)	53,580	346
30 Jun 2011	Options expired / lapsed	(c)	–	10
30 Jun 2011	Share issue costs		–	(216)
30 Jun 2011	**Closing balance**		**135,274,823**	**482,874**

20. CONTRIBUTED EQUITY continued

(a) Share options exercised

893,978 (2010: 3,317,820) fully paid ordinary shares were issued following the exercise of the same number of options.

(b) Dividend reinvestment plan

534,104 (2010: 541,571) fully paid ordinary shares were issued under the dividend reinvestment plan.

(c) Share options expired/lapsed

$10,146 (2010: $70,000) worth of options expired during 2011 due to staff resignations representing 7,000 options (2010: 86,666 options).

(d) Shares issued for the acquisition of Dominion

32,416,572 fully paid ordinary shares were issued on 21 February 2011 pursuant to the Scheme of Arrangement between Dominion Mining Limited and its shareholders and option holders. The fair value of $9.33 per share has been determined with reference to the quoted price of Kingsgate at the acquisition date. Refer to Note 36 for further details.

$155,434 share issue costs were incurred as a result of the shares issued on the acquisition of Dominion.

(e) Shares issued for the acquisition of Laguna

A total of 1,434,386 fully paid ordinary shares were issued for the acquisition of Laguna Resources NL pursuant to the Bid Implementation Agreement announced on 25 October 2010. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Securities Exchange. Refer to Note 36 for further details.

	Number	$'000
Issued up to the acquisition date	1,198,465	12,308
Issued post the acquisition date	235,921	2,392
Total ordinary shares issued for the acquisition of Laguna	**1,434,386**	**14,700**

21. RESERVES AND RETAINED PROFITS

a) Reserves

	Consolidated 2011 $'000	Consolidated 2010 $'000
Foreign currency translation reserve	**(28,763)**	2,032
Available-for-sale investment revaluation reserve	**791**	–
Share-based payment reserve	**1,422**	1,976
General reserve	**23**	–
Total reserves	**(26,527)**	4,008
Movements:		
Foreign currency translation reserve		
At the beginning of the financial year	**2,032**	398
Exchange differences on translation of foreign controlled entities (net of tax)	**(30,795)**	1,634
At the end of the financial year	**(28,763)**	2,032
Available-for-sale investment revaluation reserve		
At the beginning of the financial year	**–**	–
Change in available-for-sale investment revaluation reserve (net of tax)	**791**	–
At the end of the financial year	**791**	–
Share-based payment reserve		
At the beginning of the financial year	**1,976**	3,358
Employee share options – value of employee options	**74**	68
Employee share options – options issued to employees of subsidiaries	**117**	257
Contractor share options	**2**	141
Transfer to share capital (options exercised and lapsed)	**(747)**	(1,848)
At the end of the financial year	**1,422**	1,976
General reserve		
At the beginning of the financial year	**–**	823
Net change	**23**	(823)
At the end of the financial year	**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 2(b).

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 2(j)(iii).

Share-based payment reserve

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

General reserve

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

21. RESERVES AND RETAINED PROFITS continued

b) Retained profits

	Consolidated 2011 $'000	Consolidated 2010 $'000
Movements in retained profits were as follows:		
Retained profits at the beginning of the year	**155,967**	111,161
Transfer to retained earnings	**–**	822
Net profit attributable to members of Kingsgate Consolidated Limited	**21,148**	73,066
Dividends paid (see Note 24)	**(33,647)**	(29,082)
Retained profits at the end of the year	**143,468**	155,967

22. COMMITMENTS FOR EXPENDITURE

	Consolidated 2011 $'000	Consolidated 2010 $'000
Capital commitments		
Within 1 year	**18,099**	26,962
Total capital commitments	**18,099**	26,962
Operating leases		
Within 1 year	**2,740**	120
Later than 1 year but not later than 5 years	**3,816**	188
Total operating leases	**6,556**	308
Exploration commitments		
Within 1 year	**8,289**	1,999
Total exploration commitments	**8,289**	1,999
Remuneration commitments		
Within 1 year	**561**	4,449
Later than 1 year but not later than 5 years	**160**	2,012
Total remuneration commitments	**721**	6,461

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.

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 executives on fixed term contracts. The commitment relates to future payments under the contracts not provided for in the financial statements.

23. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the ultimate parent entity, Kingsgate Consolidated Limited, and the following subsidiaries in accordance with the accounting policy described in Note 2(a)(ii).

