



Kingsgate

Consolidated Limited

ABN 42 000 837 472

30 August 2012

**Via ASX Online
(122 pages including cover)**

The Manager
Company Announcements Office
Australian Securities Exchange

APPENDIX 4E AND END OF YEAR FINANCIAL REPORT

Enclosed are Appendix 4E, Directors' Report and Financial Statements for the year ended 30 June 2012.

KINGSGATE CONSOLIDATED LIMITED



Ross Coyle
Company Secretary



Kingsgate

Consolidated Limited

ABN 42 000 837 472

**PRELIMINARY FINAL ASX 4E REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

ASX CODE: KCN



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Kingsgate Consolidated Limited
 ABN 42 000 837 472
 (ASX Code: KCN)

Appendix 4E
 Preliminary Final Report
 For the Financial Year Ended 30 June 2012

Results for Announcement to the Market

\$'000

Revenue from ordinary activities	Up	107%	to	357,372
Profit from ordinary activities after tax attributable to members	Up	255%	to	75,159
Net profit for the period attributable to members	Up	255%	to	75,159
Net loss for the period attributable to non-controlling interests	Down	43%	to	(153)
Profit after tax for the year	Up	259%	to	75,006
Dividends/distribution	Amount per security		Franked amount per security	
Final dividend				
- current reporting period	10 cents		Nil	
- previous reporting period	5 cents		Nil	
Interim dividend				
- current reporting period	10 cents		Nil	
- previous reporting period	10 cents		Nil	

Record date for determining entitlements to dividend

14 September 2012

The dividend will be fully unfranked.

Refer attached Review of Operations for commentary on the results for the year.

Current Reporting Period:

Year ended 30 June 2012

Previous Corresponding Reporting Period:

Year ended 30 June 2011



REVIEW OF OPERATIONS

The Directors of Kingsgate Consolidated Limited today announced a net profit after tax of \$75.0 million for the year ended 30 June 2012.

Dividends

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

Overview

Kingsgate implemented its growth strategy in 2012 with a major expansion of the process plant at Chatree in Thailand to a throughput rate of around 6.2 million tonnes per annum and the contribution of a full year from the Challenger mine in South Australia. The growth strategy continued to advance with the successful completion of an off-market takeover offer for the balance of around 30% of Laguna Resources NL ("Laguna") that was not owned by the Company, in January 2012, and the acquisition of a major tenement package, including identified silver and gold resources, surrounding the Laguna leases, in Central Chile. The consolidated project has been renamed Nueva Esperanza with a technical feasibility study now well advanced. The Company also completed the purchase of the Bowdens advanced silver development project in NSW. This project has moved forward with additional drilling and through the advancement of a technical feasibility study and baseline environmental data collection.

Group gold production for the year ended 30 June 2012 was a record 208,760 ounces, an increase of 85% on the previous corresponding year. The contribution from Chatree was 121,372 ounces with 87,388 ounces from Challenger.

Chatree gold production was 59% higher than the previous corresponding period as a result of an increase in throughput due to an expansion of the Chatree process plant and access to higher grade ore in C North. Challenger production represents the first full year of production under Kingsgate ownership.

Financial Results

Kingsgate achieved an after tax profit of \$75.0 million for the full year to 30 June 2012 compared to an after-tax profit of \$20.9 million for the previous corresponding period.

EBITDA before significant items

Before significant items, the pre-tax profit of the Group was \$91.3 million. Significant items comprised foreign exchange (gain)/losses and acquisition transaction costs.

EBITDA before significant items was \$167.9 million up from \$67.8 million in the previous year.



	Consolidated	
	2012 \$'000	2011 \$'000
Profit after tax	75,006	20,879
Income tax (benefit) / expense	16,271	(3,092)
Profit before tax	91,277	17,787
Significant items		
Foreign exchange (gains) / losses	(1,268)	15,832
Acquisition transaction costs	964	4,757
Profit before tax and significant items	90,973	38,376
Finance costs	9,372	1,669
Depreciation	67,553	27,772
EBITDA before significant items	167,898	67,817

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

Revenue

Total revenue for the Group for the year was \$357.4 million up 107% from the previous year. Gold revenue increased by 111% to \$329.6 million and silver revenue increased by 74% to \$27.8 million.

The increase in gold revenue reflects the full year production from Challenger Mine since acquisition and increase in gold production from Chatree Mine, and a higher gold price.

The average US\$ gold price received was US\$1,663 (2011: US\$1,386) partially offset by the strengthening of the AUD against USD during the year.

The increase in silver revenue is a result of higher silver production from Chatree Mine, and a higher silver price.

Costs

The overall increase in cost of sales to \$171.5 million including royalties and net of depreciation and amortisation largely reflects a full twelve months of production from the Challenger mine compared to five months in the prior year and increased throughput and production from the Chatree mine. On a unit cost basis, total cash costs for the Group were US\$720/oz up from US\$639/oz in the previous year. Costs at Chatree were impacted by higher power, fuel, other consumable prices, and higher royalties, while unit costs at Challenger for the full year's production were US\$862/oz from US\$968/oz which represents only five months ownership in the previous year.



Depreciation and amortisation

The increase in depreciation and amortisation to \$67.3 million reflects the full year production from Challenger mine. Depreciation and amortisation increased at Chatree by \$9.3 million, reflecting higher production and amortisation of the capital cost of the Chatree North plant expansion.

Exploration

Exploration expensed was \$1.9 million and relates to exploration licences in Australia and Chile that were relinquished or disposed of during the year.

Cash flow

Operating cash inflow was \$165.2 million. Net investing cash outflow for property, plant, equipment and exploration, evaluation and development was \$167.4 million. During the year, Kingsgate paid \$41 million as part consideration of the acquisition of Bowdens silver project and received \$67.8 million net of transaction costs from an institutional share placement in February 2012. The Group's cash borrowing (net of transaction costs) was \$96.6 million with \$26.6 million repaid prior to 30 June 2012.

Operational Performance

Gold production for the year ended 30 June 2012 was 208,760 ounces, an increase of 85% on the year ended 30 June 2011.

Chatree

Chatree mine produced 121,372 ounces of gold during the year. The increase in gold production was a combination of higher throughput and access to C North, where higher grade ore was mined during the year. Mining at C North was completed late in the June quarter.

The Chatree North Expansion project was constructed as a separate 2.7 million tonnes per annum (Mtpa) ore processing plant located beside the current 2.3 Mtpa Chatree processing plant. This has resulted in a combined total name plate ore processing capacity of 5 Mtpa. By year end, the final stages of commissioning, optimisation and plant trials were largely complete with construction of the Tailing Storage Facility #2 (TSF#2) expected to be finished in the September 2012 quarter. It is anticipated the throughput rate will stabilise at a consistent 6.2 million tonnes per annum, some 24% above the nameplate capacity.

