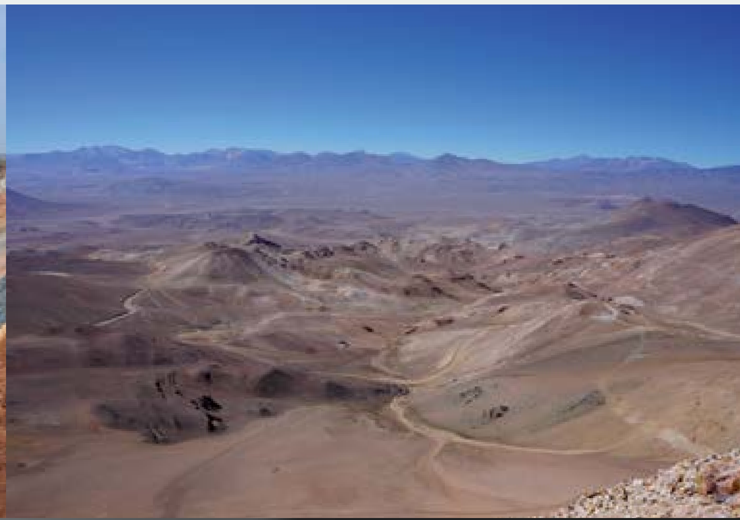
2014 Annual Report

Kingsgate Consolidated Limited

ABN 42 000 837 472



Kingsgate is a highly successful gold mining, development and exploration company with two operating gold mines and two advanced development projects. Shareholders can look forward to the benefits of this strong operating and development platform, where Kingsgate aims to build value though operating, earnings and dividend growth for the benefit of all stakeholders.

Contents

Chairman's Review

Kingsgate had a strong operating year with a record production of 209,500 ounces.

Ross Smyth-Kirk
Director

When putting pen to paper for this year's Chairman's Review, I was reminded of the now famous comment made by Her Majesty The Queen in reference to the year 1992, when she described it as an Annus Horribilis. I can confidently say that both Kingsgate and the resource sector would agree that 2014 was just that.

In June this year, Kingsgate lost its long serving Managing Director and Chief Executive Officer, Gavin Thomas, who succumbed to a lengthy battle with cancer.

A few words here do not do justice to the enormous legacy Gavin leaves and the profound impact he had not only on Kingsgate, but on the broader mining industry. Gavin was declared a mining legend by his peers for good reason, but more than that he was a mate. A bloody good mate.

When things like this happen it's important to keep focus on what matters when times are tough, and Kingsgate has maintained its resolve through the loss of Gavin Thomas and through a difficult operating environment to honour his legacy and will emerge bigger, better and stronger than ever before.

This resolve is underpinned by the fact that Kingsgate had a strong operating year with a record production of 209,500 ounces.

However, lower metal prices and industry cost pressures, which had a negative impact on earnings and generated an underlying pre-tax loss for the Group of $5.2 million. These factors also contributed to a non-cash impairment to the carrying value of Group assets, particularly assets relating to the Bowdens Silver Project. The impairments were the major contributor to the after tax loss of $96.3 million for the year.

Commodity prices remained under pressure with the gold price trading in a range of between US$1,200/oz and US$1,400/oz per ounce and finishing the year at US$1,327/oz. Subsequently the price has weakened down around US$1,200/oz, although a weakening Australian dollar has provided some respite for Australian based producers.

This continued volatility and weakness in the gold price has meant that gold producers and your Company in particular has been focused on operating efficiencies and cost reduction initiatives in order to maintain a sustainable business and build the platform for future growth. Kingsgate is one of many resource companies whose earnings and share price performance has been affected by the weakening gold price and the downturn in the global industry.

With lower earnings and the current uncertainty and volatility in the metal markets your Company did not elect to pay a dividend during the financial year.

Chatree had a strong year producing 134,546 ounces of gold. The good production performance was achieved despite some operational hurdles during the year. In particular, I want to emphasise the value and ongoing strength of Chatree given that its total cash costs for the year were $728 per ounce, which shows that it remains a profitable asset even in a sub US$1,200/oz gold market. The Chatree mine lease area is also surrounded by highly prospective exploration ground that is currently under application. Any discoveries within these application areas should substantially extend the mine life at Chatree.

Challenger gold production of 74,954 ounces was 13 percent higher than last year due to the transition in the mine plan to focus primarily on the higher grade Challenger West ore body. Similarly, this move away from Challenger Deeps to the higher grade Challenger West ore body is likely to deliver reduced production costs and further savings. While it's pleasing to see Challenger performing better I want to make it clear that in light of current market conditions that the ongoing viability of the Challenger Gold Mine is being closely examined and a decision about its future will be made in the current year.

Chairman's Review

Chatree had a strong year producing 134,546 ounces of gold.

At Nueva Esperanza, the feasibility study was completed delivering a project with strong growth potential based on a 3 million tonne per annum heap leach operation delivering 7.5 million ounces of silver equivalent per year, on average. An addendum to an approved Environmental Impact Assessment was submitted to the Chilean authorities and is expected during the current financial year.

Further optimisation work on mining, metallurgy and infrastructure will be undertaken during this time and exploration drilling on some potentially exciting gold targets within the lease area has commenced.

Importantly, I want to emphasise the point that Nueva Esperanza is shaping up to be a real "Bridgehead" project for Kingsgate, as work steadily continues and more positive results are realised we will be looking for ways to capitalise and grow this project. I am supremely confident as was Gavin Thomas, that Nueva Esperanza will turn out to be a significant contributor to the company's growth and should provide strong returns for shareholders.

The ongoing work at Bowdens has confirmed the major elements of the feasibility study with the more detailed power and water options being finalised. Environmental monitoring and field data collection is on-ongoing with the Environmental Impact Statement ("EIS") scheduled for completion and further review in the current year.

As we look to the future the Board of Kingsgate is determined to re-establish the path to building shareholder wealth via profits and dividends despite a difficult external environment.

In that regard I want to offer a very personal thanks to management and all of the Kingsgate, Akara and Challenger personnel and the project teams from Nueva Esperanza and Bowdens for their part in delivering the operational performance, and I want to say a heartfelt thanks and goodbye to a colleague, family man and great mate – R.I.P Gavin Thomas.

continued

Gavin Thomas

B.Sc (Geology); FAusIMM

29 December 1950 – 4 June 2014

Gavin Thomas was not only big in stature, he was a man with a big brain and a big heart.

Gavin Thomas was born on December 29, 1950 to Ken Thomas, founder of the trucking empire TNT - Thomas Nationwide Transport and his geologist wife, Anne. He had two sisters, Megan and Elizabeth, and brothers Rhody and Andrew.

A brilliant geologist, Gavin loved mining. He also loved life and shared this enthusiasm and warmth with his family and friends and colleagues.

Gavin had a very successful career developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He had international experience in exploring for, evaluating, developing, operating and reclaiming mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe.

Gavin's contribution to the industry was extraordinary in both dedication and discovery. Following graduating in geology from Macquarie University in Sydney in 1970, his early career saw him working in Papua New Guinea ("PNG") where, as part of a CRA Exploration team, he was the first white man many thousands of people in PNG had ever seen. During his career he lived or worked in PNG for 27 years – a country he loved.

His early recognition and the understanding of the potential of epithermal style mineralisation was founded in PNG and, as Exploration Manager at Kennecott Exploration, culminated with the discovery of Lihir Island, one of the worlds' largest gold deposits. Gavin became a world authority on this style of mineralisation. He took this knowledge to other countries around the Pacific Rim and to Europe where further discoveries were made working with Nuigini Mining and later at Equatorial Mining in South America, with a particular focus on Chile. He was early to recognise the huge potential of the Cerro Negro gold deposit in Argentina, owned at the time by Andean Resources.

He joined Kingsgate in 2004 and took the Company from a single gold mine operation at Chatree in Central Thailand to a company with assets on three continents. He expanded Chatree, which has produced 1.5 million ounces of gold under his direction and became recognised internationally as the safest gold mine in the world.

Gavin commanded respect and admiration in the boardrooms of Australia, London, Switzerland and the US and he would walk into a room or meeting and immediately fill it with his presence. He had an innate sense of adventure, an enormous capacity for hard work and all entwined with his love of travel.

Gavin was a well-read man not just in Science but also in English Literature. One of his favourite writers was the Welsh poet Dylan Thomas.

Gavin's leaves an enormous legacy not just to the mining industry but in his own special way he touched the lives of many. It truly can be said that Gavin was larger than life and the world a lesser place following his departure.

A good man, great friend, loving husband and doting father.

Gavin is survived by his wife Barbara and their three daughters Ellen, Laura and Jenni, son in law Dr Tim Matthews and baby granddaughter, Imogen Anne.

Chairman's Review

He joined Kingsgate in 2004 and took the Company from a single gold mine operation at Chatree in Central Thailand to a company with assets on three continents.

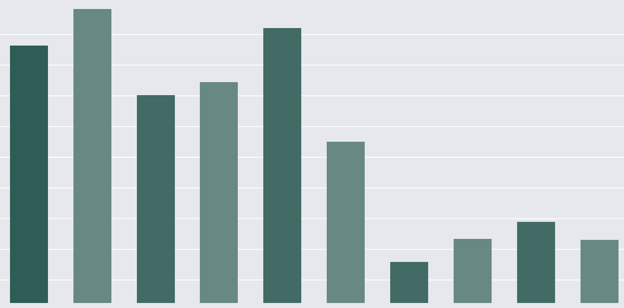
Ten Year Summary

for the year ended 30 June 2014

	2014	2013	2012	2011	2010
PRODUCTION – Chatree					
Ore mined ('000 bank cubic metres)	2,378	2,709	1,947	2,352	2,699
Waste mined ('000 bank cubic metres)	2,193	3,521	6,259	6,128	6,432
Waste to ore ratio	0.9	1.3	3.2	2.6	2.4
Ore mined ('000 tonnes)	6,176	7,051	4,986	5,301	6,583
Ore treated ('000 tonnes)	6,235	5,699	5,116	2,533	2,705
Head grade – Gold grams / tonne	0.9	0.9	0.9	1.1	1.7
Head grade – Silver grams / tonne	12.9	11.9	11.6	15.7	14.9
Gold recovery (%)	79.4%	79.9%	84.4%	87.2%	90.4%
Gold poured (ounces)	134,546	133,681	121,372	76,248	132,628
Silver poured (ounces)	992,255	1,000,569	918,314	549,699	549,522
PRODUCTION – Challenger	(12 months)	(12 months)	(12 months)	(5 months)	
Ore mined ('000 tonnes)	500	502	607	232	
Ore treated ('000 tonnes)	506	557	645	289	
Head grade – Gold grams / tonne	4.8	3.9	4.6	4.3	
Gold recovery (%)	96.1%	94.5%	92.4%	92.2%	
Gold poured (ounces)	74,954	66,216	87,388	36,886	
Silver poured (ounces)	2,677	3,466	4,971	2,581	
PROFIT & LOSS (A$'000)					
Sales revenue	328,326	329,282	357,372	172,356	175,480
Operating expenses	(244,289)	(192,331)	(171,505)	(86,147)	(74,305)
Administration expenses	(15,304)	(15,515)	(12,737)	(11,304)	(3,615)
Other (expenses) / income	(4,449)	(24,804)	(6,398)	(28,424)	618
EBITDA	64,284	96,632	166,732	46,481	98,178
Impairment losses	(86,698)	(332,808)	–	–	–
Depreciation & amortisation	(57,741)	(90,377)	(67,553)	(27,772)	(14,004)
EBIT	(80,155)	(326,553)	99,179	18,709	84,174
Net finance (costs) / income	(13,250)	(16,222)	(7,902)	(922)	(1,823)
Profit / (loss) before income tax	(93,405)	(342,775)	91,277	17,787	82,351
Income tax (expense) / benefit	(2,886)	16,504	(16,271)	3,092	(9,285)
Net profit / (loss) after income tax	(96,291)	(326,271)	75,006	20,879	73,066
Non-controlling interests	–	–	153	269	–
Net profit / (loss) attributable to owners of Kingsgate Consolidated Limited	(96,291)	(326,271)	75,159	21,148	73,066
BALANCE SHEET (A$'000)					
Current assets – cash	53,632	30,494	87,031	35,864	49,098
Current assets – other	87,878	103,660	97,817	70,280	54,203
Non-current assets	501,669	625,172	856,313	688,919	265,774
Total assets	643,179	759,326	1,041,161	795,063	369,075
Total borrowings	153,632	199,758	157,544	99,896	11,064
Other liabilities	76,790	95,594	115,102	88,243	41,968
Total liabilities	230,422	295,352	272,646	188,139	53,032
Shareholders' equity	412,757	463,974	768,515	606,924	316,043
Non-controlling interests	–	–	–	7,109	–
Equity attributable to equity holders of Kingsgate Consolidated Limited	412,757	463,974	768,515	599,815	316,043
OTHER INFORMATION					
Average realised gold price on physical deliveries (US$ / ounce)	1,291	1,588	1,663	1,386	1,091
Cash cost (US$ / ounce)	936	874	721	638	335
Total cost (US$ / ounce)	1,167	1,318	1,028	813	408
Operating cashflow (A$'000)	37,163	88,785	165,247	34,026	46,468
Dividends paid (Cash & DRP) (A$'000)	–	22,738	22,025	33,647	29,082
Number of issued shares ('000) – Ordinary	223,585	152,192	151,264	135,275	99,996
Basic earnings per share (A$ Cents)	(55.9)	(215.0)	52.5	18.7	75.2
Dividends per share declared for the year (A$ Cents)	–	5.0	20.0	15.0	35.0

Chatree – Ore mined ('000 tonnes) ▼

2009	2008	2007	2006	2005
1,674	375	546	734	588
4,069	2,507	4,390	5,121	4,915
2.4	6.7	8.0	7.0	8.4
3,874	977	1,523	1,951	1,521
1,878	2,474	2,405	2,000	1,829
1.7	1.1	1.2	2.4	2.4
15.8	6.8	9.2	14.5	13.0
91.2%	88.4%	90.0%	90.1%	90.8%
93,002	74,137	85,994	140,071	126,550
293,472	232,039	290,897	459,702	353,275

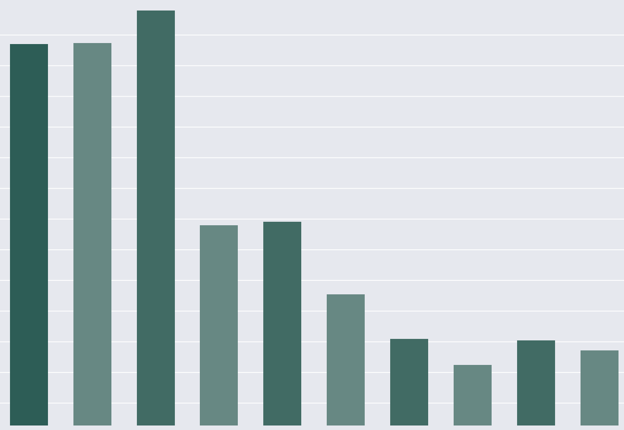


Challenger – Ore mined ('000 tonnes) ▼

2009	2008	2007	2006	2005

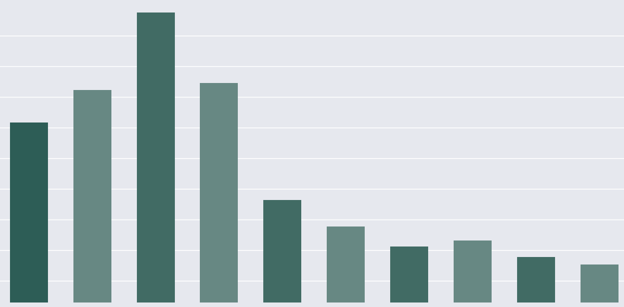
Sales revenue ▼

2009	2008	2007	2006	2005
113,015	74,285	52,044	72,782	64,299
(65,599)	(55,743)	(64,908)	(47,761)	(47,366)
(4,595)	(4,065)	(2,264)	(1,158)	(1,404)
3,509	46,653	10,413	1,361	2,471
46,330	61,130	(4,715)	25,224	18,000
–	–	–	–	–
(11,575)	(9,284)	(8,446)	(7,805)	(8,720)
34,755	51,846	(13,161)	17,419	9,280
(1,698)	(3,974)	(2,544)	(757)	(889)
33,057	47,872	(15,705)	16,662	8,391
(535)	(11,675)	3,115	–	–
32,522	36,197	(12,590)	16,662	8,391
–	–	–	–	–
32,522	36,197	(12,590)	16,662	8,391



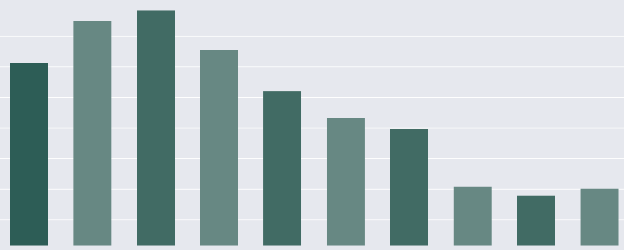
Total assets ▼

2009	2008	2007	2006	2005
29,680	40,226	5,148	10,391	32,119
27,848	16,397	13,756	10,805	12,162
217,445	146,626	206,082	143,401	91,727
274,973	203,249	224,986	164,597	136,008
2,144	1,599	21,220	–	–
27,789	20,637	19,532	36,589	14,779
29,933	22,236	40,752	36,589	14,779
245,040	181,013	184,234	128,008	121,229
–	–	–	–	–
245,040	181,013	184,234	128,008	121,229



Average realised gold price on physical deliveries ▼

2009	2008	2007	2006	2005
904	824	417	355	401
400	457	440	206	212
487	556	524	247	262
18,058	18,657	(19,888)	21,889	22,184
–	–	4,513	8,669	11,973
96,136	92,680	92,680	88,592	85,949
34.9	51.7	(17.3)	19.3	9.8
15.0	–	–	10.0	7.0



Ten Year Summary

Finance Report

Summary

Kingsgate has recorded the following financial performance for the year to 30 June 2014:

- Revenue of $328.3 million.
- EBITDA (before significant items) of $66.4 million.
- Loss before tax and significant items of $5.2 million.
- Loss after tax and significant items of $96.3 million.
- Non-cash asset impairments and other significant items of $88.2 million pre-tax, with $84.6 million relating to the Bowdens Silver Project.
- No dividends have been declared.

Earnings

Higher gold sales of 216,887 ounces (2013: 195,948 ounces) and a reduction in total cash costs at Chatree Gold Mine ("Chatree") to US$728 per ounce (2013: US$746 per ounce) had a positive impact on the underlying earnings of the Group - though this was offset by a lower realised gold price of US$1,291 per ounce (2013: US$1,588 per ounce).

The increase in gold sales reflected a 13% increase in production at Challenger compared to the prior year due to higher grade of ore mined and processed. Production at Chatree was consistent with the prior year, increasing by 0.6%, reflecting increased throughput offset by slightly lower grade of ore processed.

The significant and sustained decline in the silver price resulted in an impairment to the carrying value of the Bowdens Silver Project ("Bowdens") of $84.6 million pre-tax. This impairment was the major contributor to the after tax loss of $96.3 million for the year.

Cost of sales

Cost of sales before depreciation increased by 27% to $244.3 million compared to last year, which largely reflects increased mining costs at Challenger - where development costs are no longer capitalised due to the short-term nature of this operation. The total unit cash costs for Chatree for the year were US$728 per ounce (US$617 per ounce excluding royalties), down from US$746 per ounce in 2013. The total unit cash costs for Challenger for the year were US$1,310 per ounce (2013: US$1,135 per ounce), with the increase mainly due to higher mining costs. On a unit cost basis, total cash costs for the Group were US$936 per ounce, up from US$874 per ounce last year.

Depreciation and amortisation

The decrease in depreciation and amortisation to $57.7 million (2013: $90.4 million) reflects the impairment of the Challenger Mine in the previous financial year and the resulting decrease in the carrying value of assets to be depreciated.

Impairment

The carrying value of the Bowdens Silver Project has been reviewed in response to the significant and sustained decline in the silver price. This review indicated that, while Bowdens is expected to generate positive cash flows, the estimated fair value no longer supported the full recovery of the carrying value. As a result the Group recorded an impairment charge of $84.6 million pre-tax against the acquisition, exploration, evaluation and development costs for Bowdens.

The impairment is a non-cash item and has no impact on the Company's debt covenants.

Finance costs

Finance costs decreased to $13.9 million (2013: $18.8 million). Finance costs comprise interest on borrowings the Group has in place, unwinding of the discount on provisions as required by Accounting Standards, foreign currency movements on foreign currency denominated loans and amortisation of borrowings establishment fees. The main reason for the decrease in finance costs from the previous financial year was due to the decrease in the level of borrowings and accelerated amortisation of borrowing costs in the previous financial year. The accelerated amortisation related to capitalised borrowing costs being expensed in full, a result of the establishment of new loan facilities.

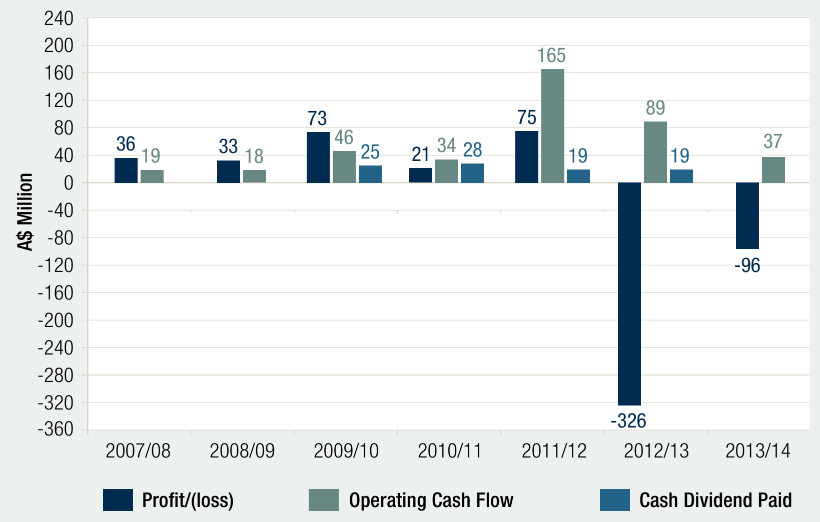
Cash Flow

Operating cash inflow was $37.2 million.

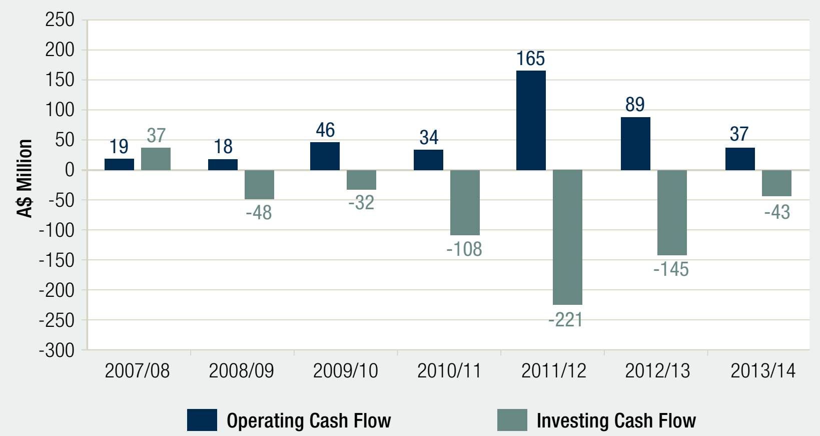
Net investing cash outflow was $43.5 million, a significant decrease from the prior year outflow of $145 million. The main reasons for the decrease were no further development work for Challenger Deeps which were completed in the previous financial year and a general reduction in capital expenditure on all projects in the current financial year.

Net cash inflows from financing activities was $30.9 million, including a drawdown of $26.1 million of the convertible revolving credit loan facility net of transaction costs and proceeds from an equity raising of $56.5 million net of costs, and repayment of $51.6 million of the corporate loan and convertible revolving credit facilities.

Operating Profit and Cash Flow



Operating and Investing Cash Flow



Income tax

Kingsgate's Thai subsidiary company, Akara Resources Public Company Limited ("Akara"), has received approval from The Royal Thai Board of Investment ("BOI") subject to meeting certain conditions and based on an annual production limit of 178,416 ounces of gold and 583,733 ounces of silver, for:

a) An eight year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;
b) A further five years half tax holiday; and
c) Other benefits.

The promotional period began on 27 November 2001.

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

a) An eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;
b) 25% investment allowance on the capital cost of certain assets of the new processing plant; and
c) Other benefits.

The taxable loss from the Australian operations has not been recognised as a deferred tax asset, though it has been added to the Group's brought forward tax losses, leaving a balance of $251 million of taxable losses (unrecognised tax asset of $75 million) to be carried forward to future years.

Financing Arrangements

Senior corporate loan facility

The outstanding balance of the senior corporate loan facility is $35 million which consists of two tranches:

- Tranche A is an amortising loan facility with a balance of $10 million to be repaid during the 2015 financial year.
- Tranche B is a $25 million Akara Pre-IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid from proceeds raised through the Akara IPO, although at Kingsgate's election repayment can be made by Kingsgate either in cash or Kingsgate shares.

This facility was established in April 2014 and replaced a three year corporate loan facility (2013: $20 million drawn down) and a five year convertible loan facility (2013: $35 million drawn down).

The Group also had a three year $25 million Convertible Revolving Credit Facility which was relinquished during the current financial year (2013: undrawn).

Multi-currency and syndicated loan facilities

Akara has an amortising multi-currency loan facility with 4.5 years remaining. It is currently drawn to the equivalent of $106.2 million, following a repayment of $5 million since 30 June 2014. Akara also has an additional undrawn Thai Baht denominated working capital facility equivalent to $16 million.

Hedging

As at 30 June 2014, the Group has 12,000 ounces of gold sold forward at an average price of approximately A$1,406 per ounce. This is scheduled to be delivered over the September 2014 quarter as part of the mitigation of Australian gold price risk and is associated with forecast production from the Challenger Mine. In addition there is a residual forward sale from the Dominion merger with 2,500 ounces at A$1,163 per ounce remaining. Since the end of the year a further 22,000 ounces of gold have been sold forward for delivery during the December 2014 half year at a price of A$1,419 per ounce.

Financial Position

Shareholders' equity at 30 June 2014 was $413 million (2013: $464 million). The decrease of $51 million reflects the year's loss and foreign exchange losses on translation of foreign operations offset by equity raised during the year.

Dividends

No dividends were declared for the year ended 30 June 2014 (2013: nil).

Company Activities

for the year ended 30 June 2014

Operations Report

Chatree Gold Mine

Thailand

Summary

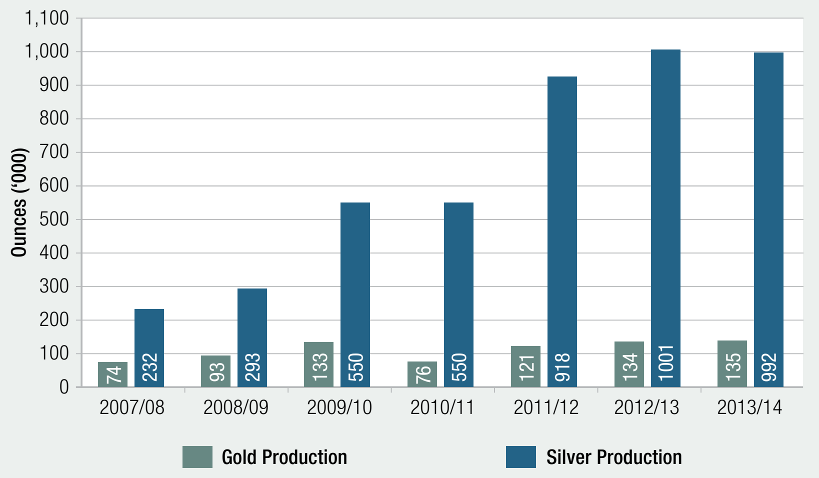
Chatree continued as Kingsgate's primary production asset throughout the year, producing 134,546 ounces of gold and 992,255 ounces of silver. Strong production performance was achieved despite some operational difficulties.

Poor equipment availability within the mining contractors' fleet continued to impact mine production throughout the year. This was particularly evident with the RH90 excavators. This is being addressed by the implementation of a number of joint maintenance improvement projects between our contractor and their main maintenance supplier.