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Issara Mining Limited	Thailand	Ordinary	**100**	100
Richaphum Limited	Thailand	Ordinary	**100**	100
Phar Lap Limited	Thailand	Ordinary	**100**	100
Akara Mining Limited	Thailand	Ordinary	**100**	100
Suan Sak Patana Limited	Thailand	Ordinary	**100**	100
Phar Mai Exploration Limited	Thailand	Ordinary	**100**	100
Phar Rong Limited	Thailand	Ordinary	**100**	100
Kingsgate Capital Pty Limited	Australia	Ordinary	**100**	100
Kingsgate South America Pty Ltd	Australia	Ordinary	**100**	100
Dominion Mining Limited	Australia	Ordinary	**100**	–
Dominion Gold Operations Pty Limited	Australia	Ordinary	**100**	–
Quadrio Resources Pty Limited	Australia	Ordinary	**100**	–
Gawler Gold Mining Pty Limited	Australia	Ordinary	**100**	–
Dominion Copper Pty Limited	Australia	Ordinary	**100**	–
Dominion Metals Pty Limited	Australia	Ordinary	**100**	–
Laguna Resources NL	Australia	Ordinary	**70**	–
Laguna Exploration Pty Ltd	Australia	Ordinary	**70**	–
Laguna Chile Ltda	Chile	Ordinary	**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., and Laguna Resources NL depend on funding from the Group to sustain exploration activities.

24. DIVIDENDS

	Consolidated 2011 $'000	Consolidated 2010 $'000
Final dividend declared for the year ended 30 June 2010 of 20 cents per fully paid share paid on 23 September 2010	**20,150**	14,434
Interim dividend declared for the year ended 30 June 2011 of 10 cents per fully paid share paid on 16 March 2011	**13,497**	14,648
Total dividends paid	**33,647**	29,082

Refer Note 20 for the dividend reinvestment plan portion of total dividends.

The Group's franking credit balance at 30 June 2011 is $880,548 (2010: $880,548).

25. RELATED PARTIES

Transactions with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 32.

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 23.

Intercompany loans

Transactions between Kingsgate Consolidated Limited and controlled entities during the year ended 30 June 2011 consisted of loans advanced and received by Kingsgate Consolidated Limited.

Kingsgate Consolidated Limited provided a US$10 million cash advance facility to Laguna Resources NL ("Laguna") for general corporate and working capital purposes. The facility is interest bearing and unsecured. The US$10 million facility has been fully drawn down subsequent to 30 June 2011.

Kingsgate Consolidated Limited advanced $46 million during the year to Akara Mining Limited to fund the plant expansion. The $46 million intercompany loan bears interest and has been fully repaid prior to 30 June 2011.

The other intercompany loans provided by Kingsgate Consolidated Limited to its controlled entities do not bear interest. During the year the parent entity advanced $24.1 million (2010: $7.6 million) to controlled entities, and received $33.5 million (2010: $20.2 million) in repayments.

During the year, one of the controlled entities advanced $12.5 million to Kingsgate Consolidated Limited and a total of $5.5 million was repaid subsequent to 30 June 2011.

Management fees

During the year, Kingsgate Consolidated Limited signed a corporate service agreement and a technical services agreement with Laguna Resources NL for administrative and accounting assistance, office space and access to technical services. The agreements are for a fixed term of two years and either party is required to provide three months written notice to terminate the agreement. A management fee of $150,000 was charged to Laguna for the year ended 30 June 2011.

During the year, management fees of $600,000 (2010: $600,000) were charged to Akara Mining Limited and service fees of $679,000 (2010: $693,000) were charged to Phar Mai Exploration Limited.

Controlling entity

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

26. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

	Consolidated	
	2011 $'000	**2010** $'000
Employee benefit and related on-cost liabilities		
Provision for employee benefits – current	**3,264**	1,003
Provision for Thai severance pay – non-current	**3,025**	3,211
Total employee provisions	**6,289**	4,214
Employee numbers		
Average number of employees during the financial year	**574**	418

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employees' wages and salaries. Contributions to defined contribution plans for 2011 were $133,000 (2010: $161,000).

Kingsgate executive option plan

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

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

b) options are granted under the plan for no consideration;

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

d) set out below are summaries of options granted under the plans.

26. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS continued

Year ended 30 June 2011

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	179,180	–	113,645	58,535	58,535
04 Apr 2008	03 Apr 2013	$6.00	431,334	–	105,333	286,001	286,001
Total			**1,335,514**	**–**	**893,978**	**394,536**	**394,536**
Weighted average exercise price			**$4.87**		**$4.41**	**$5.80**	**$5.80**

Year ended 30 June 2010

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 Apr 2010	$2.69	60,000	–	60,000	–	–
08 Jul 2005	01 Jul 2010	$4.00	500,000	–	–	500,000	500,000
08 Jul 2005	01 Jul 2010	$5.00	500,000	–	500,000	–	–
08 Jul 2005	01 Jul 2010	$6.00	500,000	–	500,000	–	–
08 Jul 2005	01 Jul 2010	$7.00	1,000,000	–	1,000,000	–	–
13 Oct 2005	26 Oct 2010	$5.00	80,000	–	80,000	–	–
13 Oct 2005	26 Oct 2010	$6.00	80,000	–	80,000	–	–
13 Oct 2005	01 Aug 2010	$3.25	25,000	–	–	25,000	25,000
13 Oct 2005	01 Aug 2010	$4.00	50,000	–	–	50,000	50,000
13 Oct 2005	01 Aug 2010	$5.00	100,000	–	–	100,000	100,000
13 Oct 2005	01 Aug 2010	$6.00	100,000	–	100,000	–	–
13 Oct 2005	01 Aug 2010	$7.00	125,000	–	125,000	–	–
07 Jul 2006	01 Jul 2011	$5.50	50,000	–	50,000	–	–
07 Jul 2006	01 Jul 2011	$6.00	100,000	–	50,000	50,000	50,000
07 Jul 2006	01 Jul 2011	$7.00	100,000	–	100,000	–	–
07 Jul 2006	01 Jul 2011	$8.00	150,000	–	150,000	–	–
04 Apr 2008	03 Apr 2013	$4.68	334,000	–	154,820	179,180	67,854
04 Apr 2008	03 Apr 2013	$6.00	666,000	–	148,000	431,334	209,334
Total			**4,520,000**	**–**	**3,097,820**	**1,335,514**	**1,002,188**
Weighted average exercise price			**$5.78**	**–**	**$6.17**	**$4.87**	**$4.64**