Challenger

The Challenger mine produced 87,388 ounces for the first full year since its acquisition. Production at Challenger was lower than expected due to the effects of a number of operating and geological issues. Stope availability fell behind, a result of a shortfall in underground development primarily because of low equipment availability due to maintenance manning issues, loss of experienced underground mining personnel and poor ventilation at the base of the mine. Additionally, there was excessive dilution caused by localised poor geological conditions. All these issues are currently being addressed.

Bowdens Silver Project

The field programs supporting the feasibility and environmental studies at Bowdens were ongoing during the year with a continuing drilling program and other surface work. Sterilisation drilling and additional metallurgical sampling were completed with the resource evaluation drilling expected to be completed in



the September quarter 2012. The resource model will be updated following the completion of the resource drilling.

Metallurgical testwork is underway with the program aimed at confirming key design parameters to be incorporated in the draft definitive feasibility study (DFS) expected to be completed by the end of the December quarter.

The data and analysis from these programs will be included in both a preliminary EIS document and the draft definitive feasibility study.

Nueva Esperanza Silver / Gold Project

On 6 July 2011 Laguna signed a binding agreement to acquire the Esperanza and Chimberos mining leases, which surrounded its wholly owned Arqueros Project. The transaction enabled the consolidation of the Arqueros, Esperanza and Chimberos mining leases into one project, now known as Nueva Esperanza.

Field operations at Nueva Esperanza continued during the year with the completion of geotechnical work and resource and metallurgical drilling at Teterita and mapping, surveying and sampling at Chimberos. The integrated mine plan for the startup of the Nueva Esperanza mine based on the Teterita and Arqueros deposits was nearing completion at year end.

Ausenco (Perth) have been appointed managers of the feasibility study and will take it through to the definitive feasibility level which is expected to be completed during the December 2012 quarter. The process for the completion of the environmental impact assessment is well advanced.

Acquisition

During the year, Kingsgate Consolidated Limited successfully acquired 100% of Bowdens Silver Project and the 30% non-controlling interests of Laguna Resources NL ("Laguna").

Bowdens Silver Project

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

Consideration for the acquisition was \$76 million comprising:

- \$36 million cash;
- two payments, each of \$5 million cash, payable on 31 December 2011 and 30 June 2012 (the second tranche of \$5 million was paid on 2 July 2012); and
- \$30 million in Kingsgate shares.

Kingsgate has entered into a five year A\$35 million convertible loan facility to provide funding for the Bowdens acquisition. Kingsgate issued 3,333,334 options to Investec pursuant to the A\$35 million convertible loan facility agreement.

Acquisition of non-controlling interests

On 31 October 2011, Kingsgate announced a conditional off-market takeover offer for all the issued fully paid ordinary shares and certain partly paid shares of Laguna Resources NL not already owned by



Kingsgate. The offer was conditional on Kingsgate becoming entitled to compulsorily acquire the securities which were not tendered into the offer.

The consideration under the offer was as follows:

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

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

Exploration

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

Finance

Institutional Share Placement

On 22 February 2012, Kingsgate announced a \$70 million Fully Underwritten Institutional Share Placement ("Share Placement"). The Share Placement resulted in 9,859,155 new ordinary shares being issued on 29 February 2012 at an issue price of \$7.10 per share. Transaction costs associated with the Share Placement were \$2.2 million, resulting in net cash proceeds of \$67.8 million.

Syndicated loan facility

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

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

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

Corporate loan facility

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

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

Convertible loan facility

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



OUTLOOK

The outlook for the Group in fiscal year 2013 is for gold production to be in the range of 200,000 to 220,000 ounces. At the Chatree mine in Thailand, the expanded plant will result in an increase in gold production to between 120,000 to 130,000 ounces and at the Challenger mine in South Australia, production for the year is expected to be in line with 2012 with production in the range of 80,000 ounces to 90,000 ounces of gold.

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

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



STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000 <i>Restated*</i>
Sales revenue	3(a)	357,372	172,356
Cost of sales	3(b)	(238,826)	(113,689)
Gross Profit		118,546	58,667
Exploration expenses		(1,933)	(2,447)
Corporate and administration expenses	3(c)	(19,303)	(17,784)
Other income and expenses	3(d)	1,565	862
Foreign exchange gain / (loss)		1,268	(15,832)
Business acquisition costs		(964)	(4,757)
Profit before finance costs and income tax		99,179	18,709
Finance income		1,470	747
Finance costs	3(e)	(9,372)	(1,669)
Profit before income tax		91,277	17,787
Income tax benefit / (expense)	4	(16,271)	3,092
Profit after income tax		75,006	20,879
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax)		2,306	(30,795)
Change in fair value of available-for-sale financial assets (net of tax)		(700)	791
Other comprehensive (loss) / income for the year, net of tax		1,606	(30,004)
Total comprehensive income for the year		76,612	(9,125)
Profit after tax attributable to:			
Owners of Kingsgate Consolidated Limited		75,159	21,148
Non-controlling interests		(153)	(269)
Profit after tax for the year		75,006	20,879
Total comprehensive income attributable to:			
Owners of Kingsgate Consolidated Limited		76,765	(8,856)
Non-controlling interests		(153)	(269)
Total comprehensive (loss) / income for the year		76,612	(9,125)
		Cents	Cents
Earnings per share			
Basic earnings per share	14	52.5	18.7
Diluted earnings per share	14	52.5	18.6

* Refer to Note 1 – Basis of Preparation in the 30 June 2012 financial statements.



STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2012

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



STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010		156,068	4,008	155,967	316,043	-	316,043
Total comprehensive income for the year		-	(30,004)	21,148	(8,856)	(269)	(9,125)
<i>Transaction with owners in their capacity as owners:</i>						-	
Contributions of equity, net of transaction costs		9,659	-	-	9,659	-	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets		317,147	-	-	317,147	-	317,147
General reserve		-	23	-	23	-	23
Dividends provided for or paid		-	-	(33,647)	(33,647)	-	(33,647)
Movement in share option reserve		-	(554)	-	(554)	-	(554)
Total transactions with owners		326,806	(531)	(33,647)	292,628	-	292,628
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		482,874	(26,527)	143,468	599,815	(269)	599,546
Acquisition of non-controlling interests		-	-	-	-	7,378	7,378
Balance at 30 June 2011		482,874	(26,527)	143,468	599,815	7,109	606,924



STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011		482,874	(26,527)	143,468	599,815	7,109	606,924
Total comprehensive income for the year		-	1,606	75,159	76,765	-	76,765
Transaction with owners in their capacity as owners:						-	
Contributions of equity, net of transaction costs	8	2,068	-	-	2,068	-	2,068
Institutional share placement	8	70,000	-	-	70,000	-	70,000
Issue of ordinary shares related to Bowdens acquisition of subsidiaries and assets	8	30,000	-	-	30,000	-	30,000
Issue of ordinary shares as part consideration for the settlement of a legal dispute	8	3,024	-	-	3,024	-	3,024
Issue of ordinary shares related to loan facility repayment	8	11,652	-	-	11,652	-	11,652
Dividends provided for or paid		-	-	(22,026)	(22,026)	-	(22,026)
Movement in share option reserve	9	-	8,918	-	8,918	-	8,918
Total transactions with owners		116,744	8,918	(22,026)	103,636	-	103,636
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		599,618	(16,003)	196,601	780,216	7,109	787,325
Acquisition of non-controlling interests	5	-	(4,403)	-	(4,403)	(7,109)	(11,512)
Balance at 30 June 2012		599,618	(20,406)	196,601	775,813	-	775,813



STATEMENT OF CASH FLOW
For the year ended 30 June 2012

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



NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2012

1. BASIS OF PREPARATION

This report has been prepared in accordance with Appendix 4E of the Australian Stock Exchange Listing Rules and is in accordance with Australian Accounting standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. This financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012. The accounting policies adopted are consistent with those of the previous year and the 2012 full financial report.