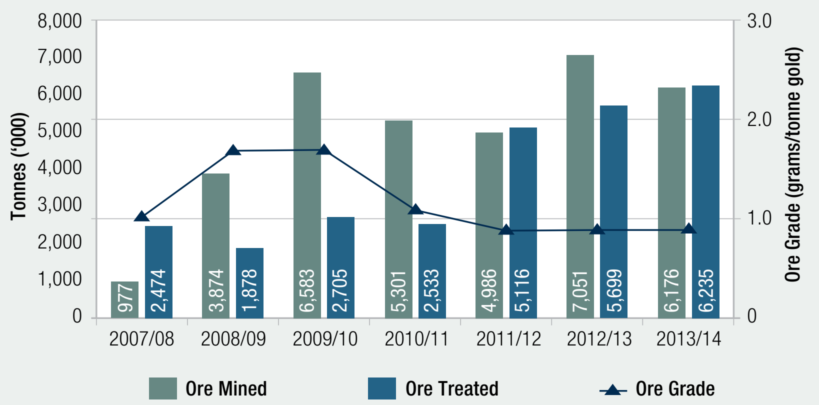
During the year, the mining sequence was modified to focus on the higher grade ore of A Pit and near surface oxide zones around the property. This has led to the delay of some longer term waste stripping.

Disappointingly, Chatree recorded two Lost Time Injuries ("LTI") during the year. The injuries were considered to be avoidable and Chatree management and staff remain committed to practicing safety as its core value and in demonstrating world's best practice for safety.

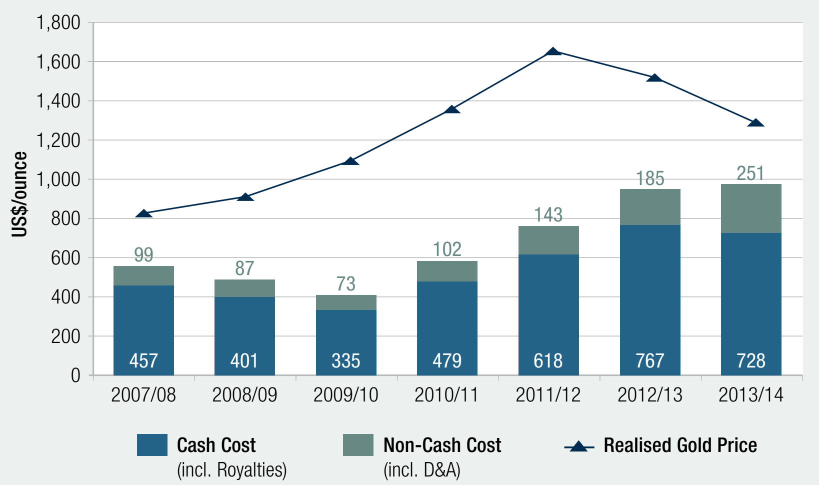
Chatree – Production



Chatree – Ore Mined and Treated



Chatree – Cash Costs and Total Costs



Production and Costs

Production for the year was 134,546 ounces of gold and 992,255 ounces of silver.

Total mill throughput of 6.2 million tonnes was 9.4% higher than 2013 and 0.6% above budget. The overall plant availability of 97.5% was slightly lower than the previous years' 98.1%.

Total cash costs for the year were $US728 per ounce ($US617 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was $US111 per ounce of gold. Total production costs after depreciation and amortisation were $US979 per ounce of gold produced.

At year end, 9.7 million tonnes of ore was stockpiled with an average contained gold grade of 0.54 grams per tonne ("g/t") representing 167,359 ounces of gold.

Operational Performance

During the year 6.2 million tonnes of ore was mined, with a waste-to-ore strip ratio of 1.9:1. This figure was above budget by 18,000 tonnes. The average grade of mined ore was 0.83g/t gold and 11.81g/t silver.

Total volume of material mined at Chatree for the year was 6.6 million Bank Cubic Metres ("BCM"), including 2.4 million BCM of ore. This was below the budget level and the shortfall was due to delays in the development of the marginal Q Central Pit due to the fall in gold price, and the poor availability of the primary excavator fleet.

An additional 572,000 BCM of laterite and clay material was excavated and used for the construction of the third lift of TSF#2 and reconstruction of Highway 1301 in the C-North pit area.

Approximately 1.3 million loose cubic metres of ore was relocated from the Marginal Grade Stockpiles to the primary crusher to supplement ore from the mining pits.

The main areas mined during the year were:

- A Pit where 6.4 million BCM of material was mined (2.2 million BCM of ore) at a stripping ratio of 1.9:1 waste to ore; and
- Q Prospect where 180,000 BCM of metallurgical bulk sample material was mined (134,000 BCM of ore) at a stripping ratio of 0.4:1 waste to ore.

The mechanical reliability and hence availability of the in-pit excavators continued to be a source of concern. There were a number of significant failures within both the O&K RH90 and RH40 excavator fleets during the year, with failed slew bearings and structural failures of the booms and sticks causing most of the down time.

continued

Approximately one day of production was lost due to rainfall during the year. Total rainfall for the year was 1.3 metres. September 2013 had the highest monthly rainfall total on record, with over 0.5 metres of rainfall. This was offset by a very dry first half of 2014.

Upon completion of mining of the C North Cutback, it was backfilled to allow the reinstatement of Highway 1301 as well as to improve access for waste rock haulage to TSF#2. The reinstatement of the section of Highway 1301 that passes through the C North was commenced during the year. This project will be completed during the first quarter of the 2015 financial year.

The third lift of TSF#2 was constructed from November 2013 to March 2014 and will provide an additional 6.2 Mt of storage capacity. Waste rock from A Pit is being continuously sent to TSF#2 at a rate of approximately 7,000 BCM per day for the construction of the downstream embankment. No additional closure material was placed in TSF#1 during the year. This is to allow for additional tailings placement and hence reduce the requirement for run of mine waste.

Work on optimising the drilling and blasting parameters continued throughout the year. This included trialling larger blast hole sizes, varying the sub-drill depth and burden to spacing ratios.

The new plant, Plant #2, continues to perform very well with an availability of 97.5% against a budget of 98.2%. The original design throughput was 2.7 million tonnes of ore per annum (Mtpa) and it is has been consistently operating at 3.59Mtpa or 33% above design throughput.

Plant #1 continues to perform very well with an availability of 98.0% against a budget of 98.2%. The original design throughput was 2.3Mtpa and it is currently operating at 2.65Mtpa or 15% above design. Work continued throughout the year to eliminate processing bottlenecks and maximise recoveries.

The combined plants are currently operating at 25% above design. A study was completed during the year that has identified the next best expansion opportunities with minimum capital expenditure. These opportunities are being accessed with plant upgrades aimed to continue to increase throughput into the future.

Physicals		2013/14	2012/13	% Change
Waste mined	bcm	2,193,404*	3,521,003*	-38%
Ore mined	bcm	2,377,718	2,708,634	-12%
Waste:ore ratio		0.9:1*	1.3:1*	-31%
Ore mined	tonnes	6,175,657	7,051,488	-12%
Ore treated	tonnes	6,234,869	5,699,014	9%
Head grade (gold)	Au g/t	0.9	0.9	0%
Head grade (silver)	Ag g/t	12.9	11.9	8%
Gold recovery	%	79.4	79.9	-1%
Gold poured	ounces	134,546	133,681	1%
Silver poured	ounces	992,255	1,000,569	-1%

* *After waste capitalised to TSF*

Cost Category	2013/14 $US/oz Gold Produced	2012/13 $US/oz Gold Produced	% Change
Cash operating cost	617	620	0
By product credit**	(142)	(180)	7%
Depreciation/amortisation	226	185	22%
Total production cost	979	952	3%

** *Net of silver royalties*

continued

Safety

Disappointingly, Chatree recorded two LTI's during the year. The injuries were considered to be totally avoidable and Chatree management and staff remain totally committed to living safety as our first value, with everyone home safe every day.

Chatree has achieved two million man hours of operations and construction activity since its last LTI. Management continues to be grateful to all of our employees and contractors for the attention to safety and care for each other.

In recognition of our safety standards and emergency response preparedness, Chatree Mine received the "Thailand National Occupational Health and Safety Award 2014" on 3rd July 2014. This year is the seventh year that we have received the Occupational Health and Safety Award consecutively and also received the consolation prize of the Emergency Response Team Competition in the Thailand National Occupational Health and Safety Week on 5th July 2014.

Chatree Exploration

Exploration activities within the Chatree Mining Leases remained the dominant focus for the exploration team during the year, albeit at a reduced level of expenditure. The volatility in gold price during the year resulted in exploration activity focusing on the drilling of near surface oxide gold targets and shallow Inferred Resources that lay within close proximity to current pit designs. Although the targets are incremental to the global Mineral Resource and Reserves, they provide a valuable low cost value driven opportunity to the operation. Drilling during the year has successfully identified new shallow gold mineralisation immediately adjacent to A Pit and also within the Q Prospect area with highlights including:

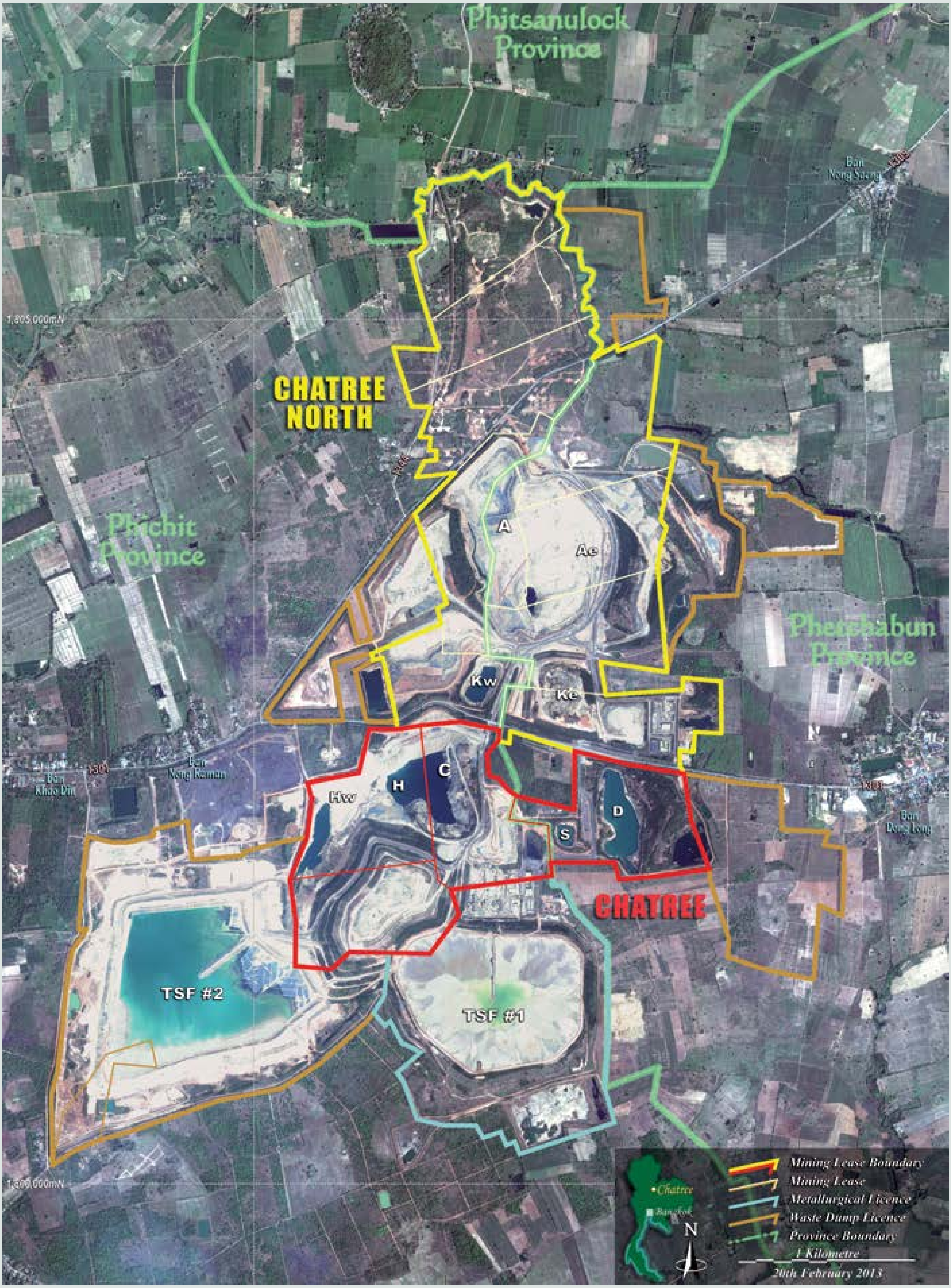
- 04791RC – 21 metres @ 2.6g/t gold from 1 metre at A North East; and
- 04751RC – 14 metres @ 5.3g/t gold from 10 metres at Q Prospect.

Other drilling targeting Inferred Resources within the A Pit and Q Prospect pit designs also returned significant assay results with highlights including:

- 07584RC – 11 metres @ 3.14g/t gold from 109 metres in Q Prospect; and
- 07597RC – 26 metres @ 2.16g/t gold from 42 metres in A Pit.

Exploration drilling activities in the coming year will continue to focus on resource/reserve expansion targets within the Chatree Mining Leases and is currently scheduled to test the areas adjacent to the K West, K East and southern extensions of A Pits.

As of the end of June 2014, the Mineral Resource estimate at Chatree using a 0.3g/t Au cut-off grade totals 3.84 million ounces of gold and 37.66 million ounces of silver in 181.3 million tonnes of rock. This resource includes a depletion of production to the end of June 2014, and represents a decrease of 190,000 ounces of gold and an increase of 4.86 million ounces of silver when compared to the April 2013 Mineral Resource estimate for Chatree at the same cut-off grade.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Mining Lease
Metallurgical Licence
Waste Dump Licence
Province Boundary
1 Kilometre
20th February 2013

continued

Chatree Sustainability

Chatree adheres to Kingsgate's Sustainability Policy. The primary aim of the policy is to manage the Chatree asset ethically, so the people of Thailand and the Company prosper together, enjoying safe, fair and rewarding working relationships and a healthy living environment.

The following sustainability section is a summary of a separate detailed document termed "The 2014 Akara Resources Sustainability Report", which is published in both English and Thai language and available from the Company.

Community

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

Community Funds

Corporate social responsibility at Chatree is a continual commitment by our business to behave ethically and contribute to economic development in the local area improving the quality of life of our workforce and their families as well as the local communities in which we operate. In order to facilitate this, we have established four funds; these are made up of an EIA Fund for any environmental impact, an Or Bor Tor Fund (sub-district fund), a Village Fund and an Akara for Communities Fund. Committees have been formed to manage each fund which is made up of government officials, village leaders, and employees from Chatree to ensure transparency and diligent project management.

Employees

The Chatree workforce totalled 1,034 at the end of the financial year comprising of 372 Akara employees, 658 with our mining contractor LotusHall and four expatriates. Turnover for Akara permanent employees during the financial year was 12.3% which includes a redundancy program. Chatree has received its fifth Welfare and Relations Award from the Department of Labour Protection and Welfare, as well as the Skill Development Promotion Award from the Department of Skill Development in 2013. Chatree has also maintained its certificate of SA8000 since 2009.

Our business is focused on our employee engagement and our objective is to ensure that our employees are appropriately placed in roles that are in line with our commercial goals. Akara Resources offers comprehensive training in relevant safety and job-related areas to all our people. We also assist our employees to obtain tertiary education qualifications. Akara Resources sponsored a total of 53 employees. To date, one employee was sponsored for a doctoral degree, 34 employees have been sponsored for

Masters level degrees, nine employees for Bachelor level degrees, eight employees for Diploma Certificates and one employee was sponsored for a MBA short course.

Water

While rainfall can occur year round, it is generally concentrated in the annual monsoon. The responsible management of water is therefore of utmost importance to Chatree Mine and to the surrounding area. Chatree operates on a nil-release basis, and all rain water on the mine lease is harvested with no water leaving the site. This requires continuous management of usage, quality and storage. A total of 27 surface water and 88 groundwater quality sampling sites have been established, all of which are regularly monitored and sampled. To date, no results from any of these sites have caused concern.

To gauge any potential drawdown impact on local groundwater, the mine regularly monitors 75 water table measuring stations, located on the mine site and in surrounding villages. Water levels rise and fall seasonally but no long-term adverse trends have been identified.

A total of 2,846,390 tonnes of makeup water was used to process the 6,234,868 tonnes of ore during the financial year. Water usage per tonnes of ore was reduced onsite via recycling of water from the Tailings Storage Facility via the decant water return system. The excess makeup water is stored in a number of the historic mining pits for use in the process plant.

Environmental Audit

In March 2014 the 13th annual Tailings Storage Facility Audit was undertaken. Knight Piésold found that the tailings facility continues to be operated at best practice and that the Processing Department demonstrates a good understanding of the facility.

In January 2014, Environ Australia Pty Ltd undertook the 12th "whole of site" environmental audit of the Chatree Mine. The audit is designed to assess compliance with conditions in the Mining Leases, corporate commitments made in the current Environmental Impact Assessment, adherence to board environmental policy, observance of the Australian Minerals Industry Code for Environmental Management and Enduring Value and our environmental performance overall. The audit concluded that, the operations of the Chatree Gold Project comply with applicable statutory requirements as well as voluntary environmental commitments made by Akara Resources Public Company Limited. The audit also indicates that the project operations are being carried out in accordance with the requirements of the Australian Minerals Industry Code for Environmental Management, and that the responsibilities of Kingsgate, as a Code signatory, are being addressed.

Cyanide Management

Chatree continues to meet all requirements of The International Cyanide Management Code for gold mining operations. The Code mandates strict protocols for the manufacture, transport, storage and use of cyanide. The cyanide code audit was carried out in late 2013. The certification of the new processing plant and the re-certification of the old processing plant were announced on 25th June 2014 by the International Cyanide Management Institute.

Readings of discharge to the tailings storage facility are taken every 60 minutes. Of the 8,760 readings taken during the year, a total of 99% showed the discharge of cyanide did not exceed the 20 mg/L CNTOT standard. The highest monthly reading obtained was 13.1 mg/L CNTOT with an annual average of 9.7 mg/L CNTOT.

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

Incident Reporting

There were 48 environmental events during the year. All were minor relating to hydrocarbon leaks and spills, all of which were contained. There were no reportable incidents.

Rehabilitation

No contaminated land issues arose during the period. The rehabilitation program is ongoing with areas contoured and planted as soon as is practicable. Trials of various species are undertaken to ensure the optimal results for each location. Many species of trees and grass have been sown successfully across the site. Some 8.16 hectares were rehabilitated last year and 15.93 hectares of rehabilitation is planned for the present year.

Dust Management

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

continued

Challenger Gold Mine

South Australia

Summary

- The Challenger Mine produced 74,954 ounces of gold for the year, with an average milled grade of 4.78 grams per tonne ("g/t"), and a total operating cash cost of US$1,310 per ounce. Note that all mine development expenditure is currently being expensed and is included in the operating cost.
- During the year, the mine underwent a transition in mine plan to focus 100% on the higher grade Challenger West ore body. The transition was completed at the end of the second quarter, as expected. However, higher than planned dilution in the production stopes resulted in mine head grades underperforming against the reserve.
- The mining service contractor was changed to Byrnecut on the 1 August 2013 and had a positive impact on safety, cost and mine productivity.
- The third lift to Tailings Storage Facility Number Two ("TSF#2") was completed during the year to provide adequate storage capability to the end of the current planned mine life.
- Capitalised expenditure for the mine was $2.8 million, down from $57.5 million in the prior year mainly due to all development expenditure being expensed during the year.

Physicals		2013/14
Ore mined	tonnes	499,938
Ore treated	tonnes	506,027
Head grade (gold)	Au g/t	4.8
Gold recovery	%	96.1
Gold poured	ounces	74,954

Cost Category	2013/14 $US/oz Gold produced
Total cash cost**	1,310
By product credit*	(1)
Depreciation / amortisation – operating	194
Total production cost	1,504

** Net of silver royalties* *** Includes mine development costs*

Operational Performance

Significant milestones at Challenger for the year included the transition to the Challenger West mine plan and the change in mining services contractor to Byrnecut. Both measures had a significant impact on reducing the cost per ounce of gold produced.

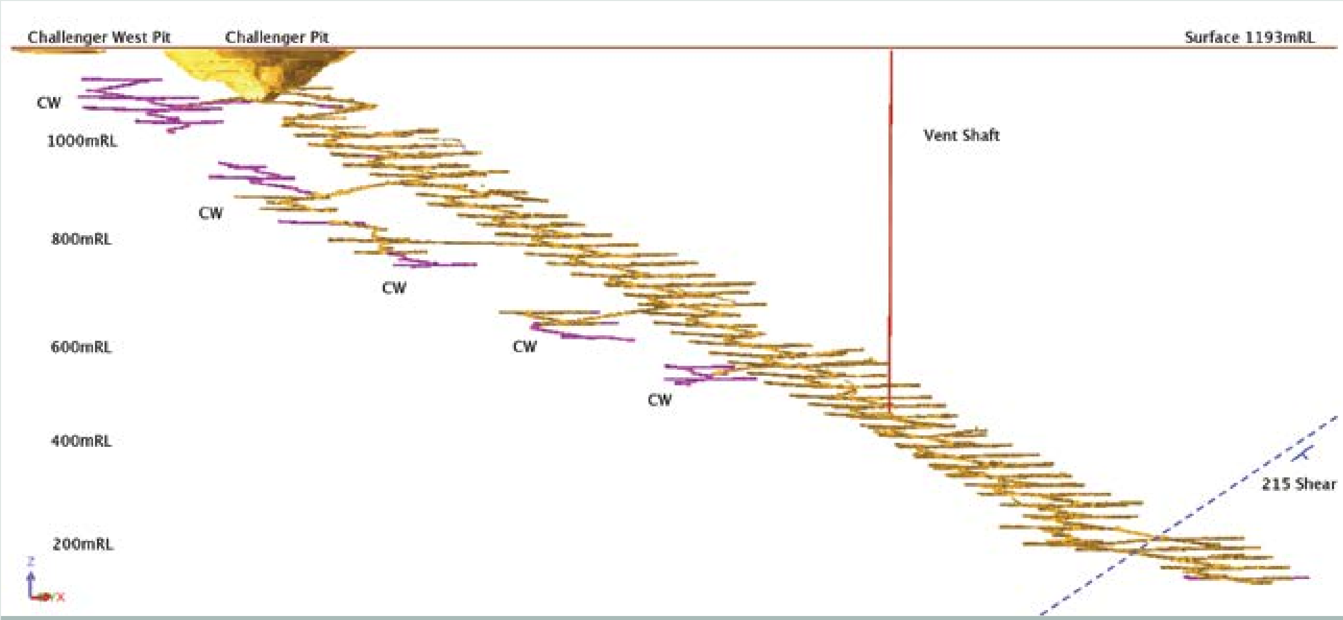
Byrnecut commenced operations on the 1 August 2013. This had a positive impact on safety, cost and particularly in mine productivity where Byrnecut has been able to achieve significant productivity increases per man shift which has seen production levels and development rates remain higher than previous levels with a reduction of 33% in the size of the workforce.

Mine production for the year totalled 499,938 tonnes of ore at a reconciled grade of 4.78g/t. Dilution was higher than planned in some of the stopes due to poorer than anticipated ground conditions and interaction with intrusive structures. Dilution reduction has received significant focus from the technical team with a number of strategies targeting a reduction in the minimum mining width and improvements in design parameters.

Developing the high-grade Challenger West shoot has continued to be the primary focus for the past year, supplemented by ore from the M1 and M2 ore bodies. The Challenger West ore source supplied 72% of total ore production at an average grade of 5.3g/t, M2 supplied 23% at 4.0g/t, and M1 5% at 3.7g/t.

The focus for the 2015 financial year will be solely on extraction of ore from Challenger West.

continued



Long section showing FY 2014 development advance

Development

A total of 6,034 metres of underground mine development was achieved for the year with development rates steadily improving throughout the course of the year. The average development performance exceeded 600 metres per month in the last quarter of the year. This productivity improvement was enhanced through the implementation of independent firing in Challenger West, and the upgrade of the jumbo fleet.

Split firing was trialled late in the year to reduce dilution in development ore. Where practical, it will be implemented more fully in the coming year.

Occupational Health and Safety

During 2014 there were four incidents resulting in lost time injuries, nine restricted work injuries, and four medically treated injuries, an overall increase of 34% on the previous years' 12 recordable injuries. Total injuries reported have also increased marginally over the previous year.

As the majority of the years' recordable injuries have been attributed to manual handling injuries, a renewed focus has been placed on manual handling and manual work.

Changes to the South Australian state's safety legislation came into effect during the year. The Work Health Safety and Environment Department has implemented relevant changes to site processes. To this end, a review of the site's Safety Management Plan and Safety Management System was undertaken to ensure compliance to new legislation.

Mine rescue services training and ongoing operational and personal development training for employees and contractors will continue across the site.

Challenger Geology and Exploration

General

Significant geological highlights at Challenger for the year included the successful implementation of the new mine plan to focus on Challenger West and the development of the 135 Level which demonstrated continuity of the M1 & M2 lode systems below the 215 Shear at the current base of the mine. Development subsequently ceased at the lower levels of the mine following the transition to Challenger West.

Diamond drilling was brought in-house in August 2013, following the change of mining services contractor to Byrnecut. This has resulted in a significant reduction in overall cost of diamond drilling.

The focus remains on resource development priorities, although limitations due to site availability and interaction with active development continue to allow opportunities for drilling the peripheral targets.

Ground conditions

The host rock is massive garnet gneiss with an average uniaxial compressive strength of 183 MPa. In the upper levels, a relative paucity of continuous structures leads to very good ground conditions, rarely requiring additional ground support outside the normal ground support standard. Following the transition to mining solely upper level resources from Challenger West, additional ground support has only been required when developing under horizontal ultramafic lamprophyres, in large spans, or to support stope walls to inhibit over-break to development shoulders or intrusive contacts.

Seismicity

Challenger has never experienced a significant seismic event and seismicity at the mine is very low. One seismic array is currently operational at depth underground, providing Continuous information on mine seismicity. The Institute of Mine Seismicity, process the seismic data weekly and provide weekly, monthly and quarterly reporting.

Resource development

Underground diamond drilling focused primarily on resource development of Challenger West, as production focus switched from the lower mine M1 and M2 shoots to higher grade Challenger West lodes above the 500mRL.

A total of 28,199 metres of BQ drill core was drilled from underground during the year, comprising 9,557 metres of development drilling into targets within the 2013 reserve base and 18,642 metres of exploration drilling into targets outside the 2013 reserves.

Challenger West

Development and resource development drilling was conducted targeting Challenger West from the 1130mRL down to the 50mRL. Drilling continues to reveal significant changes in lode geometry both up and down plunge from the 800-790 levels where mining of Challenger West commenced.

The narrow widths and extreme boudinaging which is characteristic of the high-strain Challenger West lodes continues to present challenges for successful delineation and modelling of the economic mineralisation, both geometrically and numerically.

Other shoot systems

Drilling continues to delineate opportunities on parallel shoot systems in and around Challenger West including the Aminus and Aminus Corridor shoots and more broadly on the Challenger West system at Challenger NW and Challenger SW.

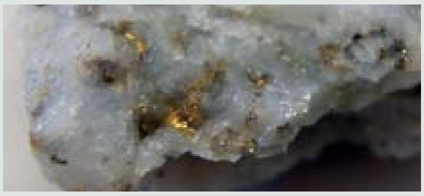
Surface Drilling

Challenger matrix

The Challenger Matrix drilling campaign commenced late in the year with 2,285 metres of the 3,617 metre program completed by year end.

The objective was to systematically drill the area to the north of Challenger to attempt to locate a new stand-alone ore body in an area that is untested in many places from original surface drilling. The campaign targeted the potential continuation of the F3 fold, which is not well defined from original surface drilling. Target zones included Challenger Far West, Challenger North West and Challenger North.

Visual inspection and logging of drill chips identified "Challenger Style" vein quartz-feldspar with cordierite plus sulphides in some holes, however most were narrow zones (1-2 metres with <40% veining). Samples were processed at the Challenger lab and assays were received for the first three holes by year-end with no significant intersections. The initial interpretation is encouraging but unfortunately no thick intersections with >50% veining (M1-style) have been identified so far.



The Challenger Matrix model can be expanded upon from its current form if the recent drilling identifies an antiformal feature at Challenger North. Further drill targeting could be conducted on the northern limb which has historically been the most endowed location at Challenger at all scales in the other shoots.

Potential remains for further unidentified ore shoots within the Challenger Matrix structural framework where historical surface drilling has been relatively sparse, or where the shoots have a greater unrealised endowment at depth than apparent in the associated surface drilling of the features. These include zones proximal to existing underground infrastructure with little or no underground drill testing in the past.

continued

Challenger Sustainability

Employees

The Challenger workforce totalled 215 at the end of the financial year comprising of 94 Kingsgate personnel (employees and casual contractors to fill vacancies); and 121 contractors. Contractors on site include Byrnecut with 108 personnel providing mining services; Sodexo with 10 personnel providing catering and cleaning services; and Powerwest with three personnel for power generation services. AWG air-leg and rise mining services ceased in April 2014.