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 and $4.05 at 4 April 2008.

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 1.71 years (2010: 1.95 years).

26. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS continued

Fair value of options granted

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.

Options issued by controlled entity

Laguna Resources NL, a subsidiary of Kingsgate Consolidated Limited with 70% interest held, issued 240,000 options to its employees as at 30 June 2011.

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

	2011
Term	3.6 years
Exercise price	$3.125
Underlying share price at the date of grant*	$2.875
Expected share price volatility over the term of the options	87.13%
Risk free rate for the term of the options (based on the Government bond rate)	4.75%
Vesting condition – the date Laguna's Board of Directors approve the decision to mine the Arqueros project	

* *The underlying share price of Laguna Resources NL at the date of grant has been restated following the 1 for 125 share consolidation approved by shareholders on 9 May 2011.*

The assessed fair value of the share options issued was $1.05 each.

Expense arising from share-based payment transaction

Total expenses rising from share-based transactions recognised during the period as part of the employee benefit expense were as follows:

	Consolidated	
	2011 $'000	2010 $'000
Options issued under employee option plan	191	466

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Profit for the year	**20,879**	73,066
Depreciation and amortisation	**28,390**	14,095
Share-based payments	**169**	466
(Gain)/loss on disposal of property, plant and equipment	**190**	281
Write off of exploration cost capitalised	**2,181**	352
Unwind of discount rate for provision	**323**	227
Write back of inventories provision	**(261)**	(83)
Amortisation of deferred borrowing costs	**–**	277
Net exchange differences	**15,832**	898
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	**4,081**	(3,694)
(Increase)/decrease in debtors	**(364)**	3,236
(Increase)/decrease in inventories	**(14,011)**	(29,299)
(Increase)/decrease in future income tax benefit	**23,353**	(3,596)
(Increase)/decrease in other operating assets	**(9,874)**	(18,456)
Increase/(decrease) in current tax liabilities	**(272)**	3,225
Increase/(decrease) in creditors	**1,472**	367
Increase/(decrease) in provisions	**(3,298)**	675
Increase/(decrease) in deferred tax liabilities	**(34,764)**	4,431
Net cash inflow/(outflow) from operating activities	**34,026**	46,468

28. EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of Bowdens Silver Project

On 1 August 2011, the Company 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. ("Silver Standard"), subject to the satisfaction of certain conditions precedent.

Completion of the Bowdens acquisition is subject to customary conditions including receipt of required regulatory approvals and third party comments. Kingsgate expects the transaction to be closed by October 2011.

Consideration for the acquisition is $75 million comprising:

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

Kingsgate is undertaking a review of all drilling and other technical data and is in the process of calculating a Mineral Resource for Bowdens in line with JORC guidelines.

Kingsgate has entered into financing facilities to fund the Bowdens acquisition. The Investec Bank (Australia) Limited ("Investec") current US$50 million three year revolving facility will be increased to A$60 million and Investec will also provide a A$35 million five year convertible loan facility.

Management restructure

In July 2011, the Chief Financial Officer and Company Secretary functions have been restructured subsequent to Mr Peter Warren's notification to the Board of his intention to retire at the end of August 2011. Mr Ross Coyle, General Manger Finance and Administration, will assume the role of Company Secretary from 1 September 2011. Mr Duane Woodbury, General Manager Strategic Development, has been appointed to succeed Mr Warren as Chief Financial Officer and will continue to be responsible for business development. As part of the transition, Mr Warren will be retained providing corporate advisory services.

28. EVENTS OCCURRING AFTER REPORTING DATE continued

Preference shares

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

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

Kingsgate has agreed to meet outstanding financial obligations to Sinphum under the original shareholder agreement, including outstanding preference share dividends, up to the settlement date.

As part of the settlement, the Company will grant 1.5 million Kingsgate 3 year options that vest in 12 months at a strike price of $10.36 and 500,000 share performance rights that vest over the next 14 months to a company associated with the former preference shareholder, subject to the Chatree Mine meeting specified production targets.

This settlement will allow Kingsgate to recommence preparations for an IPO of its Thai mining operations on the Thai stock exchange.