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investment Commission, relating to the “rounding off” of amounts in the financial report. All financial information presented in Australian dollars has been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. STATEMENT ABOUT THE AUDIT STATUS

This report is based on financial statements that have been audited. The Company does not expect that there will be any qualifications to its financial statements.

3. REVENUE AND EXPENSES

(a) Sales revenue

	Consolidated	
	2012 \$'000	2011 \$'000
Gold	329,579	156,344
Silver	27,793	16,012
Total sales revenue	357,372	172,356

(b) Cost of sales

	Consolidated	
	2012 \$'000	2011 \$'000
Direct costs of mining and processing	159,500	106,740
Royalties	27,196	12,646
Inventory movements	(8,131)	(23,865)
Deferred mining	(7,059)	(9,374)
Depreciation (operations)	67,320	27,542
Total cost of sales	238,826	113,689



3. REVENUE AND EXPENSES (Continued)

(c) Corporate and administration expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Administration	12,736	11,304
Technical support and business development	2,867	3,355
Statutory and professional fees	3,467	2,895
Depreciation	233	230
Total corporate and administration expenses	19,303	17,784

(d) Other income and expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Sale of mineral rights	1,150	-
Net gain on sale of fixed assets	35	72
Change in fair value of undesignated gold contracts held for trading	(425)	541
Change in fair value of available-for-sale financial assets	(260)	-
Gain on close-out hedge contract	819	-
Other revenue	246	249
Total other income and expenses	1,565	862

(e) Finance costs

	Consolidated	
	2012 \$'000	2011 \$'000
Interest and finance charges	13,783	5,573
Rehabilitation provision discount adjustment	390	323
Amortisation of deferred borrowing costs	2,138	733
Less: borrowing costs capitalised	(6,939)	(4,960)
Total finance costs	9,372	1,669



3. REVENUE AND EXPENSES (Continued)

(f) Depreciation and amortisation

	Consolidated	
	2012 \$'000	2011 \$'000
Property, plant and equipment	17,600	7,379
Mine properties	50,353	21,011
Less: Depreciation capitalised	(400)	(618)
Total depreciation and amortisation expenses	67,553	27,772
Included in :		
Cost of sales depreciation	67,320	27,542
Corporate depreciation	233	230

(g) Employee benefits expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Included in		
Cost of sales	17,474	10,476
Corporate and administration expenses	8,822	6,268
Total employee benefits expenses	26,296	16,744

(h) Other items

	Consolidated	
	2012 \$'000	2011 \$'000
Operating lease rentals	749	435

(i) Significant items

	Consolidated	
	2012 \$'000	2011 \$'000
Foreign exchange (gain) / losses	(1,268)	15,832
Dominion acquisition cost (see Note 5)	964	4,757
Total significant items	(304)	20,589



4. INCOME TAX

(a) Income tax expense

	Consolidated	
	2012 \$'000	2011 \$'000
Current tax	15,591	7,717
Deferred tax	680	(10,809)
Income tax (benefit) / expense	16,271	(3,092)
<i>Deferred tax expense / (benefit) included in tax expense comprises:</i>		
(Increase) / decrease in deferred tax assets	(4,908)	(9,027)
Increase / (decrease) in deferred tax liabilities	5,588	(1,782)
Deferred tax	680	(10,809)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2012 \$'000	2011 \$'000
Profit from continuing operations before income tax	91,276	17,787
Tax at Australian rate of 30%	27,383	5,336
<i>Tax effect of amounts not deductible / assessable in calculating taxable income:</i>		
Non-deductible expenses	1,302	2,736
Non-deductible amortisation	1,695	755
Non-deductible interest expense to preference shareholders	169	533
Share-based payment remuneration	-	51
Double deduction of expenses (Thailand)	(1,218)	(1,997)
Differences in Thailand tax rates	(13,316)	(6,796)
Non-temporary differences affecting the tax expense	(106)	(97)
Temporary differences previously not recognised	-	(663)
Temporary difference adjustment (either change in estimate of rate of reversal or not previously recognised)	1,229	(1,733)
Other temporary difference adjustment	(196)	790
Tax benefit of tax losses not brought to account in the prior year recognised this year	(2,687)	(2,007)
Tax benefit of tax losses not brought to account for the Australia and tax consolidated group	1,103	-
Temporary difference adjustment - change in tax rate for Thailand	913	-
Income tax (benefit) / expense	16,271	(3,092)



4. INCOME TAX (Continued)

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

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

- a) an 8 year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;
- b) a further 5 year half tax holiday following a) above (at 15% tax rate); and
- c) other benefits.

The start of the promotion period was 27 November 2001.

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

- a) an 8 year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;
- b) 25% investment allowance on the capital cost of certain assets of the new processing plant; and
- c) other benefits.

(c) Tax recognised in other comprehensive income

	Consolidated	
	2012 \$'000	2011 \$'000
Available-for-sale investment revaluation reserve	(300)	339
Foreign exchange losses recognised directly in foreign currency translation reserves	102	(507)
Total tax recognised in other comprehensive income	(198)	(168)

(d) Unrecognised deferred tax liabilities

	Consolidated	
	2012 \$'000	2011 \$'000
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses.	19,853	11,031
Tax at Australian tax rate of 30%	5,956	3,309

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



4. INCOME TAX (Continued)

(e) Unrecognised deferred tax assets

	Consolidated	
	2012 \$'000	2011 \$'000
Tax losses	2,185	10,868
Potential tax benefit at 30%	655	3,260

(f) Tax consolidation group

Kingsgate Consolidated Limited and its wholly-owned Australian subsidiary have implemented the tax consolidation legislation as of 1 July 2003.

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

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

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

During the year, Kingsgate Bowdens Pty Limited and Laguna Resources NL joined Kingsgate Consolidated Limited tax-consolidation group upon being wholly-owned subsidiaries of Kingsgate Consolidated Limited (see Note 5).



4. INCOME TAX (Continued)

(g) Recognised deferred tax assets and liabilities

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



4. INCOME TAX (Continued)

(h) Movement in deferred tax balances

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

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



5. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF

(i) Bowdens Silver Project

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

Consideration for the acquisition was \$76,000,000 comprising:

- \$36,000,000 cash;
- two payments, each of \$5,000,000 cash, payable on 31 December 2011 and 30 June 2012 (the second tranche of \$5,000,000 was paid on 2 July 2012); and
- \$30,000,000 in Kingsgate shares.