Turnover for Challenger permanent employees during the financial year was 29%, with 28 terminations and 29 new starters.

Community

The remoteness of Challenger mine (270 km by road from the nearest town at Glendambo), reduces the capacity for local involvement with surrounding communities. Challenger continued to support its nearest communities with local sponsorships including:

- Children's Charity Network;
- Kingoonya Amateur Racing Club;
- The Royal Flying Doctor Service; and
- The Coober Pedy Amateur Racing Club.

Challenger is located within the Commonwealth Government, Woomera Prohibitive Area. The Department of Defence ("DOD") continues to utilise the area for rocket testing and other commercial activities. In the last 12 years, there has been no significant impact on mine operations by the DOD.

Challenger Mine has fostered strong relations with the University of Adelaide over the past 10 years. Each year, selected students from the Schools of Geology and Mining Engineering undertake field trips to

Challenger, to experience a very comprehensive and hands-on introduction to mining. Kingsgate offers annual academic bursaries and prizes to students in both disciplines.

Environment

Water usage

A total of 406,540 tonnes of water was used to process 506,031 tonnes of ore during the financial year with a ratio of 0.80 tonnes of water to one tonne of ore. This compares to 436,540 tonnes to process 556,631 tonnes of ore in the previous year at a ratio of 0.78 tonnes water per tonne of ore and is the lowest water volume extracted over the past six years. Water usage was reduced onsite via recycling of supernatant water from TSF#2 via the decant water return system.

A supplementary groundwater abstraction bore RBDW3 was changed from a dewatering bore to a water supply bore to supplement the supply of potable water made available to the accommodation camp and the processing plant.

Incidents

A total of 25 environmental incidents were recorded internally during the reporting period, however, there were no environmental incidents required to be reported to government regulators with the incidents assessed as being low risk. All incidents were investigated and were closed out before the end of the financial year.

Environmental compliance audit

An independent environmental compliance audit was undertaken by environmental consultants Outback Ecology (a subsidiary of MWH Australia Pty Ltd) in February 2014. The compliance report was submitted to the Department for Manufacturing, Innovation, Trade, Resources and Energy ("DMITRE") as part of the annual Mining and Rehabilitation Compliance Report ("MARCR") in April 2014. The compliance audit identified action tasks that are in various stages of completion.

Environmental Monitoring Programs

Flora and fauna

Independent environmental specialists undertook environmental surveys during the spring of 2013. The surveys report that mining operations at Challenger have no significant impacts on flora and fauna assemblages and communities surrounding the mine site.

Full details of all environmental monitoring reports and a detailed review of all environmental issues are contained within the 2014 MARCR. The MARCR can be downloaded from DMITRE's website www.minerals.dmitre.sa.gov.au and can be found using the search word "Challenger".

Water quality

The Annual Groundwater Review Report indicated that groundwater samples collected from the mine site's groundwater monitoring network (CNWAD and metals) all generally remain below the relevant guidelines, and in many instances near or below the Limit of Reporting.

Concentrations of CNWAD analysed from groundwater samples collected from monitoring bores surrounding the Integrated Waste Landform ("IWL") suggest the natural attenuation of cyanide is occurring and containment measures in place for process water and tailings slurry are performing as designed.

Cyanide management

Groundwater monitoring bores located around the IWL were sampled quarterly in-line with Challenger's approved PEPR. The supernatant pool water was well managed throughout the year with the cyanide concentration remaining below the adopted guideline limit of 0.5mg/L within the TSF. To date, the cyanide groundwater quality has remained below the revised reporting limit of 0.08 mg/L.

Rehabilitation

Ecosystem function analysis was conducted on seven previously established monitoring sites and two new monitoring sites at Challenger in July 2013. Natural acacia and chenopod sites located within the mining lease were monitored and compared with the eastern and western IWL monitoring sites. The three rehabilitation areas were also compared against the completion criteria thresholds set for rehabilitation on the Challenger mine site. Of the seven criteria, the IWL Eastern Wing landform and the IWL Western Wing landform met five of the criteria and TSF#2 achieved three of the completion criteria standards.

Some progressive rehabilitation was undertaken throughout the year including capping the surface of TSF#1 with fresh waste rock. There is approval to raise the level of TSF#1 further, but at this stage no decision has been made.

Dust monitoring

The triennial noise and hygiene survey is scheduled for the following reporting period (late 2014). Dust monitoring was conducted on a quarterly basis throughout the reporting period and included both respirable and particulate dust monitoring. All respirable dust results were below the set exposure standards for atmospheric contaminates. Higher than limit inhalable dust results were recorded from the laboratory technician and crusher operator, who wear P2 dust masks as personal protective equipment to reduce the amount of dust inhaled. Underground dust results were all below the recommended limits.

Emissions

Data was collated from 1st July 2013 to 30th June 2014 for the National Pollutant Inventory emissions data and was submitted under the National Greenhouse and Energy Reporting ("NGER") Act 2007. The NGER report contains information in relation to the greenhouse gas emissions, energy production and energy consumption of Challenger. Total estimated emissions for 2014 were 38,500t, a 2% reduction on the estimated level for 2013.

Projects Report

Bowdens Silver Project

NSW, Australia

Summary

Kingsgate Bowdens Pty Limited holds six Exploration Licences ("ELs") located in the Lue/Rylstone area of central western NSW. EL 5920 is divided into two separate areas, one containing the Bowdens project, adjacent to the village of Lue, and the second to the west of the town of Rylstone.

Silver mineralisation was discovered at Bowdens in the mid 1980's. Programs of geophysical and geochemical exploration have been undertaken in various forms since that time.

Steady progress was made towards the completion of the Definitive Feasibility Study ("DFS") and the Environmental Impact Statement ("EIS") during 2014, which were synchronised to deliver cost savings and operational efficiencies. The synchronisation of the two key studies at Bowdens was part of a broader suite of measures adopted by Kingsgate during the year to manage the ongoing volatility of the metal price.

In December 2013, Kingsgate completed four diamond and eight RC drill holes comprising 2,795 metres as a part of the plant sterilisation drilling program. The sterilisation drilling program confirmed that there is no significant mineralisation under the proposed plant site.

Further exploration within the tenement holdings included structural mapping and a data review to assist in identifying regional targets throughout the exploration licence areas.

Geology

The Bowdens Silver Project is located on the eastern margin of the Lachlan fold-belt and its contact with the younger, on-lapping late Permian, sedimentary units of the Shoalhaven Group within the Sydney Basin. Bowdens is hosted within flat-lying Early Permian Rylstone Volcanics. The Rylstone Volcanics are partially overlain by a sequence of marine sediments of the Sydney Basin (Shoalhaven Group). The Rylstone Volcanics range from 10 to 200 metres thick and are dominated by silica rich volcanically derived rocks.

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

Resource

A resource estimate was completed in October 2012 in-line with the JORC 2012 code and the total measured, indicated and inferred resource (at 30 grams per tonne silver equivalent (AgEq) lower cut-off grade) is 182 million ounces of AgEq.

No changes have been made to the estimation during 2013–2014, as no additional resource drilling was undertaken.

Definitive Feasibility Study, Environmental Impact Statement and Approvals

During 2014, the synchronisation of both the DFS and EIS identified two long lead items that needed detailed design work before final completion.

These two areas are the ground and surface water management, and the preferred route for the 132kW power transmission line. Specialist consultants are finalising detailed studies on these areas.

The preparation for lodgement of the EIS to the NSW Department of Planning continues and it is envisaged that it will be completed in the current year.

Data collection for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels continue routinely. Similar studies of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken on the project site.

There have been no serious safety incidents reported to date. At the end of June 2014, there were over 940 days free of Lost Time Injury since Kingsgate exploration and pre-development activities began on site.

Environmental, regulatory and NSW Government approvals remain a key determinant for the timing of project development at Bowdens, including recent NSW Land and Environment Court decisions. All of these elements are being included in the preparation of the EIS, and are helping shape its final form.

Community relations were undertaken throughout the year utilising a variety of techniques including: letters, telephone calls, industry presentations, site tours, and community and governmental meetings. To date, more than 60 people have taken a tour of the Bowdens Silver Project.

Community consultation remains an important aspect for the project and a series of community based events are planned prior to the EIS lodgement to ensure that all the stakeholders of the Bowdens Silver Project are able to comment on this important regional project.

continued

Nueva Esperanza Project

Chile

Summary

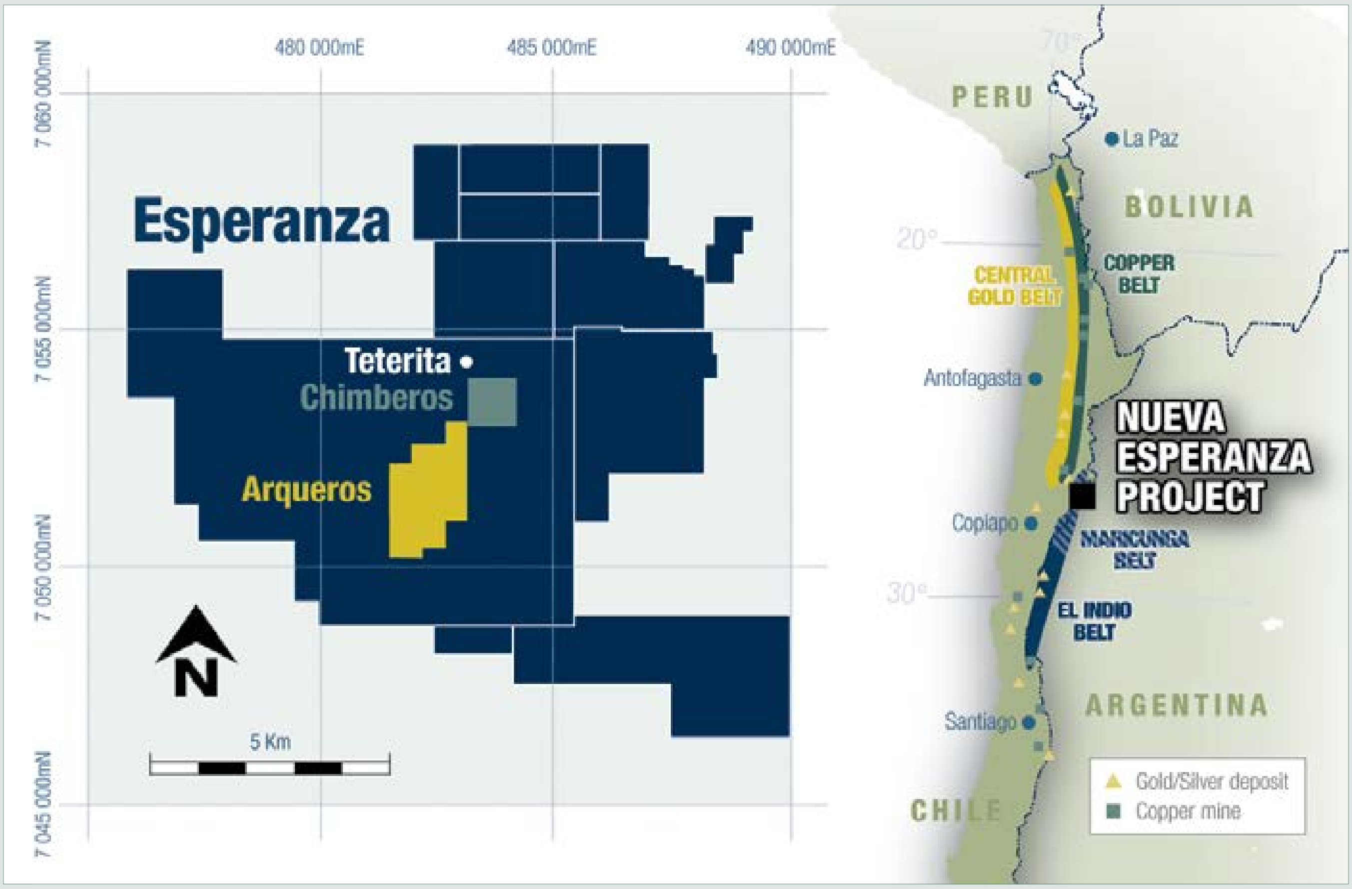
The Nueva Esperanza Project is 100% owned by Kingsgate since February 2012. The project is located in the Maricunga Gold Belt near Copiapó, a regional mining centre in Northern Chile. The gold and silver-rich mineralisation is hosted by the Esperanza high-sulphidation epithermal alteration system associated with the Cerros Bravos volcanic complex.

The project consists of three well-defined mineralised deposits and a number of undeveloped exploration targets. The main deposits are Arqueros, Chimberos and Teterita. Arqueros was previously mined on a limited scale by underground methods and Chimberos was exploited as an open pit mine, delivering about 40 million ounces of silver in 1998/1999. All three deposits have a combined Mineral Resources of approximately 93 million ounces of silver equivalent or 1.6 million ounces of gold equivalent (EQ60)[1].

A feasibility study at Nueva Esperanza was completed in March 2014, demonstrating that open cut mining at three million tonnes per year and processing by heap leaching with cyanide is technically feasible and economically viable.

Environmental approvals to commence construction and mining at Nueva Esperanza were granted in July 2013 for the original Arqueros project. A modification of the approval has been applied for to incorporate the heap leach process, on-site power generation and additional waste dumps and open cut mining for all three deposits.

1 Equivalence is based on gold/silver price ratio of 60. Gold equivalence = gold content plus (silver content divided by 60), whereas Silver equivalent = silver content plus (gold content times 60).



Geology

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

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

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

Resource

Kingsgate has previously published the combined Measured, Indicated and Inferred Mineral Resource for the Nueva Esperanza Project (refer to page 32), based on the resource block modelling of Arqueros, Chimberos and Teterita. This has been estimated at a cut-off grade of 0.5 grams per tonne (g/t), gold equivalent (AuEq60) to be 28.9 million tonnes at 0.27g/t gold and 84g/t silver.

This represents about 250,000 ounces of gold and 78.5 million ounces of silver. The Measured and Indicated Mineral Resource was estimated at 22.8 million tonnes at 0.26g/t gold and 89g/t silver, representing 190,000 ounces of gold and 65.1 million ounces of silver. The Measured, Indicated and Inferred Resource may be expressed in gold or silver equivalent ounces as:

- Gold equivalent ounces (AuEQ60): 1.6 million ounces at 1.7g/t gold equivalent; and
- Silver equivalent ounces (AgEQ60): 93.5 million ounces at 100g/t silver equivalent.

continued

Feasibility Study

A Definitive Feasibility Study has been completed with the focus on the open cut mining of the Arqueros, Chimberos and Teterita deposits to extract three million tonnes of ore annually for processing by heap leaching with cyanide to produce an average silver-rich doré of approximately 7.4 million silver equivalent ounces (AgEq60). Power will be generated on-site and water pumped from near-by water bores.

Kingsgate's strategic plan is to bring the project into production with an initial mine life of six years, which will provide an operating base to explore and identify additional areas of mineralisation within the current exploration license areas. There is a potential upside to the project's economic viability and mine life through:

- Conversion of Inferred Resources within the global resource base; and
- Definition of resources at already identified exploration targets within the Mining Lease.

The key conclusions of the study are presented in the Table opposite. The initial capital expenditure is US$143 million plus working capital (first fill, spares and operating costs) of approximately US$11 million.

Environmental Study

The existing environmental approval for the project that was granted in July 2013, has been modified to take into account the process route change to heap leaching, on-site power generation, additional waste dumps for Teterita and Chimberos, and the mining of those deposits. The modified environmental plan has been submitted to the Chilean authorities for approval, which once received will facilitate the process of applying for a license to operate and various permits associated with the mine site and associated infrastructure.

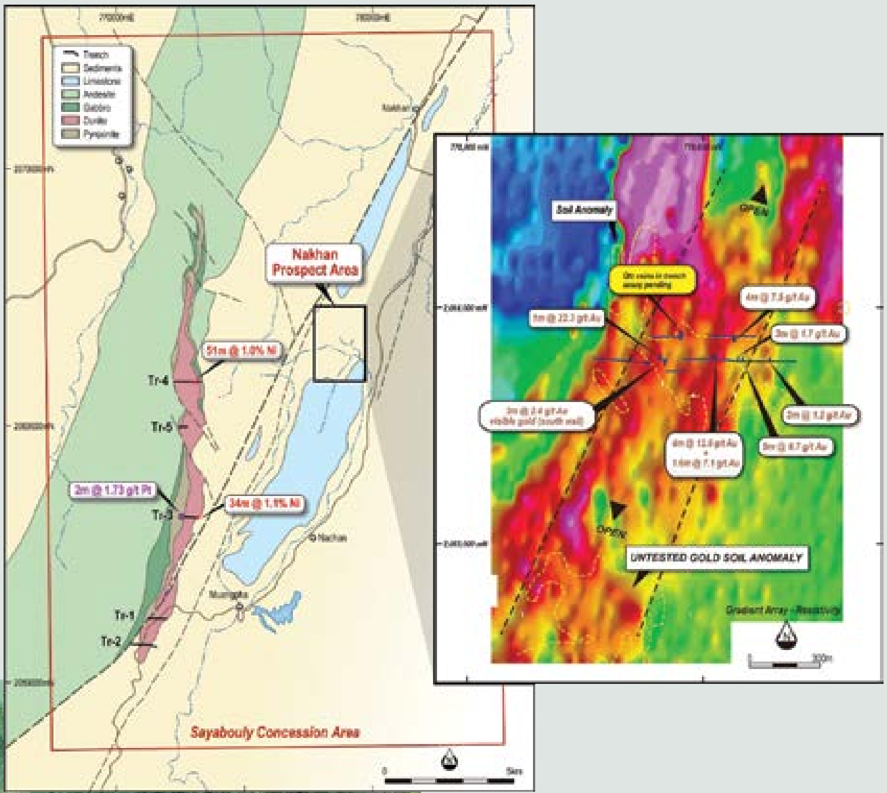
Initial mine life	> 6 years	Extendable through conversion of inferred resources, and development of satellite mineralisation
Annualised production	3 million tonnes	Optimised for maximum revenue
Silver & gold recovered (annual average)	6.3 million oz silver; and 17,900 oz gold	7.4 million oz silver equivalent; or 123,500 oz gold equivalent
Silver & gold recovered (life of mine)	38.2 million oz silver; and 107,900 oz gold	44.6 million oz silver equivalent; or 744,200 oz gold equivalent
Life of mine strip ratio	5.7 (waste/ore)	Includes ramps and banks
Initial capital cost (Capex)	US$143 million	Based on contract mining
Total capital (life of mine)	US$160 million	Includes US$17 million sustaining capital
Recovery	71% silver and 75% gold	Gold mineralisation only present at Arqueros and Chimberos
Average cash operating cost	US$11.35/oz AgEq; or US$681/oz AuEq	Includes all royalties & mining tax but excludes sustaining capital

Exploration Report

Summary

Kingsgate has a portfolio of exploration tenements and applications in Thailand, Chile, Lao PDR and Australia. Exploration in Australia is currently only conducted in the vicinity of the Challenger Mine in South Australia and the Bowdens Silver Project in New South Wales.

Kingsgate's South East Asian exploration team continues to focus on exploration opportunities in Thailand and surrounding countries. Strategically, the team has turned the majority of their attention to projects which have the capacity to add value to the Company through exploration drilling and subsequent resource expansion. These projects include the granted Mining Leases at Chatree and the granted Sayabouly Concession in the Lao PDR.



LAO PDR Exploration

Within the Lao PDR, exploration activity focused within the granted concession area at the Phulon multi-element Prospect and the new Nahkan Gold Prospect.

The Phulon Prospect represents an extensive Copper (Cu), Platinum (Pt) and Nickel (Ni) surface anomaly which has been tested with broad spaced trenches. Results include 2.0 metres at 1.73 ppm Pt and a broad zone Ni mineralisation including 51 metres at 1.0% Ni and 34 metres at 1.1% Ni. The style of mineralisation is thought to be similar to Copper and Platinum Group Element deposits such as the Great Dyke Deposits in Zimbabwe. Surface 3D induced polarisation geophysics has identified several targets below these results which support drill testing in the future.

At the Nahkan Prospect, recent field activities have discovered high grade gold in quartz veins in several creek systems. Preliminary reconnaissance trenches in areas adjacent to these creeks have successfully defined a potential source to some of the high grade gold observed within the quartz veins. Highlight channel samples include 4 metres at 12.8g/t gold, 5 metres at 6.7g/t gold and 4 metres at 7.5g/t gold.

The veins are hosted within a granodiorite intrusion that underlies several metres of overburden. Geophysics in the form of gradient array induced polarisation ("IP") was recently completed over the Nahkan Prospect and the results show good correlation with several of the quartz vein systems observed in the trenches. IP is considered to be a useful tool for the targeting of additional trenches across the vein system and subsequent drilling after the wet season.

Outside of these active areas, the South East Asian exploration team continues to review new opportunities throughout Thailand, Lao PDR and their neighbouring countries.

continued

Ore Reserves and Mineral Resources

as at 30 June 2014

Challenger, Chatree and Nueva Esperanza Ore Reserves

			Grade						Contained Metal			
Source	Category	Tonnes (Million)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Au Equiv (g/t)	Ag Equiv (g/t)	Gold (M oz)	Silver (M oz)	Au Equiv (M oz)	Ag Equiv (M oz)
Challenger	Proved	0.06	5.63	–	–	–	5.63	355	0.01	–	0.01	0.7
	Probable	0.78	5.78	–	–	–	5.78	364	0.14	–	0.14	9.1
	Total	**0.84**	**5.77**	**–**	**–**	**–**	**5.77**	**363**	**0.16**	**–**	**0.16**	**9.8**
Chatree	Proved	42.4	0.80	9.69	–	–	0.88	108	1.09	13.2	1.20	148
	Probable	12.0	0.77	7.70	–	–	0.83	102	0.30	3.0	0.32	39.5
	Total	**54.4**	**0.80**	**9.25**	**–**	**–**	**0.87**	**107**	**1.39**	**16.2**	**1.52**	**187**
Nueva Esperanza	Proved	–	–	–	–	–	–	–	–	–	–	–
	Probable	17.1	0.27	97	–	–	1.89	113	0.15	53.5	1.04	62.5
	Total	**17.1**	**0.27**	**97**	**–**	**–**	**1.89**	**113**	**0.15**	**53.5**	**1.04**	**62.5**
Total	Proved	42.5	0.81	9.68	–	–	0.89	109	1.10	13.2	1.21	148.4
	Probable	29.9	0.61	59	–	–	1.57	116	0.59	56.5	1.51	111.1
	Total	**72.3**	**0.73**	**30**	**–**	**–**	**1.17**	**112**	**1.69**	**69.7**	**2.72**	**259.6**

Challenger, Chatree and Nueva Esperanza Mineral Resources (inclusive of Ore Reserves)

			Grade						Contained Metal			
Source	Category	Tonnes (Million)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Au Equiv (g/t)	Ag Equiv (g/t)	Gold (M oz)	Silver (M oz)	Au Equiv (M oz)	Ag Equiv (M oz)
Challenger	Measured	0.37	7.34	–	–	–	7.34	462	0.09	–	0.09	5.5
	Indicated	1.59	7.87	–	–	–	7.87	496	0.40	–	0.40	25.3
	Inferred	0.58	7.88	–	–	–	7.88	496	0.15	–	0.15	9.3
	Total	**2.54**	**7.80**	**–**	**–**	**–**	**7.80**	**491**	**0.64**	**–**	**0.64**	**40.1**
Chatree	Measured	86.7	0.71	7.71	–	–	0.77	95.0	1.98	21.5	2.15	265
	Indicated	49.7	0.64	5.94	–	–	0.69	84.7	1.02	9.5	1.10	135
	Inferred	44.9	0.58	4.63	–	–	0.62	76.0	0.84	6.7	0.89	109.7
	Total	**181.3**	**0.66**	**6.46**	**–**	**–**	**0.71**	**87.5**	**3.84**	**37.7**	**4.15**	**510**
Nueva Esperanza	Measured	1.5	0.01	101	–	–	1.69	102	0.00	4.9	0.08	4.9
	Indicated	21.3	0.28	88	–	–	1.75	105	0.19	60.3	1.20	71.8
	Inferred	6.1	0.30	67	–	–	1.42	85	0.06	13.1	0.28	16.7
	Total	**28.9**	**0.27**	**84**	**–**	**–**	**1.67**	**100**	**0.25**	**78.3**	**1.56**	**93.3**
Total	Measured	88.6	0.73	9.26	–	–	0.82	96.7	2.07	26.4	2.32	275
	Indicated	72.6	0.69	29.9	–	–	1.16	99.6	1.62	69.8	2.70	232
	Inferred	51.6	0.63	12.0	–	–	0.79	81.8	1.04	19.8	1.32	136
	Total	**212.7**	**0.69**	**17.0**	**–**	**–**	**0.93**	**94.1**	**4.73**	**115.9**	**6.34**	**643**

Bowdens Mineral Resources

			Grade							Contained Metal			
Source	Category	Tonnes (Million)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Au Equiv (g/t)	Ag Equiv (g/t)	Gold (M oz)	Silver (M oz)	Au Equiv (M oz)	Ag Equiv (M oz)
Bowdens	Measured	23.6	–	56.6	0.31	0.41	1.64	74.5	–	43.0	1.25	57
	Indicated	28.4	–	48.0	0.27	0.36	1.40	63.6	–	43.8	1.28	58
	Inferred	36.0	–	41.0	0.30	0.40	1.27	58.0	–	47.5	1.47	68
	Total	**88.0**	**–**	**47.4**	**0.29**	**0.39**	**1.41**	**64.4**	**–**	**134.1**	**4.00**	**182**

Group Total Mineral Resources	**300.7**	**0.49**	**25.9**	**–**	**–**	**1.07**	**85.3**	**4.73**	**250.04**	**10.34**	**825**

Notes to the Ore Reserves and Mineral Resources Table:

Some rounding of figures may cause numbers to not add correctly

(1) *Nueva Esperanza Equivalent factors:*
- *Silver Equivalent: AgEq (g/t) = Ag (g/t) + Au (g/t) x 60*
- *Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t) / 60*

Calculated from prices of US$1380/oz Au and US$21.50/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate.

(2) *Bowdens equivalent factors:*
- *Silver equivalent: AgEq (g/t) = Ag (g/t) + 27.5 x Pb (%) + 22.8 x Zn (%)*

Calculated from prices of US$26.33/oz Ag, US$1250/oz Au, US$2206/t Pb, US$2111/t Zn and metallurgical recoveries of 72% Ag, 75% Pb, and 66% Zn estimated from test work by Kingsgate.
- *Gold equivalent: AuEq (g/t) / 46*

Calculated from prices of US$1200/oz Au, US$26.33/oz Ag

(3) *Chatree Equivalent factors:*
- *Chatree gold Equivalent: AuEq/t = Au (g/t) + Ag (g/t) / 123*
- *Silver Equivalent: AgEq g/t = Au (g/t) x 123 + Ag g/t*

Calculated from prices of US$1350/oz Au and US$21.50/oz Ag and metallurgical recoveries of 83.2% Au and 42.6% silver based on metallurgical test-work and plant performance.

(4) *Challenger Equivalent factors:*
- *Silver Equivalent: AgEq/t = Au (g/t) x 63*

Calculated from prices of US$1350/oz Au and US$21.50/oz Ag and consistent metallurgical recoveries for gold and silver.

(5) *Cut-off grades for Resources are:*
Chatree 0.30 g/t Au, Nueva Esperanza 0.5g/t AuEq, Bowdens 30g/t AgEq, Challenger underground 5.0 g/t Au, Challenger open pit 1.5 g/t Au and Challenger stockpile variable.

(6) *Cut-off grades for Reserves are:*
Chatree 0.35g/t Au, Nueva Esperanza 0.5g/t AuEq, Bowdens 30g/t AgEq, Challenger underground 5.0 g/t Au, Challenger stockpile variable.

(7) *In the Company's opinion all the elements included in the metal equivalent calculations have a reasonable potential to be recovered.*

Competent Persons Statement

All of the Company's Mineral Resources and Ore Reserves are internally peer reviewed at the time of estimation and are subject to ongoing review, as and when required. Should any Mineral Resources or Ore Reserves be utilised within a Bankable or Definitive Feasibility Study, it is expected that an audit by independent experts would be conducted. For both mine sites, ongoing reconciliations between Mineral Resource, Ore Reserve, mining production, mill feed tonnes and grade are completed on a regular basis and, to date, there have been no material differences identified in any of these processes.

The information relating to Nueva Esperanza Mineral Resources and Ore Reserves is extracted from an ASX announcement by Kingsgate titled "Nueva Esperanza, Chile – Definitive Feasibility Study Delivers Strong Results" from 17 March 2014.

