Kingsgate
Consolidated Limited

ABN 42 000 837 472

21 August 2008

96 Pages (including this page)

Manager, Company Announcements
Australian Stock Exchange Limited

Dear Sir,

PRELIMINARY FINAL ASX APPENDIX 4E REPORT
FOR THE YEAR ENDED 30 JUNE 2008

We enclose herewith the following documents:

- Preliminary Final ASX Appendix 4E Report for the year ended 30 June 2008; and
- Directors Report and Financial Statements for the year ended 30 June 2008.

Yours faithfully
KINGSGATE CONSOLIDATED LIMITED

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Company Secretary

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KINGSGATE CONSOLIDATED LIMITED
ABN 42 000 837 472

ASX CODE: KCN

PRELIMINARY FINAL ASX 4E REPORT

FOR THE YEAR ENDED 30 JUNE 2008

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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 2008

Results for Announcement to the market

				$'000
Revenue from ordinary activities	Up	45%	to	76,495
Profit/(loss) from ordinary activities after tax attributable to members	N/A	N/A	to	36,197
Net profit/(loss) for the period attributable to members	N/A	N/A	to	36,197

Dividends/distribution	Amount per security	Franked amount per security
Final dividend		
- current reporting period	**nil**	**nil**
- previous reporting period	nil	nil
Interim dividend		
- current reporting period	**nil**	**nil**
- previous reporting period	nil	nil

Record date for determining entitlements to dividend

N/A

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or any other item of importance not previously releases to the market:

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

Current Reporting Period:	**Year ended 30 June 2008**
Previous Corresponding Reporting Period	Year ended 30 June 2007

Review of operations

The Directors of Kingsgate Consolidated Limited today announced a net profit after tax of $36.2 million for the year ended 30 June 2008.

Dividends

No dividends were declared with respect to the year end 30 June 2008.

Finance

The net profit after tax was $36.2 million and represents an increase of $48.8 million on the loss of $12.6 million achieved in the previous year.

During the period the Company disposed of its entire shareholding in Andean Resources Limited and a pre-tax gain of $44.4 million was realised.

Total revenue was $76.5 million, an improvement of $23.9 million over 2007, mainly because the Company was unhedged and fully benefited from the rise in spot gold price.

Operating cash in flow was $18.7 million. Net investing cash flow for property, plant, equipment and exploration was $36.8 million and $69.9 million was received from the sale of Andean Resources Limited shares.

A new debt facility of US$30 million was obtained from Investec Bank (Australia) Limited.

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares. The credit facility was subject to certain conditions precedent which included the grant of the Chatree North mining leases.

Operations

Total production at the Chatree Mine for the year was 74,137 ounces of gold and 232,089 ounces of silver at a cash cost of US$457 per ounce and total cost of US$556 per ounce of gold. The availability of high grade ore was significantly constrained due to the delay to the grant of the Chatree North mining leases. Without the Chatree North mining leases, the relatively high strip ratio Chatree ore was not able to be blended to produce a reasonably uniform gold grade and mining cost per ounce. In order to maintain mill throughput the remaining Chatree ore was blended with marginal ore from stock piles, which produced an average feed grade for the year of only 1.1 grams of gold per tonne of ore. Mill throughput for the year was 2.47 million tonnes, as compared to 2.40 million tonnes for the previous year.

The Chatree Mine continued its excellent safety performance, without a single Lost Time Incident which, according to publicly available data, makes the Chatree Mine the safest gold mine in the world.

During the year, the Chatree Mine built on its enviable environmental record with no reportable incidents. There have been no reportable environmental incidents during the entire life of the mine.

Chatree Mine actively underpins the world's best practice for mine safety and environmental management through its programme of being accredited with appropriate international standards. Chatree Mine maintains accreditation for ISO 9001 (Quality), ISO 14001 (Environment), OHSAS 18001 (Health and Safety), ISO 17025 (Laboratory), TLS 8001:2003 (Thai Labour), SA8000 (Social Accountability), GRIC Global Reporting Initiatives and is a foundation and accredited member of the International Cyanide Management Code. The Company's commitment to maintain these international best practises in its operation was recognised during the year in the 7th Australian Sustainability Awards when it was awarded a Special Award for Labour Relations, the Thailand National Occupational Safety and Health Award for the 5th year running and the Australasian mining industry's key safety award, the 2007 Australasian Institute of Mining and Metallurgy Jim Torlach Health and Safety Award.

Outlook

The new Chatree North mining leases were approved by the Thai Minister of Industry in July 2008. Final documentation to formally initiate mining has progressed with Provincial and Local authorities and is nearing completion. This includes final Forestry Department approval to remove trees from the mining area and obtain necessary blasting licence approvals.

Mining at Chatree continues on extensions to the C & H pits, although nearly complete. Site activities are currently centred on preparing the Chatree North area for the commencement of mining and meeting necessary Thai Mines Department regulations that include completing all environmental requirements and installation of monitoring stations. The major activity involves completing a 'containment bund' around the entire periphery of the mine property to stop groundwater runoff into the local environment and restrict access to the property. Other activities also include the commencement of grade control drilling in the ore blocks within the initial mining areas, construction of new premises for mine supervisory and mine contract staff, construction of a new mine work shop and finalising haul road access to the mine areas.

Mining will start at Chatree North by extending the current A Pit and opening up new pits nearby at K East and K West. These new open pits are adjacent to the existing production facility.

New ore feed sources are being developed within the Chatree leases at C North. The main access highway to the property has been relocated to allow mining up to the boundary of the mining lease. When mining of the C North area commences it will provide higher grade "bridging ore feed" of ~2.5g/t gold, at approximately half the ore feed rate as new pits are opened up at Chatree North. A ramp up of gold production will continue for 2-3 quarters as new mine areas are developed but due to the protracted delay in granting of the new mining leases, the September 2008 quarter is anticipated to be lower than the preceding quarter.

A new, larger fleet of mining equipment provided by Caterpillar for the mining contractor, Lotus Hall, has begun to arrive on site. Further new equipment will continue to arrive until year end, providing capacity to ramp up mining capacity.

The grant of the Chatree North Mine Leases has allowed the exploration drilling efforts to recommence and a major drill program of over 100,000 metres of Diamond and Reverse Circulation drilling has been approved to increase the resource and reserve base within the Chatree North Mine Leases. Drill rigs are being progressively mobilised to site. The resource development drilling is focused in areas that are adjacent to known higher grade ore blocks that have been previously inaccessible due to Forestry Department restrictions. These restrictions have now been removed.

Regionally, drilling activities within the extensive exploration tenement holding in central Thailand has also been accelerated following the grant of the Chatree North Mine Leases. Drill rigs are being mobilised to test major targets over the next two or three quarters.

Annual gold production for Fiscal Year 2008-09 is forecast to be in the range of 100,000-140,000 ounces of gold. The major impact on this forecast will be the timing of accessing C North mineralisation within the Chatree mine and the ramp up of mining activities in Chatree North.