Kingsgate has entered into a five year A\$35,000,000 convertible loan facility to provide funding for the Bowdens acquisition. Kingsgate issued 3,333,334 options (see Note 9) to Investec pursuant to the A\$35,000,000 convertible loan facility agreement.

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

Consideration

	2012 \$'000
Equity instrument : 3,440,367 Kingsgate shares at \$8.72 per share	30,000
Cash consideration (discounted)	45,757
Total consideration	75,757

Fair value

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

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



5. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF (Continued)

(ii) Laguna Resources NL

Acquisition of non-controlling interests

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

The consideration under the offer was as follows:

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

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

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

	2012 \$'000
Kingsgate’s ownership interest at 30 June 2011	17,070
Effect of increase in Kingsgate’s ownership interest	11,512
Share of comprehensive loss	(153)
Kingsgate’s ownership interest at 30 June 2012	28,429

(iii) Dominion Mining Limited

Kingsgate Consolidated Limited (“Kingsgate”) and Dominion Mining Limited (“Dominion”) entered into a Scheme Implementation Agreement on 20 October 2010 for Kingsgate to acquire all of the shares in Dominion via a Scheme of Arrangement (“Scheme”).

Consideration for the transaction was Kingsgate shares with Dominion shareholders offered 0.31 Kingsgate shares for each Dominion share they own. In addition, all Dominion options were cancelled in return for ordinary shares in Kingsgate based on the exercise price and expiry date of the options held.

The Scheme was approved by Dominion shareholders and option holders on 2 February 2011 and was approved by the Federal Court of Australia on 4 February 2011. The acquisition date is 2 February 2011. The Scheme was implemented on 21 February 2011.

Acquisition related costs

	Consolidated	
	2012 \$'000	2011 \$'000
Charged to the profit or loss	964	4,757
Charged to equity	-	155
Total acquisition related costs	964	4,912



5. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF (Continued)

Fair value

Fair value at the acquisition date was finalised during the year ended 30 June 2012 resulting in \$7,300,000 being transferred from Exploration to Mine Properties. Details of fair value are set out as follows:

	Fair value \$'000
ASSETS	
Current assets	
Cash and cash equivalents	17,104
Receivables	8,282
Inventories	10,660
Other assets	536
Total current assets	36,582
Non-current assets	
Property, plant and equipment	82,080
Exploration, evaluation and development	231,940
Deferred tax assets	30,220
Total non-current assets	344,240
TOTAL ASSETS	380,822
LIABILITIES	
Current liabilities	
Payables	15,277
Provisions	4,165
Total current liabilities	19,442
Non-current liabilities	
Provisions	1,086
Deferred tax liabilities	57,847
Total non-current liabilities	58,933
TOTAL LIABILITIES	78,375
FAIR VALUE OF IDENTIFIABLE NET ASSETS	302,447



6. DETAILS OF AGGREGATE SHARE OF PROFITS / LOSSES OF ASSOCIATED AND JOINT VENTURES

There are no associates or joint venture entities in the Group.

7. OPERATING SEGMENTS

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

- Chatree mine, Thailand
- Challenger mine, South Australia, Australia
- Bowdens silver project, New South Wales, Australia
- Nueva Esperanza Silver / Gold Project, Chile.

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

7 OPERATING SEGMENTS (Continued)

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

7. OPERATING SEGMENTS (Continued)

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

7. OPERATING SEGMENTS (Continued)

Major customers

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

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

8. CONTRIBUTED EQUITY

	Notes	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Opening balance		135,274,823	99,995,783	482,874	156,068
Exercise of options	(a)	193,536	893,978	1,397	4,679
Dividend Reinvestment Plan	(b)	412,835	534,104	2,929	5,186
Institutional Share Placement	(c)	9,859,155	-	70,000	-
Issue of ordinary shares related to Bowdens acquisition	(d)	3,440,367	-	30,000	-
Issue of ordinary shares related to Dominion acquisition		-	32,416,572	-	302,447
Issue of ordinary shares related to Laguna acquisition		-	1,434,386	-	14,700
Issue of ordinary shares as part consideration for the settlement of a legal dispute		333,332	-	3,024	-
Issue of ordinary shares related to loan facility repayment		1,749,741	-	11,652	-
Options expired / lapsed		-	-	-	10
Share issue costs		-	-	(2,258)	(216)
Closing balance		151,263,789	135,274,813	599,618	482,874

8. CONTRIBUTED EQUITY (Continued)

(a) Share options exercised

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

(b) Dividend reinvestment plan

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

(c) Institutional share placement

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

(d) Shares issued for the acquisition of Bowdens

On 23 September 2011, 3,440,367 fully paid ordinary shares were issued pursuant to the Share Purchase Agreement dated 1 August 2011 between Kingsgate Consolidated Limited, Silver Standard Australia (BVI) Inc. and Silver Standard Resources Inc. The fair value of \$8.72 per share has been determined with reference to the quoted price of Kingsgate at the acquisition date. Refer to Note 5 for further details.

9. RESERVES AND RETAINED PROFITS

(a) Reserves

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

Foreign currency translation reserve

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

9. RESERVES AND RETAINED PROFITS (Continued)

Available-for-sale investment revaluation reserve

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

Share-based payment reserve

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

Issue of options to financial institution

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

- a) each option will entitle the holder to subscribe for one ordinary share of the Company;
- b) options are granted for no consideration;
- c) options granted under the plan carry no dividend or voting rights; and
- d) settlement proceeds for exercised options must first be applied against the outstanding loan principal.

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

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

Fair value of options granted

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

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

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

Issue of options to preference shareholder

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

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

- a) each option will entitle the holder to subscribe for one ordinary share of the Company;
- b) options are granted for no consideration; and
- c) options granted under the plan carry no dividend or voting rights.

9. RESERVES AND RETAINED PROFITS (Continued)

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

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

Fair value of options granted

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

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

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

Issue of performance rights to preference shareholder

On 30 August 2011, Kingsgate granted 500,000 performance rights that vest, subject to the Chatree Mine meeting its specified production targets, over a 14 month period as part of the settlement with the former preference shareholder of Akara.

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

During the year, a total of 333,332 shares have been issued on the conversion of performance rights.

General reserve

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

(b) Retained profits

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

10. NET TANGIBLE ASSET BACKING

	Consolidated	
	2012	2011
Net tangible asset backing per ordinary share : \$ / per share	5.13	4.43

11. DIVIDENDS

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

12. CASH FLOW INFORMATION

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

13. EVENTS OCCURRING AFTER REPORTING DATE

Dividends declaration

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

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

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

14. EARNINGS PER SHARE

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

Options

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



Kingsgate
Consolidated Limited

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Kingsgate Consolidated Limited

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CORPORATE INFORMATION

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Gavin Thomas (Managing Director)
Peter Alexander
Craig Carracher
Peter McAleer

Company Secretary

Ross Coyle

Chief Executive Officer

Gavin Thomas

Stock Exchange Listing

Kingsgate Consolidated Limited is a Company limited by shares, listed on the Australian Stock Exchange under the code KCN. The Company's shares also trade in the United States of America over-the-counter (OTC) as an American Depository Receipt (ADR) under the code OTC: KSKGY.

