



**KINGSGATE CONSOLIDATED NL**

ACN 000 837 472

**1997 ANNUAL REPORT**



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**KINGSGATE CONSOLIDATED N.L.**

ACN 000 837 472

**DIRECTORS:**

ANTHONY J. GREY  
(Executive Chairman)

MICHAEL G DIEMAR  
(Managing Director)

ROSS D SMYTH-KIRK

JOHN FALCONER

**SECRETARY:**

JOHN FALCONER

**STOCK EXCHANGE LISTINGS;**

Kingsgate Consolidated NL ordinary shares are listed on the Australian Stock Exchange and Vancouver Stock Exchange

**REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE:**

Level 10, 26 O'Connell Street,  
Sydney, New South Wales, 2000  
Tel (02) 9223 8044 Fax (02) 9223 8820

**SHARE REGISTRY:**

SECURITY TRANSFER REGISTRARS PTY. LTD.  
Level 1, 168 Adelaide Terrace,  
Perth, Western Australia, 6000

**AUDITORS:**

PRICE WATERHOUSE  
201 Kent Street,  
Sydney, New South Wales, 2000

**BANKERS:**

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED  
68 Pitt Street,  
Sydney, New South Wales, 2000

**CONTROLLED ENTITIES:**

Patron Limited (Incorporated in the United Kingdom)  
Akara Mining Ltd (Incorporated in Thailand)  
Issara Mining Limited (Incorporated in Thailand)  
Naka Udsahakum Limited (Incorporated in Thailand)  
Parasol Limited (Incorporated in Thailand)  
Suan Sak Pattana Limited (Incorporated in Thailand)



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## CHAIRMAN'S REPORT

Your company has made significant progress in the past year.

At the Chatree Gold Project in Thailand, a strong exploration effort led to the discovery of a number of new areas of high grade mineralisation which are being drilled with considerable success.

A capital raising of approximately 7 million dollars in April, 1997 to investors in Australia, Canada and Europe, placed Kingsgate in a solid position to carry out an aggressive exploration program in Thailand and to seek other opportunities in South-East Asia. Considerable effort was addressed to acquiring land encompassing areas of interest in order to secure surface rights for mining development.

Our joint listing on the Vancouver Stock Exchange was completed in June, 1997 at the end of the Canadian resources boom. While the Canadian market has been severely depressed in recent months, we feel that over the long term it will give us beneficial access to a wider investment base.

We look forward to a year of consolidation and expansion at Chatree and to new projects elsewhere in Thailand and South East Asia.

I wish to thank my fellow directors and our shareholders for their support during the year.

A.J.Grey  
Executive Chairman  
5 November, 1997.

### Notes from the Managing Director

A continuous field program of geology geochemistry and drilling has been in progress at Chatree throughout the year.

In addition, metallurgical testing, detailed check assaying and a first geological resource estimate are in progress.

An experienced team of four geologists is currently employed on site with additional technical staff to be added as the program rate is further increased during the dry season commencing November, 1997.

Our goal at Chatree is to progress both resource definition drilling of the known mineralisation and drilling of new untested geochemical targets so that reserve status may be achieved by the end of June, 1998.

One very important ingredient to achieving that goal is our land acquisition program which has now been substantially finalised and which has recently allowed a major increase in drilling rate to take place.

On the macro scale, special prospecting licences have been applied for over four separate areas of known gold mineralisation in the same geological province. Exploration will commence on these targets in December, 1997.

The general weakness of the Thai economy is obviously of international concern, however from Kingsgate's perspective, the devaluation of the Thai Baht is currently reducing our exploration and land acquisition costs and at development will have a beneficial effect on our capital costs without effecting the income side of a mining operation due to the denomination of gold in US\$.

I thank our partners Ban Pu PLC and our Thai and Australian staff for their untiring efforts through the year.

Mike Diemar  
Managing Director  
5 November, 1997.



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## **CHATREE GOLD PROJECT Kingdom of Thailand**

Kingsgate Consolidated NL 90%, Ban Pu Public Co, Ltd. 10%

Four areas of shallow gold mineralisation have been defined and will be the target for resource definition drilling in the next 6 months. Drilling has also commenced on the first of 3 new geochemical targets in the same area.

The Chatree Project is located 280 kilometres north of Bangkok and is accessed from there by good quality asphalt and concrete roads.

The project consists of gold and silver mineralisation hosted by epithermal quartz, carbonate and adularia veins, stock-works and breccia systems in altered volcanic rocks on a Permo-Triassic plate collision margin running through Thailand, Lao and Viet Nam, which forms an epithermal gold and porphyry Cu province.

The four areas of mineralisation are located within an alteration envelope 7 km by 1.5 km in the volcanic sequence. The alteration zone is open to the north. See prospect location plan.

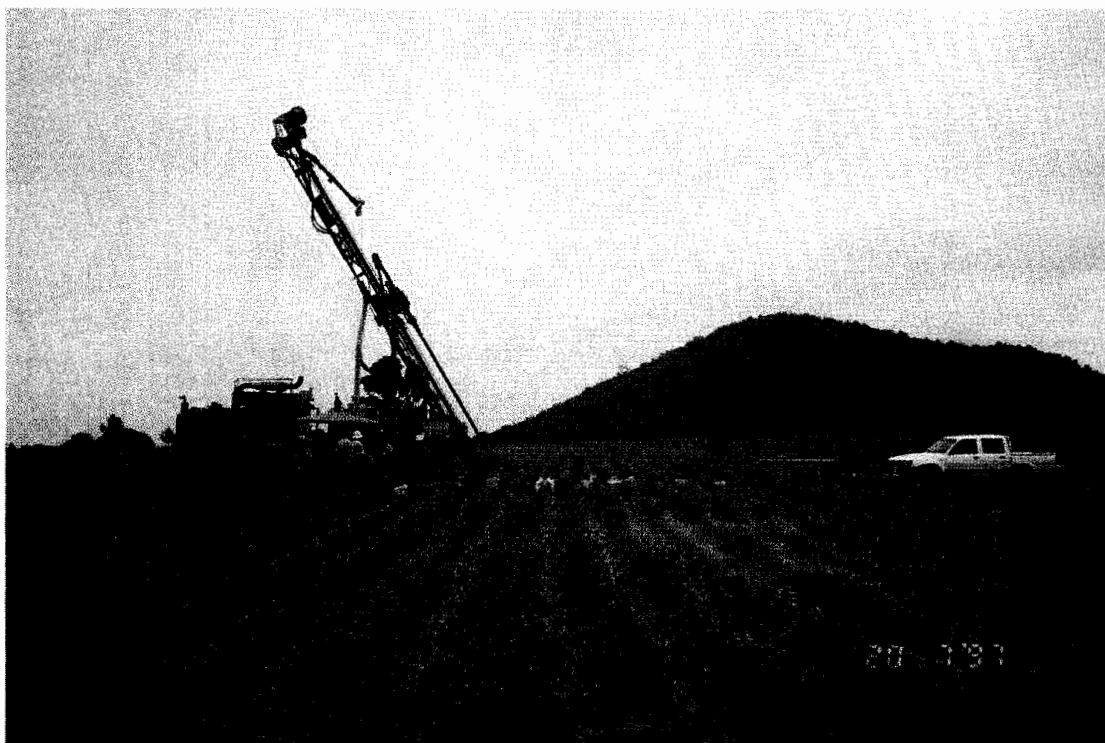
Since July 1996, field operations resulted in the drilling of 90 reverse circulation and core holes for a total of approximately 7,200 metres and of over 1300 soil auger geochemical holes.

This drilling concentrated on Prospects C and D while the geochemical programs were aimed at defining further soil anomalism within the tenements.