INCOME STATEMENT
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	2007 $'000
Revenue from continuing operations	3	76,495	52,600
Other income	4	44,443	9,857
Changes in inventories of finished goods and work in progress		802	(1,031)
Direct costs of mining and processing		(40,135)	(48,768)
Employee benefits expense		(8,082)	(8,160)
Depreciation and amortisation expenses	5	(9,284)	(8,446)
Finance costs	5	(4,100)	(2,642)
Exploration expensed		(382)	(3,846)
Foreign exchange gains / (losses)	5	(216)	(271)
Gain / (loss) on derivative financial instruments		(4,514)	867
Other expenses from ordinary activities	5	(7,155)	(5,865)
Profit/(Loss) before income tax		47,872	(15,705)
Income tax benefit (expense)	6	(11,675)	3,115
Profit/(Loss) for the year		36,197	(12,590)
Net Profit/(Loss) attributable to members of Kingsgate Consolidated Limited		36,197	(12,590)
		Cents	**Cents**
Basic earnings per share	16	51.7	(17.3)
Diluted earnings per share	16	51.5	(17.3)

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2008

	Notes	Consolidated 2008 $'000	2007 $'000
CURRENT ASSETS			
Cash and cash equivalents		40,226	5,148
Trade and other receivables		3,245	3,825
Inventories		4,594	5,137
Other assets		8,558	4,794
TOTAL CURRENT ASSETS		56,623	18,904
NON-CURRENT ASSETS			
Other financial assets		-	-
Available-for-sale financial assets		-	60,693
Mine property, plant and equipment		140,315	141,932
Deferred tax assets		3,852	-
Other assets		2,459	3,457
TOTAL NON-CURRENT ASSETS		146,626	206,082
TOTAL ASSETS		203,249	224,986
CURRENT LIABILITIES			
Payables		7,317	6,707
Provisions		788	342
Current tax liabilities		7,798	-
Borrowings		-	20,000
TOTAL CURRENT LIABILITIES		15,903	27,049
NON-CURRENT LIABILITIES			
Provisions		4,566	4,657
Borrowings		1,599	1,220
Deferred tax liabilities		168	7,826
TOTAL NON-CURRENT LIABILITIES		6,333	13,703
TOTAL LIABILITIES		22,236	40,752
NET ASSETS		181,013	184,234
EQUITY			
Parent entity interest			
Contributed entity	10	111,576	111,576
Reserves	11	(9,202)	30,216
Retained profits	11	78,639	42,442
TOTAL EQUITY		181,013	184,234

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2008

	Notes	Consolidated	
		2008	2007
		$'000	$'000
Total equity at the beginning of the financial year		184,234	128,008
Changes in fair value of available-for-sale financial assets, net of tax		(24,658)	25,613
Changes in fair value of cash flow hedges, net of tax		4,515	22,320
Exchange differences on translation of foreign operations		(22,473)	4,591
Net income (expense) recognised directly in equity		(42,616)	52,524
Profit/(loss) for the year		36,197	(12,590)
Total recognised income and expense for the year		(6,419)	39,934
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		-	19,484
Employee share options		3,174	1,321
General reserve		24	-
Dividends paid		-	(4,513)
		3,198	16,292
Total equity at the end of the financial year		181,013	184,234

The above statements of changes in equity should be read in conjunction with the companying notes.

CASH FLOW STATEMENTS
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		75,371	52,044
Payments to suppliers and employees (inclusive of goods and services tax)		(55,584)	(70,022)
Interest received		2,202	386
Finance costs paid		(3,332)	(2,296)
Dividends received		-	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	14	18,657	(19,888)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration acquisitions		(4,722)	(4,982)
Loans to controlled entities		-	-
Repayment from controlled entity		-	-
Payments for mine properties		(7,963)	(14,440)
Payments for property, plant and equipment		(20,485)	(8,339)
Proceeds from the sale of available-for-sale financial assets		69,908	14,133
Proceeds from disposal of property, plant and equipment		71	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		36,809	(13,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings, net of transaction costs		7,040	34,220
Repayment of borrowings		(27,000)	(13,000)
Proceeds from issue of shares		-	10,530
Dividends paid		-	(3,744)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		(19,960)	28,006
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		35,505	(5,510)
Cash at the beginning of the financial year		5,148	10,391
Effects of exchange rate changes on cash and cash equivalents		(427)	267
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		40,226	5,148

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2008

1. Basis of preparation

This report has been prepared in accordance with Appendix 4E of the Australian Stock Exchange Listing Rules and is based on AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views. 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 2008. The accounting policies adopted are consistent with those of the previous year.

The Company 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 financial report. Amounts in the financial report have 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 bases on financial statements that have been audited. The Company does not expect that there will be any qualifications to its financial statements.

		Notes	Consolidated	
			2008	2007
			$'000	$'000
3.	**Revenue**			
	Revenue from continuing operations			
	Sales Revenue			
	Gold sales		70,163	47,263
	Silver sales		4,122	4,781
	Services		-	-
	Totals		74,285	52,044
	Other revenue			
	Interest		2,202	386
	Dividends		-	-
	Other revenue		8	170
	Totals		2,210	556
	Revenue from continuing operations		76,495	52,600
4.	**Other Income**			
	Net gain on sale of available-for-sale assets		44,443	9,857

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

5.	**Expenses**		
	Cost of sales	52,276	60,278
	Foreign exchange (gains) / losses	216	271
	Finance costs		
	Interest and finance charges paid/payable	2,239	2,296
	Rehabilitation provision discount adjustment	126	98
	Amortisation and write-off of deferred borrowing costs	1,735	248
	Finance costs expensed	4,100	2,642
	Write down of raw materials and stores	589	391
	Rental expense relating to operating leases	190	2,117
	Depreciation and amortisation		
	Mine properties	7,854	6,656
	Mine buildings, plant and equipment	1,253	1,623
	Non-mining property, plant and equipment	426	653
	Depreciation capitalised	(249)	(486)
	Total depreciation and amortisation	9,284	8,446
	Other expenses from ordinary activities		
	Business development	738	164
	Investor and community relations	1,074	912
	Professional fees	1,278	1,755
	Administration	4,065	3,034
		7,155	5,865

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

6.	Income Tax	Notes	Consolidated	
			2008	2007
			$'000	$'000
	(a) Income tax expense			
	Current tax		7,807	17
	Deferred tax		3,827	1,471
	Adjustment for current tax of prior periods		41	-
	Prior year tax losses recognised in the financial year previously not recognised		-	(4,603)
	Income tax expense / (benefit)		11,675	(3,115)
	Deferred income tax (revenue) expense included in income tax expenses comprises:			
	Decrease (increase) in deferred tax assets		3,688	799
	Increase (decrease) in deferred tax liabilities		139	672
			3,827	1,471
	(b) Numerical reconciliation of income tax expense to prima facie tax payable			
	Profit/(Loss) from continuing operations before income tax		47,872	(15,705)
	Tax at Australian tax rate of 30%		14,361	(4,712)
	Tax effect of amounts which are not deductible in calculating taxable income:			
	Notional management fees		67	354
	Non-taxable dividends		-	(2,553)
	Share-based remuneration		619	193
	Other non-deductible		13	-
	Loan impairment		139	-
			838	(2,006)
	Tax exempt profits – Thailand		(3,833)	8,206
	Adjustments for current tax of prior periods			-
	Prior year tax losses recognised in the financial year previously not recognised		309	(4,603)
	Income tax benefit (expense)		11,675	(3,115)
	Amounts recognised directly in equity			
	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly into equity			
	Current tax credited directly to equity		(15,337)	10,567
	Net deferred tax debit (credit) directly to equity		-	-
			(15,337)	10,567

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

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 a production of 178,416 ounces of gold and 583,733 ounces of silver per year, 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;

b) a further 5 year half tax holiday following (a) above (at a 15% tax rate); and

c) other benefits.

The start of the promotion period was 27 November 2001.

Tax losses

Potential future income tax benefits of $4,400,000 (2007 - $5,100,000) attributable to Thai 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 2008 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

a) Akara Mining Limited derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

b) Akara Mining Limited continues to comply with the conditions for deductibility imposed by tax legislation;

c) no changes in tax legislation adversely affect Akara Mining Limited in realising the benefit from the deductions for the losses.

d) The losses are available for a period of 5 years.