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Laguna Resources Chile Ltda
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Share Registry

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

ADR Depository

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

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney, NSW 2000
Australia



Kingsgate

Consolidated Limited

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DIRECTORS' REPORT

30 JUNE 2012

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

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

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

REVIEW OF OPERATIONS AND RESULTS

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

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

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



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

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

	2012	2011	2010	2009	2008
Net Profit after tax (\$'000)	75,006	20,879	73,066	32,522	36,197
Dividends paid (Cash & DRP) (\$'000)	22,026	33,647	29,082	-	-
Share price 30 June (\$)	4.83	8.00	9.47	6.70	5.23
Basic earnings per share (Cents)	52.5	18.7	75.2	34.9	51.7
Diluted earnings per share (Cents)	52.5	18.6	74.5	34.9	51.5

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Dividends declaration

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

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

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

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



ENVIRONMENTAL REGULATION

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

DIRECTORS ATTENDANCE AT MEETINGS (1 JULY 2011 - 30 JUNE 2012)

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

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

INFORMATION ON DIRECTORS

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

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

Responsibilities:

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

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

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

Responsibilities:

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



Craig Carracher, LLB (Sydney), BCL (Oxford), Age 46
Non-Executive Director

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

Responsibilities:

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

Peter Alexander, Ass. Appl. Geol, Age 60
Non-Executive Director

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

Responsibilities:

Member of the Remuneration Committee.

Gavin Thomas, BSc FAusIMM, Age 61
Managing Director

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

Responsibilities:

Managing Director and Chief Executive Officer.

Company Secretary

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



REMUNERATION REPORT

The Remuneration Report is set out under the following main headings and finishes on page 12:

- A. Principles used to determine the nature and amount of remuneration**
- B. Details of remuneration**
- C. Service agreements**
- D. Share-based compensation**
- E. Additional information.**

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

Role of the Remuneration Committee

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

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

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

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

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

The objectives of this policy are:

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

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

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

Non-Executive Directors

The aggregate remuneration of Directors is set by shareholders in general meeting, in accordance with the Constitution of the Company, with individual Director's remuneration determined by the Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants is taken



into account. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is \$1,000,000.

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

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

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

Retirement allowances for Directors

There are no retirement allowances for Non-Executive Directors.

Executive pay

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

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

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

Base pay

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

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

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

Benefits

Executives may receive benefits including car allowances and car parking.

Short-term incentives

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

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



Long-term incentives

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

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

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

Remuneration Consultants

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

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

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

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

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

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

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

B. Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the Directors of Kingsgate Consolidated Limited (see pages 3 to 4) and those executives that report directly to the Managing Director being:

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



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

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

Commenced employment February 2012.



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

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

** Resigned 30 November 2010.

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



C. Service agreements

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

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

Gavin Thomas - Chief Executive Officer / Managing Director

- Term of agreement - No fixed term. The service agreement is effective from 1 July 2012.
- Base salary, inclusive of superannuation, of \$1,080,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with 12 months notice or payment in lieu of notice.
- Redundancy is in accordance with that defined under the *Fair Work Act 2009* (Cth).
- In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to 12 months of the Total Remuneration Package. If within 6 months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Duane Woodbury - Chief Financial Officer

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

Tim Benfield - Chief Operating Officer

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



Phil MacIntyre - Chief Operating Officer, Akara Mining Limited

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

Ron James - General Manager Exploration and Resource Development

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

Ross Coyle - General Manager Finance and Administration / Company Secretary

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

Joel Forwood - General Manager Corporate and Markets

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



D. Share-based compensation

Options

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

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

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

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

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

Shares provided on exercise of remuneration options

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

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

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

E. Additional information

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

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



Shares under options

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

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

Shares issued on the exercise of options

In 2012:

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

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

Interest in shares and options of the Company

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

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



Insurance of officers

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

Directors' interest in contracts

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

Non-audit services

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

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

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

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

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



REMUNERATION OF AUDITORS

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



AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

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.

A handwritten signature in black ink, appearing to read 'ROSS SMYTH-KIRK'.

Ross Smyth-Kirk
Director

Sydney
30 August 2012



Auditor's Independence Declaration

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

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

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

A handwritten signature in blue ink, appearing to read 'Brett Entwistle', is written over a faint, illegible printed name.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
30 August 2012



STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

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

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

* Refer Note 1 - Basis of Preparation



STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

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

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010		156,068	4,008	155,967	316,043	-	316,043
Total comprehensive income for the year		-	(30,004)	21,148	(8,856)	(269)	(9,125)
Transaction with owners in their capacity as owners:						-	
Contributions of equity, net of transaction costs	16	9,659	-	-	9,659	-	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets	16	317,147	-	-	317,147	-	317,147
General reserve		-	23	-	23	-	23
Dividends provided for or paid		-	-	(33,647)	(33,647)	-	(33,647)
Movement in share option reserve	17	-	(554)	-	(554)	-	(554)
Total transactions with owners		326,806	(531)	(33,647)	292,628	-	292,628
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		482,874	(26,527)	143,468	599,815	(269)	599,546
Acquisition of non-controlling interests		-	-	-	-	7,378	7,378
Balance at 30 June 2011		482,874	(26,527)	143,468	599,815	7,109	606,924

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

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

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



STATEMENT OF CASH FLOW
For the year ended 30 June 2012

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

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



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NOTES TO THE FINANCIAL STATEMENTS

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

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

1. BASIS OF PREPARATION

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

Compliance with IFRS

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

Historical cost convention

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

Functional and presentation currency

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

Rounding of amounts

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

the nearest thousand, or in certain cases, the nearest dollar.

Critical accounting estimates

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

Changes to presentation – classification of expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Principles of consolidation

(i) Business combinations

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

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred does not include amounts related to the



NOTES TO THE FINANCIAL STATEMENTS

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



NOTES TO THE FINANCIAL STATEMENTS

- foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

c. Revenue

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

Gold and silver sales

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

d. Income tax

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

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

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

Deferred tax is not recognised for:

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

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

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

Tax consolidation

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

consolidation group in conjunction with any tax funding agreement amounts.

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

Tax funding and sharing agreements

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

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

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

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

e. Leases

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

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

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

f. Impairment of assets

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



g. Cash and cash equivalents

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

h. Trade and other receivables

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

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

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

i. Inventories

Raw materials and stores, work in progress and finished goods

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

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

j. Non-derivative financial assets

Classification and recognition

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at



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fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the

investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

(iv) Held-to-maturity financial assets

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

Impairment

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

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



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effective interest rate. The loss is recognised in the statement of comprehensive income.

k. Derivative financial instruments

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

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

l. Property, plant and equipment

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

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

Depreciation

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

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

shorter than the life of the mine, a straight line basis is adopted.