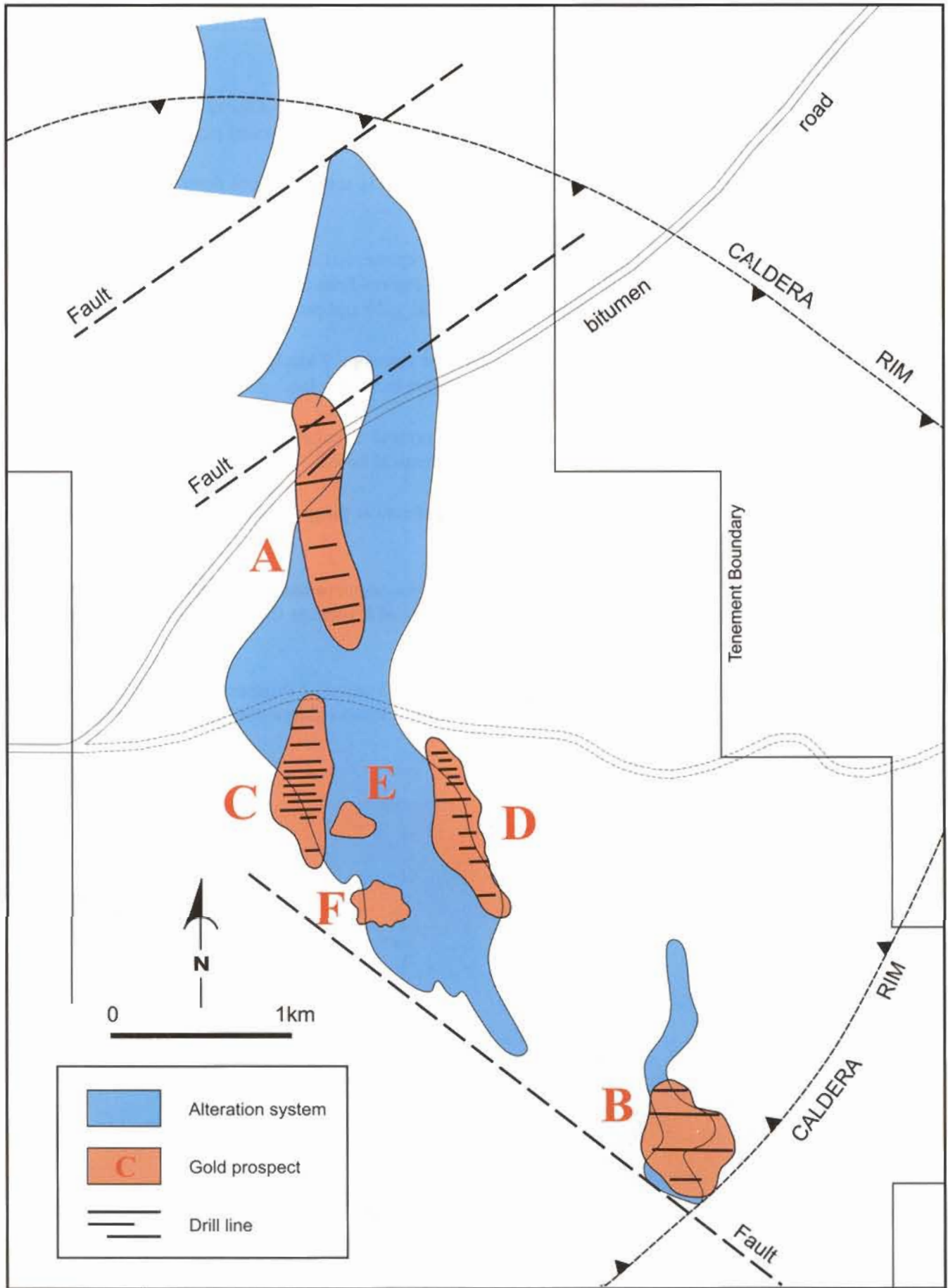
Both programs were successful with Prospects C and D now at the resource definition drilling stage and a number of potentially important new gold anomalous zones in the vicinity of Prospects C and D being located and scheduled for exploration drilling.

As shown on the plan, the structurally controlled epithermal mineralisation of Prospects A to F is aligned in a north westerly direction and is enclosed by two large interpreted volcano caldera collapse structures.

A summary of results to date in each prospect follows;



*Prospect C: Diamond Drilling. Prospect A in background.*



### LOCATION OF GOLD PROSPECTS

## PROSPECT A

A broad zone of gold and silver mineralisation in quartz, carbonate, adularia vein systems occurs over a strike length of 1200 metres defined by soil sampling, trenching, and broadly spaced RAB, RC and core drilling.

A sample of the better intersections from north to south were as follows.

RC107	16.0	m	@	2.09 g/t Au	
RAB29	13.0	m	@	2.11 g/t Au	
RC109	2.0	m	@	8.13 g/t Au	
RAB54	6.0	m	@	2.30 g/t Au	
RC111	38.0	m	@	2.35 g/t Au	&
	8.0	m	@	3.33 g/t Au	
DDH39	12.8	m	@	3.17 g/t Au	
	4.0	m	@	2.97 g/t Au	
RC114	10.0	m	@	3.47 g/t Au	&
	4.0	m	@	2.98 g/t Au	
RC112	30.0	m	@	2.16 g/t Au	
RC113	8.0	m	@	2.03 g/t Au	&
DDH36	58.0	m	@	1.39 g/t Au	&
	21.0	m	@	2.37 g/t Au	
DDH38	31.0	m	@	1.60 g/t Au	
DDH32	50.8	m	@	2.01 g/t Au	&
	1.2	m	@	51.0 g/t Au	

These intersections, taken in conjunction with earlier trench sampling results, indicate the presence of a substantial resource of shallow gold and silver mineralisation in this prospect. A cross-section through the centre of the mineralisation is shown below.

Future work at Prospect A will include infill target drilling to better define the high grade gold zones.

## PROSPECT B

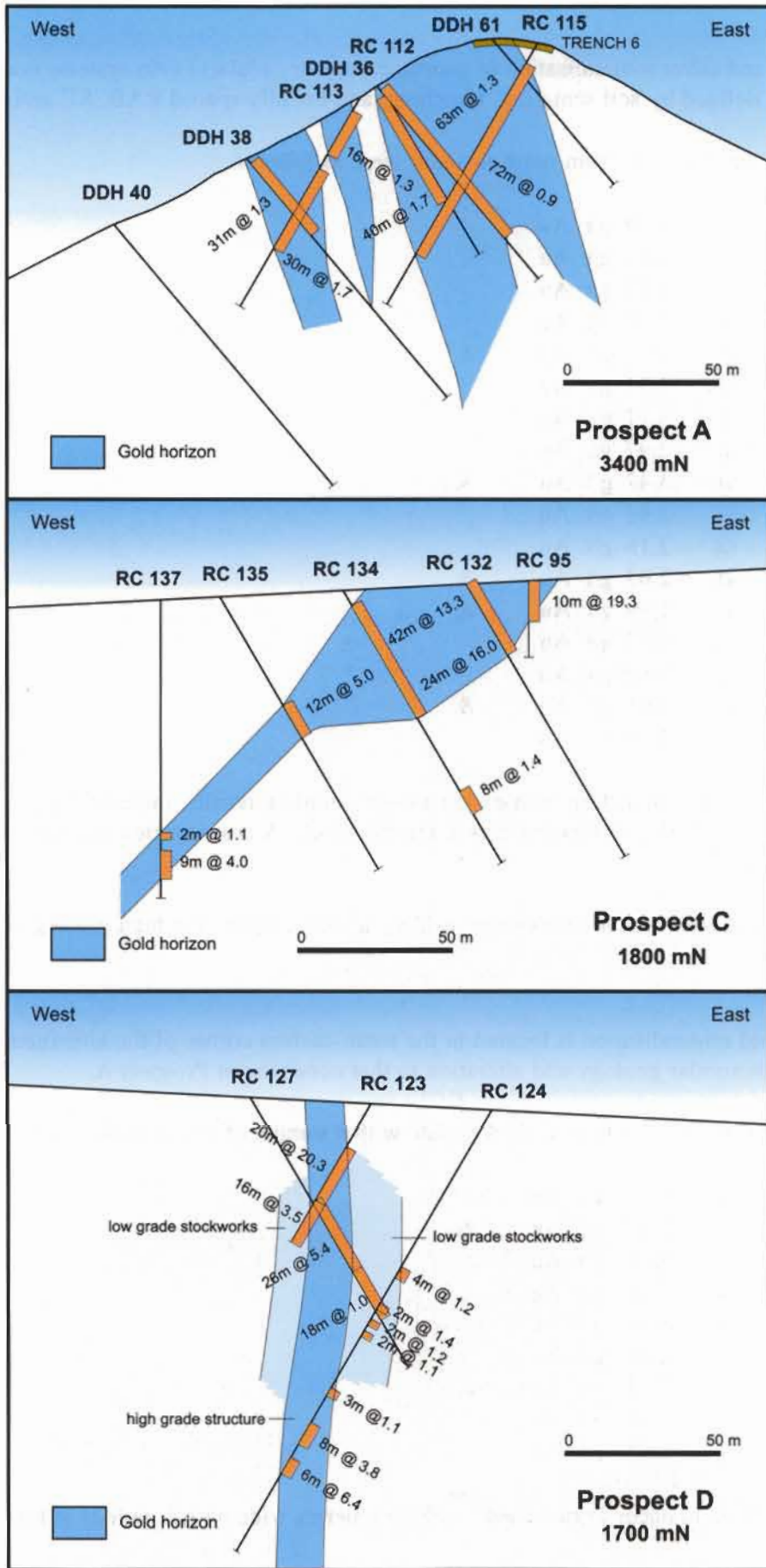
Widespread surface gold mineralisation is located in the south-eastern corner of the alteration zone, over an area 700 by 350 metres with similar geology and alteration to that occurring at Prospect A.