Potential future income tax benefits of $1,011,000 (2007 – $1,011,000) attributable to pre-tax consolidated period has not been recognised.

Tax consolidation legislation

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 consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability 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 the Kingsgate Consolidated Limited 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. The funding amounts are recognised as current intercompany receivables or payables.

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

7. Controlled entities acquired or disposed of

None.

8. Details of aggregate share of profits/losses of Associated and Joint Venture entities

There are no associates or joint venture entities associated with The Consolidated Entity.

9. Segmental Information

Primary reporting - Business segments
The Group operates exclusively in one business segment of gold mining and exploration.

Secondary reporting - Geographical segments
The Group operates in primarily two geographical segments, being Asia Pacific and South America.

	Consolidated	
	2008	2007
	$'000	$'000
Sales to external customers:		
Asia Pacific	76,495	52,600
Other revenue:		
Asia Pacific	44,443	9,857
	120,938	62,457
Segment results:		
Profit before tax:		
Asia Pacific	48,379	(12,056)
South America	(507)	(3,649)
	47,872	(15,705)
Income tax:		
Asia Pacific	11,675	3,115
South America	-	-
	11,675	3,115
Profit after tax:		
Asia Pacific	36,704	(8,941)
South America	(507)	(3,649)
Profit/(loss) for the year	36,197	(12,590)
Segment assets:		
Asia Pacific	199,494	228,820
South America	109	173
	199,603	228,993
Capital expenditure:		
Asia Pacific	33,170	25,247
South America	-	-
	33,170	25,247

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

10. Contributed Equity

	2008 No of shares	2007 No of shares	**2008 $'000**	2007 $'000
Share capital				
Ordinary shares fully paid (a)	92,680,392	92,680,392	111,576	111,576

Movements in ordinary share capital:

Date	**Details**	**Notes**	**Number of Shares**	**$'000**
1 July 2007	Closing balance		88,591,541	92,091
20 March to 30 June 2006	Andean Takeover Offer	(b)	1,667,951	8,186
3 October 2006	Dividend reinvestment plan	(c)	170,900	769
20 June 2007	Share placement to Thai interests	(d)	2,250,000	10,530
30 June 2007 and 30 June 2008	Closing balance		92,680,392	111,576

The Company has a Share Buyback programme active. No shares were bought back during the year and a total of 376,167 shares have been bought back and cancelled under the programme.

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

11. Reserves and Retained Profits

		Consolidated	
		2008	2007
		$'000	$'000
(a)	**Reserves**		
	Foreign currency translation reserve	(15,513)	6,960
	General reserve	1,050	1,026
	Available-for-sale investment revaluation reserve	-	24,658
	Hedging reserve	-	(4,515)
	Share-based payment reserve	5,261	2,087
		(9,202)	30,216
	Movements:		
	At the beginning of the financial year	6,960	2,369
	Net exchange differences on translation of foreign controlled entities	(27,243)	4,591
	Deferred tax	4,770	-
	At the end of financial year	(15,513)	6,960
	General reserve		
	At the beginning of the financial year	1,026	1,026
	Net change	24	-
	At the end of the financial year	1,050	1,026
	Available-for-sale investment revaluation reserve		
	At the beginning of the financial year	24,658	(955)
	Transfer to net profit – gross	(35,225)	(9,857)
	Revaluation	-	46,037
	Deferred tax	10,567	(10,567)
	At the end of the financial year	-	24,658
	Hedging reserve		
	At the beginning of the financial year	(4,515)	(26,835)
	Transferred to the income statement	4,515	22,320
	At the of the financial year	-	(4,515)
	Share-based payment reserve		
	At the beginning of the financial year	2,087	766
	Option issue	3,174	1,321
	Transfer to share capital (Options exercised)	-	-
	At the end of the financial year	5,261	2,087

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

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

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

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

Hedging reserve
The hedging reserve is used to record unrealised gains and losses on effective hedging instruments. All hedge commitments were extinguished as at 30 June 2007. Losses in respect of effective hedges which were terminated prior to their maturity and the original transaction is still expected to occur have been deferred until such time as the transaction occurs. All deferred losses were realised in the year ended 30 June 2008 and there was no cash impact.

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

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	2008	2007
	$'000	$'000
Retained profits at the beginning of the financial year	42,442	59,545
Net profit attributable to members of Kingsgate Consolidated Limited	36,197	(12,590)
Dividends provided for or paid	-	(4,513)
Retained profits at the end of the financial year	78,639	42,442

12. Net tangible asset backing

	2008	**2007**
Net tangible asset backing per ordinary shares; $/ per share	1.89	1.99

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2008

13. Dividends

No dividends were declared or paid during or subsequent to the year ended 30 June 2008.

14. Cash flow information

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

	Consolidated	
	2008	2007
	$'000	$'000
Profit (loss) for the year	36,197	(12,590)
Depreciation and amortisation	9,533	8,446
Share-based payments	2,161	1,321
Net (gain) loss on sale of available-for-sale financial assets	(44,439)	(9,864)
Gain (loss) on disposal of property, plant and equipment	(4)	-
Write off of exploration cost capitalised	382	3,854
Non-cash finance expense	339	346
Write off of inventories	589	391
Non-cash increase in general reserve	24	-
Loss/(gains) on derivative financial instruments	4,514	(867)
Net exchange differences	3,772	(173)
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	1,078	(1,078)
(Increase) decrease in debtors	(498)	(1,349)
(Increase) decrease in inventories	(46)	1,519
(Increase) decrease in future income tax benefit	(3,852)	(4,007)
(Increase) decrease in other operating assets	(2,765)	(5,406)
Increase (decrease) in current tax liabilities	7,798	-
Increase (decrease) in creditors	610	(1,285)
Increase (decrease) in provisions	355	(411)
Increase (decrease) in deferred tax liabilities	2,909	1,265
Net cash inflow (outflow) from operating activities	18,657	(19,888)

15. Events occurring after reporting date

In July 2008, final ministerial approval was received for the grant of the mining lease applications of Kingsgate's Thai subsidiary, Akara Mining Limited, at Chatree North, next to the operating gold mine in central Thailand.

A new debt facility of US$30 million has been obtained from Investec Bank (Australia) Limited.
The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares. The credit facility is subject to certain conditions precedent during 2008 which includes the grant of the Chatree North Mining Leases.

On 29 July 2008, 280,000 ordinary fully paid shares were issued pursuant to the exercise of options and $1,290,000 was received.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2008

16. Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
Basic earnings per share	51.7	(17.3)
Diluted earnings per share	51.5	(17.3)
	$'000	$'000
Net profit/(loss) used to calculate basic and diluted earnings per share	47,871	(15,705)
	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	92,680,392	90,606,728
Adjustment for calculation of diluted earnings per share: Options	299,996	148,117
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	92,980,388	90,754,845

Options
Options granted to employees 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 2008

DIRECTORS' REPORT
30 June 2008

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 2008.

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
John Falconer
Peter McAleer

Gavin Thomas was appointed as Managing Director and Craig Carracher was appointed as a Director on 16 November 2007 and both continue in office at the date of this report.

Principal activities

The principal continuing activities of Kingsgate Consolidated Limited was mining in Thailand and mineral exploration in Australia, Thailand, Chile, Peru and Argentina. There have been no other significant changes in the principal activities of the Group during the financial year.