The expected useful lives are as follows:

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

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

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

Impairment

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

Derecognition

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

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

m. Deferred stripping costs

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

Amortisation of costs is provided on the units-of-production method. The units-of-production basis



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results in an amortisation charge proportional to the depletion of the estimated recoverable reserves.

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

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

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

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

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

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

n. Deferred mining services costs

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

profit or loss on a systematic basis based on bank cubic metres mined by the contractor.

o. Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure

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

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

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

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

Feasibility expenditure

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

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



p. Mine properties

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

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

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

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

q. Trade and other payables

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

r. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any

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

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

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

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

s. Borrowing costs

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

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

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



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t. Provisions

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

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

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

u. Restoration and rehabilitation provision

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

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

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an

adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation.

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

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

v. Employee benefits

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

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

(iii) Cash bonuses

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

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



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(iv) Retirement benefit obligations

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

(v) Share-based payment transactions

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

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

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

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

w. Dividends

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

x. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

y. Contributed equity

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

z. Goods and Services Tax (GST)

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

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

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

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

aa. Operating segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief



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operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

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

bb. New accounting standards and interpretations

(i) New and amended standards adopted by the Group

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

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

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

(ii) New accounting standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2015). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is continuing to assess its full impact.
- AASB 10 *Consolidated Financial Statements* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 10 establishes a new control model which

broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.

- AASB 12 *Disclosure of Interests in Other Entities* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.
- AASB 13 *Fair Value Measurement* (effective for annual reporting periods commencing on or after 1 January 2013). AASB13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is continuing to assess the impact of the standard.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual reporting periods commencing on or after 1 January 2013). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The standard is not applicable until 1 January 2013 but is available for early



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adoption. The Group is continuing to assess the impact of the standard.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013). AASB 2011-4 makes amendments to remove individual key management personnel disclosure requirements from AASB 124.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(i) *Mineral resources and ore reserves estimates*

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

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

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

(ii) *Exploration and evaluation assets*

Exploration and evaluation expenditure for each area of interest is carried forward as an asset

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

(iii) *Deferred mining expenditure*

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

(iv) *Impairment of assets*

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

(v) *Restoration and rehabilitation provision*

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

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



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statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

(vi) Units-of-production method of depreciation

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

(vii) Share-based payments

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

(viii) Deferred tax balances

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

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

(ix) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the

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

(x) Acquisition of Bowdens Silver Project

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

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

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

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

(xii) Change in recoverable reserves

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



4. REVENUE AND EXPENSES

(a) Sales revenue

	Consolidated	
	2012 \$'000	2011 \$'000
Gold	329,579	156,344
Silver	27,793	16,012
Total sales revenue	357,372	172,356

(b) Cost of sales

	Consolidated	
	2012 \$'000	2011 \$'000
Direct costs of mining and processing	159,500	106,740
Royalties	27,196	12,646
Inventory movements	(8,131)	(23,865)
Deferred mining	(7,059)	(9,374)
Depreciation (operations)	67,320	27,542
Total cost of sales	238,826	113,689

(c) Corporate and administration expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Administration	12,736	11,304
Technical support and business development	2,867	3,355
Statutory and professional fees	3,467	2,895
Depreciation	233	230
Total corporate and administration expenses	19,303	17,784

(d) Other income and expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Sale of mineral rights	1,150	-
Net gain on sale of fixed assets	35	72
Change in fair value of undesignated gold contracts held for trading	(425)	541
Change in fair value of available-for-sale financial assets	(260)	-
Gain on close-out hedge contract	819	-
Other revenue	246	249
Total other income and expenses	1,565	862



4. REVENUE AND EXPENSES (Continued)

(e) Finance costs

	Consolidated	
	2012 \$'000	2011 \$'000
Interest and finance charges	13,783	5,573
Rehabilitation provision discount adjustment	390	323
Amortisation of deferred borrowing costs	2,138	733
Less: borrowing costs capitalised	(6,939)	(4,960)
Total finance costs	9,372	1,669

(f) Depreciation and amortisation

	Consolidated	
	2012 \$'000	2011 \$'000
Property, plant and equipment	17,600	7,379
Mine properties	50,353	21,011
Less: Depreciation capitalised	(400)	(618)
Total depreciation and amortisation expenses	67,553	27,772
Included in :		
Cost of sales depreciation	67,320	27,542
Corporate depreciation	233	230

(g) Employee benefits expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Included in:		
Cost of sales	17,474	10,476
Corporate and administration expenses	8,822	6,268
Total employee benefits expenses	26,296	16,744

(h) Other items

	Consolidated	
	2012 \$'000	2011 \$'000
Operating lease rentals	749	435

(i) Significant items

	Consolidated	
	2012 \$'000	2011 \$'000
Foreign exchange (gain) / losses	(1,268)	15,832
Dominion acquisition cost (see Note 32)	964	4,757
Total significant items	(304)	20,589



5. INCOME TAX

(a) Income tax expense

	Consolidated	
	2012 \$'000	2011 \$'000
Current tax	15,591	7,717
Deferred tax	680	(10,809)
Income tax (benefit) / expense	16,271	(3,092)
<i>Deferred tax expense / (benefit) included in tax expense comprises:</i>		
(Increase) / decrease in deferred tax assets	(4,908)	(9,027)
Increase / (decrease) in deferred tax liabilities	5,588	(1,782)
Deferred tax	680	(10,809)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2012 \$'000	2011 \$'000
Profit from continuing operations before income tax	91,276	17,787
Tax at Australian rate of 30%	27,383	5,336
<i>Tax effect of amounts not deductible / assessable in calculating taxable income:</i>		
Non-deductible expenses	1,302	2,736
Non-deductible amortisation	1,695	755
Non-deductible interest expense to preference shareholders	169	533
Share-based payment remuneration	-	51
Double deduction of expenses (Thailand)	(1,218)	(1,997)
Differences in Thailand tax rates	(13,316)	(6,796)
Non-temporary differences affecting the tax expense	(106)	(97)
Temporary differences previously not recognised	-	(663)
Temporary difference adjustment (either change in estimate of rate of reversal or not previously recognised)	1,229	(1,733)
Other temporary difference adjustment	(196)	790
Tax benefit of tax losses not brought to account in the prior year recognised this year	(2,687)	(2,007)
Tax benefit of tax losses not brought to account for the Australia and tax consolidated group	1,103	-
Temporary difference adjustment - change in tax rate for Thailand	913	-
Income tax (benefit) / expense	16,271	(3,092)



NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX (Continued)

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

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

- an 8 year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;
- a further 5 year half tax holiday following a) above (at 15% tax rate); and
- other benefits.

The start of the promotion period was 27 November 2001.

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

- an 8 year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;
- 25% investment allowance on the capital cost of certain assets of the new processing plant; and
- other benefits.