41 shallow vertical RAB holes have been drilled to date with a sample of encouraging intersections as follows,

RAB02	31.0	m	@	1.26 g/t Au	
RAB06	20.0	m	@	1.52 g/t Au	&
	4.0	m	@	2.61 g/t Au	
RAB08	4.0	m	@	2.48 g/t Au	
RAB13	10.0	m	@	8.71 g/t Au	
RAB16	4.0	m	@	2.30 g/t Au	
RAB63	20.0	m	@	2.38 g/t Au	&
	2.0	m	@	2.52 g/t Au	
RAB65	4.0	m	@	6.59 g/t Au	

This mineralisation appears to occur in two zones each 150 metres wide with length of at least 500 metres.

**PROSPECTS C,D,E,F and H** were discovered by regional geochemical programs employing B horizon soil auger drilling.



**DRILL LINE CROSS SECTIONS PROSPECTS A, C, D**

**PROSPECT C** consists of a geochemical anomaly approximately 1100 metres by 400 metres, with soil values between 0.10 g/t Au and 6.95 g/t Au. Outcrop is very limited although gold values come to the surface.

Mineralisation is hosted in a strongly hydrothermally altered shallow dipping structure as shown on the cross-section.

Some of the better drill intersections from north to south follow.

RC151	14.00	m	@	3.51	g/t	Au	
RC143	6.00	m	@	9.48	g/t	Au	&
	6.00	m	@	4.01	g/t	Au	
RC140	26.00	m	@	4.78	g/t	Au	
RCD182	9.05	m	@	3.94	g/t	Au	
DDH181	10.30	m	@	2.68	g/t	Au	
RAB93	10.00	m	@	4.01	g/t	Au	
RC131	20.00	m	@	4.26	g/t	Au	
RC129	18.00	m	@	7.81	g/t	Au	
DDH176	17.60	m	@	3.09	g/t	Au	
RCD172	9.00	m	@	8.96	g/t	Au	
RCD171	4.00	m	@	5.02	g/t	Au	&
	5.80	m	@	9.10	g/t	Au	
DDH169	13.60	m	@	3.65	g/t	Au	
RC137	9.00	m	@	3.98	g/t	Au	
RC135	12.00	m	@	5.02	g/t	Au	
RC134	42.00	m	@	13.29	g/t	Au	
RC132	24.00	m	@	16.07	g/t	Au	
RAB95	10.00	m	@	19.34	g/t	Au	
RCD189	3.57	m	@	28.97	g/t	Au	
DDH187	6.30	m	@	18.52	g/t	Au	
DDH186	8.75	m	@	3.44	g/t	Au	

These widths and grades give optimism for the presence of a substantial shallow gold resource. The mineralisation is open to the north and south at lower grades. Full resource drilling will be completed in the current program.



*Prospect D. Hole RC 128. Sample Rejects 0-114 metres*





**PROSPECT D** consists of a geochemical anomaly approximately 1400 metres by 250 metres with soil values between 0.10 g/t Au and 3.62 g/t Au. There is very limited outcrop but again, mineralisation comes to the surface. Mineralisation is hosted in a strongly hydrothermally altered steeply dipping set of structures as shown on the cross-section. Some of the better drill intersections from north to south follow.

RCD160	12.30 m	@	2.39 g/t	Au	
RC125	6.00 m	@	5.39 g/t	Au	&
	10.00 m	@	3.13 g/t	Au	&
	38.00 m	@	1.46 g/t	Au	
DDH195	15.0 m	@	14.95 g/t	Au	&
	2.40 m	@	45.05 g/t	Au	
DDH196	21.80 m	@	12.21 g/t	Au	
RCD128	10.00 m	@	2.06 g/t	Au	
DDH163	4.25 m	@	6.19 g/t	Au	&
	8.10 m	@	11.92 g/t	Au	
RAB102	17.00 m	@	7.65 g/t	Au	
RC120	71.00 m	@	2.87 g/t	Au	
RAB101	25.00 m	@	7.01 g/t	Au	
RAB100	6.00 m	@	5.32 g/t	Au	
RC122	4.00 m	@	10.97 g/t	Au	
RC127	44.00 m	@	3.59 g/t	Au	
RC123	36.00 m	@	12.82 g/t	Au	
RCD124	7.70 m	@	3.77 g/t	Au	&
	5.65 m	@	6.42 g/t	Au	
RC126	22.00 m	@	2.80 g/t	Au	



*Soil Auger Geochemical Drilling.*

This prospect has similar potential to Prospect C and will be brought to reserve status in the current year.

**PROSPECT E** consists of a geochemical anomaly with soil values in the range 0.10 g/t Au to 1.10 g/t Au. Testwork by trenching and drilling is scheduled for the coming year.

**PROSPECT F** consists of a geochemical anomaly with soil values in the range 0.31 g/t Au to 1.91 g/t Au. It will also be tested this year.

**PROSPECT H** consists of a geochemical anomaly up to 2,000 metres long in the vicinity of Prospect C with soil values up to 2.72 g/t Au. Drilling commenced in early November, 1997.

**FUTURE PROGRAM** The current program of at least 10,000 metres of core drilling and associated works will be completed by 30 June, 1998. The holes at Chatree will be directed towards resource definition drilling at the established prospects and reconnaissance drilling on currently untested targets. Reconnaissance drilling will be carried out on new projects as targets are defined.



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## **CLONCURRY GOLD PROJECT - Exploration Permits 4774 and 5766**

Kingsgate Consolidated NL 100%

The tenements are located 30 kilometres south-east of Cloncurry

Two main gold prospects have been defined.

### **Wynberg Prospect**

Exploration to date, including detailed trenching and RC drilling has defined a series of gold mineralised structures within siliceous siltstones and black shales at this prospect containing aggregate geological resources of 280,000 tonnes at 4.0 g/t Au.