The information relating to Bowdens Mineral Resources is extracted from an ASX announcement by Kingsgate titled "Bowdens Mineral Resource Report 2013" from 18 October 2013.

The above-mentioned announcements are available to view on Kingsgate's public website (http://kingsgate consolidated.com.au). The Company confirms that is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially altered from the original announcement.

In this report, information concerning Chatree Exploration Results, Mineral Resources and Ore Reserves estimates is based on information compiled by the following Competent Persons: Ron James, Brendan Bradley, Maria Munoz, Rob Kinnard and Suphanit Suphananthi who are employees of the Kingsgate Group. All except Brendan Bradley are members of The Australasian Institute of Mining and Metallurgy; Brendan Bradley is a member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 edition) and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

Additional information on the compilation of Chatree Mineral Resources and Ore Reserves can be found in Table 1 that was appended to an ASX announcement by Kingsgate titled "Chatree 2013 Mineral Resources and Ore Reserves" on 29 July 2013.

In this report, information concerning Challenger Exploration Results, Mineral Resources and Ore Reserves estimates is based on information compiled by Stuart Hampton and Luke Phelps who are employees of the Kingsgate Group. Both are 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, 2012 edition) and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

Additional information on the compilation of Challenger Mineral Resources and Ore Reserves can be found in Table 1 that was appended to an ASX announcement by Kingsgate titled "Challenger Gold Operations Mineral Resources Update" on 30 September 2013.

Corporate Governance Statement

Corporate Governance Practices

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

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

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

Roles and Responsibilities of the Board

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

The Board is responsible for:

- Overseeing the Company, including its control and accountability systems;
- Providing leadership of the Company within a framework of prudent and effective controls which enable risks to be assessed and managed;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- Setting the Company's direction, strategies and financial objectives;
- Ensuring compliance with regulatory and ethical standards;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Appointing, terminating and reviewing the performance of the Chief Executive Officer;
- 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 Chief Executive Officer 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 2014, the Board met fifteen times and there were eight 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 Chief Executive Officer are exercised by different individuals.

During the majority of the 2014 financial year there were five Directors. Details of the Directors who held office during the 2014 financial year, including their qualifications, experience and the period for which each Director has held office is set out on page 47 of this Report. On 1 June 2014, Mr Gavin Thomas resigned from the Board as Managing Director of the Company. On 1 July 2014, Mr Peter Warren was appointed as a Non-Executive Director.

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 three 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.

Any Director appointed as an additional or casual Director, is not to be taken into account in determining the Directors who are 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 2014 financial year, four of the Company's 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.

Mr Peter Warren has provided consultancy services to the Company within the last three years. Notwithstanding this, he is considered to be an independent Director because the services have been provided with respect to a specific project which would not interfere with his capacity to bring an independent judgement to bear on issues before the Board.

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

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the above mentioned adviser / consultant;
- Is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- Has a material contractual relationship with the Company other than as a Director.

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

Appointment of Directors

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

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

- Current composition of the Board;
- Need for independence;
- The Company's Diversity Policy;
- Strategic direction and progress of the Company; and
- Nature of the Company's business.

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

Performance Review of the Board and Senior Executives

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

Performance evaluations of the Board, its committees, the individual Directors and key executives were undertaken in the 2014 financial year in accordance with the above processes.

The Chief Executive Officer 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 Peter Warren (Chairman of Audit Committee);
- Mr Peter McAleer; and
- Mr Ross Smyth-Kirk.

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 three times during the 2014 financial year.

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

Auditor Independence and Engagement

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

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

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

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

continued

PricewaterhouseCoopers was appointed as external auditor of the Company for the 2014 financial year.

Risk Oversight and Management

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

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

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

- Regular internal management reporting;
- Reporting at Board and Committee meetings by relevant managers;
- Site visits by the Board and senior management;
- Internal and external audits; and
- Training, procedural manuals and meetings.

The Board has received assurance from the Chief Executive Officer 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 Alexander;
- Mr Peter McAleer; and
- Mr Peter Warren.

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 Chief Executive Officer, an appropriate executive remuneration policy;
- Determining the remuneration of Directors;
- Having regard to the Company's Diversity Policy, including issues relating to remuneration by gender;
- Reviewing and approving the remuneration of those reporting directly to the Chief Executive Officer and other senior executives, as appropriate; and
- Reviewing all equity based plans for approval by the Board.

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

The Remuneration Committee met four times during the 2014 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 Peter Warren.

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

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

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

The Nomination Committee met once during the 2014 financial year.

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

Ethical Standards and Code of Conduct

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

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

The core values of the Code of Conduct are:

- Honesty and Integrity;
- Fairness and Respect; and
- Trust and Openness.

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

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

Diversity

The Company has a policy to improve the diversity of its workforce over time by identifying women and individuals from under-represented backgrounds for recruitment, and by rewarding and promoting employees on the basis of performance. Because the Company, at this stage of its development, has a small Board of Directors, and a small management team which is geographically dispersed and because of the industry in which the Company operates, the Board does not consider it to be practicable to set measurable objectives to achieve greater gender diversity at this time.

The Company aims to foster continuous improvement in the area of diversity; building on achievement realised through the implementation of historical diversity initiatives, by applying principles successfully used at our leading operation in this area, to other parts of the business.

Our flagship 'Chatree' Mine in Thailand continues to maintain equal representation by women on the senior management team. Recruitment, training and promotion principles employed at Chatree are currently being applied to our 'Challenger' Mine in Australia, where we currently have 15.3% representation of women across the senior management and professional categories and to other parts of the business.

The Company is seeking to improve the diversity of its workforce over time by identifying women and individuals from under-represented backgrounds for recruitment, whilst continuing to reward and promote employees on the basis of performance.

Of note, the 2014 financial year has been characterised by a significant reduction in employee numbers within the Company limiting opportunity through non-replacement of roles. There is currently no representation by women on our Board of Directors. Whilst this is in part reflective of the relatively small size of the Board and stage of development of key elements of the business, it forms part of an overall business review process to consider the issue of gender diversity at this level and will be the subject of ongoing review. The Board maintains this approach to be more practicable than the setting of measurable objectives at this stage. In addition, the Board acknowledges the benefits of seeking to improve gender diversity at all levels in the Company over time and will keep this issue under review.

The Company considers that it will benefit from its ongoing commitment to promote a diverse workforce with treatment of employees and future employees on the basis of merit, abilities and potential, regardless of gender, colour, ethnic or national origin, race, disability, age, sexual orientation, gender reassignment, socio-economic background, religious or political belief, non/trade union membership, family circumstances or other irrelevant distinction.

The Company has set various criteria and procedures in order to support equality and diversity in the workforce and applies these principles to:

- Provide fair access to workplace opportunities and benefits, including internal promotion, leadership development, flexible work practices and fair and comparable wages;
- Attracting and retaining a skilled and diverse workforce;
- Creating an inclusive workplace culture where discriminatory behaviour is unacceptable; and
- Providing an effective grievance mechanism for employees.

Current Proportion of Women Employees (Australian based employees)

Board	0.0%
Senior Executives	0.0%
Senior Managers	0.0%
Managers	1.8%
Professionals	6.3%
Non-professionals	7.2%
Total Workforce	**15.3%**

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 is available in the 'Corporate Governance' section of the Company's website.

Annual General Meeting

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

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

Corporate Governance Disclosure

The Company's governance policies and procedures comply in all substantial respects with the Australian Securities Exchange Corporate Governance Principles and Recommendations, second edition with 2010 Amendments. The Company will report against the third edition with respect to the 2015 financial year. The following table compares the ASX Recommendations and the Company's corporate governance policies and practices.

continued

ASX Corporate Governance Principles and Recommendations

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 establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	√
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√
2.1	A majority of the Board should be independent Directors.	√
2.2	The Chair should be an independent Director.	√
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	√
2.4	The Board should establish a Nomination Committee.	√
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	√
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ❯ the practices necessary to maintain confidence in the Company's integrity; ❯ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ❯ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	√ *
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	*
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	√
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√
4.1	The Board should establish an Audit Committee.	√
4.2	The Audit Committee should be structured so that it: ❯ consists only of Non-Executive Directors; ❯ consists of a majority of independent Directors; ❯ is chaired by an independent Chair, who is not Chair of the Board; and ❯ has at least three members.	√
4.3	The Audit Committee should have a formal charter.	√
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	√
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	√
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	√
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	√
8.1	The Board should establish a Remuneration Committee.	√
8.2	The Remuneration Committee should be structured so that it: ❯ consists of a majority of independent Directors; ❯ is chaired by an independent Chair; and ❯ has at least three members.	√
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	√
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√

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

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:

Tim Benfield

Dip CSM (mining), MBA, MAusIMM

Chief Operating Officer

Tim Benfield joined Kingsgate in February 2012 as Chief Operating Officer. Tim is a mining engineer with over 22 years' underground and open pit experience in the mining industry in both operational and corporate roles. He has operational and project development experience in Australia, Africa and Saudi Arabia. This includes 10 years with Barrick Gold of Australia where he provided support to four operating mines and two development projects. Tim was most recently General Manager of the Pajingo Gold mine in Queensland for Evolution Mining Limited.

Ross Coyle

BA, FCPA, FGIA

General Manager Finance and Administration Company Secretary

Ross Coyle joined Kingsgate in March 2011 following the Company's acquisition of Dominion Mining Limited and was with the Dominion group for over 25 years. He is a qualified accountant and has over 31 years' experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Company Secretary in September 2011.

Joel Forwood

Bsc (Hons) FFin

General Manager Corporate and Markets

Joel Forwood joined Kingsgate in November 2010 and has over 28 years' experience in the resource and investment industries covering investor relations, funds management and exploration. For over 13 years, he has been leading investor relations at a number of listed companies, most recently for Lihir Gold Limited. Prior to this he was a fund manager with Queensland Investment Corporation (QIC) following his early career in mineral exploration with BHP and corporate development with RGC.

Ronald James

BSc (Geology), MAusIMM, MAIG

General Manager Exploration and Resource Development

Ron James has 31 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.

Brett Dunstone

Dip. (Hospitality)- William Angliss College
B.Bus. Victoria University (part complete)

General Manager – Human Resources

Brett Dunstone joined Kingsgate in December 2012 and has over 26 years' experience in senior human resource management roles across a diverse industry portfolio. Brett was formerly head of Human Resources for Crown Casino, Melbourne, the Myer group, key Village Roadshow entities and head of Employee Relations for the Coles Myer group. Brett has experience in supporting both large and emerging resource company development projects locally and overseas (BHP Billiton, Woodside, Equinox Minerals and Chalice Gold).

continued

Michael Monaghan

Dip Eng (Mining) Dip Business MAusIMM MAICD SME

Chief Operating Officer and General Manager – Akara Resources PCL

Mike Monaghan joined Kingsgate as the General Manager of Chatree Gold Mine in October 2012. He is a mining engineer with 29 years of management experience in both underground and open cut operations across a number of commodities as well as commissioning, mine management, turnaround management and environmental and safety compliance in Australia, Africa and Europe. Mike was most recently Mining Manager at Geita Gold Mine in Tanzania for AngloGold Ashanti Limited. Prior to that he held General Manager and Mining Manager positions at Etruscan Resources Youga Gold Mine in Burkina Faso and Red back Mining's Chirano Gold Mine in Ghana.

Pakorn Sukhum

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

Chief Executive Officer – Akara Resources PCL

Pakorn Sukhum joined the management team of Akara Resources PCL as Chief Executive Officer at the end of 2009. He brings to Akara over 25 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.

Directors' Report

for the year ended 30 June 2014

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 2014.

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 Non-Executive Chairman
- Peter Alexander Non-Executive Director
- Craig Carracher Non-Executive Director
- Peter McAleer Non-Executive Director
- Peter Warren Non-Executive Director (appointed 1 July 2014)
- Gavin Thomas Executive Director (resigned 1 June 2014)

Principal activities

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

Dividends

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

	2014 $'000	2013 $'000
No final dividend was declared for the year ended 30 June 2013	–	15,148
No interim dividend was declared for the year ended 30 June 2014	–	7,590
Total dividends	–	22,738

Review of operations and results

Operational Performance

Kingsgate is a gold mining, development and exploration company based in Sydney, Australia. Kingsgate owns and operates two gold mines; the world class Chatree Mine in Thailand and the underground Challenger Mine in South Australia. In addition, the Company has two advanced development projects; the Nueva Esperanza Silver / Gold Project, in the highly prospective Maricunga Gold / Silver Belt in Chile, and the Bowdens Silver Project in New South Wales, Australia.

Group gold production was 209,500 ounces, an increase of 5% on the previous corresponding year. The contribution from Chatree was 134,546 ounces with 74,954 ounces from Challenger.

Chatree gold production was 1% higher than the previous corresponding year mainly as a result of an increase in throughput from the combined Chatree process plants despite lower gold grade and recovery.

Challenger gold production was 13% higher than the previous corresponding year with higher gold grade and recovery more than offsetting lower throughput. During the year, the transition to a new mine plan focusing primarily on the higher grade Challenger West ore body was completed.

The after tax loss of $96.3 million for the year is primarily due to a non-cash impairment charge of $84.6 million against the carrying value of the Bowdens Silver Project. The Board believes that the Bowdens Project remains an important asset in the Kingsgate development portfolio, however, in accordance with current accounting standards Kingsgate is required to assess the carrying value of its operating and development projects within a set valuation framework (refer to Note 5 for further detail).

The development projects continued to advance during the year. At Nueva Esperanza, the Definitive Feasibility Study ("DFS") was completed for a project based on heap leach and on-site power generation. The results of the study support the technical viability and financial robustness of the project. At Bowdens, the feasibility work focused on mine planning, infrastructure and metallurgy and has confirmed the optimum process route. Work will now focus on completion and lodgement of the Environmental Impact Statement ("EIS") by the end of calendar year 2014.

Chatree

Chatree continued as Kingsgate's primary production asset throughout the year, producing 134,546 ounces of gold and 992,255 ounces of silver. The process plant treated 6.2 million tonnes at a head grade of 0.86 grams per tonne ("g/t") with a recovery of 79.4%. The strong production performance was achieved despite poor equipment availability within the mining contractor's fleet, particularly with the RH90 excavators. This is being addressed by the implementation of a number of joint maintenance improvement projects between our contractor and their main maintenance supplier.

The process plant performed well during the year with total mill throughput of 6.2 million tonnes, 9.4% higher than 2013. The overall plant availability of 97.5% was slightly lower than the previous year's 98.1%. The operating throughput of the combined process plants of around 6.2 million tonnes per annum, is some 24% above the annual "nameplate" throughput rate of 5.0 million tonnes per annum and is expected to continue to operate at this rate.

Total cash costs for the year were US$728 per ounce (US$617 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was $US111 per ounce of gold. Total production costs after depreciation and amortisation were US$979 per ounce of gold produced.

At year end, 9.7 million tonnes of ore was stockpiled with an average contained gold grade of 0.54g/t representing 167,359 ounces of gold.

Challenger

The Challenger Mine produced 74,964 ounces of gold for the year with an average grade processed of 4.78g/t and a total cash cost of US$1,310 per ounce.

Significant milestones were achieved at Challenger with the transition to the Challenger West mine plan and a change of underground mining services contractor. Both measures had a significant impact on reducing the operating cost per ounce of gold produced.

The mine head grade increased over the 2014 year following the move to 100% Challenger West ore by the end of the December quarter. However, higher than planned dilution in the production stopes resulted in mine head grades underperforming against the reserve grade.

The mining service contractor was changed to Byrnecut on 1 August 2013. This had a positive impact on safety, cost and mine productivity. This has allowed production levels and development rates to remain at historic levels whilst reducing the underground workforce by around 33%.

Nueva Esperanza Silver / Gold Project

The Nueva Esperanza Silver / Gold Project advanced during the year with the completion of a DFS to mine and process the Arqueros, Chimberos and Teterita deposits. The study confirmed that open pit mining and processing via heap leach is technically feasible and economically viable.

The key conclusions of the study were based on processing three million tonnes of ore by heap leach to produce 6.3 million ounces of silver and 17,900 ounces of gold per annum, on average, for over six years. The initial capital cost, based on contract mining, is estimated at US$140 million with average operating costs of US$27.65 per tonne or US$9.55 per ounce of silver (including gold as a by-product credit).

The existing environmental approvals for Nueva Esperanza were granted in July 2013 for the original Arqueros project. A modification of the approval has been lodged to incorporate the heap leach process, on-site power generation and additional waste dumps and open cut mining for Chimberos and Teterita.

Bowdens Silver Project

The Bowdens Project continued to advance during the year with field programs supporting the feasibility and environmental studies.

Major elements of the feasibility study have been completed encompassing detailed process design based on using the most recent metallurgical test results, capital and operating cost estimates, infrastructure requirements and mine optimisation. Work is continuing on two of the more detailed studies required for the Environmental Impact Statement ("EIS"), the proposed route for the 132kv transmission line and ground and surface water studies. Progress in these two key areas will underpin the work already undertaken in other EIS study areas such as, air, ecology, noise, soils and visual amenity.

The preparation for lodgement of an EIS to the NSW Department of Planning continues. Data for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels are collected routinely. Further investigations of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken.

With the fall in metal prices in late 2013, work and expenditure on the DFS and EIS have been phased to coordinate the two programs with completion and lodgement of the EIS now expected by the end of calendar year 2014.

Exploration

The Group has a portfolio of exploration tenements and applications in Australia, Thailand, Chile and Lao PDR.

There was a significant reduction in exploration activity during the year with a re-focusing of priorities that matched corporate context and resources. Some encouraging results were recorded from gold exploration at the Sayabouly project in Lao PDR where initial and follow-up trenching has continued to identify high grade quartz veins with channel sample results including 5 metres at 6.7 grams per tonne gold, 4.0 metres at 7.5 grams per tonne gold.

continued

Financial results

Kingsgate made an after tax loss of $96.3 million for the full year to 30 June 2014 compared to an after tax loss of $326.3 million for the previous corresponding year.

	2014	2013	2012	2011	2010
Net (loss) / profit after tax ($'000)	**(96,291)**	(326,271)	75,006	20,879	73,066
Dividends paid (Cash & DRP) ($'000)	**–**	22,739	22,026	33,647	29,082
Share price 30 June ($)	**0.86**	1.27	4.85	8.00	9.47
Basic (loss) / earnings per share (Cents)	**(55.9)**	(215.0)	52.5	18.7	75.2
Diluted (loss) / earnings per share (Cents)	**(55.9)**	(215.0)	52.5	18.6	74.5

EBITDA before significant items

Before pre-tax significant items, the pre-tax loss of the Group was $5.2 million. Pre-tax significant items are detailed below.

EBITDA before significant items was $66.4 million down from $118.6 million in the previous year.

Consolidated	2014 $'000	2013 Restated $'000
Loss before tax	**(93,405)**	(342,775)
Significant items (pre-tax)		
Foreign exchange (gain) / loss	**(2,595)**	745
Write off of capitalised borrowing fees following loan refinancing	**–**	5,722
Realised gain on delivery against hedge contracts	**(1,175)**	–
Change in fair value of undesignated gold contracts held for trading	**369**	(1,414)
Change in fair value of available-for-sale financial assets	**284**	855
Share of loss in associate	**413**	1,353
Loss on sale of exploration assets (Quadrio Resources Limited)	**–**	16,709
Divestment transaction costs	**4,246**	1,111
Impairment of Challenger Gold Project	**–**	311,850
Impairment of Bowdens Silver Project	**84,586**	–
Impairment of capitalised exploration	**2,112**	20,421
Impairment of associate	**–**	537
(Loss) / Profit before tax and significant items	**(5,165)**	15,114
Borrowing costs	**13,860**	13,087
Depreciation and amortisation	**57,741**	90,377
EBITDA before significant items	**66,436**	118,578

EBITDA before significant items is a financial measure which is not prescribed by International Financial Reporting Standards ("IFRS") and represents the profit under IFRS adjusted for specific significant items. The table above summarises key items between statutory profit before tax and EBITDA before significant items. The EBITDA before significant items has not been subject to any specific auditor review procedures by our auditor but has been extracted from the accompanying audited financial statements.

Revenue

Gold revenue increased by 0.7% to $305.2 million and silver revenue decreased by 11.9% to $23.2 million. Total sales revenue for the Group was $328.3 million for the year, down 0.3% from the previous year.

The increase in gold revenue reflects an increase in gold sold from both Chatree and Challenger offset by a lower gold price.

The average US$ gold price received was US$1,291/oz (2013: US$1,588/oz). The decrease in silver revenue reflects a lower silver price received of US$21/oz (2013: US$28/oz).

Costs

The overall increase in cost of sales to $301.9 million including royalties and depreciation and amortisation, largely reflects increased throughput and production from the Chatree Mine due to the expanded Chatree process plant. On a unit cost basis, total cash costs for the Group were US$936/oz up from $US888/oz in the previous year. The total unit cash costs for Challenger for the year were US$1,310/oz (2013: US$1,135/oz), with the increase due to expensing of direct mine development costs applicable to Challenger Mine. The total unit cash costs for Chatree for the year were US$728/oz down from US$767/oz in 2013.

Depreciation and amortisation

The decrease in depreciation and amortisation to $57.7 million is mainly a result of the asset impairment of the Challenger assets in the 2013 financial year which resulted in a lower depreciation charge against the Challenger asset. This lower charge offset the effect of a full year of depreciation for Chatree Plant #2 and amortisation of the capital cost of the Chatree Tailings Storage Facility #2.

Cash flow

Operating cash inflow was $37.2 million. Net investing cash outflow was $43.5 million. Net cash inflows from financing activities was $30.9 million, including a drawdown of $26.1 million of the convertible revolving credit loan facility net of transaction costs, repayment of $51.6 million of the corporate loan facility and convertible revolving credit facility and proceeds from an equity raising of $56.5 million net of costs.

Material business risks

The Group uses a range of assumptions and forecasts in determining estimates of production and financial performance. There is uncertainty associated with these assumptions that could result in actual performance differing from expected outcomes.

The material business risks that may have an impact on the operating and financial prospects of the Group are:

Revenue

Revenue, and hence operating margins, are exposed to fluctuations including currency in the gold price and to a degree in the silver price. Management continually monitors operating margins and responds to changes to commodity prices as necessary to address this risk, including reviewing mine plans and entering into forward gold sale contracts.

Changes in the gold and silver price also impact assessments of the feasibility of exploration and the Group's two development projects, Nueva Esperanza and Bowdens.

Mineral reserves and resources

Ore reserves and mineral resources are estimates. These estimates are substantially based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted and as a consequence there is a risk that any part, or all of mineral resources, will not be converted into reserves.

Market price fluctuations of gold and silver as well as increased production and capital costs, may render ore reserves unprofitable to develop at a particular site for periods of time.

Replacement of depleted reserves

The Group aims to continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions.

As a result, there is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base may decline if reserves are mined without adequate replacement and as a consequence the Group may not be able to sustain production beyond the current mine lives, based on current production rates.

Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and unplanned equipment failures. These risks and hazards could result in significant costs or delays that could have a material adverse impact on the Group's financial performance and position.

The Group maintains insurance to cover some of these risks and hazards at levels that are believed to be appropriate for the circumstances surrounding each identified risk. However, there remains the possibility that the level of insurance may not provide sufficient coverage for losses related to specific loss events.

Production and cost estimates

The Group prepares estimates of future production, cash costs and capital costs of production for each operation though there is a risk that such estimates will not be achieved. Failure to achieve production, cost estimates or material increases in costs could have an adverse impact on future cash flows, profitability, results of operations and financial position.

Environmental, health and safety regulations

The Group's mining and processing operations and exploration activities are subject to extensive laws and regulations. Delays in obtaining, or failure to obtain government permits and approvals may adversely affect operations, including the ability to continue operations.

Community relations

The Group has established community relations functions that have developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities.

A failure to appropriately manage local community stakeholder expectations may lead to disruptions in production and exploration activities.

Risk management

The Group manage the risks listed above, and other day-to-day risks through an established management framework. The Group has policies in place to manage risk in the areas of health and safety, environment and equal employment opportunity.

continued

Management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

Finance

At the end of the year Kingsgate's drawn debt facilities consisted of:

Senior corporate facility

The balance of the senior corporate loan facility outstanding is $35 million which consists of two tranches:

- Tranche A is an amortising loan facility with a balance of $10 million to be repaid during the 2015 financial year.
- Tranche B is an $25 million Akara Resources PCL ("Akara") Pre-IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid from proceeds raised through the Akara IPO although at Kingsgate's election repayment can be made by Kingsgate either in cash or Kingsgate shares.

Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL ("Akara"), has an amortising multi-currency loan facility with 4.5 years remaining. It is currently drawn to the equivalent of $111.2 million, following the commencement of quarterly repayments in November 2013. Akara also has an additional undrawn Thai Baht denominated working capital facility equivalent to $16 million.

Hedging

As at 30 June 2014, the Group has 12,000 ounces of gold sold forward at an average price of approximately A$1,406 per ounce. This is scheduled to be delivered over the September 2014 quarter as part of the mitigation of Australian gold price risk and is associated with forecast production from the Challenger Mine. In addition there is a residual forward sale from the Dominion merger with 2,500 ounces at A$1,163 per ounce remaining. Since the end of the year a further 22,000 ounces of gold have been sold forward for delivery during the December 2014 half year at a price of A$1,419 per ounce.

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

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Chile and Lao PDR. For the year ended 30 June 2014, the Group has operated within all environmental laws.

Directors' meetings

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
R Smyth-Kirk	15	15	3	3	1	1	4	4
P Alexander	15	15	–	–	–	–	4	3
C Carracher	15	15	3	3	1	1	4	4
P McAleer	15	15	3	3	1	1	4	4
G Thomas	14	14	–	–	–	–	–	–

A: Number of meetings held while in office
B: Meetings attended

Likely developments and expected results of operations

The outlook for the Group in fiscal year 2015 is for gold production to be in the range of 195,000 to 215,000 ounces. At the Chatree Mine in Thailand, gold production is expected to be between 130,000 to 140,000 ounces. At the Challenger Mine in South Australia production for the year is expected to be in the range of 65,000 ounces to 75,000 ounces of gold.

Following completion of the DFS at Nueva Esperanza in Chile, additional environmental approvals were required to be submitted and the approvals are expected to take around six months. During this time optimisation work on mining, infrastructure and metallurgy will continue. In addition, exploration drilling of gold targets at Chimberos and three satellite prospects is scheduled to commence in early September.

The major elements of the DFS for the Bowdens Silver Project in New South Wales were completed during the year. The current work program at Bowdens is focused on the completion and lodgement of an EIS by the end of the 2014 calendar year.

Kingsgate has lodged a draft prospectus with Thai authorities for the listing of its Thai operating subsidiary, Akara Resources PCL, via an IPO on the Stock Exchange of Thailand. The Board of Kingsgate is fully committed to the IPO and following approval of the offer document, Kingsgate will have 12 months to initiate this. The actual timing of the listing will depend on market conditions and other factors following the approval of the offer document.

Information on Directors

Ross Smyth-Kirk
B Com, CPA, F Fin

Chairman – Non-Executive

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 34 years in Australia and the UK. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited and retired in May 2013 as a Director of Argent Minerals 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), Barrister-at-Law (Kings Inns – Dublin, Ireland)

Non-Executive Director

Peter McAleer was until the end of May 2013, the Senior Independent Director and Chairman of the Audit Committee of Kenmare Resources PLC (Ireland). He is now a member of the Advisory Panel to the Board of Kenmare. 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)

Non-Executive Director

Craig Carracher graduated from Sydney University Law School with an LLB (First Class Honours) (1991) and the University Medal and also graduated on a Commonwealth Scholarship with a BCL Law Degree from Magdalen College, Oxford University (First Class Honours) (1993). He has considerable commercial experience in Asia and was managing partner of an international law firm based in Thailand for many years. Mr Carracher has held numerous directorships of listed and private groups throughout Asia. He was previously Group General Counsel with Consolidated Press Holdings Limited, Managing Director of Asian private equity firm Arctic Capital based in Hong Kong, Special Advisor to the Chairman of the Australian Securities and Investment Commission and Associate to the former Chief Justice of the Supreme Court of New South Wales. Mr Carracher is Managing Director of Telopea Capital Partners, an Asia focused private equity group based in Sydney. Mr Carracher is also a Non-Executive Director of the ASX listed Sunland Group Limited.

Responsibilities:

Chairman of the Audit Committee, member of the Nomination and Remuneration Committees (resigned from each of these committees effective 1 July 2014).

Peter Alexander
Ass. Appl. Geol

Non-Executive Director

Peter Alexander has had 41 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 Chairman of the ASX listed company Doray Minerals Limited, a Director of ASX listed companies Fortunis Resources Limited and Caravel Minerals Limited.

Responsibilities:

Member of the Remuneration Committee.