Dividends

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

	2008 $'000	2007 $'000
No final dividend was declared in 2008 (2007 – 5 cents)	**-**	4,513
No interim dividend was declared in 2008 (2007 – Nil)	**-**	-
Total dividend payment	**-**	4,513

Review of operations and results

The following table shows the Group's performance over the last 5 years. The profit for the year is a result of the sale of shareholding in Andean Resources Limited. The profit for 2008 as for 2007 was adversely impacted by the treatment of low grade ore as access to higher grade ore contained in Chatree North area was not available due to the continued delay in the grant of the Chatree North Mining Leases by the Thai permitting authorities. The grant of the Chatree North Mining Leases occurred in July 2008 which will allow access to higher grade ore. The Group has made a major commitment to exploration in Thailand.

	2008 AIFRS	**2007** AIFRS	**2006** AIFRS	**2005** AIFRS	**2004** AGAAP
Net Profit/(Loss) After Tax ($'000)	36,197	(12,590)	16,662	8,391	37,679
Dividends Paid (Cash & DRP) ($'000)	-	4,513	8,669	11,973	17,631
Share Price 30 June ($)	5.23	5.55	5.14	2.84	3.51
Basic Earnings Per Share (Cents)	51.7	(17.3)	19.3	9.8	45.5
Diluted Earnings Per Share (Cents)	51.5	(17.3)	19.3	9.8	45.5

The Company has a Share Buy-back programme active. No shares were bought back during the year and a total of 376,167 shares have been bought back and cancelled under the programme.

Significant change in the state of affairs

During the financial year the Group sold its 18.35% stake in Andean Resources Limited. There were no other 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

In July 2008, final ministerial approval was received for the grant of the mining lease applications of Kingsgate's Thai subsidiary, Akara Mining Limited, at Chatree North, next to the operating gold mine in central Thailand.

A new debt facility of US$30 million has been obtained from Investec Bank (Australia) Limited.

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares. The credit facility is subject to certain conditions precedent which includes the grant of the Chatree North Mining Leases.

On 29 July 2008, 280,000 ordinary fully paid shares were issued pursuant to the exercise of options and $1,290,000 was received.

Except for the above, no other matter or circumstance has arisen since 30 June 2008 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

The likely developments of the Group in the subsequent financial year include the commencement of mining operations on the Chatree North Mining Leases, further work on the expansion of the treatment plant to 5.0 million tonnes per annum, a continuation of the expanded exploration programme both near mine site and regionally within identified mineralised areas, and further increases in Mineral Resources and Ore Reserves.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Argentina, Chile and Peru. For the year ended 30 June 2008, the Group has operated within all environmental laws and there were no known contraventions at the date of this report.

Directors' attendance at meetings (1 July 2007 to 30 June 2008)

	Appointed	Independent	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings Held						
Meetings Attended:						
Ross Smyth-Kirk	1994	Yes	9	2	1	2
Gavin Thomas	2007	Yes	3	-	-	-
John Falconer	1995	Yes	9	2	1	2
Peter McAleer	2000	Yes	9	2	1	2
Craig Carracher	2007	Yes	3	-	-	-

Gavin Thomas and Craig Carracher were appointed to the Board on 16 November 2007 and there were 3 Board meetings from the date of their appointment to 30 June 2008.

During the financial year, 9 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 2 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: 61

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 was appointed to the Board on 29 November 1994 and has been a Director of a number of companies over the past 28 years in Australia and the UK. Mr. Smyth-Kirk is currently Chairman of the Australian Jockey Club.

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

Gavin Thomas, BSc FAusIMM, Age: 57

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 32 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, the largest gold deposit in the world. In particular he has extensive experience in Thailand and South America. Mr. Thomas is currently a Director of Mercator Minerals Limited.

Responsibilities: Managing Director and Chief Executive Officer.

John Falconer, FCA, F FIN, Age: 60

John Falconer is a principal of Carbone Falconer & Co, a firm of Chartered Accountants practicing in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses. He is a Director of TZ Limited.

Responsibilities: Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee.

Former directorship in the last 3 years: Taragon Property Fund.

Peter McAleer, B Com (Hons), B L (Kings Inn – Dublin – Ireland), Age: 65

Peter McAleer is Chairman of Latin Gold Limited and a director of Kenmare Resources Plc (Ireland). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Teroso (Chile) and Kalahari Diamonds Resources PLC (England).

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

Former directorship in the last 3 years: Kalahari Diamond Resources Ltd.

Craig Carracher, LLB (Sydney), BCL (Oxford), Age 43

Craig Carracher brings considerable relevant Thai experience having been managing partner of an international law firm in Thailand for many years. His wide experience in Asian business circles brings value to the Company and his knowledge of mining and resource work is beneficial. He was appointed to the Board on 16 November 2007.

Mr. Carracher is a Director of Ellerston Capital Ltd, the manager of Ellerston GEMS Fund (ASX listed). He is also a Director of Adkinsons Securities Ltd (Thai Stock Exchange listed) and a former Alternate Director of Sunland Group Limited.

Company Secretary

The Company Secretary is Peter Warren. Mr. Warren was appointed to the position of Company Secretary in 2006. Before joining Kingsgate Consolidated Limited he held similar positions with listed and unlisted public companies for 15 years.

Remuneration report

The remuneration report is set out under the following main headings:

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

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

A Principles used to determine the nature and amount of remuneration

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

The main objective of the Group's Executive Reward Programme is to ensure reward for performance is competitive and appropriate for the results delivered. The Board has regard to the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management.

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, and ensures:

Alignment to shareholders' interests including:

- Economic profit as a core component of plan design
- Focus on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracting and retaining high calibre executives.

Alignment to programme participants' interests including:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

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 Directors' fees approved by shareholders on 26 October 2004 is $500,000.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board also has regard to the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market.

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

Retirement allowances for Directors
There are no retirement allowances for non-executive Directors.

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

- Base pay and benefits, including superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in an option plan.

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

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

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

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

Benefits
Executives may receive benefits including car allowances and car parking.

Short-term incentives
Short-term bonus payments are made to executives at the discretion of the Remuneration Committee, based on exceptional performance. The Remuneration Committee has engaged an independent remuneration consultant to advise it on formalising a short-term incentive (STI) for all executives in future years, although this has not been implemented during the year.

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

In general, the options vest over 3 years and the executive must still be employed by the Group. The options expire 5 years from the date of issue. The exercise price of the options is at a premium to the market price of Kingsgate shares at the date of grant except for options issued to Thai employees where the exercise price is based on the market price of Kingsgate shares at the time of grant.

B Details of remuneration

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

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

- Peter Warren – Company Secretary and Chief Financial Officer
- Phil MacIntyre – Chief Operating Officer, Akara Mining Limited
- Stephen Promnitz – Corporate Development Manager
- Ron James – General Manager Exploration and Resource Development, Akara Mining Limited
- John McDougall – Operations Manager, Akara Mining Limited

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

- Arthur Ellis - Group Financial Controller

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

2008	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	146,667	-	1,454	15,900	-	+622,000	786,021
John Falconer	86,667	-	-	9,150	-	+311,000	406,817
Peter McAleer*	86,667	-	-	-	-	+311,000	397,667
Craig Carracher (*appointed 16 Nov 2007*)	62,308	-	-	-	-	+311,000	373,308
Sub-total non-executive directors	**382,309**	**-**	**1,454**	**25,050**	**-**	**1,555,000**	**1,963,813**
Executive director							
Gavin Thomas	500,004	-	27,706	99,996	-	65,813	693,519
Other key management personnel							
Peter Warren^ #	300,000	-	10,880	100,000	-	200,226	611,106
Phil MacIntyre^	551,592	-	11,363	-	-	55,441	618,396
Stephen Promnitz^ #	348,624	-	-	31,376	-	36,047	416,047
Ron James^	312,149	-	5,489	-	-	33,139	350,777
John McDougall^	377,930	-	8,321	-	-	25,870	412,121
Total key management personnel compensation	**2,772,608**	**-**	**65,213**	**256,422**	**-**	**1,971,536**	**5,065,779**
Other Company and Group executives							
Arthur Ellis#	211,800	-	-	13,200	-	16,168	241,168

* Consulting fees of $86,667 (2007: $60,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and Director.