(c) Tax recognised in other comprehensive income

	Consolidated	
	2012 \$'000	2011 \$'000
Available-for-sale investment revaluation reserve	(300)	339
Foreign exchange losses recognised directly in foreign currency translation reserves	102	(507)
Total tax recognised in other comprehensive income	(198)	(168)

(d) Unrecognised deferred tax liabilities

	Consolidated	
	2012 \$'000	2011 \$'000
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses.	19,853	11,031
Tax at Australian tax rate of 30%	5,956	3,309

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



5. INCOME TAX (Continued)

(e) Unrecognised deferred tax assets

	Consolidated	
	2012 \$'000	2011 \$'000
Tax losses	2,185	10,868
Potential tax benefit at 30%	655	3,260

(f) Tax consolidation group

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

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

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

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

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



5. INCOME TAX (Continued)

(g) Recognised deferred tax assets and liabilities

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



5. INCOME TAX (Continued)

(h) Movement in deferred tax balances

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

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



6. CASH AND CASH EQUIVALENTS

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

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

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

Other deposits

This represents restricted cash held on deposit with financial institutions.

Minimum cash balance

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

Risk exposure

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

7. RECEIVABLES

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

Trade receivables

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

Other debtors

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



7. RECEIVABLES (Continued)

Risk exposure

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

8. INVENTORIES

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

9. OTHER ASSETS

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

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



10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

11. PROPERTY, PLANT AND EQUIPMENT

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



12. EXPLORATION, EVALUATION AND DEVELOPMENT

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

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

Capitalised borrowing costs

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



13. BORROWINGS

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

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

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

Syndicated loan facility

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

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

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

Corporate loan facility

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



NOTES TO THE FINANCIAL STATEMENTS

13. BORROWINGS (Continued)

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

Convertible loan facility

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

Covenants

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

Preference shares

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

As a result both parties agreed to cease all legal and arbitration actions and as part of the settlement Sinphum transferred the preference shares in Akara to a new Thai investor.

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

As part of the settlement, Kingsgate granted 1,500,000 Kingsgate 3 year options that vest in 12 months at a strike price of \$10.36 and 500,000 performance rights (see Note 17) that vest, subject to the Chatree mine meeting its specified production targets, over a 14 month period.



14. PAYABLES

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

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

15. PROVISIONS

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



16. CONTRIBUTED EQUITY

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

(a) Share options exercised

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

(b) Dividend reinvestment plan

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

(c) Institutional share placement

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

(d) Shares issued for the acquisition of Bowdens

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



17. RESERVES AND RETAINED PROFITS

(a) Reserves

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

Foreign currency translation reserve

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



NOTES TO THE FINANCIAL STATEMENTS

17. RESERVES AND RETAINED PROFITS (Continued)

Available-for-sale investment revaluation reserve

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

Share-based payment reserve

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

Issue of options to financial institution

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

- a) each option will entitle the holder to subscribe for one ordinary share of the Company;
- b) options are granted for no consideration;
- c) options granted under the plan carry no dividend or voting rights; and
- d) settlement proceeds for exercised options must first be applied against the outstanding loan principal.

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

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

Fair value of options granted

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

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

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

Issue of options to preference shareholder

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

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

- a) each option will entitle the holder to subscribe for one ordinary share of the Company;
- b) options are granted for no consideration; and
- c) options granted under the plan carry no dividend or voting rights.

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

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



17. RESERVES AND RETAINED PROFITS (Continued)

Fair value of options granted

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

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

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

Issue of performance rights to preference shareholder

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

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

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

General reserve

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

(b) Retained profits

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



18. COMMITMENTS FOR EXPENDITURE

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

Capital commitments

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

Operating leases

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

Exploration commitments

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

Remuneration commitments

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



19. CONTROLLED ENTITIES

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

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



20. DIVIDENDS

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

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

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

21. RELATED PARTIES

Transaction with related parties

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

Wholly-owned Group

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

Intercompany loans

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

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

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

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

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

Management fees

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

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

Controlling entity

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



22. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

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

Superannuation

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

Kingsgate executive option plan

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

- (i) each option will entitle the holder to subscribe for one ordinary share of the Company;
- (ii) options are granted under the plan for no consideration; and
- (iii) options granted under the plan carry no dividend or voting rights.

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

Year ended 30 June 2012 - Employees							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
07 Jul 2006	01 Jul 2011	\$6.00	50,000	-	50,000	-	-
04 Apr 2008	03 Apr 2013	\$4.68	58,535	-	58,535	-	-
04 Apr 2008	03 Apr 2013	\$6.00	566,001	-	85,001	481,000	481,000
Total			674,536	-	193,536	481,000	481,000
Weighted average exercise price			\$5.89		\$5.60	\$6.00	\$6.00

* see Note 17.



22. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS (Continued)

Year ended 30 June 2011 - Employees							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
08 Jul 2005	01 Jul 2010	\$4.00	500,000	-	500,000	-	-
13 Oct 2005	01 Aug 2010	\$3.25	25,000	-	25,000	-	-
13 Oct 2005	01 Aug 2010	\$4.00	50,000	-	50,000	-	-
13 Oct 2005	01 Aug 2010	\$5.00	100,000	-	100,000	-	-
07 Jul 2006	01 Jul 2011	\$6.00	50,000	-	-	50,000	50,000
04 Apr 2008	03 Apr 2013	\$4.68	172,180	-	113,645	58,535	58,535
04 Apr 2008	03 Apr 2013	\$6.00	671,334	-	105,333	566,001	566,001
Total			1,568,514	-	893,978	674,536	674,536
Weighted average exercise price			\$5.05		\$4.41	\$5.89	\$5.89

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

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

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

Year ended 30 June 2012 - Other							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
04 Apr 2008	03 Apr 2013	\$6.00	415,000	-	-	415,000	415,000
04 Apr 2008	03 Apr 2013	\$7.00	500,000	-	-	500,000	500,000
26 Aug 2011	26 Aug 2014	\$10.36	-	1,500,000	-	1,500,000	1,500,000
23 Sep 2011	22 Sep 2016	\$10.50	-	3,333,334	-	3,333,334	3,333,334
Total			915,000	4,833,334	-	5,748,334	5,748,334
Weighted average exercise price			\$6.55	\$10.46		\$9.83	\$9.83

Year ended 30 June 2011 - Other							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
04 Apr 2008	03 Apr 2013	\$6.00	415,000	-	-	415,000	415,000
04 Apr 2008	03 Apr 2013	\$7.00	500,000	-	-	500,000	500,000
Total			915,000	-	-	915,000	915,000
Weighted average exercise price			\$6.55			\$6.55	\$6.55



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

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



NOTES TO THE FINANCIAL STATEMENTS

24. EVENTS OCCURRING AFTER REPORTING DATE

Dividends declaration

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

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

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

Issue of Performance Rights

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

25. CONTINGENT LIABILITIES

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

Guarantees

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 13 as part of the security package.

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

Included in non-current other asset is \$1,490,000 are restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

26. OPERATING SEGMENTS

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

- Chatree mine, Thailand
- Challenger mine, South Australia, Australia
- Bowdens silver project, New South Wales, Australia
- Nueva Esperanza Silver / Gold Project, Chile.