Exercise of options

During July and August 2011, 71,667 employee options were exercised raising $430,000.

Facilities draw down

The Company has drawn down a total of A$40 million out of the US$50 million revolving loan facility subsequent to year end.

Akara Mining Limited has fully drawn down the 3.0 billion Baht (US$100 million equivalent) syndicated loan facility subsequent to year end.

Subsequent to 30 June 2011, Kingsgate agreed to increase the cash advance facility to Laguna Resources NL from US$10 million to A$15 million with the maturity date extended to 31 December 2012.

Dividends declaration

A dividend of 5 cents per share was declared on 29 August 2011 with respect to the year end 30 June 2011. The record date is 12 September 2011 and the dividend will be paid on 30 September 2011.

No other matter or circumstance has arisen since 30 June 2011 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.

29. CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2011 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 15 as part of the security package.

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

Included in cash and cash equivalents is $1.59 million of restricted cash against bank guarantees supporting the South Australian Government rehabilitation bond requirements against the Challenger Gold mine and various exploration projects.

30. OPERATING SEGMENTS

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

- Asia – encompassing mining at the Group's Chatree Gold Mine in Thailand and exploration activities in Thailand;
- Australia – encompassing the operation of the Group's Challenger Gold Mine and mineral exploration in Western Australia and the Gawler Craton region of South Australia. Challenger Gold Mine was acquired on 2 February 2011 via the acquisition of Dominion Mining Limited (see Note 36); and
- South America – encompassing feasibility and exploration activities at the Group's Arqueros project in Chile and exploration activities in Argentina and Peru. The Group has 70% interest in the Arqueros gold project as at 30 June 2011. The Arqueros project was acquired via the acquisition of Laguna Resources NL on 20 December 2010 (see Note 36).

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

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

30. OPERATING SEGMENTS continued

	Australia*		Asia*		South America*		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue								
External segment revenue	**50,364**	276	**122,976**	175,822	**12**	–	**173,352**	176,098
Total revenue	**50,364**	276	**122,976**	175,822	**12**	–	**173,352**	176,098
Segment results								
Profit/(loss) before tax	**(33,390)**	(14,282)	**52,755**	96,835	**(1,578)**	(202)	**17,787**	82,351
Income tax benefit/(expense)	**8,554**	(2,498)	**(5,458)**	(6,787)	**(4)**	–	**3,092**	(9,285)
Profit/(loss) after tax	**(24,836)**	(16,780)	**47,297**	90,048	**(1,582)**	(202)	**20,879**	73,066
Depreciation and amortisation								
Segment depreciation and amortisation expense	**18,126**	57	**9,644**	13,947	**2**	–	**27,772**	14,004
Total depreciation and amortisation	**18,126**	57	**9,644**	13,947	**2**	–	**27,772**	14,004
Finance income								
Segment finance income	**679**	276	**56**	45	**12**	–	**747**	321
Total finance income	**679**	276	**56**	45	**12**	–	**747**	321
Finance expenses								
Segment finance expenses	**1,336**	912	**329**	908	**4**	3	**1,669**	1,823
Total finance expenses	**1,336**	912	**329**	908	**4**	3	**1,669**	1,823
Other segment information								
Segment assets	**351,589**	33,127	**412,144**	335,899	**31,330**	49	**795,063**	369,075
Segment liabilities	**63,400**	4,340	**123,530**	48,682	**1,209**	10	**188,139**	53,032

* *Transactions between segments have been eliminated.*

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	
	2011 $'000	2010 $'000	2011 %	2010 %
Customer A	**122,660**	175,480	**71**	100
Customer B	**49,696**	–	**29**	0

31. 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.

The Group holds the following financial instruments:

	Consolidated	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	35,864	49,098
Receivables	15,050	13,844
Other financial assets	2,241	1,976
Total financial assets	53,155	64,918
Financial liabilities		
Payables	(39,096)	(20,964)
Borrowings	(99,896)	(11,064)
Derivatives held for trading	(2,260)	–
Total financial liabilities	(141,252)	(32,028)

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
- the functional currency of the Thai subsidiaries is Thai Baht.

The Company's functional currency is Australian dollars. The Group's Thai subsidiaries have a functional currency in Thai Baht.

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

	Consolidated	
	2011 $'000	2010 $'000
Cash and cash equivalents	789	50
Receivables	2,297	–
Payables	(483)	(103)
Total exposure to foreign currency risk	2,603	(53)

31. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

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 $1,642,000 higher/$1,611,000 lower (2010: $2,073,000 higher/$2,025,000 lower).

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

Commodity price risk

At 30 June 2011 the Group's subsidiary, Dominion Mining Limited, has forward sold 8,000 ounces of gold at an average price of $1,130 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.

	2011 $'000
Mark to market movement of the fair value of gold forward contracts	
10% increase in the spot price of gold	(862)
10% decrease in the spot price of gold	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 2011 would have increased (decreased) equity by the amounts shown as follows.