Peter Warren
B Com, CPA

Non-Executive Director (appointed 1 July 2014)

Peter Warren was the Chief Financial Officer and Company Secretary of Kingsgate Consolidated Limited for six years up until his retirement in 2011. He is a CPA of over 40 years standing, with an extensive involvement in the resources industry. 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. Mr Warren is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

Responsibilities:

Chairman of the Audit Committee (appointed 1 July 2014), member of the Nomination and Remuneration Committees effective 1 July 2014.

Gavin Thomas
BSc FAusIMM

Managing Director (resigned 1 June 2014)

Gavin Thomas had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He had over 43 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 had extensive experience in Thailand, south-west Pacific and South America. Mr Thomas was previously Chairman of the TSX listed company Mercator Minerals and Chairman of the formerly ASX listed company Laguna Resources NL.

Responsibilities:

Managing Director and Chief Executive Officer.

Ross Coyle
BA, FCPA, FGIA

Company Secretary

Before joining Kingsgate Consolidated Limited Mr Coyle was Finance Director and Company Secretary of Dominion Mining Limited.

continued

Remuneration Report

Dear Shareholder

I am pleased to present our Remuneration Report for 2014.

During the 2014 financial year, the Company's remuneration practices have reflected the market conditions in which we operate. No salary increases or bonuses were paid at our Australian based operations and increases in Thailand were relatively modest compared with historical practice. As such, you will see that many remuneration arrangements remain unchanged from the 2013 financial year report.

For a majority of the period, Directors and senior management voluntarily reduced their salaries / fees by 10%. At the Challenger Mine in South Australia, all employees also voluntarily reduced their salaries by 10% from 1 February 2014 to the end of the financial year.

Benchmarking of salaries for all roles has been undertaken to ensure that we remain a competitive employer in the market while continuing to meet all legislative and regulatory requirements.

A specific review of the existing Long-Term Incentive ("LTI") program for Key Management Personnel ("KMP") was externally commissioned, the recommendations and outcomes of which are detailed in this report.

We are confident our remuneration practices are sound, market competitive and demonstrate a clear link between executive and shareholder returns. Our discipline in this area has been combined with significant change management initiatives to ensure that cost reductions within our business have been in line with market conditions.

We will continue to consider your feedback as shareholders and review our remuneration policies and framework to meet future market changes.

Thank you for your interest in this report.

Ross Smyth-Kirk
Chairman
Remuneration Committee

Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel ("KMP"). KMP are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and members of Executive Management.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and senior staff are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

Voting and comments made at the Company's 2013 AGM

The table below provides a summary of the Board's action and/or comments in response to concerns raised by shareholders at the 2013 AGM in relation to remuneration.

Remuneration Policy

The Remuneration Policy remains unchanged from last financial year and has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards (refer to chart – Remuneration Reward Mix on page 50).

Remuneration Governance

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and senior executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration levels of Executive Directors and other Key Management Personnel;
- the executive remuneration framework and operation of the incentive plan;
- key performance indicators and performance hurdles for the executive team; and
- the engagement of specialist external consultants to design or validate methodology used by the Company to remunerate Directors and employees.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

The Remuneration Committee engaged the services of the Godfrey Remuneration Group Pty Ltd during 2014 to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design methodology and standards. These recommendations covered the remuneration of the Group's Non-Executive Directors and Key Management Personnel.

Concern	Action or Comment
Key issues raised were: › a lack of understanding of the TSR Alpha™ concept recommended as the LTI performance assessment process.	The Remuneration Committee noted continuing confusion over the TSR Alpha™ concept as the methodology for assessment of Long-Term Incentive ("LTI") performance measurement. As indicated, the Committee engaged an independent remuneration specialist to review the existing practices, the results are detailed later in this report.

continued

Under the terms of the engagement, the Godfrey Remuneration Group Pty Ltd provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $13,420 in financial year 2014 for these services. The Company did not pay Godfrey Remuneration Group Pty Ltd any further fees in relation to other services.

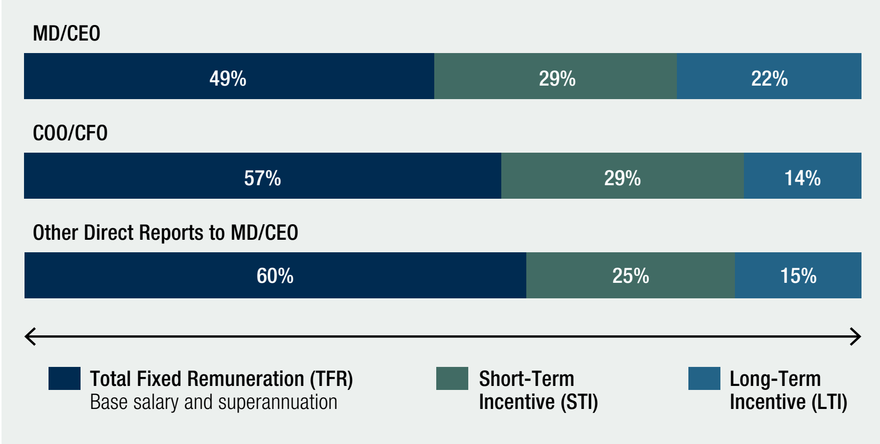
The Godfrey Remuneration Group Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Group's Key Management Personnel.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- the Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- any remuneration recommendations by the Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations contained in this report were made free from undue influence from any members of the Group's Key Management Personnel.

Remuneration Reward Mix (based on the achievement of STI / LTI targets)



**The above reward mix remains unchanged from financial year 12/13 due to there being no increase in salaries or any STI's being paid to executives. Additionally the Total Fixed Remuneration shown and subsequent relativities are based on contracted base salary / superannuation payment rates. The actual paid base salary component was reduced by 10% for a majority of the financial year 13/14 for these executives.*

Executive Director and Key Management Personnel Remuneration

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

- fixed remuneration including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Executive Rights Plan.

Reward mix

The above chart represents the remuneration reward mix for the various Key Management Personnel based on achievement of all stretch targets.

Fixed remuneration

Total fixed remuneration ("TFR") is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay. Base pay for senior executives is reviewed annually to ensure their pay is competitive with the market. An executive's pay is also reviewed on promotion. During the financial year 13/14 there were no executive promotions or any increases made to fixed remuneration.

Director's fees and senior management base salaries were reduced by 10% for a majority of the period.

The AON Hewitt / McDonald survey continues to be the primary benchmarking tool for assessment payment relativity for all roles throughout the business with the Godfrey Remuneration Group used to validate rates for specific roles as required.

With Director's fees reduced by 10%, overall Non-Executive Director Remuneration remains below the ASX 101-200 average and a majority of peer group companies.

The Board annually reviews and determines the fixed remuneration for the CEO / Managing Director. The CEO / Managing Director does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO / Managing Director's approval. There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements.

The following summarises the performance of the Group over the last five years:

	2010	2011	2012	2013	2014
Revenue ('000s)	175,480	172,356	357,372	329,282	**328,326**
Net profit / (loss) after income tax ('000s)	73,066	20,879	75,006	(326,271)	**(96,291)**
Share price at year end ($ / share)	9.47	8.00	4.85	1.27	**0.86**
Dividends paid (cents / share)	35.0	15.0	20.0	5.0	**Nil**
KMP short-term employee benefits	2,943	4,459	4,456	4,671	**4,328**

Short-Term Incentives

Linking current financial year earnings of executives to their performance and the performance of the Group is the key objective of our Short-Term Incentive ("STI") plan. The Board set key performance measures and indicators for individual executives on an annual basis that reinforce the Group's business plan and targets for the year.

Key features of the STI Plan remain unchanged from financial year 12/13 and are outlined in the table on the following table.

Overview of the STI Plan

What is the STI plan and who participates?	The STI Plan is a potential annual reward for eligible Executive Key Management Personnel for achievement of predetermined individual Key Performance Indicators (KPIs) aligned to the achievement of business objectives for the assessment period (financial year commencing 1 July).
How much can the executives earn under the STI Plan?	**Threshold** – Represents the minimum acceptable level of performance that needs to be achieved before any Individual Award would be payable in relation to that Performance Measure. Managing Director / CEO – up to 15% of TFR. COO & CFO – up to 12.5% of TFR. Other Key Management Personnel – up to 10% of TFR. **Target** – Represents a challenging but achievable level of performance relative to past and otherwise expected achievements. It will normally be the budget level for financial and other quantitative performance objectives. Managing Director / CEO – up to 30% of TFR. COO & CFO – up to 25% of TFR. Other Key Management Personnel – up to 20% of TFR. **Stretch (Maximum)** – Represents a clearly outstanding level of performance which is evident to all as a very high level of achievement. Managing Director / CEO – up to 60% of TFR. COO & CFO – up to 50% of TFR. Other Key Management Personnel – up to 40% of TFR. *(TFR – Total Fixed Remuneration)*
Is there Board discretion in the payment of an STI benefit?	Yes, the plan provides for Board discretion in the approval of STI outcomes.
What are the performance conditions?	For Key Management Personnel between 70% – 80% of potential STI weighting (dependent upon role) is assessed against specific predetermined KPIs by role with 20% – 30% being based on company performance indicators.
How are performance targets set and assessed?	Individual performance targets are set by the identification of key achievements required by role in order to meet business objectives determined for the upcoming assessment period in advance. The criteria for Key Management Personnel are recommended by the Managing Director / CEO for sign off by the Remuneration Committee and in the case of the Managing Director / CEO, are recommended by the Chairman by sign off by the Remuneration Committee. The relative achievement at the end of the financial period is determined by the above authorities with final sign off by the Remuneration Committee after confirmation of financial results and individual / company performance against established criteria. The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The committee has the discretion to adjust STIs in light of unexpected or unintended circumstances.
How is the STI delivered?	STIs are paid in cash after the conclusion of the assessment period and confirmation of financial results / individual performance and subject to tax in accordance with prevailing Australian tax laws.
What happens in the event of cessation of employment?	Executives are required to be employed for the full 12 months of the assessment period before they are eligible to be considered to receive benefits from the STI plan.

continued

Long-Term Incentives

The Kingsgate Long-Term Incentive ("LTI") plan is also referred to as the Executive Rights Plan. The objectives of the LTI Plan are to retain key executives and to align an at-risk component of certain executives' remuneration with shareholder returns.

Key features of the LTI Plan are outlined in the table as follows:

Overview of the LTI Plan

What is the LTI Plan and who participates?	Kingsgate executives can be granted Kingsgate Consolidated Limited rights each year, although an award of rights does not confer any entitlement to receive any subsequent awards. In awarding rights the Board takes into account such matters as the position of the eligible person, the role they play in the Company, their current level of fixed remuneration, the nature of the terms of employment and the contribution they make to the Group. Currently only members of the Executive Management group and key site based operational senior management are eligible to participate in the LTI plan.
What is awarded under the LTI Plan?	Two types of rights are offered under the LTI Plan: deferred rights and performance rights.
How much can the executives earn under the LTI Plan?	Managing Director / CEO – up to 45% of TFR as performance rights only. COO / CFO / Executive Management – up to 12.5% of TFR as deferred rights and additionally, up to 12.5% of TFR as performance rights.
What are the performance and vesting conditions?	Deferred rights – vesting is time based (three years after the granting of the deferred right). Performance rights – refer to Vesting Schedule for Performance Rights later in this report.
Is there a cost to participate?	The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee and approved by the Board.
What are the specific perfor-mance / vesting criteria?	Deferred rights are subject to three year vesting periods. There are no performance conditions attached to the deferred rights. Performance rights are subject to a three year performance measurement period from 1 July in the year when the grant occurs.
How does the LTI vest?	Performance rights vest subject to the achievement of a hurdle based on total shareholder return. Further information on the vesting scale is below.
Is the LTI subject to retesting?	There is no retesting of either the deferred rights or performance rights.
What criteria are used for assess-ment and who assesses performance?	Performance is assessed against a TSR Alpha™ measure prescribed in the Vesting Schedule for Performance Rights later in this report. The Remuneration Committee signs off performance assessment based on recommendations by the Managing Director / CEO with advice from Godfrey Remuneration Group Pty Ltd in terms of TSR Alpha™ relative performance.
Is this criteria intended to be used for future years?	No, the Board has endorsed the application of TSR Alpha™ for financial year 12/13 and 13/14 executive performance rights but has approved a shift to financial year 14/15 performance rights being measured against the S&P/ASX All Ordinaries Gold (AUD) index (gold production only and to include dividends paid), resulting from a review of recommendations by the Godfrey Remuneration Group.
How is the LTI delivered?	On vesting the first $1,000 value of each of the deferred rights and performance rights awards is paid in cash, e.g. if both deferred and performance rights vested at the same time then the participant would receive two x $1,000 with the remaining value of the award received as shares in the Company as per below. Number of shares = (number of vested rights x share price on vesting date – $2,000) ÷ share price on vesting date.
What happens in the event of bonus shares, rights issues or other capital reconstructions?	If between the grant date and the date of conversion of vested rights into cash and restricted shares there are bonus shares, rights issues or other capital reconstructions that affect the value of Kingsgate Consolidated shares, the Board may, subject to the ASX Listing Rules make adjustments to the number of rights and / or the vesting entitlements to ensure that holders of rights are neither advantaged or disadvantaged by those changes.

Takeover or Scheme of Arrangement?	Unvested rights vest in the proportion that the share price has increased since the beginning of the vesting period. All vested rights need to be exercised within three months of the takeover.
What happens in the event of cessation of employment?	Unvested rights are forfeited on dismissal for cause. In all other termination circumstances any unvested rights granted in the year of the cessation of employment are forfeited in the proportion that the remainder of the year bears to a full year. Unvested rights that are not forfeited are retained by the participant and are subsequently tested for vesting at the end of the vesting period.

Vesting schedule for performance rights to be issued for financial year 14/15

Following a review by the Remuneration Committee of recommendations by the Godfrey Remuneration Group, the Board has approved the assessment of relative Total Shareholder Return "TSR" of Kingsgate against S&P / ASX All Ordinaries Gold (AUD) index of companies, as represented in Diagram 1. The Board chose to replace the TSR Alpha™ measurement with this new measure to:

- provide a genuine measure of performance by senior management against companies operating in the same market segment;
- retain the key values of the previous TSR Alpha™ measure which is to only reward senior management for over performance;
- retain a focus on performance from an investors perspective albeit within a defined market segment; and
- create a simple and easy system to interpret for management and shareholders alike.

Vesting schedule for performance rights issued for financial year 12/13 and financial year 13/14

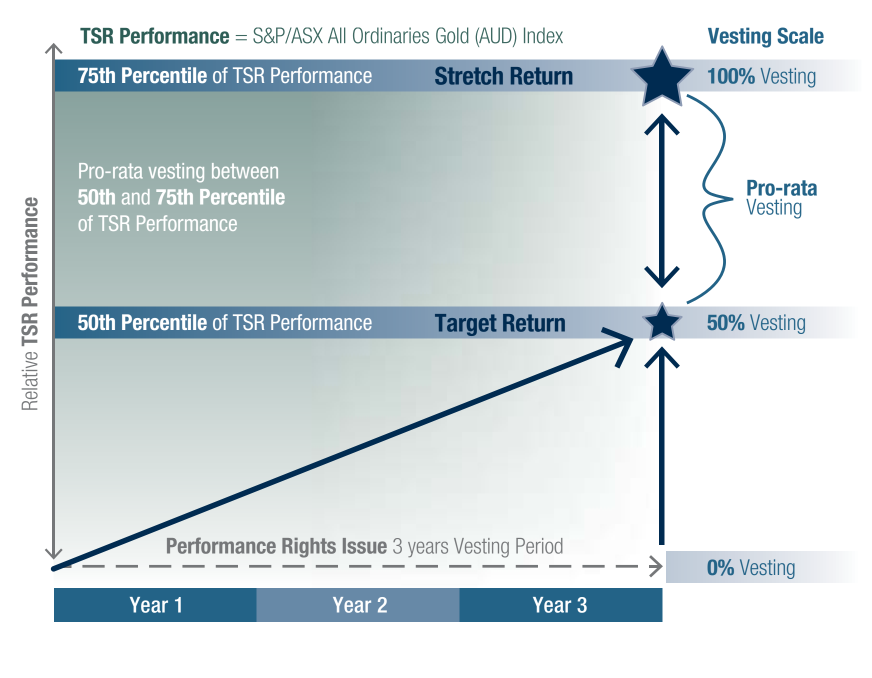
These performance rights continue to be subject to a hurdle that is derived for the three year vesting period using the external performance measuring metric, TSR Alpha™.

Total Shareholder Return measures the percentage return received by a shareholder from investing in a company's shares over a period of time. Broadly, it is share price growth plus dividends over the period. TSR Alpha™ takes into account market movement over the vesting period and the additional return (risk premium) that shareholders expect from the share market performance over the vesting period. In essence it measures whether share-holders have received a return over the period that is consistent with their expectations (TSR Alpha™ of zero) or more or less.

Executive performance rights vesting scale for financial year 14/15

Diagram 1 below provides an overview of the performance rights vesting scale to be applied to financial year 14/15 performance rights issue.

Diagram 1: Overview of Performance Rights Vesting Scale



continued

Directors and Key Management Personnel details

Except where noted, the named persons held their current positions for the whole of the year and up to the date of this report.

Non-Executive Directors

Ross Smyth-Kirk	Non-Executive Chairman
Peter McAleer	Non-Executive Director
Craig Carracher	Non-Executive Director
Peter Alexander	Non-Executive Director
Peter Warren	Non-Executive Director (appointed 1 July 2014)

Executive Director

Gavin Thomas	Managing Director and Chief Executive Officer (resigned 1 June 2014)

Senior Executives

Tim Benfield	Chief Operating Officer
Duane Woodbury	Chief Financial Officer (resigned 2 July 2014)
Ron James	General Manager Exploration and Resource Development
Ross Coyle	General Manager Finance and Administration and Company Secretary
Joel Forwood	General Manager Corporate and Markets
Brett Dunstone	General Manager Human Resources
Michael Monaghan	Chief Operating Officer and General Manager – Akara Resources PCL

Changes since the end of the reporting period

Peter Warren was appointed to the position of Non-Executive Director effective 1 July 2014. Duane Woodbury resigned from the position of Chief Financial Officer effective 2 July 2014.

Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Executive Director and Senior Executives are summarised as follows.

Name	Term of agreement	Fixed annual remuneration including superannuation		Notice period by Executive	Notice period by the Company
		FY 2014	FY 2013		
Gavin Thomas [1]	Open	[2]$919,185	$1,080,000	3 months	12 months
Tim Benfield [1]	Open	$463,833	$500,000	3 months	6 months
Duane Woodbury [1]	Open	$463,833	$500,000	3 months	6 months
Ron James [1]	Open	$371,000	$400,000	3 months	6 months
Ross Coyle [1]	Open	$362,083	$390,000	3 months	6 months
Joel Forwood [1]	Open	$306,583	$330,000	3 months	6 months
Brett Dunstone [1]	Open	$285,308	$307,000	3 months	6 months
Michael Monaghan	Open	[3]$531,525	[3]$531,522	3 months	6 months

1 *Amount shown includes a voluntary 10% reduction in fixed remuneration effective for the period from 1 October 2013.*

2 *Amount shown is for the period to the date of resignation being 1 June 2014.*

3 *Paid in US dollars and based on the exchange rate as at 30 June 2014 of 0.9.*

Fixed annual remuneration, inclusive of the required superannuation contribution amount is reviewed annually by the Board following the end of the financial year. The amounts set out above are the Executives' total fixed remuneration as at 30 June 2014.

In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to between six to 12 months of the Total Remuneration Package (all executives are entitled to 12 months except Ross Coyle, Joel Forwood and Ron James who are entitled to six months). If within six months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Non-Executive Directors fees

Non-Executive Directors, including the Chairman, are paid fixed fees for their services to the Company plus statutory superannuation contributions the Company is required by law to make on their behalf. Those fees are inclusive of any salary-sacrificed contribution to superannuation that a Non-Executive Director wishes to make.

The level of Non-Executive Directors fees is 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 may also seek the advice of independent remuneration consultants, including survey data, to ensure Non-Executive Directors' fees and payments are consistent with the current market.

Non-Executive Directors' base fees inclusive of committee membership but not including statutory superannuation are outlined as follows. Note that from the period 1 October 2013, all Non-Executive Directors fees were voluntarily reduced by 10%:

	Financial year ended 30 June 2014 [1] $	Financial year ended 30 June 2013 [1] $
Chairman	**148,000**	160,000
Directors	**277,500**	300,000
	425,500	460,000

1 *Excludes Director fees paid by subsidiary.*

The aggregate remuneration of Non-Executive Directors is set by shareholders in general meeting in accordance with the Constitution of the Company, with individual Non-Executive Directors remuneration determined by the Board within the aggregate total. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is $1,000,000.

Non-Executive Directors do not receive any additional fees for serving on committees of the Company.

There are no retirement allowances for Non-Executive Directors.

continued

Additional statutory disclosures

Details of remuneration

Details of the nature and amount of each major element of the remuneration of the Directors and the Group executive managers are set out in the following tables:

Year ended 30 June 2014	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees[6] $	Cash bonus $	Non-monetary benefits[1] $	Super-annuation $	Termination benefits[5] $	Amortised value of rights[2] (accounting expense) $	Total $
Non-Executive Directors							
Ross Smyth-Kirk							
Paid by Company	148,000	–	1,335	13,690	–	–	163,025
Paid by subsidiary[6]	57,706	–	–	–	–	–	57,706
Peter McAleer[3]	92,500	–	–	–	–	–	92,500
Craig Carracher							
Paid by Company	79,206	–	–	21,850	–	–	101,056
Paid by subsidiary[6]	39,492	–	–	–	–	–	39,492
Peter Alexander	92,500	–	–	8,556	–	–	101,056
Sub-total Non-Executive Directors Compensation	**509,404**	**–**	**1,335**	**44,096**	**–**	**–**	**554,835**
Executive Director							
Gavin Thomas							
Paid by Company	888,090	–	67,038	35,000	1,727,632[7]	(164,159)[4]	2,553,601
Paid by subsidiary[6]	40,514	–	–	–	–	–	40,514
Other Key Management Personnel							
Tim Benfield	446,061	–	–	17,772	–	65,872	529,705
Duane Woodbury	439,833	–	6,419	26,673	367,836[8]	18,735	859,496
Ron James	371,000	–	2,602	–	–	89,840	463,442
Ross Coyle							
Paid by Company	328,071	–	–	35,012	–	88,680	451,763
Paid by subsidiary[6]	44,599	–	–	–	–	–	44,599
Joel Forwood	281,583	–	–	25,000	–	75,037	381,620
Brett Dunstone	267,536	–	–	17,772	–	17,094	302,402
Michael Monaghan	531,525	90,967	11,635	–	–	26,185	660,312
Sub-total Executive Director and other KMP Compensation	**3,638,812**	**90,967**	**87,694**	**157,229**	**2,095,468**	**217,284**	**6,287,454**
TOTAL	**4,148,216**	**90,967**	**89,029**	**201,325**	**2,095,468**	**217,284**	**6,842,289**

1 *Non-monetary benefits relate to car parking, travel and life insurance.*

2 *Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. This is an accounting expense and does not reflect the value to the executive of rights that vested in the financial year. Refer to the table on page 60 for the value of rights that have vested.*

3 *Consulting Fees of $92,500 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

4 *Amortised value is net of write-back of expense incurred in prior periods relating to unvested rights that were forfeited during the year.*

5 *Benefits paid were in accordance with employment contract.*

6 *Fees paid by subsidiary relate to director fees paid by Akara Resources PCL.*

7 *Includes payment of accrued annual leave and long service leave of $539,633.*

8 *Includes accrued annual leave of $42,836.*

Year ended 30 June 2013	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits[1] $	Super-annuation $	Amortised value of rights[2] (accounting expense) $	Total $
Non-Executive Directors						
Ross Smyth-Kirk	160,000	–	12,258	14,400	–	186,658
Peter McAleer[3]	100,000	–	–	–	–	100,000
Craig Carracher	90,500	–	–	18,500	–	109,000
Peter Alexander	100,000	–	–	9,000	–	109,000
Sub-total Non-Executive Directors Compensation	**450,500**	**–**	**12,258**	**41,900**	**–**	**504,658**
Executive Director						
Gavin Thomas	1,055,000	–	68,587	25,000	410,974	1,559,561
Other Key Management Personnel						
Tim Benfield	483,524	–	–	16,476	21,029	521,029
Duane Woodbury	475,000	–	6,157	26,398	136,367	643,922
Ron James	400,000	–	2,478	–	109,093	511,571
Ross Coyle	365,000	–	13,189	25,000	106,366	509,555
Joel Forwood	305,000	–	11,928	25,000	38,132	380,060
Brett Dunstone	168,355	–	43,591	9,611	–	221,557
Phil MacIntyre (retired 30 June 2013)	781,245	–	29,205	–	–	810,450
Sub-total Executive Director and other KMP Compensation	**4,033,124**	**–**	**175,135**	**127,485**	**821,961**	**5,157,705**
TOTAL	**4,483,624**	**–**	**187,393**	**169,385**	**821,961**	**5,662,363**

1 *Non-monetary benefits relate to car parking, travel, life insurance, relocation, and accommodation allowance provided by the Company. Relocation and accommodation allowance is applicable to interstate recruitment of relevant personnel.*

2 *Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. This was the first year rights were issued. This is an accounting expense and does not reflect the value to the executive of rights that vested in the financial year.*

3 *Consulting Fees of $100,000 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

continued

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2014	At risk – STI 2014	At risk – LTI* 2014
Executive Director			
Gavin Thomas	106%	–	-6%
Other Key Management Personnel			
Tim Benfield	88%	–	12%
Duane Woodbury	98%	–	2%
Ron James	81%	–	19%
Ross Coyle	82%	–	18%
Joel Forwood	80%	–	20%
Brett Dunstone	94%	–	6%
Mike Monaghan	82%	14%	4%

* *Since the long-term incentives are provided by way of deferred rights and performance rights, the percentages disclosed reflect the value of remuneration consisting of deferred rights and performance rights, based on the value of deferred rights and performance rights expensed during the year. Where applicable, the expenses include negative amounts for expenses reversed during the year due to resignation.*

Share rights held by Key Management Personnel

Details of each grant of share rights included in the Key Management Personnel remuneration tables above are noted in the following tables.