### **WOW Prospect**

WOW is located 1 kilometre west of Wynberg and contains similar mineralisation.

The two RC holes drilled to date, 40 metres apart, gave the following results,

WOW1 6.0 metres at 1.9 g/t Au

WOW2 4.0 metres at 3.0 g/t Au

### **KINGSGATE CONSOLIDATED NL TENEMENTS SCHEDULE:**

Tenements	Interest Held	Mineral Type
Cloncurry EPM 4774, EPM 5766	100%	Gold
Akara Joint Venture Chatree Gold Project	90%	Gold



## **CORPORATE GOVERNANCE**

This statement outlines the principal Corporate Governance practices that were in place throughout the financial year.

The Directors of the Company in office at the date of this statement are set out on page 1 in the Annual Report.

Directors are appointed for a three year term after which time they are required to seek re-election by shareholders.

When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

The Board annually determines the remuneration for the Executive and Non-Executive Directors.

The Board is responsible for establishing the policies of the Company and overseeing its financial position, including the audit process, approving major capital expenditure, approving mining plans, exploration, determining the appropriateness of management compensation and monitoring the corporate conduct of its officers.

Board members, executive management and all employees are made aware of the requirements to follow corporate policies and procedures, to obey policies and procedures, to obey the law and to behave with high standards of honesty, integrity, fairness and equity.

The Board assumes the responsibilities of an Audit Committee and discusses matters relating to the review and approval of all publications, reports and financial statements issued to shareholders.

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld. A copy of the advice is to be provided to all Directors.



## **DIRECTORS' REPORT**

In respect of the financial year ended 30 June 1997, the directors of Kingsgate Consolidated N.L., the Company and chief entity, submit the following report made out in accordance with a resolution of the directors.

### **1. THE NAMES OF THE DIRECTORS OF THE ECONOMIC ENTITY IN OFFICE AT THE DATE OF THIS REPORT**

Anthony J Grey	(Executive Chairman)
Michael G Diemar	(Managing Director)
Ross D Smyth-Kirk	
John Falconer	(Company Secretary)

### **2. PRINCIPAL ACTIVITIES OF THE ECONOMIC ENTITY**

The principal activities of the economic entity during the year were mineral exploration. There have been no significant changes in the principal activities of the economic entity during the financial year.

### **3. OPERATING RESULTS**

The consolidated results of the economic entity for the financial year ended 30 June, 1997 was a loss of \$1,050,363 (1996 - \$502,834 loss) after deducting income tax of \$nil (1996 - nil).

### **4. DIVIDENDS**

The directors of the economic entity do not recommend the payment of a dividend. No dividends were paid or declared by the economic entity since the end of the previous financial year.

### **5. REVIEW OF OPERATIONS**

During the year the economic entity continued its exploration activities in Thailand. The total exploration expenditure for the year was \$1,109,545.

Additionally :

- The Company raised cash of \$7,525,000 through the issue of 3.5 million ordinary shares at \$2.15 per share.
- The Company's shares were listed and called for trading on the Vancouver Stock Exchange on 16 June 1997.
- Exploration expenditure of \$471,719 in respect of the Cloncurry Project was written off during the year.

### **6. CHANGE IN THE STATE OF AFFAIRS**

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

### **7. EVENTS SUBSEQUENT TO BALANCE DATE**

The directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report or consolidated accounts, that has significantly or may significantly, affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.



## 8. LIKELY DEVELOPMENTS

The likely developments of the economic entity in the subsequent financial year involve the ongoing principal activities of mineral exploration in Thailand.

## 9. OPTIONS

Following the approval by shareholders in their meeting of 14 March 1997, options were issued during the year as follows:

- 250,000 options to Canaccord Capital Corporation and 250,000 options to Canaccord International (L) Corp. Each option entitles the holder to subscribe for one fully paid ordinary share of 25 cents each at 39 cents per share on or before 11 August 1997.
- 320,000 options to Martyn Element & Associates. Each option entitles the holder to subscribe for one fully paid ordinary share of 25 cents each at 37 cents per share on or before 11 August 1997.

The above options were exercised subsequent to balance date, details of which are in Note 21.

## 10. DIRECTORS' BENEFITS

No director of the economic entity has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the accounts and consolidated accounts) by reason of a contract made by the economic entity, a controlled entity or a related body corporate with a director or with a firm of which the director is a member or with an entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the following transaction entered into in the ordinary course of business:

- Technical and administration fees paid to Diemar & Associates Pty Ltd., a company in which M G Diemar is a shareholder and director.
- Accounting, secretarial and taxation service fees paid to Carbone Falconer & Co, in which John Falconer is a partner.
- Consulting fee paid to Gordian Investments Pty Ltd., a company controlled by A J Grey.

## 11. DIRECTORS' INTERESTS 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 Note 17 in the accounts.

## 12. INFORMATION ON DIRECTORS

Anthony John Grey LLB Executive Chairman

Mr Grey has had a long and distinguished career in the resources industry, principally with the development of Pancontinental Limited into one of Australia's important mining houses.

Particulars of director's interest in  
shares and options in Kingsgate Consolidated NL

1,150,000 shares  
1,720,000 options

**Michael G Diemar, B.Sc., M Aust. I.M.M., M.G.S.A. Managing Director**

Mr Diemar was appointed to the Board on 29 November 1994, having previously served as executive director and chief executive officer of Epoch Mining N.L. He has over 25 years experience in the exploration and mining industry throughout Australasia, Asia, west and north-west Pacific region concentrating on coal, uranium, base metals and gold exploration/mining. He also has considerable experience in project generation/planning, property evaluation/valuation, project and Company administration.

Particulars of director's interest in shares and options of Kingsgate Consolidated NL

	2,030,000 shares
	1,000,000 options

**Ross D Smyth-Kirk, B. Com, C.P.A., ASIA**

Mr 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.

Particulars of director's interest in shares and options of Kingsgate Consolidated NL

	1,000,000 shares
	500,000 options

**John Falconer FCA**

Mr Falconer is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia. He is a partner of Carbone Falconer & Co, a firm of Chartered Accountants practising in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses.

The particulars of directors' interests in shares and options are as at the date of the Directors' Report

**13. DIRECTORS' MEETINGS**

The number of directors' meetings and meetings of committees of directors held in the period each director held office during the financial year and the number of meetings attended by each director are:

Director	Board of Directors' Meetings	
	No. Held	No. Attended
A. Grey	11	11
M. Diemar	11	11
R. Smyth-Kirk	11	11
J Falconer	11	11

DATED at SYDNEY this 25 September 1997  
For and on behalf of the Board of Directors

M G DIEMAR  
Director

J FALCONER  
Director



**PROFIT AND LOSS ACCOUNTS for the year ended 30 June 1997**

	Note	Company	Consolidated		
\$	1997	1996	1996		
	\$	\$	\$		
OPERATING REVENUE	2	108,294	28,879	108,294	28,879
OPERATING LOSS	3(i)	(404,887)	(388,477)	(418,749)	(405,962)
Abnormal items before income tax	3(ii)	(352,184)	(130,485)	(631,614)	(96,872)
Operating loss before income tax		(757,071)	(518,962)	(1,050,363)	(502,834)
Income tax attributable to operating loss	4	-	-	-	-
OPERATING LOSS AFTER INCOME TAX		(757,071)	(518,962)	(1,050,363)	(502,834)
Accumulated losses at the beginning of the financial year		(3,652,665)	(3,133,703)	(3,667,530)	(3,164,696)
Accumulated losses at the end of the financial year		(4,409,736)	(3,652,665)	(4,717,893)	(3,667,530)
Basic loss per share (cents per share)				(2.95 ) ¢	(1.77 ) ¢
(a) Diluted earnings per share are not materially different from basic earning per share.					
(b) Weighted average number of ordinary shares used in the calculation of basic earnings per share				35,647,196	28,352,338
(c) There have been no conversions to, calls of, or subscriptions for ordinary shares since 30 June 1997 and before completion of these financial statements other than that stated in Note 21.					