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

\# Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*. Note there are only 3 executives at the parent Company.

\+ The share options are subject to shareholders approval. The valuation of the options are based on the Company's share price of $5.23. The options will be revalued based on the date shareholders approve their issue.

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

2007	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	120,000	-	1,454	10,800	-	-	132,254
John Falconer	60,000	-	-	5,400	-	-	65,400
Peter McAleer*	60,000	-	-	-	-	-	60,000
Sub-total non-executive directors	**240,000**	**-**	**1,454**	**16,200**	**-**	**-**	**257,654**
Other key management personnel							
Gavin Thomas ^ #	464,000	-	7,813	36,000	-	177,250	685,063
Peter Warren ^ #	230,000	-	9,584	100,000	-	345,913	685,497
Phil MacIntyre ^	498,874	-	13,499	-	-	32,848	545,221
Stephen Promnitz ^ #	344,037	-	-	30,963	-	93,427	468,427
Ron James ^	338,010	-	6,835	-	-	34,652	379,497
Total key management personnel compensation	**2,114,921**	**-**	**39,185**	**183,163**	**-**	**684,090**	**3,021,359**
Other company and group executives							
Arthur Ellis#	198,541	-	1,259	13,200	-	-	213,000

* Consulting fees of $60,000 (2006 - $60,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and Director.

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

\# Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*. Note that there are only 4 executives at the parent company.

C Service agreements

Remuneration and other terms of employment for the Chief Executive Officer and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including, car allowances and car parking, and participation, when eligible, in the Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

Gavin Thomas – Chief Executive Officer

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2008 of $600,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Peter Warren – Chief Financial Officer/Company Secretary

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2008 of $400,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Phil MacIntyre – Chief Operating Officer, General Manager, Akara Mining Limited

- Term of agreement - No fixed term.
- Base salary as at 30 June 2008 of $551,592 to be reviewed annually by the Remuneration Committee.

Stephen Promnitz – Corporate Development Manager

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2008 of $380,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Ron James – General Manager, Exploration and Resource Development, Akara Mining Limited

- Term of agreement – No fixed term.
- Base salary as at 30 June 2008 of $312,149 to be reviewed annually by the Remuneration Committee.

John McDougall – Operations Manager, Akara Mining Limited

- Term of agreement – renewable on an annual basis at the discretion of the Board of Directors.
- Base salary as at 30 June 2008 of $377,930 to be reviewed annually by the Remuneration Committee.

Arthur Ellis – Group Financial Controller

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2008 of $225,000 to be reviewed annually by the Remuneration Committee.

D Share-based compensation

Options

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

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

Grant date	Expiry date	Exercise price	Value per option at grant date	Date vested and exercisable
31 March 2005	1 April 2010	$2.69	$0.36	1 April 2005
7 July 2005	1 July 2010	$4.00	$0.39 $0.43 $0.47	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$5.00	$0.25 $0.29 $0.33	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$6.00	$0.17 $0.21 $0.24	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$7.00	$0.11 $0.15 $0.18	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
26 October 2005	26 October 2010	$3.00	$1.52	26 October 2005
26 October 2005	26 October 2010	$4.00	$1.15 $1.24	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	26 October 2010	$5.00	$0.85 $0.94	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	26 October 2010	$6.00	$0.63 $0.72	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	1 August 2010	$3.25	$1.44 $1.51 $1.58	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$4.00	$1.12 $1.21 $1.29	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$5.00	$0.80 $0.90 $0.99	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$6.00	$0.58 $0.68 $0.77	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$7.00	$0.43 $0.52 $0.61	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
7 July 2006	1 July 2011	$5.50	$1.60 $1.73 $1.84	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$6.00	$1.46 $1.59 $1.71	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$7.00	$1.22 $1.36 $1.48	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$8.00	$1.22 $1.36 $1.48	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
4 April 2008	3 April 2013	$6.00	$1.21 $1.36 $1.50	33% on 3 April 2009, 33% on 3 April 2010 and 34% on 3 April 2011
** 4 April 2008	3 April 2013	$6.00	$1.69	** See Note
** 4 April 2008	3 April 2013	$7.00	$1.42	** See Note

** Note: Options subject to shareholder approval, which will vest immediately on shareholders approval.

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

Details of options over ordinary shares in the Company provided as remuneration to each of the key management personnel of the parent entity and Group are set out below. When exercisable, each option is convertible into one ordinary share of Kingsgate Consolidated Limited. Further information on the options is set out in Note 24 to the financial statements.

Name	**Number of options granted during the year**		**Number of options vested during the year**	
	2008	2007	**2008**	2007
Other key management personnel of the Group				
Gavin Thomas	-	-	900,000	900,000
Stephen Promnitz	-	-	100,000	200,000
Peter Warren	101,000	400,000	133,334	-
Phil MacIntyre	150,000	-	50,000	50,000
Ron James	80,000	-	45,000	45,000
John McDougall	80,000	-	-	-
Arthur Ellis	50,000	-	-	-

Fair value of options granted

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. 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 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.

The model inputs for options granted during the year ended 30 June 2008 included:

a) Options are granted for no consideration

b) Expected price volatility of the Company's shares: 56% (2007 – 47%)

c) Expected dividend yield: 0.5% (2007 – 1.95%)

d) Risk-free interest rate: 6.2% (2007 – 5.87%)

e) Grant date 4 April 2008 (2007 – 7 July 2006)

f) Share price 4 April 2008 $4.05 (2007 - $5.12)

g) Share price 30 June 2008 $5.23

h) Exercise price $6.00 (2007 - $5.50 to $8.00)

i) Expiry date 3 April 2013 (2007 – 6 July 2012)

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	**Number of ordinary shares issued on exercise of options during the year**	
Directors of Kingsgate Consolidated Limited	**2008**	2007
Ross Smyth-Kirk	-	-
Gavin Thomas	-	-
John Falconer	-	-
Peter McAleer	-	-
Craig Carracher	-	-
Other key management personnel of the Group		
Peter Warren	-	-
Stephen Promnitz	-	-
Phil MacIntyre	-	-
Ron James	-	-
John McDougall	-	-
Arthur Ellis	-	-

On 3 April 2008, the Board of Directors resolved that, subject to shareholder approval, five year options vesting immediately with 50% at a strike price of $6.00 and 50% at strike price of $7.00 be granted at nil consideration to non-executive Directors as follows:

Ross Smyth-Kirk 400,000

John Falconer 200,000

Peter McAleer 200,000

Craig Carracher 200,000

E Additional information

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

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

Details of remuneration: cash bonus and options

For each bonus and grant of options included in the tables on pages 8 to 9 and 12 to 15, the percentage of the available bonus or grant that was paid or that was vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest over a 2 or 3 year period and will vest if the executive remains an employee of the Company on the vesting date and the options will vest immediately if the executive's employment is terminated as a result of a change in control of the Company. No options will vest if the above conditions are not satisfied, hence the minimum value of the options yet to vest is nil.

The maximum value of the options yet to vest has been determined assuming the share price on the date the options are exercised will not exceed $2.82 for the options issued in July 2005, $4.00 for the options issued in October 2005, $5.12 for the options issued in July 2006 and $4.05 for options issued in April 2008.