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

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2011 and 30 June 2010 are set out below:

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)

31. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

2010	Floating interest rate $'000	Non-interest bearing $'000	Total 2010 $'000
Financial assets			
Cash and cash equivalents	47,210	1,888	49,098
Receivables	–	13,844	13,844
Other financial assets	–	1,976	1,976
Available-for-sale financial assets	–	1,071	1,071
Total financial assets	47,210	18,779	65,989
Financial liabilities			
Payables	–	(20,964)	(20,964)
Borrowings	–	(11,064)	(11,064)
Total financial liabilities	–	(32,028)	(32,028)
Net financial assets/(liabilities)	47,210	(13,249)	33,961

The weighted average rate on floating rate borrowings was 5.76% for the year ended 30 June 2011.

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
2011				
Variable rate instrument	**186**	**–**	**(186)**	**–**
2010				
Variable rate instrument	472	–	(472)	–

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	
	2011 $'000	2010 $'000
Cash and cash equivalents	**35,864**	49,098
Receivables	**15,050**	13,844
Other financial assets	**2,241**	1,976
Total exposure to credit risk at year end	**53,155**	64,918

31. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

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.

2011	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
Payables	**39,096**	**35,556**	**880**	**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**	**67,832**	**42,390**	**44,536**	**330**	**155,088**
2010						
Payables	20,964	15,055	881	2,645	2,383	20,964
Borrowings	11,064	10,982	–	82	–	11,064
Total financial liabilities 2010	32,028	26,037	881	2,727	2,383	32,028

The borrowings include secured bank loans (see Note 15) 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 28).

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			
30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial asset	***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)**
30 June 2010				
Available-for-sale financial asset	–	–	1,071	1,071
Payables	–	(1,600)	–	(1,600)
Total as at 30 June 2010	–	(1,600)	1,071	(529)

* *Level 1 asset includes an available-for-sale financial asset of $2.2 million at 30 June 2011 which relates to an investment in a listed entity.*

** *Level 2 liabilities include a payable balance of $1.4 million (US$1.5 million equivalent) as at 30 June 2011 (Refer to subsequent event Note 28 for details).*

31. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS continued

During the year, an available-for-sale financial asset with a carrying amount of $1.07 million was transferred from level 3 to level 1 because the asset is now listed on the Australian Securities Exchange as of 9 December 2010. As a result, the fair value of this asset can be determined using a quoted price in an active market.

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

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

Chairman – Non-Executive

Ross Smyth-Kirk

Non-Executive Directors

Peter McAleer

Craig Carracher

Peter Alexander – appointed 22 February 2011.

Executive Director

Gavin Thomas

b) Other key personnel

All of the listed personnel below were key management personnel during the year ended 30 June 2011.

The following personnel also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year.

Name	Position
Gavin Thomas	Chief Executive Officer
Peter Warren	Chief Financial Officer and Company Secretary
Phil MacIntyre	Chief Operating Officer
Ron James	General Manager Exploration and Resources Development
Duane Woodbury	General Manager Strategic Development
Peter Bamford *	General Manager Challenger Operations and Development
Stephen Promnitz **	Corporate Development Manager

* *Effective from 1 February 2011.*

** *Resigned 30 November 2010.*

c) Key management personnel compensation

	Consolidated	
	2011 $	2010 $
Short-term employee benefits	**4,459,239**	2,943,175
Post-employee benefits	**128,053**	124,863
Share-based payments	**92,680**	112,233
Total key management personnel compensation	**4,679,972**	3,180,271

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

d) Equity instrument disclosures relating to key management personnel

i) 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 key management personnel of the Group, including their personally-related entities are set out as follows:

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	4,520,176	-	-	4,520,176
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
Key management personnel				
Peter Warren	-	-	-	-
Phil MacIntyre	150,000	50,000	(200,000)	-
Ron James	-	-	-	-
Duane Woodbury	-	-	-	-
Peter Bamford ***	-	-	98,529	98,529
Stephen Promnitz **	-	175,000	(175,000)	-

* *Appointed 22 February 2011.*
** *Resigned 30 November 2010.*
*** *Effective 1 February 2011.*

2010	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at year end
Directors				
Ross Smyth-Kirk	4,520,176	-	-	4,520,176
Peter McAleer	300,000	-	(200,000)	100,000
Craig Carracher	-	100,000	-	100,000
Gavin Thomas	703,721	2,060,000	-	2,763,721
John Falconer **	191,275	-	7,071	198,346
Key management personnel				
Peter Warren	15,000	350,000	(365,000)	-
Phil MacIntyre	195,000	150,000	(195,000)	150,000
Ron James	-	60,000	(60,000)	-
Stephen Promnitz	-	225,000	(225,000)	-

** *Resigned 27 August 2009.*

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

ii) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the Remuneration Report.

iii) 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:

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
Gavin Thomas	500,000	–	500,000	–	–	–
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
Duane Woodbury	280,000	–	–	–	280,000	280,000
Stephen Promnitz**	175,000	–	175,000	–	–	–

** *Resigned 30 November 2010.*

2010	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
Gavin Thomas	2,560,000	-	2,060,000	-	500,000	500,000
Peter Warren	501,000	-	350,000	-	151,000	117,334
Phil MacIntyre	250,000	-	150,000	-	100,000	50,000
Ron James	140,000	-	60,000	-	80,000	53,334
Stephen Promnitz	400,000	-	225,000	-	175,000	175,000

Insurance

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.