The accompanying notes form an integral part of these accounts

**BALANCE SHEETS as at 30 June 1997**

	Note	Company		Consolidated	
		1997	1996	1997	1996
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash		6,102,673	1,119,965	6,147,211	1,124,389
Receivables	5	10,144	9,550	15,619	10,414
Other	7	3,500	6,500	3,500	6,500
<b>TOTAL CURRENT ASSETS</b>		<b>6,116,317</b>	<b>1,136,015</b>	<b>6,166,330</b>	<b>1,141,303</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	5	2,870,562	1,123,515	-	-
Investments	6	250,000	-	-	-
Property, plant and equipment	8	17,262	5,249	17,262	5,249
Other	9	-	458,599	3,741,484	2,338,083
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,137,824</b>	<b>1,587,363</b>	<b>3,758,746</b>	<b>2,343,332</b>
<b>TOTAL ASSETS</b>		<b>9,254,141</b>	<b>2,723,378</b>	<b>9,925,076</b>	<b>3,484,635</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	10	59,080	61,153	491,146	165,515
Provisions - Others	11	20,000	-	20,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>79,080</b>	<b>61,153</b>	<b>511,146</b>	<b>165,515</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12	-	-	541,760	671,760
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>541,760</b>	<b>671,760</b>
<b>TOTAL LIABILITIES</b>		<b>79,080</b>	<b>61,153</b>	<b>1,052,906</b>	<b>837,275</b>
<b>NET ASSETS</b>		<b>9,175,061</b>	<b>2,662,225</b>	<b>8,872,170</b>	<b>2,647,360</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	13	13,584,797	6,314,890	13,584,797	6,314,890
Minority Shareholder Interest	-	-	5,266	-	-
Accumulated losses		(4,409,736)	(3,652,665)	(4,717,893)	(3,667,530)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,175,061</b>	<b>2,662,225</b>	<b>8,872,170</b>	<b>2,647,360</b>

The accompanying notes form an integral part of these accounts.



**STATEMENTS OF CASH FLOWS for the year ended 30 June 1997**

	Note	Company Inflows/(Outflows)		Consolidated Inflows/(Outflows)	
		1997	1996	1997	1996
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to trade creditors, other suppliers and employees		(611,334)	(390,065)	(791,158)	(390,657)
Interest received		104,732	23,591	104,732	23,591
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CASH FLOWS APPLIED TO OPERATING ACTIVITIES</b>	19	<b>(506,602)</b>	<b>(366,474)</b>	<b>(686,426)</b>	<b>(367,066)</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for exploration		(31,551)	(334,487)	(1,109,545)	(417,827)
Loans to related entities		(1,467,617)	(86,762)	-	-
Payment for purchase of controlled entity		-	-	(55,117)	-
Payment for property, plant and equipment		(14,989)	(5,510)	(14,989)	(5,510)
Proceeds from sale of fixed assets		-	100	-	100
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CASH FLOWS APPLIED TO INVESTING ACTIVITIES</b>		<b>(1,514,157)</b>	<b>(426,659)</b>	<b>(1,179,651)</b>	<b>(423,237)</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		7,525,000	1,249,500	7,525,000	1,249,500
Payments on issue of shares		(521,533)	(77,750)	(521,533)	(77,750)
Proceeds from auction of forfeited shares		-	535,168	-	535,168
Payment for auction expenses		-	(23,483)	-	(23,483)
Payment to previous shareholder of forfeited shares		-	(11,685)	-	(11,685)
Repayment of loan		-	-	(130,000)	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>		<b>7,003,467</b>	<b>1,671,750</b>	<b>6,873,467</b>	<b>1,671,750</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>					
Cash at the beginning of the financial year		1,119,965	241,348	1,124,389	242,942
		<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	19	<b>6,102,673</b>	<b>1,119,965</b>	<b>6,131,779</b>	<b>1,124,389</b>
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Non Cash financing and investing activities	20				

The accompanying notes form an integral part of these statements.

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**NOTES TO, AND FORMING PART OF, THE ACCOUNTS  
for the year ended 30 June 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the requirements in Schedule 5 of the Corporations Regulations.

The financial statements comprise the accounts of the Company, Kingsgate Consolidated N.L., and the consolidated accounts of the economic entity comprising the Company, as the chief entity, and the entities it controlled at the end of, or during, the financial year. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the economic entity except as otherwise indicated.

**(a) Basis of Accounting**

The accounts have been prepared on the basis of historical costs and, except where stated, do not take into account current valuations of non-current assets. Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts. Except where stated recoverable amounts are not determined using discounted cash flows. The economic entity has not adopted a policy of revaluing its non-current assets on a regular basis.

**(b) Principles of Consolidation**

The consolidated accounts of the economic entity include the assets and liabilities of the Company and the entities it controlled at the end of the financial year and the results of the Company and the entities it controlled during the year.

The controlled entities are listed in Note 15 to the accounts.

The effect of all transactions between entities in the economic entity and inter-entity balances are eliminated in full in preparing the consolidated accounts. Outside equity interests in the results and the equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where necessary, dissimilar accounting policies adopted by controlled entities have been amended to ensure consistent policies are adopted within the economic entity.

**(c) Foreign Currency**

Transactions denominated in a foreign currency are converted at the exchange rate of the date of the transaction. Foreign currency receivables which are payable as at balance date are translated at the exchange rates prevailing as at that date. Exchange gains and losses are brought to account in determining the profit or loss for the year. Foreign exchange differences arising on the translation of fully integrated operations, using the temporal method, are taken to the profit and loss account.

**(d) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development costs related to current areas of interest are carried forward to the extent that:

- i. such costs are expected to be recouped through successful development and production of the area or by its sale; or



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Exploration, Evaluation and Development Expenditure (continued)**

ii. exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Costs will be amortised over the life of the relevant area of interest from the date of commencement or production, determined on a production output basis. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made.

### **(e) Tax**

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing difference is set aside to the deferred income tax or the future income tax benefit accounts at the rate which are expected to apply when those timing differences reverse.

### **(f) Depreciation and Amortisation of Property, Plant and Equipment**

Depreciation is provided on a straight line basis on all depreciable tangible assets at a rate calculated to allocate their cost or valuation against revenue over their estimated lives. Profits and losses on disposal of property, plant and equipment are taken into account in determining the operating results for the year.

### **(g) Investments**

The Company's and the economic entity's interests in companies which are not controlled are brought to account at cost and dividends and other distributions are recognised in the profit and loss account when received. Equity accounting principles are applied in respect of associated Companies. Where, in the opinion of the directors, there has been a permanent diminution in the value of an investment, the carrying amount of the investment is written down to its recoverable amount.

The provision for investments has been made on the basis of the uncertainty of the carrying value at the time the investments were in their formative stages. The provision shall remain until such time when there is a permanent and sustainable increase in value of the investments.

### **(h) Segment Information**

The principal activities of the economic entity during the course of the financial year were mineral exploration primarily in Thailand and Australia

### **(i) Operating Revenue**

Revenue includes interest income on short term monetary investments and rental.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Cash Flows**

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

**(k) Receivables**

A provision is raised for any doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the period in which they are identified.