	Cash Bonus			Options				
Name	Paid %	For-feited %	Year granted	Vested %	For-feited %	Financial years in which the options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Gavin Thomas	nil	nil	2006	72	-	2009	nil	196,000
			2005	100	-	-	nil	-
Stephen Promnitz	nil	nil	2006	75	-	2009	nil	89,062
Peter Warren	nil	nil	2007	33	-	2009	nil	195,168
					-	2010	nil	210,998
			2008		-	2009	nil	40,737
					-	2010	nil	45,787
					-	2011	nil	50,499
Phil MacIntyre	nil	nil	2006	100	-	2008	nil	41,500
			2008		-	2009	nil	60,500
					-	2010	nil	68,000
					-	2011	nil	75,000
Ron James	nil	nil	2006	100	-	2008	nil	43,500
			2008		-	2009	nil	32,267
					-	2010	nil	32,267
					-	2011	nil	39,999
John McDougall	nil	nil	2008	-	-	2009	nil	32,267
					-	2010	nil	32,267
					-	2011	nil	39,999
Arthur Ellis	nil	nil	2008	-	-	2009	nil	20,167
					-	2010	nil	22,667
					-	2011	nil	24,999

Share-based compensation: options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are in accordance with the Kingsgate Employees and Contractors Option Plan and the Kingsgate Executive Option Plan. For details of these plans and the valuation of options, including models and assumptions used, please refer to Note 25.

Name	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Gavin Thomas	10	65,813	-	-
Peter Warren	33	200,226	-	-
Phil MacIntyre	9	55,441	-	-
Stephen Promnitz	9	36,047	-	-
Ron James	10	33,139	-	-
John McDougall	7	25,870	-	-
Arthur Ellis	7	16,168	-	-

A. The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
B. The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the years as part of remuneration.
C. The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D. The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Shares under options

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

Date of Grant	Number of options	Terms
8 July 2005	60,000	$2.69 expiring 1 April 2010
8 July 2005	2,500,000	$4.00 to $7.00 expiring 1 July 2010
13 October 2005	50,000	$3.00 expiring 26 October 2010
	30,000	$4.00 expiring 26 October 2010
	80,000	$5.00 expiring 26 October 2010
	80,000	$6.00 expiring 26 October 2010
	25,000	$3.25 expiring 1 August 2010
	50,000	$4.00 expiring 1 August 2010
	100,000	$5.00 expiring 1 August 2010
	100,000	$6.00 expiring 1 August 2010
	125,000	$7.00 expiring 1 August 2010
7 July 2006	50,000	$5.50 expiring 1 July 2011
	100,000	$6.00 expiring 1 July 2011
	100,000	$7.00 expiring 1 July 2011
	150,000	$8.00 expiring 1 July 2011
24 April 2007	1,126,000	$4.55 expiring 23 April 2009
4 April 2008	1,000,000	$4.68 and $6.00 expiring 3 April 2013
	415,000	$6.00 expiring 3 April 2013
	2,250,000	$4.68 expiring 3 April 2009
** Note: 4 April 2008	1,000,000	$6.00 and $7.00 expiring 3 April 2013

Shares issued on the exercise of options

During the financial year, employees and executives did not exercise any options.

In July 2008, 30,000 $4.00 options expiring on 26 October 2010 and 250,000 $4.68 options were exercised and 280,000 fully paid ordinary shares were 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 of Kingsgate Consolidated Limited		
Ross Smyth-Kirk	4,586,271	** 400,000
Gavin Thomas	703,921	2,560,000
John Falconer	191,275	** 200,000
Peter McAleer	380,000	** 200,000
Craig Carracher	-	** 200,000
Other key management personnel of the Group		
Stephen Promnitz	-	400,000
Peter Warren	10,000	501,000
Phil MacIntyre	145,000	300,000
Ron James	30,000	140,000
John McDougall	-	80,000
Arthur Ellis	938	50,000

** Note: Subject to shareholder approval.

Insurance of officers

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

Directors' interest in contracts

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

Non-audit services

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

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

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

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;

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

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

REMUNERATION OF AUDITORS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Audit services				
PricewaterhouseCoopers Australian Firm				
Audit and review of the financial reports	**298,100**	318,150	**298,100**	318,150
Related practices of PricewaterhouseCoopers Australian Firm	**85,288**	86,509	**-**	-
Total remuneration for audit services	**383,388**	404,659	**298,100**	318,150
(b) Non-audit services				
PricewaterhouseCoopers Australian Firm				
Workers compensation review	**3,500**	3,000	**3,500**	3,000
AIFRS accounting services	**-**	47,907	**-**	47,907
Andean bidders statement review	**-**	28,000	**-**	28,000
Total remuneration for audit-related services	**3,500**	78,907	**3,500**	78,907
Taxation services				
PricewaterhouseCoopers Australian Firm				
Tax compliance services	**154,275**	75,600	**154,275**	75,600
Related practices of PricewaterhouseCoopers Australian Firm				
Tax compliance services	**52,482**	42,728	**-**	-
Total remuneration for tax related services	**206,757**	118,328	**154,275**	75,600

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 21.

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditors
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Ross Smyth-Kirk
Director

John Falconer
Director

Sydney
21 August 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
21 August 2008

INCOME STATEMENT
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations	3	76,495	52,600	3,360	8,090
Other income	4	44,443	9,857	-	9,381
Changes in inventories of finished goods and work in progress		802	(1,031)	-	-
Direct costs of mining and processing		(40,135)	(48,768)	-	-
Employee benefits expense		(8,082)	(8,160)	(4,046)	(2,562)
Depreciation and amortisation expenses	5	(9,284)	(8,446)	(60)	(52)
Finance costs	5	(4,100)	(2,642)	(2,565)	(2,466)
Exploration expensed		(382)	(3,846)	-	-
Foreign exchange gains / (losses)	5	(216)	(271)	(1)	-
Gain / (loss) on derivative financial instruments		(4,514)	867	-	-
Other expenses from ordinary activities	5	(7,155)	(5,865)	(5,343)	(4,471)
Profit/(Loss) before income tax		47,872	(15,705)	(8,655)	7,920
Income tax benefit (expense)	6	(11,675)	3,115	1,896	4,042
Profit/(Loss) for the year		36,197	(12,590)	(6,759)	11,962
Net Profit/(Loss) attributable to members of Kingsgate Consolidated Limited		36,197	(12,590)	(6,759)	11,962

		Cents	Cents
Basic earnings per share	33	51.7	(17.3)
Diluted earnings per share	33	51.5	(17.3)

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
CURRENT ASSETS					
Cash and cash equivalents	7	40,226	5,148	36,286	2,314
Trade and other receivables	8	3,245	3,825	172	43
Inventories	9	4,594	5,137	-	-
Other assets	10	8,558	4,794	1,535	1,157
TOTAL CURRENT ASSETS		56,623	18,904	37,993	3,514
NON-CURRENT ASSETS					
Other financial assets	8	-	-	118,920	133,312
Available-for-sale financial assets	11	-	60,693	-	-
Mine property, plant and equipment	12	140,315	141,932	61	92
Deferred tax assets	13, 18	3,852	-	169	3,906
Other assets	10	2,459	3,457	787	1,126
TOTAL NON-CURRENT ASSETS		146,626	206,082	119,937	138,436
TOTAL ASSETS		203,249	224,986	157,930	141,950
CURRENT LIABILITIES					
Payables	15	7,317	6,707	31,806	581
Provisions	16	788	342	199	225
Current tax liabilities	17	7,798	-	7,798	-
Borrowings	14	-	20,000	-	20,000
TOTAL CURRENT LIABILITIES		15,903	27,049	39,803	20,806
NON-CURRENT LIABILITIES					
Provisions	16	4,566	4,657	-	-
Borrowings	14	1,599	1,220	-	-
Deferred tax liabilities	13, 18	168	7,826	168	-
TOTAL NON-CURRENT LIABILITIES		6,333	13,703	168	-
TOTAL LIABILITIES		22,236	40,752	39,971	20,806
NET ASSETS		181,013	184,234	117,559	121,144
EQUITY					
Parent entity interest					
Contributed entity	19	111,576	111,576	111,576	111,576
Reserves	20	(9,202)	30,216	5,261	2,087
Retained profits	20	78,639	42,442	722	7,481
TOTAL EQUITY		181,013	184,234	117,559	121,144