33. REMUNERATION OF AUDITORS

	Consolidated 2011 $	Consolidated 2010 $
a) Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**542,300**	356,350
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**209,983**	214,120
Total remuneration for audit services	**752,283**	570,470
b) Other services		
PricewaterhouseCoopers Australian Firm		
Due diligence services and investigating accountants report	**247,000**	-
Transaction services (IPO)	**61,000**	45,000
Other services	**30,000**	46,000
Related Practices of PricewaterhouseCoopers Australian Firm		
Transaction services (IPO)	**-**	101,962
Other services	**-**	6,118
Total remuneration for non-audit related services	**338,000**	199,080
c) Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**187,060**	75,740
Transaction services (IPO)	**67,940**	-
Legal services (Class Order and tax consolidation agreements)	**24,049**	-
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**77,622**	83,949
Total remuneration for tax related services	**356,671**	159,689

34. EARNINGS PER SHARE

	Consolidated 2011 Cents	Consolidated 2010 Cents
Basic earnings per share	**18.7**	75.2
Diluted earnings per share	**18.6**	74.5

	2011 $'000	2010 $'000
Net profit used to calculate basic and diluted earnings per share	**21,148**	73,066

	2011 Number	2010 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	**113,284,262**	97,164,748
Adjustment for calculation of diluted earnings per share: option	**557,722**	863,156
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**113,841,984**	98,027,904

34. EARNINGS PER SHARE continued

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 26.

35. PARENT ENTITY FINANCIAL INFORMATION

As at, and throughout, the financial year ending 30 June 2011 the parent entity of the Group was Kingsgate Consolidated Limited.

a) Summary of financial information

	Parent Entity	
	2011 $'000	2010 $'000
Results of parent entity		
Loss for the year	**(11,868)**	(4,398)
Other comprehensive income	**791**	-
Total comprehensive loss	**(11,077)**	(4,398)
Financial position of parent entity at year end		
Current assets	**138,081**	155,140
Total assets	**494,344**	158,537
Current liabilities	**41,399**	1,556
Total liabilities	**56,007**	1,704
Total equity of the parent entity comprising of:		
Issued capital	**482,874**	156,068
Reserve	**2,191**	1,976
Accumulated losses	**(46,728)**	(1,211)
Total equity	**438,337**	156,833

b) Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of some of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 37.

No liability was recognised by Kingsgate Consolidated Limited in relation to these guarantees as the likelihood of payment is not probable.

c) 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 15 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.

36. BUSINESS ACQUISITION

(i) 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 is 2 February 2011. The Scheme was implemented on 21 February 2011.

Details of the acquisition are as follows:

	$'000
Consideration	
Equity instruments: 32,416,572 Kingsgate shares at $9.33 per share *	302,447
Cash consideration	–
Total consideration	302,447
* *The fair value of $9.33 per share is based on the quoted price of Kingsgate shares at the acquisition date (2 February 2011).*	
Net cash flow attributable to the acquisition	
Cash and cash equivalent balance acquired	17,104
Less: Cash consideration paid	–
Net cash inflow	17,104
Acquisition related costs	
Charged to the profit or loss	4,757
Charged to equity (Note 20)	155
Total acquisition related costs	4,912

36. BUSINESS ACQUISITION continued

Provisional Fair. value

Details of the fair value at the date of acquisition are set out as follows:

	Provisional fair value on acquisition $'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	
Exploration, mine property, plant and equipment	314,020
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**

The accounting for the acquisition of Dominion has only been provisionally determined as at 30 June 2011. The fair values are expected to be finalised during the financial year ending 30 June 2012.

36. BUSINESS ACQUISITION continued

(ii) Laguna Resources NL

On 25 October 2010, Kingsgate signed a Bid Implementation Agreement with Laguna Resources NL ("Laguna") pursuant to which Kingsgate made an unconditional off-market takeover bid to acquire all of the issued and outstanding shares in Laguna. Kingsgate Bidder's Statement was lodged with the Australian Securities Investment Commission (ASIC) and served on Laguna Resources NL on 30 November 2010. Under the terms of the Bidder's Statement, Kingsgate offered one Kingsgate share for every 520 fully paid Laguna share held by Laguna shareholders.

Kingsgate acquired control over Laguna by acquiring an interest in more than 50% Laguna issued shares on 20 December 2010. The acquisition date is 20 December 2010.

Kingsgate closed its takeover on 15 February 2011 and acquired an additional 10% interest post the acquisition date, increasing its ownership from 60% to 70%.

Laguna Resources NL is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange using the ASX code LRC. Laguna's principal activity is mineral exploration with its flagship Arqueros project in Chile. Laguna has 100% control of the mining lease that constitutes Arqueros. The project is at feasibility study stage.