**(l) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>2. OPERATING REVENUE</b>				
- Interest received	104,732	23,591	104,732	23,591
- Other	3,562	5,388	3,562	5,288
	108,294	28,979	108,294	28,879
<b>3. OPERATING LOSS</b>				
<b>(i) Operating loss before income tax has been determined after:</b>				
CREDITING				
Interest received from other persons	104,732	23,591	104,732	23,591
CHARGING AS EXPENSE				
Depreciation				
- Plant and equipment	2,976	1,561	2,976	1,561
<b>(ii) Abnormal items included in operating loss before tax</b>				
- Write-back of provision against loans	279,430	-	-	-
- Provision for non-recovery of loans (income tax effect \$nil)	-	(33,613)	-	-
- Write off of exploration Australian expenditure (income tax effect \$nil)	(506,592)	(19,122)	(506,592)	(19,122)
- Share issue cost (income tax effect \$nil)	-	(77,750)	-	(77,750)
- Listing cost (income tax effect \$nil)	(125,022)	-	(125,022)	-
	<u>(352,184)</u>	<u>(130,485)</u>	<u>(631,614)</u>	<u>(96,872)</u>



	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>3. OPERATING LOSS (continued)</b>				
(iii) Directors' Remuneration				
Income received or due and receivable by directors of the Company				
- From the Company	24,000	23,000	24,000	23,000
- From related bodies corporate	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The number of directors of the economic entity included in these figures are shown below in their relevant income bands

	1997	1996
	Number	Number
Income between:		
\$ nil - \$ 9,999	3	3
\$20,000 - \$29,999	1	1

Details of other amounts paid to directors related entities are set out in Note 17.

Executives' Remuneration  
No executive officer received income from the economic entity or related corporations in excess of \$100,000

(iv) Auditors' Remuneration  
Amounts received, or due and receivable by:

- The auditors for:				
- auditing the accounts	27,000	25,000	27,000	25,000
- other services	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
- Auditors of controlled entities other than auditors of the Company for auditing financial statements of those entities	-	-	13,176	4,533
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 4. INCOME TAX

The aggregate amount of income tax attributable to the current financial year differs from the prima facie tax benefit on the operating loss before income tax. The difference is reconciled as follows:-

	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
Prima facie income tax on operating loss @ 36%	(272,546)	(186,826)	(378,131)	(181,019)
Add -				
Non deductible items				
- Other	250	-	250	1,833
- Legal fees	12,386	19,413	12,386	19,413
- Vancouver listing cost	45,008	8,924	45,008	8,924
- Share issue cost	-	27,990	-	27,990
Less				
- Write back of provision for loans	(100,595)	-	-	-
	<u>(315,497)</u>	<u>(130,499)</u>	<u>(320,487)</u>	<u>(122,859)</u>
Less - Future income tax benefits not brought to account in respect of:				
- Exploration expenditure written off	182,372	-	182,372	-
- Provision for non-recovery of loans	-	12,100	-	-
- Current year tax loss	133,125	118,399	138,115	122,859
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax attributable to operating loss	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Potential future income tax benefits of \$698,108 (1996 - \$377,621) attributable to Australian tax losses carried forward by the Company and future benefits attributable to exploration expenditure and other timing differences allowable for deduction have not been brought to account in the consolidated accounts at 30 June 1997 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

- (a) the Company and its controlled entities derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- (b) the Company and its controlled entities continue to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the Company or the economic entity in realising the benefit from the deductions for the loss and exploration expenditure carried forward.



	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>5. RECEIVABLES</b>				
<b>CURRENT</b>				
Other debtors	10,144	9,550	15,619	10,414
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NON-CURRENT</b>				
Loan to controlled entities	2,870,562	1,012,579	-	-
Provision for non-recovery of loans	-	(279,430)	-	-
Loan to associate	-	390,366	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	2,870,562	1,123,515	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>6. INVESTMENTS</b>				
<b>NON-CURRENT</b>				
Shares in controlled entity, at cost - Patron Ltd.	560,000	310,000	-	-
Less Provision for diminution in value	(310,000)	(310,000)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	250,000	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>7. OTHER ASSETS</b>				
<b>CURRENT</b>				
Deposits	3,500	3,500	3,500	3,500
Prepayment	-	3,000	-	3,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	3,500	6,500	3,500	6,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>8. PROPERTY, PLANT &amp; EQUIPMENT</b>				
Plant, equipment and motor vehicles (at cost)	41,838	26,849	103,326	88,337
Deduct accumulated depreciation	(24,576)	(21,600)	(86,064)	(83,088)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	17,262	5,249	17,262	5,249
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>9. OTHER ASSETS</b>				
<b>NON - CURRENT</b>				
Exploration expenditure capitalised at cost	-	458,599	3,292,501	2,338,083
Deposit for land purchase	-	-	448,983	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	458,599	3,741,484	2,338,083
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>10. ACCOUNTS PAYABLE</b>				
CURRENT				
Other creditors	59,080	61,153	491,146	165,515
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>11. PROVISIONS</b>				
CURRENT				
Others	20,000	-	20,000	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>12. BORROWINGS</b>				
NON-CURRENT				
Loan to related parties - Secured	-	-	541,760	671,760
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The loan of \$541,760 (comprising \$1,865,177 (1996 - \$1,995,177) less fair value adjustment of \$1,323,417) is payable by Patron Limited through its controlled entity Issara Mining Limited (refer Note 15). Resources for repayment are limited to the assets of Issara Mining Limited and any proceeds received from joint venture interests. The loans were recognised in the consolidated accounts at the directors' estimate of their fair values at the date of acquisition of Patron Limited.

The directors will continue to assess the extent to which they believe payment of the liability will be probable and any further amount recognised will result in additional goodwill on the acquisition of the Patron Limited economic entity which will be written off to the extent it is not represented by probable future benefits

At the time of acquiring Patron Limited a loan was outstanding from Issara Mining Limited to Epoch Mining NL amounting to \$1.2 million. During the year \$130,000 has been repaid to Epoch Mining NL. The remaining balance may be settled by Issara paying to Epoch Mining N.L. \$US600,000 at the time Issara receives the option payment from Prae Lignite (as detailed below), failing that, Issara will procure repayment of the loan from future production of the mining tenements at a rate of 5% of the value of the gross mine production until the loan has been fully repaid.

Pursuant to the Shareholders Agreement dated 25 August 1993 between Issara Mining Ltd and Prae Lignite Co Ltd ( a subsidiary of Ban Pu Public Company Limited) as varied by the Supplementary Agreement dated 14 December 1994, \$US4.5 million will be paid by Prae Lignite to Issara at the mine development stage of the Chatree Gold Project. During the year, Issara acquired a 41% interest in the Chatree Gold Project from Prae Lignite. As part of the acquisition consideration, the option payment of \$US4.5 million payable by Prae Lignite was reduced pro rata to \$US882,353. Pursuant to the acquisition Issara will pay 90% of the ongoing exploration cost. Issara will be manager of the project at both exploration and mining stages.





	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>13. SHARE CAPITAL</b>				
<b>AUTHORISED CAPITAL</b>				
200,000,000 ordinary shares of 25 cents each:	50,000,000	50,000,000	50,000,000	50,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ISSUED CAPITAL</b>				
<b>Fully Paid shares of 25 cents each</b>				
38,485,999 (1996 - 33,920,239) ordinary shares of 25 cents each fully paid	9,621,500	8,480,060	9,621,500	8,480,060
<b>Discounts</b>				
Less: 11,200,000 ordinary shares of 25 cents each issued at a discount of 19 cents per share	(2,128,000)	(2,128,000)	(2,128,000)	(2,128,000)
Less: 3,000,000 ordinary shares of 25 cents each issued at a discount of 13 cents per share	(390,000)	(390,000)	(390,000)	(390,000)
Less: 1,250,000 ordinary shares of 25 cents issued at a discount of 5 cents	(62,500)	(62,500)	(62,500)	(62,500)
<b>Premiums</b>				
Plus: 833,000 ordinary shares of 25 cents each issued at a premium of 1 cent per share	8,330	8,330	8,330	8,330
Plus: 2,000,000 ordinary shares of 25 cents each issued at a premium of 1 cent per share	20,000	20,000	20,000	20,000
Plus: 1,200,000 ordinary shares of 25 cents each issued at a premium of 6 cents per share	72,000	72,000	72,000	72,000
Plus: 2,250,000 ordinary shares of 25 cents each issue at a premium of 14 cents per share	315,000	315,000	315,000	315,000
Plus: 3,500,000 ordinary shares of 25 cents each issue at a premium of \$1.90 cents per share	6,650,000	-	6,650,000	-
Less: Share issue cost	(521,533)	-	(521,533)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>PAID UP CAPITAL</b>	<b>13,584,797</b>	<b>6,314,890</b>	<b>13,584,797</b>	<b>6,314,890</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

### 13. SHARE CAPITAL (continued)

In August 1996, the Company issued 1,000,000 ordinary fully paid shares of 25 cents each at par to Epoch Mining NL representing deferred consideration for 100% ownership in Patron Limited pursuant to an agreement dated 24 June 1993.