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Total equity at the beginning of the financial year		184,234	128,008	121,144	95,745
Changes in fair value of available-for-sale financial assets, net of tax	20	(24,658)	25,613	-	(2,856)
Changes in fair value of cash flow hedges, net of tax	20	4,515	22,320	-	-
Exchange differences on translation of foreign operations	20	(22,473)	4,591	-	-
Net income (expense) recognised directly in equity		(42,616)	52,524	-	(2,856)
Profit/(loss) for the year		36,197	(12,590)	(6,759)	11,962
Total recognised income and expense for the year		(6,419)	39,934	(6,759)	9,106
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	19	-	19,484	-	19,485
Employee share options	20	3,174	1,321	3,174	1,321
General reserve	20	24	-	-	-
Dividends paid	23	-	(4,513)	-	(4,513)
		3,198	16,292	3,174	16,293
Total equity at the end of the financial year		181,013	184,234	117,559	121,144

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

CASH FLOW STATEMENTS
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		75,371	52,044	1,358	600
Payments to suppliers and employees (inclusive of goods and services tax)		(55,584)	(70,022)	(8,898)	(8,225)
Interest received		2,202	386	2,002	290
Finance costs paid		(3,332)	(2,296)	(1,134)	(2,088)
Dividends received		-	-	-	7,200
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26	18,657	(19,888)	(6,672)	(2,223)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration acquisitions		(4,722)	(4,982)	-	-
Loans to controlled entities		-	-	(9,234)	(37,465)
Repayment from controlled entity		-	-	69,908	-
Payments for mine properties		(7,963)	(14,440)	-	-
Payments for property, plant and equipment		(20,485)	(8,339)	(30)	(29)
Proceeds from the sale of available-for-sale financial assets		69,908	14,133	-	13,337
Proceeds from disposal of property, plant and equipment		71	-	-	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		36,809	(13,628)	60,644	(24,157)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings, net of transaction costs		7,040	34,220	7,000	33,000
Repayment of borrowings		(27,000)	(13,000)	(27,000)	(13,000)
Proceeds from issue of shares		-	10,530	-	10,530
Dividends paid		-	(3,744)	-	(3,744)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		(19,960)	28,006	(20,000)	26,786
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		35,505	(5,510)	33,972	406
Cash at the beginning of the financial year		5,148	10,391	2,314	1,907
Effects of exchange rate changes on cash and cash equivalents		(427)	267	-	1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		40,226	5,148	36,286	2,314

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

The Financial Report of Kingsgate Consolidated Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of Directors on 21 August 2008.

Kingsgate Consolidated Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange using the ASX code KCN.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Report includes separate financial statements for Kingsgate Consolidated Limited as an individual entity and the Group consisting of Kingsgate Consolidated Limited and its subsidiaries.

a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Report of Kingsgate Consolidated Limited complies with International Financial Reporting Standards (IFRS).

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kingsgate Consolidated Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Kingsgate Consolidated Limited and its subsidiaries together are referred to in this Financial Report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's 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 Kingsgate Consolidated Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the financial currency using the exchange rates prevailing at 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial 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 financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies
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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

e) Revenue recognition

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

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.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Kingsgate Consolidated Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Kingsgate Consolidated Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Kingsgate Consolidated Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

g) 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 income statement 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 shorter of the asset's useful life and 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 (Note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

h) Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

i) Impairment of assets

Non-current 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.

j) Cash and cash equivalents

For cash flow statement presentation purposes 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 on the Balance Sheet.

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

Receivables from gold and silver are due for settlement no more than 3 days from the date of recognition. Other receivables are due for settlement no more than 90 days from the date of recognition.

Collectibility of trade 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 (provision for impairment of trade receivables) 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 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

l) Inventories

(i) 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. They include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. 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.

m) Investments and other financial assets

Classification
The Group classifies its 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. Management 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.

(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. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(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 included in trade and other receivables (Note 8) in the balance sheet.

(iii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives 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.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment
The Group assesses at each balance 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 and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

o) 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. Cost includes the expenditure directly associated with the purchase and construction of the asset and the estimated future costs of dismantling and restoring the site on which it is located.

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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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.

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 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

p) 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 on area of interest is abandoned.

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. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount the impairment loss will be measured and disclosed in accordance with AASB 136 Impairment of Assets.

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

q) Mine Properties

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

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

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-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.

r) Trade and other payables

These amounts 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.

s) 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 income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

Borrowings are removed from the balance sheet 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 other expenses.

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.

t) Borrowing costs

Loan establishment costs are capitalised and written off over the life of the loan. Other borrowing costs are expensed, unless they relate to a qualifying asset in which case they are capitalised.

u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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 provision due to the passage of time is recognised as interest expense.

v) Restoration and Rehabilitation Provision

A provision for restoration and rehabilitation is recognised for the costs expected to be incurred on cessation of producing operations and are measured at the present value of expected future cash flows.

The increase in the rehabilitation provision relating to the unwinding of the discount and depreciation on the rehabilitation asset are recorded as a charge to earnings.

w) Employee Benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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 non-accumulating sick leave are recognised when the leave is taken and 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 using the projected unit credit method. 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) Retirement benefit obligations
Contributions to defined contribution funds are recognised as an expense as they become payable.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Kingsgate Employees and Contractors and Executive Option Plans.

Share options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 January 2005
The fair value of options granted under Kingsgate Employees and Contractors Option Plan 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 to the options.

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 vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact on any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included as a charge to equity.

If the entity re-acquires its own equity instruments, eg. as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income tax) is recognised directly in equity.

y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

z) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(aa) Deferred stripping costs

Deferred stripping costs represent mining costs incurred by the Group in relation to accessing recoverable reserves.

The expenditure is carried forward as part of deferred stripping costs only 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 unit-of-production method. The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves.

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

(ab) 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 balance sheet.

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.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments and* AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8.*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the Financial Report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs and* AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the Financial Report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. The Group does not have any defined benefit plan.

(iv) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(v) Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from* AASB 3 *and* AASB 127 *Revised accounting standards for business combinations and consolidated financial statements* were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

(vi) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations AASB 2008-1* was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(ad) Rounding of amounts

The Company 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 Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

(i) 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 1(p)). 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.

(ii) 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 includes future development, changes in technology, commodity price changes and changes in interest rates. The related carrying amounts are disclosed in Note 16.

(iii) Units of production method of depreciation
The Group applies the units production method for depreciation of its mine properties. Mine buildings, plant and equipment (Notes 1(o) and 1(q)). 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. Significant judgement is required in assessing the available reserves and the production capacity of the plant to be depreciated under this method. Factors that must be considered in determining estimated recoverable reserves (which includes both reserves and resources) and production capacity are the history of converting resources to reserves and the relevant time frames, anticipated mining method and costs, the complexity of metallurgy, markets, and future developments. The current calculations include estimated recoverable reserves which are located in the Chatree North mining lease area.
When these factors change or become known in the future, such difference will impact profit and carrying values of assets. The related carrying amounts are disclosed in Note 12.