The percentage of rights granted to Key Management Personnel on issue that have vested and the percentage that was forfeited because the person did not meet the service criteria is set out below:

	Share rights						
Name	Financial year granted	Number granted	Vested %	Vested number	Forfeited %	Forfeited number	Financial year that rights may vest
G Thomas							
Deferred	2013	52,181	100	52,181	–	–	2014
Deferred	2013	53,901	–	–	100	53,901	2015
Performance	2013	222,955	–	–	100	222,955	2016
Performance	2014	768,380	–	–	100	768,380	2017
T Benfield							
Deferred	2013	14,204	–	–	–	–	2016
Deferred	2014	49,407	–	–	–	–	2017
Performance	2013	28,409	–	–	–	–	2016
Performance	2014	98,814	–	–	–	–	2017
D Woodbury							
Deferred	2013	13,298	100	13,298	–	–	2014
Deferred	2013	13,736	–	–	–	–	2015
Deferred	2013	14,204	–	–	–	–	2016
Deferred	2014	49,407	–	–	–	–	2017
Performance	2013	28,409	–	–	–	–	2016
Performance	2014	98,814	–	–	–	–	2017
R James							
Deferred	2013	10,638	100	10,638	–	–	2014
Deferred	2013	10,989	–	–	–	–	2015
Deferred	2013	11,364	–	–	–	–	2016
Deferred	2014	39,526	–	–	–	–	2017
Performance	2013	22,728	–	–	–	–	2016
Performance	2014	79,051	–	–	–	–	2017
R Coyle							
Deferred	2013	10,372	100	10,372	–	–	2014
Deferred	2013	10,714	–	–	–	–	2015
Deferred	2013	11,080	–	–	–	–	2016
Deferred	2014	38,538	–	–	–	–	2017
Performance	2013	22,159	–	–	–	–	2016
Performance	2014	77,075	–	–	–	–	2017
J Forwood							
Deferred	2013	9,066	–	–	–	–	2015
Deferred	2013	9,375	–	–	–	–	2016
Deferred	2014	32,609	–	–	–	–	2017
Performance	2013	18,750	–	–	–	–	2016
Performance	2014	65,217	–	–	–	–	2017
B Dunstone							
Deferred	2014	30,336	–	–	–	–	2017
Performance	2014	60,672	–	–	–	–	2017
M Monaghan							
Deferred	2013	7,500	–	–	–	–	2016
Deferred	2014	42,850	–	–	–	–	2017

continued

Value of share rights

Name	Share rights						
	Financial year that rights may vest	Number granted	Fair value per right at grant date[5] $	Total fair value at grant date[5] $	Maximum value yet to vest[2] $	Value at vesting date[3] $	Value at lapse date[4] $
G Thomas							
Deferred	2014	52,181	4.73	246,815	–	66,009	–
Deferred	2015	53,901	4.38	236,087	–	–	39,887
Performance	2016	222,955	1.92	428,074	–	–	164,987
Performance	2017	768,380	0.74	564,759	–	–	568,601
T Benfield							
Deferred	2016	14,204	5.17	73,438	36,719	–	–
Deferred	2017	49,407	1.47	72,628	56,892	–	–
Performance	2016	28,409	3.21	91,193	68,851	–	–
Performance	2017	98,814	0.74	72,628	60,524	–	–
D Woodbury							
Deferred	2014	13,298	5.91	78,590	–	16,822	–
Deferred	2015	13,736	5.57	76,511	–	–	–
Deferred	2016	14,204	5.17	73,438	73,438	–	–
Deferred	2017	49,407	1.39	68,676	68,676	–	–
Performance	2016	28,409	3.21	91,193	91,193	–	–
Performance	2017	98,814	0.74	73,122	73,122	–	–
R James							
Deferred	2014	10,638	5.91	62,872	–	13,457	–
Deferred	2015	10,989	5.57	61,209	–	–	–
Deferred	2016	11,364	5.17	58,750	29,375	–	–
Deferred	2017	39,526	1.34	52,965	41,489	–	–
Performance	2016	22,728	3.21	72,955	48,636	–	–
Performance	2017	79,051	0.74	58,102	48,419	–	–
R Coyle							
Deferred	2014	10,372	5.91	61,301	–	13,121	–
Deferred	2015	10,714	5.57	56,679	–	–	–
Deferred	2016	11,080	5.17	57,281	28,641	–	–
Deferred	2017	38,538	1.47	56,651	44,377	–	–
Performance	2016	22,159	3.21	71,131	47,421	–	–
Performance	2017	77,075	0.74	56,650	47,208	–	–
J Forwood							
Deferred	2015	9,066	5.57	50,497	–	–	–
Deferred	2016	9,375	5.17	48,469	24,234	–	–
Deferred	2017	32,609	1.47	47,935	37,549	–	–
Performance	2016	18,750	3.21	60,188	40,125	–	–
Performance	2017	65,217	0.74	47,934	39,945	–	–
B Dunstone							
Deferred	2017	30,336	1.47	44,594	34,932	–	–
Performance	2017	60,672	0.74	44,594	37,162	–	–
M Monaghan							
Deferred	2016	7,500	5.17	38,775	19,388	–	–
Deferred	2017	42,850	1.47	62,990	49,342	–	–

1 *The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the Key Management Personnel fails to meet a vesting condition.*

2 *The maximum value of the share rights yet to vest has been determined as the fair value of the rights at the grant date that is yet to be expensed.*

3 *The value at vesting date (30 June 2014) is the number of rights vesting multiplied by the Company's share price on the vesting date. As rights convert to ordinary shares on the vesting date, this date is also the exercise date. No payment by the holder of the right is required on vesting of the right.*

4 *The value at lapse date is the number of rights lapsing multiplied by the Company's share price at the close of business on that day.*

5 *The fair value of the performance rights was estimated using Monte Carlo simulation; taking into account the terms and conditions upon which the awards were granted (refer to Note 24 of the Financial Statements).*

Movement in LTI rights for the year ended 30 June 2014

Performance rights

The number of performance rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2014	Balance at start of year	Granted during the year	Converted during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Directors						
Ross Smyth-Kirk	–	–	–	–	–	–
Peter McAleer	–	–	–	–	–	–
Craig Carracher	–	–	–	–	–	–
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	222,955	768,380	–	(991,335)	–	–
Other Key Management Personnel						
Tim Benfield	28,409	98,814	–	–	127,223	–
Duane Woodbury	28,409	98,814	–	–	127,223	–
Mike Monaghan	–	–	–	–	–	–
Ron James	22,728	79,051	–	–	101,779	–
Ross Coyle	22,159	77,075	–	–	99,234	–
Joel Forwood	18,750	65,217	–	–	83,967	–
Brett Dunstone	–	60,672	–	–	60,672	–

continued

Deferred rights

The number of deferred rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

2014	Balance at start of year	Granted during the year	Converted during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Directors						
Ross Smyth-Kirk	–	–	–	–	–	–
Peter McAleer	–	–	–	–	–	–
Craig Carracher	–	–	–	–	–	–
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	106,082	–	–	(53,901)	52,181	52,181
Other Key Management Personnel						
Tim Benfield	14,204	49,407	–	–	63,611	–
Duane Woodbury	41,238	49,407	–	–	90,645	13,298
Mike Monaghan	7,500	42,850	–	–	50,350	–
Ron James	32,991	39,526	–	–	72,517	10,638
Ross Coyle	32,166	38,538	–	–	70,704	10,372
Joel Forwood	18,441	32,609	–	–	51,050	–
Brett Dunstone	–	30,336	–	–	30,336	–

Share holdings

The number of shares in the Company held during the financial year by each Director of Kingsgate and each of the other Key Management Personnel of the Group, including their personally-related entities are set out as follows:

2014	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at year end
Directors				
Ross Smyth-Kirk	4,586,271	–	490,454	**5,076,725**
Peter McAleer	100,000	–	–	**100,000**
Craig Carracher	110,000	–	–	**110,000**
Peter Alexander	36,525	–	9,962	**46,487**
Gavin Thomas	1,047,937	–	*(1,047,937)	**–**
Other Key Management Personnel				
Tim Benfield	–	–	–	**–**
Duane Woodbury	–	–	–	**–**
Ron James	–	–	–	**–**
Ross Coyle	14,427	–	3,147	**17,574**
Joel Forwood	–	–	–	**–**
Brett Dunstone	–	–	–	**–**
Mike Monaghan	–	–	–	**–**

**Gavin Thomas resigned 1 June 2014 and at the time of his resignation he held 765,448 shares.*

Loan to Director

There were no new loans made to Directors or other Key Management Personnel at any time during the year.

2014 Name	Balance at start of year $	Loan repayments for the year $	Interest paid and payable for the year** $	Interest not charged $	Balance at end of year $	Highest indebtedness during the year $
G Thomas	160,000	*(160,000)	4,436	–	–	160,000

* *This loan was repaid in full in August 2013.*

** *Interest payable at annual interest rate of 11%.*

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 30: Auditors Remuneration. The Directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in Note 30: Auditors Remuneration to the financial statements do not compromise the external auditor's independence, based on the Auditor's representations and advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 64.

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
5 September 2014

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
5 September 2014

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Financial Statements

for the year ended 30 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 $'000	2013 Restated $'000
Sales revenue	5 (a)	**328,326**	329,282
Cost of sales	5 (b)	**(301,891)**	(282,501)
Gross profit		**26,435**	46,781
Exploration expenses		**(210)**	(675)
Corporate and administration expenses	5 (c)	**(23,966)**	(22,263)
Other income and expenses	5 (d)	**2,102**	(15,490)
Foreign exchange gain / (loss)		**2,595**	(745)
Share of loss in associate	14 (a)	**(413)**	(1,353)
Impairment losses – Challenger Gold Project	5 (e)	**–**	(311,850)
Impairment losses – Bowdens Silver Project	5 (e)	**(84,586)**	–
Impairment losses – exploration assets	5 (e)	**(2,112)**	(20,421)
Impairment of investment in associate	5 (e)	**–**	(537)
Loss before finance costs and income tax		**(80,155)**	(326,553)
Finance income		**610**	2,587
Finance costs	5 (f)	**(13,860)**	(18,809)
Net finance costs		**(13,250)**	(16,222)
Loss before income tax		**(93,405)**	(342,775)
Income tax (expense) / benefit	6	**(2,886)**	16,504
Loss after income tax		**(96,291)**	(326,271)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations (net of tax)		**(26,427)**	40,311
Change in fair value of available-for-sale financial assets (net of tax)		**–**	(91)
Total other comprehensive (loss) / income for the year		**(26,427)**	40,220
Total comprehensive loss for the year		**(122,718)**	(286,051)
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		**(96,291)**	(326,271)
Total comprehensive loss attributable to:			
Owners of Kingsgate Consolidated Limited		**(122,718)**	(286,051)

Loss per share		Cents	Cents
Basic loss per share	31	**(55.9)**	(215.0)
Diluted loss per share	31	**(55.9)**	(215.0)

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

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	2014 $'000	*2013 Restated $'000	*1 July 2012 Restated $'000
Assets				
Current assets				
Cash and cash equivalents	7	**53,632**	30,494	87,031
Receivables	8	**13,360**	9,431	12,226
Inventories	9	**47,917**	62,032	56,079
Other assets	10	**26,601**	32,197	29,512
Total current assets		**141,510**	134,154	184,848
Non-current assets				
Restricted cash	7	**5,489**	5,474	–
Inventories	9	**49,805**	44,731	30,314
Available-for-sale financial assets	11	**270**	767	1,751
Investment in associate	14	**1,072**	1,485	–
Property, plant and equipment	12	**170,658**	190,231	239,237
Exploration, evaluation and development	13	**251,633**	361,195	566,568
Other assets	10	**13,537**	10,894	8,232
Deferred tax assets	6 (g)	**9,205**	10,395	10,211
Total non-current assets		**501,669**	625,172	856,313
TOTAL ASSETS		**643,179**	759,326	1,041,161
Liabilities				
Current liabilities				
Payables	15	**25,478**	41,185	42,597
Borrowings	16	**42,978**	84,101	35,697
Derivatives held for trading		**623**	1,271	2,685
Current tax liabilities		**1,148**	272	11,655
Provisions	17	**3,115**	3,797	2,993
Total current liabilities		**73,342**	130,626	95,627
Non-current liabilities				
Payables	15	**4,800**	5,921	6,681
Borrowings	16	**110,654**	115,657	121,847
Deferred tax liabilities	6 (g)	**8,628**	9,552	29,110
Provisions	17	**32,998**	33,596	19,381
Total non-current liabilities		**157,080**	164,726	177,019
TOTAL LIABILITIES		**230,422**	295,352	272,646
NET ASSETS		**412,757**	463,974	768,515
Equity				
Contributed equity	18	**677,109**	605,504	599,618
Reserves	19 (a)	**(8,356)**	18,175	(20,407)
Accumulated losses	19 (b)	**(255,996)**	(159,705)	189,304
TOTAL EQUITY		**412,757**	463,974	768,515

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

* Comparative information has been restated to reflect the adoption of Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine and change in accounting policies in respect of deferred cost of divestment (refer to Note 34 for details).

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Note	Contributed equity $'000	Reserves $'000	Retained profits / Accumulated losses $'000	Total equity $'000
Balance at 1 July 2012 (Restated)		**599,618**	**(20,407)**	**189,304**	**768,515**
Loss after income tax	19 (a)	–	–	(326,271)	(326,271)
Total other comprehensive income for the year	19 (b)	–	40,220	–	40,220
Total comprehensive income / (loss) for the year		**–**	**40,220**	**(326,271)**	**(286,051)**
Transaction with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	18	4,374	–	–	4,374
Issue of ordinary shares as part consideration for the settlement of a legal dispute	18	1,512	–	–	1,512
Dividends provided for or paid	22	–	–	(22,738)	(22,738)
Movement in share-based payment reserve	19 (a)	–	(1,638)	–	(1,638)
Total transactions with owners		**5,886**	**(1,638)**	**(22,738)**	**(18,490)**
Balance at 30 June 2013 (Restated)		**605,504**	**18,175**	**(159,705)**	**463,974**
Balance at 1 July 2013 (Restated)		**605,504**	**18,175**	**(159,705)**	**463,974**
Loss after income tax	19 (a)	–	–	(96,291)	(96,291)
Total other comprehensive loss for the year	19 (b)	–	(26,427)	–	(26,427)
Total comprehensive loss for the year		**–**	**(26,427)**	**(96,291)**	**(122,718)**
Transaction with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	18	597	–	–	597
Issue of ordinary shares to repay funds drawn down under the convertible revolving credit facility, net of transaction costs	18	14,548	–	–	14,548
Share placement and rights issue, net of transaction costs	18	56,460	–	–	56,460
Movement in share-based payment reserve	19 (a)	–	(104)	–	(104)
Total transactions with owners		**71,605**	**(104)**	**–**	**71,501**
Balance at 30 June 2014		**677,109**	**(8,356)**	**(255,996)**	**412,757**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 $'000	2013 Restated $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**326,801**	332,624
Payments to suppliers and employees (inclusive of goods and services tax)		**(281,306)**	(220,120)
Interest received		**610**	2,587
Finance costs paid		**(7,815)**	(10,120)
Income tax paid		**(1,127)**	(16,186)
Net cash inflow from operating activities	25	**37,163**	88,785
Cash flows from investing activities			
Payments for property, plant and equipment		**(11,465)**	(7,035)
Payments for exploration, evaluation and development		**(30,310)**	(127,706)
Interest capitalised to expansion and development projects		**(2,185)**	(3,948)
Deposits and debt service reserve account		**504**	(6,402)
Net cash (outflow) from investing activities		**(43,456)**	(145,091)
Cash flows from financing activities			
Proceeds from corporate borrowings, net of transaction costs		**26,085**	14,326
Proceeds from subsidiary (Akara Resources PCL) borrowings, net of transaction costs		**–**	119,642
Repayment of corporate borrowings		**(32,000)**	(35,000)
Repayment of subsidiary (Akara Resources PCL) borrowings		**(19,671)**	(81,250)
Proceeds from the issue of shares (net of transaction costs)		**56,460**	–
Dividends paid		**–**	(19,409)
Net cash inflow / (outflow) from financing activities		**30,874**	(1,691)
Net increase / (decrease) in cash held		**24,581**	(57,997)
Cash at the beginning of the year		**30,494**	87,031
Effects of exchange rates on cash and cash equivalents		**(1,443)**	1,460
Cash at the end of the year	7	**53,632**	30,494

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

Notes to the Financial Statements

for the year ended 30 June 2014

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors on 5 September 2014.

Kingsgate 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 2014 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*. The Company is a for-profit entity for the purpose of preparing the financial statements.

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.

a. Principles of consolidation

(i) Business combinations

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

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

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

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

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

(ii) Subsidiaries

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

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

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

b. Foreign currency translation

(i) Transactions and balances

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

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

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

(ii) Foreign operations

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

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

c. Revenue

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

Gold and silver sales

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

d. Income tax

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

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

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

Deferred tax is not recognised for:

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

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

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

Tax consolidation

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

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

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

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

Tax funding and sharing agreements

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

continued

d. Income tax continued

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. Divestment transaction costs

Transaction costs directly relating to the partial divestment of an interest in a subsidiary are expensed as incurred in the years prior to the disposal where control is retained.

g. 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.

h. 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.

i. 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 income statement 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 income statement.

j. Inventories

Raw materials and stores, work in progress and finished goods (including gold bullion), 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.

k. 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 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 income statement.

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 income statement. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

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 income statement.

l. 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 income statement immediately.

m. 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 income statement 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 2g).

continued

m. Property, plant and equipment continued

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.

n. Deferred stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory in the period or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to the ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a "production stripping asset", if the following criteria are all met:

- Future economic benefits (being improved access to the ore body) associated with the stripping activity are probable;
- The component of the ore body for which access has been improved can be accurately identified; and
- The costs associated with the stripping activity associated with that component can be reliably measured.

The amount of stripping costs deferred is based on the ratio obtained by dividing the volume of waste mined by the volume of ore mined for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected waste to ore ("life of component") ratio.

A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is typically a subset of the total ore body of the mine. It is considered that each mine may have several components, which are identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of the ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.

The identification of components is necessary for both the measurement of costs at the initial recognition of the production stripping asset, and the subsequent depreciation of the production stripping asset.

The life of component ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to the life of component ratio are accounted for prospectively from the date of change.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The production stripping asset is amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis. Economically recoverable reserves are used to determine the expected useful life of the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is included in "Exploration, Evaluation and Development". These costs form part of the total investment in the relevant cash generating unit to which they relate, which is reviewed for impairment in accordance with the Group's impairment accounting policy (Note 2g).

o. 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.

p. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

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

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

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or;
- 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 2g).

Feasibility expenditure

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

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

q. 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 component. 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 recoverable reserves are included in the amortisation calculation. Where the life of the assets is 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.

r. Investment in associates

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. The Group recognises its share of any changes and discloses this when applicable, in the statement of changes of equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is included in the income statement. This is the profit attributable to equity holders of the associate and therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

s. 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.

t. 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.

u. Borrowing costs

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

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

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

v. 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 any one 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.

w. 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.

continued

w. Restoration and rehabilitation provision continued

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 income statement 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 income statement.

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

x. 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 income statement 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 income statement 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 pricing model that takes into account the exercise price, the term, 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.

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

y. Dividends

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

z. 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.

aa. 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.

bb. 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.

cc. 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 4.

dd. New accounting standards and interpretations

(i) New and amended standards adopted by the Group

Except for the adoption of Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine and Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS36) (refer to Note 34), the Group did not adopt any new or revised accounting standards, amendments or interpretations from 1 July 2013 which had a material effect on the financial position or performance of the Group.

(ii) New accounting standards and interpretations not yet adopted

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities. Effective 1 July 2014 ASSB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right to set-off" and that some gross settlement systems may be considered equivalent to net settlement.
- AASB9 Financial Instruments. AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting financial liabilities.

  The revised IFRS 9 will eventually replace AASB 139 and all previous versions of IFRS 9. The revised standard includes changes to the:

  - classification and measurement of financial assets and financial liabilities
  - expected credit loss impairment model
  - hedge accounting.

  Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

  Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements.

  When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

  The application date for the Group is 1 July 2018.
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 July 2014). This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

  The following items are addressed by this standard:

  - IFRS 2 – Clarifies the definition of "vesting conditions" and "market condition" and introduces the definition of "performance condition" and "service condition".
  - IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
  - IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
  - IAS 16 & IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- Amendments to AASB 116 and AASB 138. Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138, effective 1 July 2016). AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits on an asset.

  The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
- IFRS 15 Revenue from Contracts with Customers (effective from 1 July 2017). IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  IFRS 15 supersedes:

  (a) IAS 11 Construction Contracts

  (b) IAS 18 Revenue

  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  (a) Step 1: Identify the contract(s) with a customer.

  (b) Step 2: Identify the performance obligations in the contract.

  (c) Step 3: Determine the transaction price.

  (d) Step 4: Allocate the transaction price to the performance obligations in the contract.

  (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group does not expect the adoption of this standard to have a significant impact as gold and silver sales are only made with reputable institutions using a market price and on relatively short trading terms.

continued

ee. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kingsgate.

Share-based payments

The issue by the Company of equity instruments to extinguish liabilities of a subsidiary undertaking in the Group is treated as a capital contribution to that subsidiary undertaking.

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 2012, known as the JORC Code. The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code.

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

Changes in reported ore reserves may affect the Group's financial position and results, including asset carrying value, depreciation and amortisation expenses using units-of-production method, provision for restoration and rehabilitation and deferred stripping costs if the life of component 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 2p). 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) Production stripping

The Group defers mining costs incurred during the production stage of its operations which are calculated in accordance with accounting policy Note 2n. Changes in an individual mine's design will generally result in changes to the life of component waste to ore (life of component) ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to deferred stripping resulting from a change in life of component ratios are accounted for prospectively.

(iv) Impairment of assets

The Group assesses each cash-generating unit half-yearly, to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less cost to sell and value in use calculated in accordance with accounting policy Note 2g.

In the current period fair value less cost to sell has been used in respect of development projects and value in use for operating projects. These assumptions require the use of estimates and assumptions such as discount rates (2014 : post tax real rates of 8.3% to 10.3%), exchange rates (2014 : balance date spot rate), commodity prices (2014 : balance date spot price), future operating development and sustaining capital requirements, mineral resources and reserves and operating performance (including the magnitude and time of related cash flows). For details of impairment assessment for the current year, refer to Note 5j.

(v) Restoration and rehabilitation provision

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

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see Note 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.

(vi) Units-of-production method of depreciation

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

Revision of estimated recoverable reserves and resource

Estimated recoverable reserves and resource are used as a basis for depreciating assets on a unit of production basis. During the year the estimated recoverable reserves and resource at Chatree were revised. The net effect of this change in the current financial year was an increase in depreciation expense of $1,520,000. Assuming no subsequent change to estimated recoverable reserves and resource it is estimated that future depreciation expense would increase by between $2,500,000 and $3,500,000 per annum until the end of the mine life.

(vii) Share-based payments

The Group measures share-based payments at fair value at the grant date. The fair value is determined by an external valuer using a Monte Carlo simulation model or other valuation technique appropriate for the instrument being valued.

(viii) Deferred tax balances

Deferred tax assets in respect of tax losses for the Kingsgate tax-consolidation group (Note 6) are not recognised in the financial statements as management considers that it is currently not 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 consider if tax losses should be recognised and to ensure that any tax losses recognised will be utilised.

Deferred tax balances for temporary differences in respect of Akara Resources Public Company Limited are measured based on their expected rate of reversal which is different for the two Royal Thai Board of Investment ("BOI") activities (Note 6).

4. Segment information

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

- Chatree Mine, Thailand;
- Challenger Mine, South Australia, Australia;
- Bowdens Silver Project, New South Wales, Australia;
- Nueva Esperanza Silver / Gold Project, Chile; and
- Exploration, South East Asia.

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

	Operations		Development		Exploration	Corporate	Total Group
2014	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	$'000	$'000	$'000
External sales revenue	221,969	106,357	–	–	–	–	328,326
Other revenue	483	117	–	–	–	980	1,580
Total segment revenue	**222,452**	**106,474**	**–**	**–**	**–**	**980**	**329,906**
Segment EBITDA	87,248	(2,284)	(66)	(3,691)	(791)	(16,132)	64,284
Impairment	–	–	(84,586)	–	(2,112)	–	(86,698)
Depreciation and amortisation	(41,855)	(15,799)	(19)	(11)	–	(57)	(57,741)
Profit / (loss) before finance cost and income tax	**45,393**	**(18,083)**	**(84,671)**	**(3,702)**	**(2,903)**	**(16,189)**	**(80,155)**
Finance income	269	62	8	99	9	163	610
Finance costs	(11,348)	(348)	(8)	(5)	–	(2,151)	(13,860)
Net finance costs	**(11,079)**	**(286)**	**–**	**94**	**9**	**(1,988)**	**(13,250)**
Profit / (loss) before tax	**34,314**	**(18,369)**	**(84,671)**	**(3,608)**	**(2,894)**	**(18,177)**	**(93,405)**
Other segment information							
Segment assets	479,575	28,314	30,483	69,829	3,305	31,673	643,179
Segment liabilities	(160,930)	(20,068)	(6,470)	(4,634)	(828)	(37,492)	(230,422)
Segment intercompany assets / (liabilities)	57,878	(74,535)	(29,311)	(53,782)	(14,213)	113,963	–

continued

4. Segment information continued

2013 Restated	Operations		Development		Exploration	Corporate	Total Group
	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	$'000	$'000	$'000
External sales revenue	226,759	102,523	–	–	–	–	329,282
Other revenue	231	507	–	–	51	(129)	660
Total segment revenue	**226,990**	**103,030**	**–**	**–**	**51**	**(129)**	**329,942**
Segment EBITDA	95,208	16,656	(234)	(3,070)	(297)	(11,631)	96,632
Impairment	–	(311,850)	–	–	(20,421)	(537)	(332,808)
Depreciation and amortisation	(31,745)	(58,474)	(18)	(32)	–	(108)	(90,377)
Profit / (loss) before finance cost and income tax	**63,463**	**(353,668)**	**(252)**	**(3,102)**	**(20,718)**	**(12,276)**	**(326,553)**
Finance income	2,103	153	6	–	10	315	2,587
Finance costs	(11,239)	(141)	(6)	(1,258)	–	(6,165)	(18,809)
Net finance costs	**(9,136)**	**12**	**–**	**(1,258)**	**10**	**(5,850)**	**(16,222)**
Profit / (loss) before tax	**54,327**	**(353,656)**	**(252)**	**(4,360)**	**(20,708)**	**(18,126)**	**(342,775)**
Other segment information							
Segment assets	531,622	42,892	106,564	63,378	4,618	10,252	759,326
Segment liabilities	(204,412)	(29,077)	(1,346)	(5,734)	(1,331)	(53,452)	(295,352)
Segment intercompany assets / (liabilities)	46,588	(61,501)	(21,909)	(42,533)	(14,775)	94,130	–

	Revenue		% of External Revenue	
	2014 $'000	2013 $'000	2014 %	2013 %
Customer A	**221,969**	226,759	**68**	69
Customer B	**106,357**	102,523	**32**	31

5. Revenue and expenses

	2014 $'000	2013 $'000
a) Sales revenue		
Gold sales	**305,163**	302,996
Silver sales	**23,163**	26,286
Total sales revenue	**328,326**	329,282

	2014 $'000	2013 Restated $'000
b) Cost of sales		
Direct costs of mining and processing	**215,370**	174,834
Royalties	**22,773**	25,838
Inventory movements	**6,146**	(8,341)
Depreciation (operations)	**57,602**	90,170
Total costs of sales	**301,891**	282,501
c) Corporate and administration expenses		
Administration	**15,304**	15,515
Divestment transaction costs – (refer to Note 34)	**4,246**	1,111
Technical support and business development	**1,426**	2,096
Statutory and professional fees	**2,851**	3,334
Depreciation	**139**	207
Total corporate and administration expenses	**23,966**	22,263

	2014 $'000	2013 $'000
d) Other income and expenses		
Net (loss) on the sale of exploration assets	**–**	(16,709)
Realised gain on delivery against hedge contracts	**1,175**	–
(Loss) / gain on the change in fair value of undesignated gold contracts held for trading	**(369)**	1,414
(Loss) on the change in fair value of available-for-sale financial assets	**(284)**	(855)
Other revenue	**1,580**	660
Total other income and (expense)	**2,102**	(15,490)
e) Impairment		
Challenger Gold Project	**–**	311,850
Bowdens Silver Project	**84,586**	–
Exploration assets	**2,112**	20,421
Investment in associate – Caravel Minerals	**–**	537
Total impairment	**86,698**	332,808
f) Finance costs		
Interest and finance charges	**13,852**	15,161
Unwinding of discount	**1,137**	1,017
Amortisation of deferred borrowing costs	**1,056**	7,594
Less: borrowing costs capitalised [(i)]	**(2,185)**	(4,963)
Total finance costs	**13,860**	18,809

(i) ***Capitalised borrowing costs***
The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 8.21% (2013: 10.7%).

continued

5. Revenue and expenses continued

	2014 $'000	2013 Restated $'000
g) Depreciation and amortisation		
Property, plant and equipment	18,337	18,499
Mine properties	39,716	72,159
Less: Depreciation capitalised	(312)	(281)
Total depreciation and amortisation expenses	57,741	90,377
Included in:		
Costs of sales depreciation	57,602	90,170
Corporate depreciation	139	207

	2014 $'000	2013 $'000
h) Employee benefits expenses		
Included in:		
Costs of sales	22,949	18,668
Corporate and administration expenses	11,694	11,464
Total employee benefits expenses	34,643	30,132
i) Other items		
Operating lease rentals	625	915
Total other items	625	915

	2014 $'000	2013 Restated $'000
j) Significant items		
Foreign exchange (gain) / loss	(2,595)	745
Write off of capitalised borrowing fees	–	5,722
Realised gain on delivery against hedge contracts	(1,175)	–
Change in fair value of undesignated gold contracts held for trading	369	(1,414)
Change in fair value of available-for-sale financial assets	284	855
Share of loss in associate (refer Note 14a)	413	1,353
Loss on sale of exploration assets	–	16,709
Divestment transaction costs	4,246	1,111
Impairment of Challenger Gold Project	–	311,850
Impairment of Bowdens Silver Project	84,586	–
Impairment of capitalised exploration	2,112	20,421
Impairment of associate	–	537
Total significant items (pre-tax)	88,240	357,889

Impairment – Bowdens Silver Project

In accordance with AASB 136 – Impairment of Assets an impairment charge has been made against the carrying value of the Bowdens Silver Project ("Bowdens") as a result of the significant and sustained decline in the silver price.

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount for Bowdens has been determined on its fair value less transaction costs ("FV") using peer group analysis.

While Bowdens is expected to generate positive cash flows, the estimated fair value no longer supports the full recovery of the carrying value. As a result of this assessment, the Group has recorded an impairment charge of $84,586,000 pre-tax related to the carrying value of the Bowdens acquisition, exploration, evaluation and development costs.

The fair value estimates are derived from observable trading valuations of a comparable peer group in active markets. Given the advanced stage of the project and the level of technical work completed on the Environmental Impact Statement, it was considered appropriate to compare Bowdens with a subset of the peer group with more advanced projects which had either completed a preliminary economic assessment or a feasibility study.