In March 1997, the Company issued 65,760 fully paid ordinary shares of 25 cents each at par to the vendors of 1,069 ordinary shares in Issara Mining Limited as consideration for a 1% interest in Issara Mining Limited.

In April 1997, the Company issued 3,500,000 fully paid shares of 25 cents each at a premium of \$1.90 cents per share to provide working capital for the Company's gold exploration activities and for general expenses.

### 14. OTHER COMMITMENTS

The economic entity has certain obligations to perform minimum exploration work on leases held. These obligations may vary from time to time in accordance with contracts signed.

### 15. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Interest	
		1997	1996
		%	%
Patron Limited*	U.K.	100	100
Issara Mining Limited xx	Thailand	100	100
Parasol Limitedxx	Thailand	100	-
Naka Udsahakum Limitedxx	Thailand	100	-
Akara Mining Limited*	Thailand	90	49
Suan Sak Pattana Limitedxx	Thailand	90	-

\* Controlled entity of which Price Waterhouse have not acted as auditor.

xx Controlled entity audited by another Price Waterhouse firm.

#### (a) Acquisition of Controlled Entities

On 17 March 1997, Issara Mining Limited acquired a further 41% interest in the issued share capital of Akara Mining Limited. The acquisition increased the Group's interest in Akara Mining Limited from 49% to 90%. The operating results of the newly controlled entity have been included in the consolidated profit and loss account since the date of acquisition.

At the date of acquisition, Akara's principal activities were mineral exploration in Thailand.



15. INVESTMENT IN CONTROLLED ENTITIES  
(a) Acquisition of Controlled Entities (continued)

Details of the acquisition are as follows:

Fair value of identifiable net assets of controlled entity acquired.

	\$
Cash	32,094
Receivable	10,023
Deferred exploration expenditure	1,070,934
Bank overdraft	(2,219)
Creditors & borrowings	(1,020,577)
	<u>90,255</u>
Less: Outside equity interest	(5,263)
	<u>84,992</u>

	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
Outflow of cash to acquire controlled entity net of cash acquired				
Cash consideration	-	-	(84,992)	-
Less: balances acquired				
Cash	-	-	32,094	-
Bank overdraft	-	-	(2,219)	-
	<u>-</u>	<u>-</u>	<u>(55,117)</u>	<u>-</u>
Cash inflow/(outflow)	<u>-</u>	<u>-</u>	<u>(55,117)</u>	<u>-</u>

## 16. CONSOLIDATED SEGMENT INFORMATION

INDUSTRY SEGMENTS	Mining		Investment		Consolidated			
	1997	1996	1997	1996	1997	1996		
	\$	\$	\$	\$	\$	\$		
Total operating revenue	-	-	108,294	28,879	108,294	28,879		
Segment result	(732,232)	(216,625)	(83,509)	(127,143)	(815,741)	(343,768)		
Unallocated expenses					(234,622)	(159,066)		
Operating loss					(1,050,363)	(502,834)		
Segment assets	3,777,865	2,338,083	6,147,211	1,124,389	9,925,076	3,462,472		
Unallocated assets					-	22,163		
Total assets					9,925,076	3,484,635		
<b>GEOGRAPHIC SEGMENTS</b>								
	Australia		Thailand		Elimination		Consolidated	
	1997	1996	1997	1996	1997	1996	1997	1996
	\$	\$	\$	\$	\$	\$	\$	\$
Total operating revenue	108,294	28,879	-	-	-	-	108,294	28,879
Segment result	(1,036,501)	(518,962)	(7,957)	(12,761)	-	33,452	(1,044,458)	(498,271)
Unallocated expenses							(5,905)	(4,563)
Operating Loss							(1,050,363)	(502,834)
Segment assets	6,116,317	1,136,015	3,808,759	2,318,429	-	-	9,925,076	3,454,444
Unallocated							-	30,191
Total assets							9,925,076	3,484,635



## 17. RELATED PARTY INFORMATION

### Directors

The names of persons who were directors of Kingsgate Consolidated NL throughout the financial year are as follows: A J Grey, M G Diemar, R D Smyth-Kirk and J Falconer.

### Remuneration Benefits

Remuneration received or receivable by the directors of the Company and the economic entity is disclosed in Note 3 to the accounts.

### Director related entities

Technical and administrative fees of \$141,206 (1996 - \$106,500) were paid to Diemar & Associates Pty Ltd, a company in which M G Diemar is a shareholder and director. Accounting, secretarial and taxation service fees of \$142,394 (1996 - \$107,755) were paid to Carbone Falconer & Co, Chartered Accountants, in which John Falconer is a partner. Consulting fees of \$60,000 (1996 - \$60,000) were paid to Gordian Investments Pty Ltd, a company controlled by A J Grey. Consulting and administrative fees of \$2,000 (1996 - \$nil) were paid to Surapol Udornpornwirat, a director of a controlled entity.

### Ownership interests in related parties

Interests held in a controlled entity are set out in Note 15 to the accounts.

### Transactions of Directors and Director related entities concerning Share or Share Options

No shares or share options were acquired by the directors during the financial year. The aggregate number of shares of the Company held directly or indirectly by directors or director related entity.

<u>Issuing Entity</u>	<u>Class of Share</u>	1997	1996
		Number	Number
Kingsgate Consolidated N.L.	Ordinary shares	4,180,000	4,180,000
	Options over ordinary shares	3,220,000	3,220,000

Each option entitles the holder to subscribe for one fully paid ordinary share of 25 cents at 33 cents per share on or before 30 June 1998. A condition of the option is that it can only be exercised where the increase in the market price of the ordinary shares in the Company exceeds the Australian Stock Exchange Limited Gold Index over the same period. In the event the original option holder or their associates ceases to be director or employee of the economic entity, the option must be exercised within nine months from the date of cessation. Failing this, the option will be cancelled.

## 17. RELATED PARTY INFORMATION (continued)

### Wholly - Owned Group and other controlled entities

The wholly-owned group consists of Kingsgate Consolidated NL and its wholly owned controlled entities Patron Limited and Issara Mining Limited. Ownership interests in these and other controlled entities are set out in Note 15.

Transactions between Kingsgate Consolidated NL and controlled entities during the years ended 30 June 1997 and 30 June 1996 consisted of loans advanced by Kingsgate Consolidated NL. The loans do not bear interest.

Aggregate amounts receivable from controlled entities at balance date were as follows.

	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
Non Current Receivable				
Wholly owned subsidiaries	1,295,817	1,012,579	-	-
Provision for non recovery of loans	-	(279,430)		
Other controlled entities	1,574,745	-	-	-
Associates	-	390,366	-	-
	2,870,562	1,123,515	-	-

During the year the Company advanced \$283,238 to wholly controlled entities and \$1,184,379 to other controlled entities.

### Ultimate Controlling Entity

The ultimate controlling entity is Kingsgate Consolidated NL.

## 18. SUPERANNUATION COMMITMENTS

The economic entity contributes to an approved superannuation fund in accordance with legal requirements.