Laguna has implemented a 1 for 125 share capital consolidation prior to the year end. Kingsgate ownership remains 70% as at 30 June 2011.

Details of the acquisition are as follows:

	$'000
Consideration	
Cash consideration	**2,370**
Equity instruments: 1,198,465 Kingsgate shares issued as at acquisition date (see Note 20)	**12,308**
Consideration on acquisition date	**14,678**
Equity instruments: 235,921 Kingsgate shares issued subsequent to acquisition date (see Note 20)	**2,392**
Total consideration	**17,070**
Net cash flow attributable to the acquisition	
Cash and cash equivalent balance acquired	**1,744**
Less: cash consideration paid	**(2,370)**
Net cash outflow	**(626)**

36. BUSINESS ACQUISITION continued

Fair value

Details of the fair value at the date of acquisition are set out as follows:

	Consolidated fair value on acquisition $'000
ASSETS	
Current assets	
Cash and cash equivalents	1,744
Receivables	125
Total current assets	**1,869**
Non-current assets	
Exploration, mine property, plant and equipment	22,947
Total non-current assets	**22,947**
TOTAL ASSETS	**24,816**
LIABILITIES	
Current liabilities	
Payables	317
Provisions	28
Total current liabilities	**345**
TOTAL LIABILITIES	**345**
Fair value of identifiable net assets	24,471
Non-controlling interests	(9,793)
Fair value of identifiable net assets acquired	**14,678**

Acquisition of non-controlling interests

Subsequent to 20 December 2010, the Group acquired an additional 10% interest in Laguna, increasing its ownership from 60% to 70%. The carrying amount of Laguna's net assets in the Group's financial statements on the date of the acquisition was $24.47 million. The Group recognised a decrease in non-controlling interests of $2.68 million and an increase in accumulated losses of $0.84 million as at 30 June 2011.

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

	$'000
Company's ownership interest at the acquisition date	14,678
Effect of increase in Company's ownership interest	2,962
Share of comprehensive loss	(570)
Company's ownership interest at the end of the year	**17,070**

37. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of the winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Dominion Mining Limited;
- Dominion Gold Operations Pty Ltd; and
- Gawler Gold Mining Pty Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kingsgate Consolidated Limited, they also represent the 'extended closed group'.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2011 is set out as follows:

37. DEED OF CROSS GUARANTEE continued

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Consolidated
	2011 $'000
Revenue from continuing operations	53,748
Other income	541
Changes in inventories of finished goods and work in progress	(181)
Direct costs of mining and processing	(29,078)
Employee benefits expense	(7,935)
Depreciation and amortisation expenses	(18,075)
Finance costs	(3,034)
Foreign exchange losses	(387)
Other expenses from ordinary activities	(13,732)
Loss before income tax	(18,133)
Income tax benefit	5,054
Loss after income tax	(13,079)
Other comprehensive income	
Change in fair value of available-for-sale financial assets (net of tax)	791
Total other comprehensive income for the year, net of tax	791
Total comprehensive losses for the year	(12,288)
Loss attributable to:	
Owners of Kingsgate Consolidated Limited	(13,079)
Non-controlling interests	-
Loss for the year	(13,079)
Total comprehensive losses attributable to:	
Owners of Kingsgate Consolidated Limited	(12,288)
Non-controlling interests	-
Total comprehensive losses for the year	(12,288)
Accumulated losses	
Accumulated losses at beginning of the year	(1,212)
Loss for the year	(13,079)
Dividends paid	(33,647)
Accumulated losses at end of the year	(47,938)

37. DEED OF CROSS GUARANTEE continued

STATEMENT OF FINANCIAL POSITION

	Consolidated 2011 $'000
ASSETS	
Current assets	
Cash and cash equivalents	3,283
Receivables	172,470
Inventories	10,172
Other assets	2,737
Total current assets	188,662
Non-current assets	
Exploration, mine property, plant and equipment	295,965
Deferred tax assets	35,986
Available-for-sale financial assets	2,200
Investments in subsidiaries	16,169
Total non-current assets	350,320
TOTAL ASSETS	538,982
LIABILITIES	
Current liabilities	
Payables	25,587
Provisions	2,641
Total current liabilities	28,228
Non-current liabilities	
Provisions	1,112
Borrowings	14,181
Deferred tax liabilities	58,334
Total non-current liabilities	73,627
TOTAL LIABILITIES	101,855
NET ASSETS	437,127
EQUITY	
Contributed equity	482,874
Reserves	2,191
Accumulated losses	(47,938)
Total equity attributable to equity holders of Kingsgate Consolidated Limited	437,127
Non-controlling interests	-
TOTAL EQUITY	437,127

This page left blank intentionally

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 73 to 125 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 2011 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.

There are reasonable grounds to believe that the Company and the group entities identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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 2011.

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

Ross Smyth-Kirk
Director

DATED at SYDNEY this 18 October 2011
On behalf of the Board

Independent Auditor's Report

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 2011, 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

pwc

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.