The key criteria for the selection of the peer group were as follows:

- public company listed on a major exchange;
- assets must contain silver as a primary commodity, although many are polymetallic;
- assets must be pre-production;
- resource must be of significant size to generate a meaningful valuation; and
- all other metals are converted to silver equivalent.

The fair value of Bowdens Silver Project is assessed as being equal to its carrying amount of $30,030,000 after impairment as at 30 June 2014. The fair value has been assessed by calculating the enterprise value per ounce resource of equivalent silver of the peer group and applying the median of these values ($0.17) to the Bowdens silver equivalent resource (detailed in the previously published 2013 Ore Reserves and Mineral Resources Statement) less estimated transaction costs.

The assessment of other Group projects was based on either value in use or fair value. These assessments demonstrated that the recoverable amount exceeded the carrying amount and therefore impairments were not required.

6. Income tax

	2014 $'000	2013 Restated $'000
a) Income tax expense		
Current tax	**2,858**	3,731
Deferred tax	**28**	(20,235)
Income tax (benefit) / expense	**2,886**	(16,504)
Deferred tax expense / (benefit) included in tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(3,320)**	32,486
Increase / (decrease) in deferred tax liabilities	**3,348**	(52,721)
Deferred tax	**28**	(20,235)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit from continuing operations before income tax	**(93,405)**	(342,775)
Tax at Australian rate of 30%	**(28,021)**	(102,832)
Tax effect of amounts not deductible / assessable in calculating taxable income		
Non-deductible expenses	**1,209**	2,367
Non-deductible amortisation	**1,433**	1,210
Non-deductible interest expense to preference shareholders	**322**	157
Share-based payment remuneration	**134**	275
Impairment of investment in associate	**–**	161
Share of loss of associate	**124**	406
Differences in Thailand tax rates	**(9,087)**	(14,832)
Non-temporary differences affecting the tax expense	**398**	332
Prior year adjustment to tax return	**(19)**	–
Tax benefit of tax losses and deductible temporary differences not brought to account	**11,017**	58,495
Deferred tax asset written off in the current year	**–**	37,757
Non-deductible impairment of Bowdens Silver Project	**25,376**	–
Income tax (benefit) / expense	**2,886**	(16,504)

continued

6. Income tax continued

Akara Resources Public Company Limited ("Akara"), 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 Mine. Subject to meeting the BOI conditions and based on an annual production limit of 178,416 ounces of gold and 583,733 ounces of silver, Akara's Chatree Mine is entitled to:

i) An eight year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;
ii) A further five years half tax holiday; and
iii) Other benefits.

The start of the promotion period was 27 November 2001.

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

i) An eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;
ii) 25% investment allowance on the capital cost of certain assets of the new processing plant; and
iii) Other benefits.

The start of the promotion period was 1 November 2012.

	2014 $'000	2013 $'000
c) Tax recognised in other comprehensive income		
Available-for-sale investment revaluation reserve	–	(39)
Foreign exchange losses recognised directly in foreign currency translation reserves	–	566
Total tax recognised in other comprehensive income	–	527

d) Deferred tax liabilities offset

Deferred tax liabilities amounting to $298,000 (2013: $853,000) have been offset against deferred tax asset.

	2014 $'000	2013 $'000
e) Unrecognised deferred tax assets		
Tax losses – Australian entities	**250,948**	211,548
Tax losses – other entities	**2,360**	1,309
Temporary difference	**112,983**	130,113
Subtotal	**366,291**	342,970
Unrecognised deferred tax assets	**109,651**	102,760

f) Tax consolidation group

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

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Kingsgate 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 under the tax legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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

g) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014 $'000	2013 Restated $'000	2014 $'000	2013 Restated $'000	2014 $'000	2013 Restated $'000
Deferred tax assets / liabilities:						
Derivatives	**189**	384	**–**	–	**189**	384
Employee benefits	**1,814**	1,789	**–**	–	**1,814**	1,789
Provision for restoration and rehabilitation	**4,774**	5,167	**–**	–	**4,774**	5,167
Provision for obsolescence	**348**	309	**–**	–	**348**	309
Unrealised exchange (gains) / losses	**855**	1,265	**(834)**	(2,020)	**21**	(755)
Other items	**806**	1,147	**(285)**	(467)	**521**	680
Available-for-sale financial assets	**419**	334	**–**	–	**419**	334
Mine properties and exploration	**7,880**	3,706	**(15,389)**	(10,771)	**(7,509)**	(7,065)
Total deferred tax assets / (liabilities)	**17,085**	14,101	**(16,508)**	(13,258)	**577**	843
Set off tax	**(7,880)**	(3,706)	**7,880**	3,706	**–**	–
Net deferred tax assets (liabilities)	**9,205**	10,395	**(8,628)**	(9,552)	**577**	843

Movement in deferred tax balances

2014

	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets / liabilities:					
Derivatives	384	(195)	–	–	189
Employee benefits	1,789	88	–	(63)	1,814
Provision for restoration and rehabilitation	5,167	(178)	–	(215)	4,774
Provision for obsolescence	309	64	–	(25)	348
Unrealised exchange losses	(755)	776	–	–	21
Other items	680	(126)	–	(33)	521
Mine properties and exploration	(7,065)	(542)	–	98	(7,509)
Available-for-sale financial assets	334	85	–	–	419
Net deferred tax assets	**843**	**(28)**	**–**	**(238)**	**577**

2013 Restated

	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets / liabilities:					
Derivatives	808	(424)	–	–	384
Employee benefits	1,571	124	–	94	1,789
Provision for restoration and rehabilitation	3,390	1,428	–	349	5,167
Provision for obsolescence	278	(5)	–	36	309
Unrealised exchange losses	2,790	(2,979)	(566)	–	(755)
Other items	1,096	(428)	–	12	680
Tax losses	36,334	(36,334)	–	–	–
Mine properties and exploration	(65,205)	58,597	–	(457)	(7,065)
Available-for-sale financial assets	39	256	39	–	334
Net deferred tax assets	**(18,899)**	**20,235**	**(527)**	**34**	**843**

continued

7. Cash and cash equivalents and restricted cash

	2014 $'000	2013 $'000
Current		
Cash on hand	17	18
Deposits at call	53,615	30,476
Total cash and cash equivalents	53,632	30,494
Non-current		
Restricted cash	5,489	5,474
Total restricted cash – non-current	5,489	5,474

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

The deposits at call are bearing floating interest rates and they may be accessed daily.

Restricted cash

Under the terms of the loan facilities (see Note 16), the Group is required to maintain a minimum cash balance of US$5,000,000 in respect of Akara.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

8. Receivables

	2014 $'000	2013 $'000
Trade receivables	2,203	–
Other debtors	11,157	9,431
Total receivables	13,360	9,431

Trade receivables

Trade receivables represent gold sales at the end of the financial year, where payment was yet to be received. No trade receivables were past due or impaired as at 30 June 2014 (2013: nil).

Other debtors

Other debtors mainly relate to GST / VAT receivables and diesel fuel tax credits.

Risk exposure

The Group's exposure to credit and currency is disclosed in Note 28.

9. Inventories

	2014 $'000	2013 $'000
Current		
Raw materials and stores	**14,130**	10,656
Livestock	**22**	-
Provision for obsolescence	**(1,756)**	(1,566)
Stockpiles and work in progress	**32,790**	48,329
Gold bullion	**2,731**	4,613
Total inventories – current	**47,917**	62,032
Non-current		
Stockpiles	**49,805**	44,731
Total inventories – non-current	**49,805**	44,731

10. Other assets

	2014 $'000	2013 Restated $'000
Current		
Prepaid mining services	**11,750**	15,921
Prepayments	**11,996**	12,489
Other deposits	**2,855**	3,787
Total other assets – current	**26,601**	32,197
Non-current		
Prepayments	**7,333**	4,380
Other deposits	**6,204**	6,514
Total other assets – non-current	**13,537**	10,894

Prepayments

Non-current prepayments include prepaid royalties in respect of the Nueva Esperanza Silver / Gold Project in Chile and electricity and fuel supplies for Chatree Mine in Thailand.

Other deposits

Other deposits current includes cash held on deposit with financial institutions that is restricted to use on community projects in Thailand.

Other deposits non-current includes $1,828,000 restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations and $3,680,000 of security deposits.

continued

11. Available-for-sale financial assets

	2014 $'000	2013 $'000
Equity securities		
At the beginning of the year	767	1,751
Revaluation	(284)	(984)
Disposal	(213)	–
At the end of the year	**270**	767

12. Property, plant and equipment

	2014 $'000	2013 $'000
Opening balance		
Cost	326,684	286,590
Accumulated depreciation and amortisation	(71,556)	(47,353)
Accumulated impairment	(64,897)	–
Net book amount	**190,231**	239,237
Year ended 30 June		
Opening net book amount	190,231	239,237
Additions	12,043	15,465
Reclassified	(303)	(2,039)
Disposals	(16)	(630)
Impairment	–	(64,897)
Depreciation and amortisation expense	(18,337)	(18,499)
Foreign currency exchange differences	(12,960)	21,594
Closing net book amount	**170,658**	190,231
Cost	320,915	326,684
Accumulated depreciation and amortisation	(85,360)	(71,556)
Accumulated impairment	(64,897)	(64,897)
Net book amount	**170,658**	190,231

13. Exploration, evaluation and development

	Exploration & evaluation $'000	Feasibility expenditure $'000	Mine properties $'000	Total $'000
At 30 June 2012				
Cost	57,512	121,557	513,576	692,645
Accumulated depreciation and amortisation	–	–	(126,077)	(126,077)
Net book amount	**57,512**	**121,557**	**387,499**	**566,568**
Year ended 30 June 2013 (Restated)				
Opening net book amount	57,512	121,557	387,499	566,568
Additions	7,938	19,234	103,260	130,432
Reclassified	–	–	2,039	2,039
Disposals	(20,084)	(1,023)	(6,949)	(28,056)
Impairment	(27,526)	–	(239,848)	(267,374)
Depreciation and amortisation expense	–	–	(72,159)	(72,159)
Foreign currency exchange differences	1,242	3,173	25,330	29,745
Closing net book amount	**19,082**	**142,941**	**199,172**	**361,195**
At 30 June 2013 (Restated)				
Cost	46,608	142,941	645,008	834,557
Accumulated depreciation and amortisation	–	–	(205,988)	(205,988)
Accumulated impairment	(27,526)	–	(239,848)	(267,374)
Net book amount	**19,082**	**142,941**	**199,172**	**361,195**
Year ended 30 June 2014				
Opening net book amount	19,082	142,941	199,172	361,195
Additions	1,904	11,139	17,541	30,584
Reclassified	–	(1,157)	303	(854)
Disposals	–	(7)	(344)	(351)
Impairment	(12,004)	(74,694)	–	(86,698)
Depreciation and amortisation expense	–	–	(39,716)	(39,716)
Foreign currency exchange differences	(488)	(1,055)	(10,984)	(12,527)
Closing net book amount	**8,494**	**77,167**	**165,972**	**251,633**
At 30 June 2014				
Cost	48,024	151,861	644,133	844,018
Accumulated depreciation and amortisation	–	–	(238,313)	(238,313)
Accumulated impairment	(39,530)	(74,694)	(239,848)	(354,072)
Net book amount	**8,494**	**77,167**	**165,972**	**251,633**

Capitalised borrowing costs

Included in exploration evaluation and development is an amount of $2,185,000 that represents borrowing costs capitalised during the year ($4,963,000 during the year ended 30 June 2013). The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 8.21% (2013: 10.7%).

continued

14. Investment in associate

a) Reconciliation of movement in investment accounted for using the equity method

	2014 $'000	2013 $'000
Investment in Caravel Minerals Limited		
At the beginning of the year	1,485	–
Acquisition	–	3,375
Share of associate's loss	(413)	(1,353)
Additional impairment in associate	–	(537)
At the end of the year	1,072	1,485

b) Summarised financial information of associate

The Group's share of the results of its associate and its aggregate assets and liabilities are as follows:

	Group's share of:				
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenue $'000	Loss $'000
Caravel Minerals Limited – 2014	27.04	1,839	146	108	413
Caravel Minerals Limited – 2013	35.54	3,007	384	199	1,353

c) Fair value of listed investment in associate

	2014 $'000	2013 $'000
Caravel Minerals Limited	1,485	1,485

d) Contingent liabilities

Caravel Minerals Limited had no material contingent liabilities.

15. Payables

	2014 $'000	2013 $'000
Current		
Trade payables	15,318	25,620
Other payables and accruals	10,160	15,565
Total payables – current	25,478	41,185
Non-current		
Other payables	4,800	5,921
Total payables – non-current	4,800	5,921

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

16. 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 28.

	2014 $'000	2013 $'000
Current		
Secured bank loans	**33,514**	73,613
Preference shares in controlled entity	**9,464**	10,488
Total borrowings – current	**42,978**	84,101
Non-current		
Secured bank loans	**110,572**	115,575
Preference shares in controlled entity	**82**	82
Total borrowings – non-current	**110,654**	115,657
Borrowings		
Secured bank loans	**144,086**	189,188
Preference shares in controlled equity	**9,546**	10,570
Total borrowings	**153,632**	199,758

Secured bank loans

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest	Financial year of maturity	Face value $'000	Carrying amount $'000
Corporate loan facility (Tranche A)	AUD	BBSY[1] + margin	2015	10,000	10,000
Convertible loan facility (Tranche B)	AUD	BBSY[1] + margin	2016	25,000	25,000
Multi-currency and syndicated loan facilities	Thai Baht	THBFIX[2]+ margin	2018	47,059	47,059
	USD	LIBOR[3] + margin	2018	64,109	64,109
Less capitalised borrowing costs					(2,082)
Total					**144,086**

1 *BBSY means bank bill swap bid rate*
2 *THBFIX means Thai Baht interest rate fixing*
3 *LIBOR means London interbank offered rate*

continued

16. Borrowings continued

Senior corporate facility

$35,000,000 under the Senior Corporate Loan Facility consisting of two tranches:

- Tranche A is an amortising loan facility with a balance of $10,000,000 to be repaid during the 2015 financial year.
- Tranche B is $25,000,000 Akara Resources PCL ("Akara") Pre-IPO Bond with a maturity date of 31 July 2015.

  The current intention is for this tranche to be repaid from proceeds raised through the Akara IPO although at Kingsgate's election repayment can be made by Kingsgate either in cash or Kingsgate shares.

As security for the above facility the lender has a fixed and floating charge over Kingsgate including its shares in its material subsidiaries.

Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara, has an amortising multi-currency loan facility with 4.5 years remaining. It is currently drawn to the equivalent of $111,168,000, following the commencement of quarterly repayments in November 2013. Akara also has an additional undrawn Thai Baht denominated working capital facility equivalent to $16,000,000.

As security against the above facility the lender has a fixed and floating charge over the land, buildings and machinery in Thailand owned by Akara and its material subsidiaries.

Convertible revolving credit facility

The Group had a three year $25,000,000 Convertible Revolving Credit Facility available during the year. This facility was replaced by the above facilities following the Group's corporate debt restructure in the second half of the 2014 financial year.

Restricted funds

Under the terms of the loan facilities, the Group is required to maintain a minimum cash balance of US$5,000,000 ($5,489,000) in respect of Akara.

Preference shares in controlled entity

Terms and repayment schedule

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

	Currency	Interest rate	Financial year of maturity	Face value $'000	Carrying amount $'000
Preference shares in controlled entity	Thai Baht	12%	n/a	9,546	9,546

17. Provisions

	Note	2014 $'000	2013 $'000
Current			
Employee benefits	(1x), 24	**3,115**	3,797
Total provisions – current		**3,115**	3,797
Non-current			
Restoration and rehabilitation	(1w)	**27,731**	28,180
Employee benefits	(1x), 24	**5,267**	5,416
Total provisions – non-current		**32,998**	33,596
Movements in the restoration and rehabilitation provision:			
Restoration and rehabilitation			
At the beginning of the financial year		**28,180**	14,899
Revision of rehabilitation provision		**10**	10,979
Unwind of discount rate for provision		**1,102**	839
Foreign currency exchange differences		**(1,561)**	1,463
At the end of the financial year		**27,731**	28,180

18. Contributed equity

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Opening balance	**152,191,905**	151,263,789	**605,504**	599,618
Dividend reinvestment plan	**–**	761,448	**–**	3,330
Share placement and rights issue	**59,430,588**	–	**59,430**	–
Issue of ordinary shares to repay funds drawn down under the convertible revolving credit facility	**11,774,572**	–	**15,000**	–
Issue of ordinary shares related to Executive Rights Plan	**92,872**	–	**487**	–
Issue of ordinary shares as part consideration for the settlement of a legal dispute	**–**	166,668	**–**	1,512
Issue of ordinary shares related to consultancy services	**95,000**	–	**113**	–
Options expired / lapsed	**–**	–	**–**	1,044
Share issue costs	**–**	–	**(3,425)**	–
Closing balance	**223,584,937**	152,191,905	**677,109**	605,504

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to continue future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets. The Group's focus has been to utilise surplus cash from operations and raise additional funds as required from debt or equity markets to fund capital investment, working capital and exploration and evaluation activities, including for the Nueva Esperanza Project in Chile and the Bowdens Silver Project in New South Wales, Australia.

continued

19. Reserves and accumulated losses

(a) Reserves	2014 $'000	2013 Restated $'000
Foreign currency translation reserve	**(12,574)**	13,853
Share-based payment reserve	**8,598**	8,702
General reserve	**(4,380)**	(4,380)
Total reserves	**(8,356)**	18,175
Movements:		
Foreign currency translation reserve		
At the beginning of the financial year	**13,853**	(26,458)
Exchange differences on translation of foreign controlled entities (net of tax)	**(26,427)**	40,311
At the end of the financial year	**(12,574)**	13,853
Available-for-sale investment revaluation reserve		
At the beginning of the financial year	**–**	91
Net change	**–**	(91)
At the end of the financial year	**–**	–
Share-based payment reserve		
At the beginning of the financial year	**8,702**	10,340
Performance rights issued to preference shareholder exercised	**–**	(1,512)
Share-based payment expense	**448**	918
Transfer to share capital (conversion of performance rights)	**(487)**	–
Transfer to share capital (options lapsed)	**–**	(1,044)
Transfer to other expenses	**(65)**	–
At the end of the financial year	**8,598**	8,702
General reserve		
At the beginning of the financial year	**(4,380)**	(4,380)
Net change	**–**	–
At the end of the financial year	**(4,380)**	(4,380)

Foreign currency translation reserve

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

Available-for-sale investment revaluation reserve

Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investment revaluation reserve as described in Note 2k (iii).

Share-based payment reserve

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

General reserve

The general reserve represents changes in equity as a result of changes in non-controlling interests in prior periods.

(b) Accumulated losses

	2014 $'000	2013 Restated $'000
(Accumulated losses) / retained profits at the beginning of the year	**(159,705)**	189,304
Net loss attributable to members of Kingsgate Consolidated Limited	**(96,291)**	(326,271)
Dividends paid	**–**	(22,738)
Accumulated losses	**(255,996)**	(159,705)

20. Commitments for expenditure

	2014 $'000	2013 $'000
Capital commitments		
Within 1 year	**–**	1,475
Total capital commitments	**–**	1,475
Operating leases		
Within 1 year	**553**	1,064
Later than 1 year but not later than 5 years	**110**	553
Total operating leases	**663**	1,617
Exploration commitments		
Within 1 year	**1,655**	2,190
Later than 1 year but not later than 5 years	**316**	–
Total exploration commitments	**1,971**	2,190

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 Challenger Mine'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.

continued

21. Controlled entities

Entity	Country of Incorporation	Class of shares	Equity holding 2014 %	Equity holding 2013 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Limited	Australia	Ordinary	**100**	100
Challenger Gold Operations Pty Ltd	Australia	Ordinary	**100**	100
Gawler Gold Mining Pty Ltd	Australia	Ordinary	**100**	100
Dominion Copper Pty Ltd	Australia	Ordinary	**100**	100
Dominion Metals Proprietary Ltd	Australia	Ordinary	**100**	100
Yilgarn Metals Limited	Australia	Ordinary	**100**	100
Kingsgate Treasury Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Bowdens Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Capital Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Nominees Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate South America Pty Ltd	Australia	Ordinary	**100**	100
Laguna Resources NL	Australia	Ordinary	**100**	100
Laguna Exploration Pty Ltd	Australia	Ordinary	**100**	100
Akara Resources Public Company Limited (i)	Thailand	Ordinary	**100**	100
Issara Mining Ltd	Thailand	Ordinary	**100**	100
Suan Sak Patana Ltd	Thailand	Ordinary	**100**	100
Phar Mai Exploration Ltd	Thailand	Ordinary	**100**	100
Richaphum Mining Ltd	Thailand	Ordinary	**100**	100
Phar Lap Ltd	Thailand	Ordinary	**100**	100
Phar Rong Ltd	Thailand	Ordinary	**100**	100
Asia Gold Limited	Mauritius	Ordinary	**100**	100
Dominion (Lao) Co., Ltd	Laos	Ordinary	**100**	100
Laguna Chile Ltda	Chile	Ordinary	**100**	100
Minera Kingsgate Limitada	Chile	Ordinary	**100**	100
Kingsgate Peru SRL	Peru	Ordinary	**100**	100
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	**100**	100

(i) Akara Mining Limited changed its name to Akara Resources Public Company Limited on 29 August 2013.

22. Dividends

	2014 $'000	2013 $'000
No final dividend was declared for the year ended 30 June 2013	–	15,148
No interim dividend was declared for the year ended 30 June 2014	–	7,590
Total dividends	–	22,738

The Group's franking credit balance as at 30 June 2014 is $880,548 (2013: $880,548).

23. Related parties

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 29 and the Remuneration Report.

Controlling entity

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

24. Employee benefits and share-based payments

	2014 $'000	2013 $'000
Employee benefit and related on-costs liabilities		
Provision for employee benefits – current	**3,115**	3,797
Provision for employee benefits – non-current	**5,267**	5,416
Total employee provisions	**8,382**	9,213

Share-based payments

The following share-based payments were made during the year:

- performance and deferred rights issued to employees $292,614 (2013: $917,397);
- performance rights issued to consultants $155,610 (2013: $0); and
- shares issued as part consideration of a legal dispute $0 (2013: $1,512,000).

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee's wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2014 were $1,744,000 (2013: $1,663,000).

Kingsgate executive option plan

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

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

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

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

Executive Rights Plan

On 1 July 2012, the Company introduced an Executive Rights Plan which involves the grant of two types of rights being performance rights and deferred rights. Subject to the satisfaction of the performance condition at the end of a three year measurement period in respect of performance rights and the service condition at the end of the three year vesting period in respect of deferred rights, the rights will vest. The first $1,000 of value per individual award is settled by cash with the balance settled by shares.

continued

24. Employee benefits and share-based payments continued

Performance rights

Kingsgate issued the following performance rights during the year:

Type	Grant date	Vesting date	Number
Performance rights	7/13 November 2013	1 July 2016	479,643
Performance rights	26 November 2013	1 July 2016	768,380

The Executives Rights Plan entitles participants to receive rights to fully paid ordinary shares in the Company (performance rights). The performance measures for the performance rights issued in the 2013 and 2014 financial years is subject to a hurdle derived from a three year vesting period using the internal performance measuring metric, TSR Alpha™. This measure is based on total shareholder return over that vesting period.

The fair value of the performance rights was estimated using Monte Carlo simulations, taking into account the terms and conditions upon which the awards were granted.

The following table lists the inputs to the model used for the performance rights granted for the year:

Number of rights issued	**479,643**	**768,380**
Grant date	7/13 November 2013	26 November 2013
Spot price ($)	1.24	1.24
Risk-free rate (%)	2.9	2.9
Term (years)	2.6	2.6
Volatility (%)	60 – 65	60 – 65
Exercise price	–	–
Fair value ($)	0.72 – 0.75	0.72 – 0.75

The volatility above was determined with reference to the historical volatility of the Company's share price from June 2008 to November 2013.

Deferred rights

Kingsgate issued the following deferred rights during the year:

Type	Grant date	Vesting date	Fair value	Number
Deferred rights	7 November 2013	1 July 2016	$1.47	215,874
Deferred rights	13 November 2013	1 July 2016	$1.34	63,241
Deferred rights	4 November 2013	1 July 2016	$1.39	49,407
Total				**328,522**

The fair value of the deferred rights was estimated based on the share price less the present value of projected dividends over the expected term of each deferred right.

The following table lists the inputs to the model used for the deferred rights granted for the year:

Number of rights issued	**215,874**	**63,241**	**49,407**
Grant date	7 November 2013	13 November 2013	4 November 2013
Spot price ($)	$1.47	$1.34	$1.39
Term (years)	2.6	2.6	2.6
Dividends ($)	–	–	–

25. Reconciliation of loss after income tax to net cash flow from operating activities

	2014 $'000	2013 Restated $'000
Loss for the year	(96,291)	(326,271)
Depreciation and amortisation	57,741	90,377
Share-based payments	448	917
Gain on disposal of property, plant and equipment	–	70
Impairment – Bowdens	84,586	–
Impairment – exploration	2,112	20,421
Impairment – Challenger Gold Project	–	311,850
Impairment in associate – Caravel Minerals	–	537
Unwind of discount rate for provision	1,137	1,017
Loss on sale of exploration assets	–	16,709
Amortisation of deferred borrowing costs	1,056	7,594
Unrealised (gains) / losses	(522)	(559)
Share of associate's loss	413	1,353
Net exchange differences	(670)	2,147
Change in operating assets and liabilities		
(Increase) / decrease in receivables	(4,321)	5,644
(Increase) / decrease in prepayments	2,900	(85)
(Increase) / decrease in inventories	1,583	(8,930)
Increase / (decrease) in current tax liabilities	930	(11,792)
Increase / (decrease) in creditors	(14,163)	(3,181)
Increase / (decrease) in provisions	43	1,143
Increase / (decrease) in deferred tax liabilities	181	(20,176)
Net cash inflow from operating activities	37,163	88,785

26. Events occurring after reporting date

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

27. Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of guarantees. Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility and corporate loan facility as described in Note 16 as part of the security package. These guarantees may give rise to liabilities in the parent entity if the controlled entities do not meet their obligations under the terms of the loans subject to guarantees. No material losses are anticipated in respect of the above contingent liabilities.

Included in non-current other asset is $1,828,000 relating to restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

continued

28. 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 except in specific circumstances and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks. The Group has entered into forward gold sale contracts to manage Australian gold price risk in respect of the forecast production from the Challenger Mine (refer "commodity price risk" section below). The Directors and management monitor these risks, in particular market forecasts of future movements in foreign currency and price 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:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	**53,632**	30,494
Receivables	**13,360**	9,431
Restricted cash	**5,489**	5,474
Available-for-sale financial assets	**270**	767
Other financial assets	**9,059**	10,301
Total financial assets	**81,810**	56,467
Financial liabilities		
Payables	**(30,278)**	(47,106)
Borrowings	**(155,714)**	(202,565)
Derivatives held for trading	**(623)**	(1,271)
Total financial liabilities	**(186,615)**	(250,942)

(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;
- payables denominated in US dollars; and
- cash balances in US dollars.

The functional currency of the Thai subsidiaries is Thai Baht. The Company's functional currency is Australian dollars.

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

	2014 $'000	2013 $'000
Cash and cash equivalents	**2,175**	483
Restricted cash	**5,489**	5,474
Receivables	**113**	127
Payables	**(451)**	(1,016)
Total exposure to foreign currency risk	**7,326**	5,068

The Group's sale of gold produced from Chatree Gold Mine is in US dollars, however the functional currency of the subsidiary company that owns the Chatree Gold Mine is Thai Baht and therefore, the Group's profit is sensitive to movement in those currencies.

If the spot Australian dollar weakened / strengthened by one cent against the US dollar with all other variables held constant, the Group's revenue for the year would have been $2,357,000 higher / $2,357,000 lower (2013: $2,510,000 higher / $2,456,000 lower).

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

Commodity price risk

At 30 June 2014 the Group's subsidiary, Challenger Gold Operations Pty Ltd, has forward sold 14,500 ounces of gold at an average price of $1,364 per ounce. Subsequent to year-end the Group forward sold a further 22,000 ounces of gold over a 12 month period at an average price of $1,419 per ounce to manage Australian gold price risk associated with forecast production from the Challenger Mine.

The following table sets out an aging of forward gold sale contracts in place at year end:

	Gold for physical delivery ounces	Contracted sales price A$/oz	Value of committed sales $'000
As at 30 June 2014			
Within one year	**14,500**	**1,364**	**19,779**
As at 30 June 2013			
Within one year	6,500	1,159	7,534

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 5% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices.