### Australian Company

The Company contributes a percentage of salaries and wages to a superannuation fund administered by Legal and General Insurance. Benefits are paid on retirement.

### Overseas Controlled Entities

Each Company contributes to funds administered by companies outside the economic entity, as required by the law of that country.



	Company		Consolidated	
	1997	1996	1997	1996
	\$	\$	\$	\$
<b>19. CASH FLOW INFORMATION</b>				
<b>Reconciliation of Cash</b>				
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:				
- Cash	6,102,673	1,119,965	6,147,211	1,124,389
- Less Bank Overdraft	-	-	(15,432)	-
	<u>6,102,673</u>	<u>1,119,965</u>	<u>6,131,779</u>	<u>1,124,389</u>
<b>Reconciliation of net cash flows from operating activities to operating loss after income tax is as follows:</b>				
- Operating loss after income tax	(757,071)	(518,962)	(1,050,363)	(502,831)
- Depreciation	2,976	1,561	2,976	1,561
- Mining tenements and exploration expenditure written off	506,592	19,122	506,592	19,122
- Write back of provision for non-recovery of loans	(279,430)	33,613	-	-
- Gain on sale of fixed assets	-	(99)	-	(99)
- Asset revaluation applied investments in controlled entities written off	-	81,383	-	-
- Provision for investment in Controlled entity written off	-	(81,383)	-	-
- Share issue costs written off	-	77,750	-	77,750
<b>Changes in Assets and Liabilities</b>				
- Increase/(Decrease) in other creditors	17,925	29,325	(153,449)	46,144
- (Increase)/Decrease in trade and other debtors	2,406	(8,784)	7,818	(8,713)
	<u>(506,602)</u>	<u>(366,474)</u>	<u>(686,426)</u>	<u>(367,066)</u>

## 20. NON-CASH FINANCING AND INVESTING ACTIVITIES

### Financing Facilities

The economic entity has no loan facilities or credit standby arrangements as at 30 June 1997 (1996 - nil).

### Investing Activities

In August 1996, the Company issued 1,000,000 ordinary fully paid shares of 25 cents each at par to Epoch Mining NL representing deferred consideration for 100% ownership in Patron Limited pursuant to an agreement dated 24 June 1993.

In March 1997, the Company issued 65,760 fully paid ordinary shares of 25 cents each at par to the vendors of 1,069 ordinary shares in Issara Mining Limited as consideration for a 1% interest in Issara Mining Limited.

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## 21. SUBSEQUENT EVENTS

Subsequent to the balance date , Canaccord Capital Corporation exercised 250,000 options and Canaccord International (L) Corporation exercised 250,000 options on 3 July 1997 and 14 July 1997 respectively. 500,000 fully paid ordinary share of 25 cents each at 39 cents per share were issued. Proceeds from the share issue totalled \$195,000.

On 14 July 1997 and 28 July 1997 320,000 options were exercised by Martyn Element & Associates. 320,000 fully paid ordinary share of 25 cents each at 37 cents per share were issued by the Company. Proceeds from the share issue totalled \$118,400.

## 22. CONTINGENT LIABILITIES

The Company and the economic entity have no other contingent liabilities at year end except for those disclosed in notes 12 to the accounts.





## STATEMENT BY DIRECTORS

In accordance with a resolution of the directors of Kingsgate Consolidated N.L., we state that:-

1. In the opinion of the directors:
  - (a) the accounts of the Company and economic entity are drawn up so as to give a true and fair view of the results of the Company and economic entity for the financial year ended 30 June 1997, and the state of affairs of the Company and economic entity as at 30 June 1997;
  - (b) at the date of this statement there are reasonable grounds to believe that the Company and economic entity will be able to pay its debts as and when they fall due; and
  - (c) the consolidated accounts of the economic entity have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of the loss of the economic entity for the year ended 30 June 1997 and the state of affairs of the economic entity as at 30 June 1997.
2. The accounts and the consolidated accounts have been made out in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, and the Corporation Law.

DATED at SYDNEY this 25 September 1997

On behalf of the Board

M G DIEMAR  
Director

J FALCONER  
Director

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## INDEPENDENT AUDIT REPORT

To the Members of Kingsgate Consolidated N.L.

### Scope

We have audited the financial statements of Kingsgate Consolidated N.L. (the Company) for the financial year ended 30 June 1997 as set out on pages 14 to 32. The financial statements consist of the accounts of the Company and the consolidated accounts of the economic entity comprising the Company and the entities it controlled at the end of, and during, the financial year. The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views, and the Corporations Law so as to present a view which is consistent with our understanding of the Company's and the economic entity's state of affairs, the results of their operations and their cash flows.

We have not acted as auditors of the controlled entities identified in Note 15 to the financial statements. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial statements of the Company are properly drawn up:

- (a) so as to give a true and fair view of:
  - (i) the state of affairs as at 30 June 1997 and the results and cash flows for the financial year ended on that date of the Company and the economic entity; and
  - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable accounting standards and other mandatory professional reporting requirements.

PRICE WATERHOUSE  
Chartered Accountants

G. N. Williams  
Partner  
SYDNEY, 25 September 1997



## SHAREHOLDER INFORMATION

### Directors' Shareholdings as at 30 October 1997

Director	Shares
Anthony J Grey	1,150,000
Michael G Diemar	2,030,000
Ross D Smyth-Kirk	1,000,000
John Falconer	nil

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

### Holder No. of Shares Held as at 30 October 1997

Diemar & Associates Pty Limited	2,030,000
Spencer Global Associates	2,085,837

### Distribution as at 30 October 1997

Size of Holding	Number of Shareholders Fully Paid Shares	Number of Optionholders
1 - 1,000	316	
1,001 - 5,000	384	
5,001 - 10,000	142	
10,001 - 100,000	207	
100,001 and Over	58	3
Total	1107	3

Of which 193 have less than a marketable parcel.

### Statement of Fully Paid Issued Securities as at 30 October 1997

- (i) The total number of shareholders is 1107. Each shareholder is entitled to one vote for each share held.
- (ii) There are 39,305,999 ordinary shares of 25 cents each fully paid on issue.
- (iii) The twenty largest shareholders hold 54.63% of the Company's issued capital.

### Statement of Options as at 30 October 1997

- (i) The total number of optionholders is 3. Optionholders are not entitled to vote.
- (ii) There are 3,220,000 options entitling the optionholders to subscribe for one fully paid share of 25 cents each at 33 cents per share before 30 June 1998.

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**SHAREHOLDER INFORMATION (CONTINUED)****20 Largest Holders of Ordinary Shares as at 30 October 1997**

	No. of shares	Percentage
1. ANZ Nominees Limited	3,370,742	8.58%
2. National Nominees Limited	2,591,261	6.59%
3. Westpac Custodian Nominees Limited	2,481,168	6.31%
4. Paul G Docherty	1,905,000	4.85%
5. Bruce Clayton Bird	1,588,000	4.04%
6. Prelarmor Nominees Pty Limited	1,150,000	2.93%
7. Arinya Investments Pty Limited	1,000,000	2.54%
8. Epoch Mining NL (Restrict)	1,000,000	2.54%
9. Diemar & Associates Pty Limited	920,000	2.34%
10. Centenia Investments Pty Limited	870,000	2.21%
11. Equitlink International	579,960	1.48%
12. Frederick Shepp Grimwade	550,000	1.40%
13. Donwillow Pty Limited	548,200	1.39%
14. Canaccord Capital Corporation	523,000	1.33%
15. Lost Ark Nominees Pty Limited	512,500	1.30%
16. Sarah Whistler Farley	500,000	1.27%
17. Masoncastle Pty Limited	482,375	1.23%
18. Christopher Komor	435,000	1.11%
19. Rubicon Nominees Pty Limited	400,000	1.02%
20. Cramm Nominees Pty Limited	400,000	