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 2011 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.

Reissue of financial report

Without qualifying our opinion, we draw attention to the following matter. As indicated on page 78, the financial report of Kingsgate Consolidated Limited has been revised and reissued. This audit report supersedes our audit report on the previously issued financial report, dated 29 August 2011.

Report on the Remuneration Report

We have audited the remuneration report included in pages 60 to 68 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
18 October 2011

Competent Persons Statement

Resources and Ore Reserves

In this report, information concerning Thailand operations relates to Exploration Results, Mineral Resources and Ore Reserve estimates based on information compiled by the following Competent Persons: Ron James, Genesio Circosta, Guy Davies, Fiona Davidson and Suphanit Suphananthi who are employees of the Kingsgate Group and members of The Australasian Institute of Mining and Metallurgy. 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 of 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 based on information compiled by Peter Bamford, Tony Poustie and Andrew Giles who are full-time employees of the Kingsgate Group. Peter Bamford 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'. Peter Bamford, 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 Laguna Resources Mineral Resource estimation is based on work completed by Jonathon Abbott who is a full-time employee of Hellman & Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott 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'. Mr Abbott consents to the inclusion in the report of the matters based on his 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 Laguna Resources 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'.

Refer to page 47 for Ore Reserves and Mineral Resources

2011 Annual Report

Shareholder Information

as at 12 September 2011

Substantial shareholders and their associates who have notified the Company are listed below:

		No. of shares held as disclosed in notices to the Company	Percentage
Holder	FMR LLC and FIL Limited (at 22 August 2011)	8,191,405	6.05

Distribution of equity securities

		No. of shareholders of fully paid ordinary shares	No. of option holders
Size of holding	1-1,000	6,608	7
	1,001-5,000	3,746	12
	5,001-10,000	645	2
	10,001-100,000	478	5
	100,001+	75	6
	Total	**11,552**	**32**

20 largest shareholders of quoted ordinary shares

		No. of shares	Percentage
1	HSBC Custody Nominees <Australia> Limited	27,087,665	19.99
2	National Nominees Limited	24,661,728	18.20
3	J P Morgan Nominees Australia Limited	8,683,431	6.41
4	Citicorp Nominees Pty Limited	6,239,817	4.61
5	Ross Donald Smyth-Kirk	4,586,271	3.39
6	J P Morgan Nominees Australia Limited <Cash Income A/C>	4,510,005	3.33
7	Lujeta Pty Ltd <Margaret Account>	3,521,945	2.60
8	Yandal Investments Pty Ltd	3,459,513	2.55
9	Bruce Clayton Bird	3,207,110	2.37
10	Gavin Thomas	2,410,000	1.78
11	HSBC Custody Nominees (Australia) Ltd A/C 2	1,510,498	1.11
12	AMP Life Limited	1,461,790	1.08
13	Cogent Nominees Pty Limited	1,375,156	1.02
14	Sixteen Pty Ltd	1,020,000	0.75
15	Bahulu Holdings Pty Ltd	603,448	0.45
16	C Komor + D Grady	566,055	0.42
17	Christopher Komor	531,407	0.39
18	Citicorp Nominees Pty Limited <DRP Account>	481,059	0.36
19	D L N Pty Limited	450,882	0.33
20	Queensland Investment Corporation	446,040	0.33

Unquoted equity securities

There were 32 option holders holding 2,967,869 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.

2011 Annual Report

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

Suite 801, Level 8, 14 Martin Place
Sydney, NSW 2000
Australia
Tel: +61 2 8256 4800
Fax: +61 2 8256 4810
Email: info@kingsgate.com.au

Perth Office

15 Outram Street
West Perth, WA 6005
Australia
Tel: +61 8 9426 6400
Fax: +61 8 9481 1378

Challenger Mine

PO Box 453
Torrensville, SA 5031
Australia
Tel: +61 8 8672 1938
Fax: +61 8 8672 1958

Bangkok Office

Akara Mining Limited

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

Chatree Mine Office

Akara Mining Limited

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

Thailand Exploration Office

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

Share Registry

Security Transfer Registrars Pty Ltd

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

ADR Depository

(American Depository Receipts)

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

Auditor

PricewaterhouseCoopers

201 Sussex Street
Sydney, NSW 2000
Australia

Designed and Produced by **APM Graphics Management** 1800 806 930


675,000mE
676,000mE
677,000mE
678,000mE
1,806,000mN
1,805,000mN
1,804,000mN
1,803,000mN
1,802,000mN
1,801,000mN
Ban Mai Khlong Ta Lat
Phitsanulok
Province
Ban Thung Thong
1309
Ban Nong Saeng
Q
CHATREE NORTH
1344
A
AE
Phichit Province
Phetchabun Province
KW
KE
Ban Nong Khanan
1301
Ban Dong Long
CN
C-H
HE
HW
D
S
HS
P
Plant
Admin
CHATREE
TSF
1 Kilometre
March 2010

Kingsgate
Consolidated Limited

ABN 42 000 837 472