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



26. OPERATING SEGMENTS (Continued)

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



26. OPERATING SEGMENTS (Continued)

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



NOTES TO THE FINANCIAL STATEMENTS

26. OPERATING SEGMENTS (Continued)

Major customers

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

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

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management

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

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

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

The Group holds the following financial instruments:

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



NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

(a) Market risk

Foreign exchange risk

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

Current year foreign exchange risks arise primarily from:

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

The functional currency of the Thai subsidiaries is Thai Baht.

The Company’s functional currency is Australian dollars.

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

Commodity price risk

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

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

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

Equity price risk

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

Interest rate risk

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

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

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

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

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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



NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

2012	Carrying amount \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000	Total \$'000
Payables	49,278	42,597	4,637	2,044	-	49,278
Borrowings	157,544	45,474	75,260	66,359	-	187,093
Derivatives held for trading	2,685	2,685	-	-	-	2,685
Total financial liabilities 2012	209,507	90,756	79,897	68,403	-	239,056

2011	Carrying amount \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000	Total \$'000
Payables	39,096	34,802	1,634	2,330	330	39,096
Borrowings	99,896	30,016	41,510	42,206	-	113,732
Derivatives held for trading	2,260	2,260	-	-	-	2,260
Total financial liabilities 2011	141,252	67,078	43,144	44,536	330	155,088

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

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

(d) Fair value measurements

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

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

Fair value hierarchy

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

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



27. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (Continued)

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

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

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

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

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



28. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(b) Other key personnel

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

(c) Key management personnel compensation

	Consolidated	
	2012 \$	2011 \$
Short-term employee benefits	4,419,971	4,459,239
Post-employee benefits	195,722	128,053
Share-based payments	-	92,680
Total key management personnel compensation	4,615,693	4,679,972

(d) Equity instrument disclosures relating to key management personnel

Share holdings

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

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



28. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

* Resigned 25 February 2012.

** Resigned 30 November 2010.

Option holdings

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

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



28. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

* Resigned 25 February 2012.

** Resigned 30 November 2010.



29. REMUNERATION OF AUDITORS

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



30. EARNINGS PER SHARE

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

Options

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



NOTES TO THE FINANCIAL STATEMENTS

31. PARENT ENTITY FINANCIAL INFORMATION

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

Summary of financial information

	Consolidated	
	2012 \$'000	2011 \$'000
Results of parent entity		
Loss for the year	7,791	(11,868)
Other comprehensive income	(509)	791
Total comprehensive loss	7,282	(11,077)
Financial position of parent entity at year end		
Current assets	211,404	138,081
Total assets	668,437	494,344
Current liabilities	32,140	41,399
Total liabilities	103,243	56,007
Total equity of the parent entity comprising of:		
Issued capital	599,618	482,874
Reserve	10,409	2,191
Accumulated losses	(44,833)	(46,728)
Total financial equity	565,194	438,337

Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 13 as part of the security package.

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



NOTES TO THE FINANCIAL STATEMENTS

32. ACQUISITION OF SUBSIDIARIES AND ASSETS

(i) Bowdens Silver Project

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

Consideration for the acquisition was \$76,000,000 comprising:

- \$36,000,000 cash;
- two payments, each of \$5,000,000 cash, payable on 31 December 2011 and 30 June 2012 (the second tranche of \$5,000,000 was paid on 2 July 2012); and
- \$30,000,000 in Kingsgate shares.

Kingsgate has entered into a five year A\$35,000,000 convertible loan facility to provide funding for the Bowdens acquisition. Kingsgate issued 3,333,334 options (see Note 17) to Investec pursuant to the A\$35,000,000 convertible loan facility agreement.

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

Consideration

	2012 \$'000
Equity instrument : 3,440,367 Kingsgate shares at \$8.72 per share	30,000
Cash consideration (discounted)	45,757
Total consideration	75,757

Fair value

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

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



NOTES TO THE FINANCIAL STATEMENTS

32. ACQUISITION OF SUBSIDIARIES AND ASSETS (Continued)

(ii) Laguna Resources NL

Acquisition of non-controlling interests

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

The consideration under the offer was as follows:

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

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

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

	2012 \$’000
Kingsgate’s ownership interest at 30 June 2011	17,070
Effect of increase in Kingsgate’s ownership interest	11,512
Share of comprehensive loss	(153)
Kingsgate’s ownership interest at 30 June 2012	28,429

(iii) Dominion Mining Limited

Kingsgate Consolidated Limited (“Kingsgate”) and Dominion Mining Limited (“Dominion”) entered into a Scheme Implementation Agreement on 20 October 2010 for Kingsgate to acquire all of the shares in Dominion via a Scheme of Arrangement (“Scheme”).

Consideration for the transaction was Kingsgate shares with Dominion shareholders offered 0.31 Kingsgate shares for each Dominion share they own. In addition, all Dominion options were cancelled in return for ordinary shares in Kingsgate based on the exercise price and expiry date of the options held.

The Scheme was approved by Dominion shareholders and option holders on 2 February 2011 and was approved by the Federal Court of Australia on 4 February 2011. The acquisition date is 2 February 2011. The Scheme was implemented on 21 February 2011.

Acquisition related costs

	Consolidated	
	2012 \$’000	2011 \$’000
Charged to the profit or loss	964	4,757
Charged to equity	-	155
Total acquisition related costs	964	4,912



32. ACQUISITION OF SUBSIDIARIES AND ASSETS (Continued)

Fair value

Fair value at the acquisition date was finalised during the year ended 30 June 2012 resulting in \$7,300,000 being transferred from Exploration to Mine Properties. Details of fair value are set out as follows:

	Fair value \$'000
ASSETS	
Current assets	
Cash and cash equivalents	17,104
Receivables	8,282
Inventories	10,660
Other assets	536
Total current assets	36,582
Non-current assets	
Property, plant and equipment	82,080
Exploration, evaluation and development	* 231,940
Deferred tax assets	30,220
Total non-current assets	344,240
TOTAL ASSETS	380,822
LIABILITIES	
Current liabilities	
Payables	15,277
Provisions	4,165
Total current liabilities	19,442
Non-current liabilities	
Provisions	1,086
Deferred tax liabilities	57,847
Total non-current liabilities	58,933
TOTAL LIABILITIES	78,375
FAIR VALUE OF IDENTIFIABLE NET ASSETS	302,447

* Includes \$42,845,000 related to future potential of the resource which is not currently amortised. Relocation of amounts to future potential resource on finalisation of the purchase price allocation did not have a material impact on profit or loss in the previous financial year.



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes that are set out on pages 18 to 80 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

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

A handwritten signature in black ink, appearing to read 'ROSS SMYTH-KIRK'.

Ross Smyth-Kirk
Director

DATED at SYDNEY this 30 August 2012
On behalf of the Board



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

Report on the financial report

We have audited the accompanying financial report of Kingsgate Consolidated Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Kingsgate Consolidated Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Kingsgate Consolidated Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'Brett Entwistle'.

Brett Entwistle
Partner

30 August 2012