	2014 $'000	2013 $'000
Mark to market movement of the fair value of gold forward contracts		
5% increase in the spot price of gold	**(779)**	(611)
5% decrease in the spot price of gold	**1,240**	(2,217)

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.

continued

28. Financial risk management and instruments continued

A 10% increase / (decrease) of the share price for the equity securities at 30 June 2014 would have increased / (decreased) equity / profit by the amounts shown as follows:

	+10%		-10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Available-for-sale financial asset – 2014	**27**	**–**	**(27)**	**–**
Available-for-sale financial asset – 2013	–	77	(77)	–

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2014 and 30 June 2013 are set out as follows:

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Non-interest bearing $'000	Total $'000
2014				
Financial assets				
Cash and cash equivalents	53,614	–	18	53,632
Receivables	–	–	13,360	13,360
Restricted cash	5,489	–	–	5,489
Available-for-sale financial assets	–	–	270	270
Other financial assets	8,664	–	395	9,059
Total financial assets	**67,767**	**–**	**14,043**	**81,810**
Financial liabilities				
Payables	–	–	(30,278)	(30,278)
Borrowings	(146,168)	(9,546)	–	(155,714)
Derivatives held for trading	–	–	(623)	(623)
Total financial liabilities	**(146,168)**	**(9,546)**	**(30,901)**	**(186,615)**
Net financial (liabilities) / assets	**(78,401)**	**(9,546)**	**(16,858)**	**(104,805)**
2013				
Financial assets				
Cash and cash equivalents	30,476	–	18	30,494
Receivables	–	–	9,431	9,431
Restricted cash	5,474	–	–	5,474
Available-for-sale financial assets	–	–	767	767
Other financial assets	9,764	–	537	10,301
Total financial assets	**45,714**	**–**	**10,753**	**56,467**
Financial liabilities				
Payables	–	–	(47,106)	(47,106)
Borrowings	(191,995)	(10,570)	–	(202,565)
Derivatives held for trading	–	–	(1,271)	(1,271)
Total financial liabilities	**(191,995)**	**(10,570)**	**(48,377)**	**(250,942)**
Net financial (liabilities) / assets	**(146,281)**	**(10,570)**	**(37,624)**	**(194,475)**

The weighted average rate on floating rate borrowings was 4.86% for the year ended 30 June 2014 (2013: 5.87%).

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

	100 bps increase Profit $'000	100 bps decrease Profit $'000
Variable rate instrument – 2014	**1,462**	**(1,462)**
Variable rate instrument – 2013	1,920	(1,920)

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks 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:

	2014 $'000	2013 $'000
Cash and cash equivalents	**53,632**	30,494
Receivables	**13,360**	9,431
Restricted cash	**5,489**	5,474
Other financial assets	**9,059**	10,301
Total exposure to credit risk at year end	**81,540**	55,700

(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 groupings based on the remaining period at the reporting date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2014						
Payables	30,278	25,478	806	3,994	–	30,278
Borrowings	155,714	52,720	54,464	64,514	–	171,698
Derivatives held for trading	623	623	–	–	–	623
Total financial liabilities 2014	**186,615**	**78,821**	**55,270**	**68,508**	**–**	**202,599**
2013						
Payables	47,106	41,185	1,731	5,104	865	48,885
Borrowings	202,565	94,432	30,458	85,138	13,521	223,549
Derivatives held for trading	1,271	1,271	–	–	–	1,271
Total financial liabilities 2013	**250,942**	**136,888**	**32,189**	**90,242**	**14,386**	**273,705**

continued

28. Financial risk management and instruments continued

(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).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2014				
Available-for-sale financial assets	270	–	–	270
Derivatives held for trading	–	(623)	–	(623)
Total as at 30 June 2014	**270**	**(623)**	**–**	**(353)**
30 June 2013				
Available-for-sale financial assets	767	–	–	767
Derivatives held for trading	–	(1,271)	–	(1,271)
Total as at 30 June 2013	**767**	**(1,271)**	**–**	**(504)**

29. Key Management Personnel disclosures

(a) Directors

The following persons were Directors of Kingsgate during the financial year:

- Ross Smyth-Kirk — Chairman
- Peter Alexander — Non-Executive Director
- Craig Carracher — Non-Executive Director
- Peter McAleer — Non-Executive Director
- Gavin Thomas — Managing Director (resigned 01 June 2014)

(b) Other Key Management Personnel

- Tim Benfield — Chief Operating Officer
- Duane Woodbury — Chief Financial Officer
- Ron James — General Manager Exploration and Resources Development
- Ross Coyle — General Manager Finance and Administration and Company Secretary
- Joel Forwood — General Manager Corporate and Markets
- Brett Dunstone — General Manager Human Resources

(c) Key Management Personnel compensation

	2014 $	2013 $
Short-term employee benefits	**4,328,212**	4,671,017
Post-employment benefits	**201,325**	169,385
Termination benefits	**2,095,468**	–
Share-based payments	**217,284**	821,961
Total Key Management Personnel compensation	**6,842,289**	5,662,363

(d) Loans with Key Management Personnel

Aggregates for Key Management Personnel:

	Balance at start of year $	Loan repayments for the year $	*Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Number in Group at the end of the year
2014	**160,000**	**(160,000)**	**4,436**	**–**	**–**	**–**
2013	–	–	2,603	–	160,000	1

* *Interest payable at annual interest rate of 11%.*

continued

30. Auditors' remuneration

	2014 $	2013 $
Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	503,000	890,179
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	278,871	296,108
Non-PricewaterhouseCoopers Audit Firm		
Audit and review of the financial reports	–	6,641
Total remuneration for audit services	781,871	1,192,928
Other services		
PricewaterhouseCoopers Australian Firm		
Other services	112,150	17,207
Related Practices of PricewaterhouseCoopers Australian Firm		
Transaction services (IPO)	141,957	–
Other services	21,352	10,950
Total remuneration for non-audit related services	275,459	28,157
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	89,345	133,775
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	40,316	42,744
Total remuneration for tax related services	129,661	176,519

31. Loss per share

	2014 Cents	2013 Restated Cents
Basic loss per share	(55.9)	(215.0)
Diluted loss per share	(55.9)	(215.0)
	$'000	$'000
Net loss used to calculate basic and diluted earnings per share	(96,291)	(326,271)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	172,237,245	151,766,220
Adjustment for calculation of diluted earnings per share: options	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	172,237,245	151,766,220

Diluted loss per share

As the Group made a loss for the year, diluted loss per share is the same as basic loss per share as the impact of dilution would be to reduce the loss per share.

32. Parent entity financial information

As at, and throughout the financial year ending 30 June 2014, the parent entity of the Group was Kingsgate.

Summary of financial information	2014 $'000	2013 $'000
Results of parent entity		
Loss for the year	**(114,554)**	(385,898)
Other comprehensive loss	**–**	(91)
Total comprehensive loss	**(114,960)**	(385,989)
Financial position of parent entity at year end		
Current assets	**142,681**	170,816
Total assets	**209,627**	290,509
Current liabilities	**71,021**	132,736
Total liabilities	**95,849**	133,743
Total equity of the parent entity comprising:		
Issued capital	**677,109**	605,504
Reserve	**8,298**	8,337
Accumulated losses	**(571,629)**	(457,075)
Total financial equity	**113,778**	156,766

Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 16 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.

33. 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 income statement and other comprehensive income, a summary of movements in consolidated accumulated losses, 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, is set out as follows:

continued

33. Deed of cross guarantee continued

Income statement and other comprehensive income

	2014 $'000	2013 Restated $'000
Sales revenue	106,357	102,522
Cost of sales	(124,717)	(130,350)
Gross profit	(18,360)	(27,828)
Exploration expenses	(164)	–
Corporate and administration expenses	(13,895)	(15,652)
Other income and expenses	4,119	(13,272)
Foreign exchange gain / (loss)	(1,453)	3,911
Impairment losses – Challenger Gold Project	–	(311,850)
Impairment losses – Bowdens Silver Project	(81,299)	–
Impairment losses – Laguna Silver Project	(4,344)	–
Impairment losses – exploration assets	–	(6,141)
Loss before finance costs and income tax	(115,396)	(370,832)
Finance income	2,139	1,606
Finance costs	(7,540)	(11,672)
Net finance costs	(5,401)	(10,066)
Loss before income tax	(120,797)	(380,898)
Income tax (expense) / benefit	6,517	20,504
Loss after income tax	(114,280)	(360,394)
Other comprehensive (loss) / income		
Items that may be reclassified to profit and loss		
Change in fair value of available-for-sale financial assets (net of tax)	–	(391)
Total other comprehensive (loss) / income for the year	–	(391)
Total comprehensive loss for the year	(114,280)	(360,785)
Loss attributable to:		
Owners of Kingsgate Consolidated Limited	(114,280)	(360,394)
Total comprehensive loss attributable to:		
Owners of Kingsgate Consolidated Limited	(114,280)	(360,785)

Summary of movements in consolidated retained earnings

	2014 $'000	2013 Restated $'000
Accumulated losses		
Accumulated losses at beginning of year	(458,278)	(75,146)
Loss for the year	(114,280)	(360,394)
Dividends paid	–	(22,738)
Accumulated losses at end of the year	(572,558)	(458,278)

Statement of financial position as at 30 June 2014

	2014 $'000	2013 Restated $'000
Assets		
Current assets		
Cash and cash equivalents	**30,878**	10,047
Receivables	**125,518**	171,986
Inventories	**5,831**	7,722
Other assets	**792**	1,553
Total current assets	**163,019**	191,308
Non-current assets		
Available-for-sale financial assets	**270**	767
Property, plant and equipment	**2,169**	6,525
Exploration, evaluation and development	**3,700**	12,378
Investment in subsidiaries	**54,654**	106,619
Other assets	**1,582**	1,582
Deferred tax assets	**3,327**	(881)
Total non-current assets	**65,702**	126,990
TOTAL ASSETS	**228,721**	318,298
Liabilities		
Current liabilities		
Payables	**70,313**	93,988
Borrowings	**9,847**	55,000
Derivatives held for trading	**623**	1,271
Provisions	**2,502**	2,920
Total current liabilities	**83,285**	153,179
Non-current liabilities		
Borrowings	**24,854**	-
Deferred tax liabilities	**(192)**	2,116
Provisions	**7,925**	7,440
Total non-current liabilities	**32,587**	9,556
TOTAL LIABILITIES	**115,872**	162,735
NET ASSETS	**112,849**	155,563
Equity		
Contributed equity	**677,109**	605,504
Reserves	**8,298**	8,337
Accumulated losses	**(572,558)**	(458,278)
TOTAL EQUITY	**112,849**	155,563

continued

34. Impact of adopting Interpretation 20 and voluntary change in accounting policy for deferred cost of divestment

Impact of Adopting Interpretation 20

The Group has adopted Interpretation 20 – *Stripping Costs in the Production Phase of a Surface Mine* as of 1 July 2013.

In open pit mining operations, it is necessary to remove overburden and other waste materials in order to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping. The Group capitalises pre-production stripping costs incurred during the development of a mine (or pit) as part of the investment in construction of the mine. These costs are subsequently amortised over the life of the mine (or pit) on a units of production basis. This accounting treatment is unchanged by the implementation of Interpretation 20 which specifies the accounting for production stripping only.

The Group's accounting policy for production stripping costs for the financial year ended 30 June 2013 and previous financial reporting periods, was to defer costs where this was the most appropriate basis for matching the costs against the related economic benefits and where the effect was material. The amount of stripping costs deferred was based on the ratio obtained by dividing the amount of waste tonnes mined by the quantity of ore for the life of mine (or pit/stage). Production stripping costs incurred in the period were deferred to the extent that the current period actual waste ore ratio exceeded the average life of mine (or pit/stage) expected ratio. Such deferred costs were then charged to profit or loss to the extent that, in subsequent periods, the current period actual ratio fell below the average life of mine (or pit/stage) expected ratio until those deferred costs were fully depleted. No production stripping liabilities were recognised. The life of mine (or pit/stage) ratio was based on economically recoverable reserves of the mine.

Interpretation 20 now provides specific guidance on how to account for production stripping costs. It requires such costs to be capitalised as an asset (referred to as the "production stripping asset") when the recognition criteria set out in Interpretation 20 are met. Interpretation 20 differs from the life of mine average waste tonnes mined to ore ratio approach in a number of ways – these include:

i) the level at which production stripping costs are to be assessed, which includes the recognition of an asset at a component level rather than a life of mine level and;
ii) the way in which the production stripping asset is to be depreciated.

Identification of Components

Interpretation 20 requires the identification of different components of the ore body. Interpretation 20 defines a component as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is generally a subset of the total ore body of the mine. It is considered that each mine may have several components, which are to be identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of the ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.

The identification of components is necessary for both the measurement of costs at the initial recognition of the asset and the subsequent depreciation of the asset.

Depreciation Methodology

Interpretation 20 also changes the manner in which the production stripping asset is depreciated. Under the previous method, the production stripping asset was released to the profit or loss when the actual ratio fell below the average expected ratio. Under Interpretation 20, the production stripping asset is depreciated over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis.

Transition

Interpretation 20 is not to be retrospectively applied; instead it is applied prospectively from the beginning of the earliest comparative period presented. Therefore, the impact of adoption for the Group is calculated as of 1 July 2012, being the beginning of the earliest comparative period presented in these financial statements. On implementation of Interpretation 20, production stripping costs which had been capitalised up to 30 June 2012 using the Group's previous policy, could only be carried forward if there remained an identifiable component of the ore body to which the opening carried forward balance could be associated. Given the way in which production stripping costs have been previously accumulated and capitalised, and the way in which the components of the mine have been identified under Interpretation 20, it was determined that no adjustment to the deferred stripping asset at 30 June 2012 was required. Prior to the adoption of Interpretation 20, the Group disclosed the production stripping assets as part of "Other Assets". On adoption, these assets were reclassified as "Exploration, Evaluation and Development".

Accounting Policy

The Group's accounting policy under Interpretation 20 has been revised and is included in Note 2n.

Impact of Voluntary Change in Accounting Policy – Deferred Transaction Costs of Divestment

The Group has implemented a voluntary change in accounting policy in respect of deferral of transaction costs relating to the partial divestment of its interest in its subsidiary, Akara Resources PCL ("Akara"), without losing control. This change is effective 1 July 2013.

The Group has been implementing a strategy to list Akara on the Thai Stock Exchange ("SET") since 2011 and lodged a prospectus with the SET and the Thai Securities Exchange Commission ("SEC") in September 2013. The approval process is continuing and Kingsgate expect the prospectus to be approved before the end of 2014. Once approval is received the Group has 12 months to complete the listing process. A new prospectus would need to be lodged for approval if the listing is not completed within this timeframe.

The timing of the listing has been longer than expected due to:

- Time taken to resolve a dispute with the previous Akara preference shareholder, which was achieved in August 2011.
- Longer than expected approval process with the SEC and SET.

The Group's accounting policy for divestment of transaction costs for the financial year ended 30 June 2013 and previous financial reporting periods was to defer such costs on the basis that:

- The Group was in the process of implementing its strategy to divest a non-controlling interest in Akara via an Initial Public Offering ("IPO") in Thailand and that the transaction would be completed in the near term.
- The Group would retain control of Akara so there would be no impact on the income statement from these transaction costs, as these costs would be recognised in equity as a transaction cost with outside equity interests upon the successful listing of Akara.

The Group's accounting policy for transaction costs incurred prior to a partial divestment for the financial year ended 30 June 2013 and previous financial reporting periods was to defer such costs until the divestment took place. The new accounting policy is to expense as incurred transaction costs relating to the potential partial divestment of an interest in a subsidiary in the years prior to the disposal where control is retained. The Group believes the new accounting policy will provide more reliable and relevant information to the users of the financial report:

- Expensing costs as incurred is simpler and easier for readers of the financial statements to understand.
- Deferral of cost could be seen as judgmental and although KCN had applied its accounting policy correctly at each reporting period, an "expense as incurred" model would remove this estimate and provide for a more "prudent" and conservative approach and reflects the longer than expected timeframe taken to achieve this transaction.
- The divestment costs are disclosed separately within Note 5 "Revenue and Expenses" so the level of information available to readers of the financial statements has not been reduced from that under the previous policy.

Transition

This change in accounting policy has been applied retrospectively from the beginning of the earliest comparative period presented being 1 July 2012. On implementation of the revised policy, divestment costs deferred up to 30 June 2012 under the Group's previous policy have been expensed via opening retained earnings. This adjustment reduced opening retained earnings at 1 July 2012 by $7,298,000. The 2013 Group income statement has been restated by $1,111,000 to reflect the cost of divestment incurred in that year (refer to Note 5c), this impacts closing retained earnings as well.

Accounting Policy

The Group's accounting policy in respect of deferred costs of divestment has been revised and is included in Note 2f.

Financial Impacts

In accordance with the transitional provisions of Interpretation 20 and change in accounting policies for deferred cost of divestment, these policies have been applied prospectively from the start of the comparative period, being 1 July 2012. The impact of these changes in accounting requirements on the:

- Income Statement for the year ended 30 June 2013;
- Statement of Financial Position as at 30 June 2013;
- Statement of Financial Position as at 1 July 2012;
- Statement of Cash Flows for the year ended 30 June 2013; and
- Earnings per share for the year ended 30 June 2013.

is set out as follows:

continued

34. Impact of adopting Interpretation 20 and voluntary change in accounting policy for deferred cost of divestment continued

a) Group Income Statement year ended 30 June 2013

	As reported year to 30 June 2013 $'000	Interpretation 20 Restatement $'000	Deferred Cost of Divestment Restatement $'000	As restated year to 30 June 2013 $'000
Sales revenue	329,282	–	–	329,282
Cost of sales	(280,452)	(2,049)	–	(282,501)
Gross profit	**48,830**	**(2,049)**	**–**	**46,781**
Exploration expenses	(675)	–	–	(675)
Corporate and administration expenses	(21,152)	–	(1,111)	(22,263)
Other income and expenses	(15,490)	–	–	(15,490)
Foreign exchange loss	(745)	–	–	(745)
Share of loss in associate	(1,353)	–	–	(1,353)
Impairment losses	(332,271)	–	–	(332,271)
Impairment of investment in associate	(537)	–	–	(537)
Loss before finance costs and income tax	**(323,393)**	**(2,049)**	**(1,111)**	**(326,553)**
Finance income	2,587	–	–	2,587
Finance costs	(18,809)	–	–	(18,809)
Loss before income tax	**(339,615)**	**(2,049)**	**(1,111)**	**(342,775)**
Income tax benefit	15,889	615	–	16,504
Loss after income tax	**(323,726)**	**(1,434)**	**(1,111)**	**(326,271)**
Earnings per share (cents per share)				
Basic loss per share	(213.3)	(0.9)	(0.8)	(215.0)
Diluted loss per share	(213.3)	(0.9)	(0.8)	(215.0)

The Interpretation 20 restatement impact to loss after income tax reflects the net impact of the change in production stripping costs capitalised for the year, and the depreciation charged in the year.

The change in accounting policy for deferred cost of divestment impact to loss after income tax reflects divestment cost capitalised in the year under the previous accounting policy and now expensed.

b) Group Statement of Financial Position at 30 June 2013

	As reported at 30 June 2013 $'000	Interpretation 20 Restatement $'000	Deferred Cost of Divestment Restatement $'000	As restated at 30 June 2013 $'000
Current assets				
Cash and cash equivalents	30,494	–	–	30,494
Receivables	9,431	–	–	9,431
Inventories	62,032	–	–	62,032
Other assets	40,605	–	(8,408)	32,197
Total current assets	**142,562**	**–**	**(8,408)**	**134,154**
Non-current assets				
Restricted cash	5,474	–	–	5,474
Inventories	44,731	–	–	44,731
Available-for-sale financial assets	767	–	–	767
Investment in associate	1,485	–	–	1,485
Property, plant and equipment	190,231	–	–	190,231
Exploration, evaluation and development	336,546	24,649	–	361,195
Other assets	37,797	(26,903)	–	10,894
Deferred tax assets	10,395	–	–	10,395
Total non-current assets	**627,426**	**(2,254)**	**–**	**625,172**
Total assets	**769,988**	**(2,254)**	**(8,408)**	**759,326**
Current liabilities				
Payables	41,185	–	–	41,185
Borrowings	84,101	–	–	84,101
Derivatives held for trading	1,271	–	–	1,271
Current tax liabilities	272	–	–	272
Provisions	3,797	–	–	3,797
Total current liabilities	**130,626**	**–**	**–**	**130,626**
Non-current liabilities				
Payables	5,921	–	–	5,921
Borrowings	115,657	–	–	115,657
Deferred tax liabilities	10,228	(676)	–	9,552
Provisions	33,596	–	–	33,596
Total non-current liabilities	**165,402**	**(676)**	**–**	**164,726**
Total liabilities	**296,028**	**(676)**	**–**	**295,352**
Net assets	**473,960**	**(1,578)**	**(8,408)**	**463,974**
Equity				
Contributed equity	605,504	–	–	605,504
Reserves	18,319	(144)	–	18,175
Accumulated losses	(149,863)	(1,434)	(8,408)	(159,705)
Total equity	**473,960**	**(1,578)**	**(8,408)**	**463,974**

continued

34. Impact of adopting Interpretation 20 and voluntary change in accounting policy for deferred cost of divestment continued

c) Group Statement of Financial Position at 1 July 2012

	As reported at 1 July 2012 $'000	Interpretation 20 Restatement $'000	Deferred Cost of Divestment Restatement $'000	As restated at 1 July 2012 $'000
Current assets				
Cash and cash equivalents	87,031	–	–	87,031
Receivables	12,226	–	–	12,226
Inventories	56,079	–	–	56,079
Other assets	38,720	(1,910)	(7,298)	29,512
Total current assets	**194,056**	**(1,910)**	**(7,298)**	**184,848**
Non-current assets				
Inventories	30,314	–	–	30,314
Available-for-sale financial assets	1,751	–	–	1,751
Property, plant and equipment	239,237	–	–	239,237
Exploration, evaluation and development	545,032	21,536	–	566,568
Other assets	27,858	(19,626)	–	8,232
Deferred tax assets	10,211	–	–	10,211
Total non-current assets	**854,403**	**1,910**	**–**	**856,313**
Total assets	**1,048,459**	**–**	**(7,298)**	**1,041,161**
Current liabilities				
Payables	42,597	–	–	42,597
Borrowings	35,697	–	–	35,697
Derivatives held for trading	2,685	–	–	2,685
Current tax liabilities	11,655	–	–	11,655
Provisions	2,993	–	–	2,993
Total current liabilities	**95,627**	**–**	**–**	**95,627**
Non-current liabilities				
Payables	6,681	–	–	6,681
Borrowings	121,847	–	–	121,847
Deferred tax liabilities	29,110	–	–	29,110
Provisions	19,381	–	–	19,381
Total non-current liabilities	**177,019**	**–**	**–**	**177,019**
Total liabilities	**272,646**	**–**	**–**	**272,646**
Net assets	**775,813**	**–**	**(7,298)**	**768,515**
Equity				
Contributed equity	599,618	–	–	599,618
Reserves	(20,407)	–	–	(20,407)
Retained earnings / (accumulated losses)	196,602	–	(7,298)	189,304
Total equity	**775,813**	**–**	**(7,298)**	**768,515**

d) Group Statement of Cash Flows for the year ended 30 June 2013

	As reported 12 months to 30 June 2013 $'000	Interpretation 20 Restatement $'000	Deferred Cost of Divestment Restatement $'000	As restated 12 months to 30 June 2013 $'000
Net cash from operating activities	85,020	4, 876	(1,111)	88,785
Net cash from investing activities	(141,326)	(4,876)	1,111	(145,091)
Net cash from financing activities	(1,691)	–	–	(1,691)
Net decrease in cash and cash equivalents	**(57,997)**	**–**	**–**	**(57,997)**

Prior to the adoption of Interpretation 20, all cash outflows associated with production stripping were disclosed as operating activities. On adoption of Interpretation 20, the cash outflows that were initially recognised as part of the stripping activity assets were reclassified to investing activities.

Prior to the change in accounting policy for deferred cost of divestment, all cash outflows relating to the deferred cost of divestment were disclosed as investing activities. Following the adoption of the revised accounting policy, all cash outflows relating to the cost of divestment have been reclassified to operating activities.

e) Earnings Per Share for the year ended 30 June 2013

	As reported year to 30 June 2013 Cents	Interpretation 20 Restatement Cents	Deferred Cost of Divestment Restatement Cents	As restated year to 30 June 2013 Cents
Basic loss per share	(213.3)	(0.9)	(0.8)	(215.0)
Diluted loss per share	(213.3)	(0.9)	(0.8)	(215.0)
	$'000	$'000	$'000	$'000
Loss after income tax	(323,726)	(1,434)	(1,111)	(326,271)
	Number	Number	Number	Number
Weighted average number of shares used as the denominator				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	151,766,220	–	–	151,766,220
Adjustment for calculation of diluted earnings per share: options	–	–	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**151,766,220**	**–**	**–**	**151,766,220**

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 66 to 115 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 2014 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;

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; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

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 2014.

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

Ross Smyth-Kirk
Director

Dated at Sydney on 5 September 2014
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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Kingsgate group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

continued

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 2014 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*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 48 to 63 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
5 September 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder Information

As at 26 September 2014

Substantial shareholders

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

Holder	Number of shares held as disclosed in notices to the Company	Percentage
Van Eck Associates Corporation (at 22 Sep 2014)	10,654,665	13.4
Resource Capital Funds (at 15 Apr 2014)	9,301,618	6.0

Distribution of equity securities

Size of Holding	Number of shareholders of fully paid ordinary shares	Number of option holders	Number of performance rights holders	Number of deferred rights holders
1 - 1,000	5,728	–	–	–
1,001 - 5,000	4,978	–	–	–
5,001 - 10,000	1,547	–	–	–
10,001 - 100,000	1,751	–	4	10
100,001 +	129	1	2	–
Total	**14,133**	**1**	**6**	**10**

continued

20 largest shareholders

20 largest shareholders of quoted ordinary shares

	Shareholder	Number of shares	Percentage
1	National Nominees Limited	40,989,015	18.33
2	HSBC Custody Nominees (Australia) Limited	27,038,959	12.09
3	J P Morgan Nominees Australia Limited	17,836,092	7.98
4	Merrill Lynch (Australia) Nominees Pty Limited	13,578,340	6.07
5	Arinya Investment Pty Ltd	4,996,944	2.23
6	Citicorp Nominees Pty Limited	4,938,690	2.21
7	Silver Standard Australia (BVI) Inc.	3,440,367	1.54
8	Bruce Clayton Bird	3,207,110	1.43
9	Lujeta Pty Ltd	2,468,063	1.10
10	Guina Developments Pty Ltd	2,200,000	0.98
11	BNP Paribas Noms Pty Ltd < DRP >	1,868,068	0.84
12	Elizabeth Aprieska <Tap Money Family A/C>	1,274,590	0.57
13	UBS Nominess Pty Ltd	1,139,284	0.51
14	Christopher Komor	1,097,462	0.49
15	Yandal Investments Pty Ltd	1,000,000	0.45
16	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	948,851	0.42
17	QIC Limited	807,546	0.36
18	Maminda Pty Ltd	792,833	0.35
19	Bahulu Holdings Pty Ltd <Thomas Family Superfund A/C>	765,448	0.34
20	CS Fourth Nominees Pty Ltd	551,751	0.25

Unquoted equity securities

There was one option holder holding 3,333,334 options.

There were 6 performance rights holders holding 567,874 performance rights.

There were 10 deferred rights holders holding 498,721 deferred rights.

Unquoted equity security holdings greater than 20%

Options	Number	Expiry Date	Strike Price
Investec Bank (Australia) Ltd	3,333,334	22 Sep 2016	$10.50

There were no persons holding more than 20% of performance rights or deferred rights other than rights issued under the Executive Rights Plan.

Voting rights

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Performance rights

No voting rights.

Deferred rights

No voting rights.

Corporate Information

Kingsgate Consolidated Limited
ABN 42 000 837 472

Directors

Ross Smyth-Kirk (Chairman)
Peter Alexander (Non-Executive Director)
Craig Carracher (Non-Executive Director)
Peter McAleer (Non-Executive Director)
Peter Warren (Non-Executive Director)

Company Secretary

Ross Coyle

Stock Exchange Listing

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

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Email: info@kingsgate.com.au

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Bangkok 10500
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Tel: +66 2 233 9469
Fax: +66 2 236 5512

Chatree Mine Office

Akara Resources Public Company Limited

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Phichit 66230
Thailand

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Fax: +66 56 614 195

Thailand Exploration Office

Issara Mining Limited

156/9-10 Moo 11, Tambol Dong Khui
Amphur Chon Daen
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Fax: +66 56 649 082

Challenger Mine

Challenger Gold Operations Pty Ltd

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Norwood SA 5067
Australia

Tel: +61 8 8450 0100
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Laguna Resources Chile Ltda

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Chile

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