(iv) Share-based payments
The Group measures share-based payments at fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instrument were granted, as discussed in Note 25.

	Notes	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
3. REVENUE					
Revenue from continuing operations					
Sales Revenue					
Gold sales		70,163	47,263	-	-
Silver sales		4,122	4,781	-	-
Services		-	-	1,358	600
Totals		74,285	52,044	1,358	600
Other revenue					
Interest		2,202	386	2,002	290
Dividends		-	-	-	7,200
Other revenue		8	170	-	-
Totals		2,210	556	2,002	7,490
Revenue from continuing operations		76,495	52,600	3,360	8,090
4. OTHER INCOME					
Net gain on sale of available-for-sale assets	11,20	44,443	9,857	-	9,381
5. EXPENSES					
Cost of sales		52,276	60,278	-	-
Foreign exchange (gains) / losses		216	271	1	-
Finance costs					
Interest and finance charges paid/payable		2,239	2,296	1,473	2,088
Rehabilitation provision discount adjustment		126	98	-	-
Amortisation and write-off of deferred borrowing costs		1,735	248	1,092	378
Finance costs expensed		4,100	2,642	2,565	2,466
Write down of raw materials and stores		589	391	-	-
Rental expense relating to operating leases		190	2,117	190	179
Depreciation and amortisation					
Mine properties		7,854	6,656	-	-
Mine buildings, plant and equipment		1,253	1,623	-	-
Non-mining property, plant and equipment		426	653	60	52
Depreciation capitalised		(249)	(486)	-	-
Total depreciation and amortisation		9,284	8,446	60	52
Other expenses from ordinary activities					
Business development		738	164	738	164
Investor and community relations		1,074	912	934	791
Professional fees		1,278	1,755	1,917	1,667
Administration		4,065	3,034	1,754	1,849
		7,155	5,865	5,343	4,471

6. INCOME TAX

	Notes	Consolidated		Parent entity	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Income tax expense					
Current tax		7,807	17	(1,911)	-
Deferred tax		3,827	1,471	125	762
Adjustment for current tax of prior periods		41	-	(80)	-
Prior year tax losses recognised in the financial year previously not recognised		-	(4,603)	-	(4,804)
Income tax expense / (benefit)		11,675	(3,115)	(1,896)	(4,042)
Deferred income tax (revenue) expense included in income tax expenses comprises:					
Decrease (increase) in deferred tax assets	13	3,688	799	(14)	728
Increase (decrease) in deferred tax liabilities	18	139	672	139	34
		3,827	1,471	125	762
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit/(Loss) from continuing operations before income tax		47,872	(15,705)	(8,655)	7,920
Tax at Australian tax rate of 30%		14,361	(4,712)	(2,595)	2,374
Tax effect of amounts which are not deductible in calculating taxable income:					
Notional management fees		67	354	67	354
Non-taxable dividends		-	(2,553)	-	(2,159)
Share-based remuneration		619	193	619	193
Other non-deductible		13	-	13	-
Loan impairment		139	-	-	-
		838	(2,006)	699	(1,612)
Tax exempt profits – Thailand		(3,833)	8,206	-	-
Adjustments for current tax of prior periods			-	-	-
Prior year tax losses recognised in the financial year previously not recognised		309	(4,603)	-	(4,804)
Income tax benefit (expense)		11,675	(3,115)	(1,896)	(4,042)
Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly into equity					
Current tax credited directly to equity		(15,337)	10,567	-	-
Net deferred tax debit (credit) directly to equity		-	-	-	-
		(15,337)	10,567	-	-

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 a production of 178,416 ounces of gold and 583,733 ounces of silver per year, 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;

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.

Tax losses

Potential future income tax benefits of $4,400,000 (2007 - $5,100,000) attributable to Thai 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 2008 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

a) Akara Mining Limited derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

b) Akara Mining Limited continues to comply with the conditions for deductibility imposed by tax legislation;

c) no changes in tax legislation adversely affect Akara Mining Limited in realising the benefit from the deductions for the losses.

d) The losses are available for a period of 5 years.

Potential future income tax benefits of $1,011,000 (2007 – $1,011,000) attributable to pre-tax consolidated period has not been recognised.

Tax consolidation legislation

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 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability 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. The funding amounts are recognised as current intercompany receivables or payables (see Note 6).

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	401	2,124	209	1,351
Deposits at call	39,825	3,024	36,077	963
	40,226	5,148	36,286	2,314

Cash at bank and in hand
These are non-interest bearing.

Deposits at call
The deposits at call are bearing floating interest rates between 0.15% - 7.89% (2007 – 0.15% - 5.95%) and the may be accessed daily.

Risk Exposure
The Group's and the parent entity's exposure to interest rate risk is discussed in Note 30. The maximum exposure to credit risk at the reporting date is the carrying amount of each class and cash equivalents mentioned above.

8. RECEIVABLES AND OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current – trade and other receivables				
Trade receivable	-	1,078	-	-
Other debtors	3,245	2,747	172	43
	3,245	3,825	172	43
Non-current – other financial assets				
Loans to controlled entities (Note 23)	-	-	118,920	133,312

The loans are interest free and repayable on demand. The loans are classified as non-current as the parent entity is unlikely to demand repayment in the next 12 months from these entities. Investments in subsidiaries are accounted for at cost. Such investments include both investments in shares issued by the subsidiary and the other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans (refer above) which have no fixed repayment terms and which have been provided to the subsidiaries as an additional source of long term capital. Trade amounts receivables in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

Risk exposure
Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 30. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Other debtors
Other debtors are VAT receivables and include amounts placed on deposits with suppliers and government bodies as security in accordance with regulation and commercial practice.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
9. INVENTORIES				
Raw materials and stores – at cost	3,123	3,879	-	-
Provision for obsolescence	(1,312)	(723)	-	-
Work in progress – at net realisable value	2,783	1,981	-	-
	4,594	5,137	-	-

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
10. OTHER ASSETS				
Current				
Deposit for land	112	1,229	-	-
Other deposits	1,549	1,269	46	46
Loan establishment fees	320	742	320	742
Prepayments	5,859	940	1,169	369
Deferred stripping costs	718	614	-	-
	8,558	4,794	1,535	1,157
Non-current				
Deferred borrowing costs	-	663	787	1,276
Accumulated amortisation	-	-	-	(150)
Restricted cash deposits	2,459	2,794	-	-
	2,459	3,457	787	1,126

Restricted cash is deposits with financial institutions which have been used as collateral for letters of credit facilities and guarantees issued by the financial institutions.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Equity securities				
At the beginning of the financial year	60,693	20,385	-	6,832
Additions	-	8,406	-	-
Disposals	(60,693)	(14,134)	-	(13,357)
Revaluation	-	46,036	-	6,525
At the end of the financial year	-	60,693	-	-

As at 30 June 2007, the available-for-sale financial asset consisted of the investment in the ordinary shares of Andean Resources Limited (ASX: AND), which were sold during the year. The fair values of the shares are based on the closing share price at the financial year end.

12. MINE PROPERTY, PLANT AND EQUIPMENT

Consolidated	Exploration and evaluation $'000	Mine properties $'000	Mine, buildings, plant and equipment $'000	Non-mining plant and equipment $'000	Total
At 1 July 2006					
Cost	25,578	86,141	56,724	2,032	170,475
Accumulated depreciation and amortisation	-	(24,138)	(22,630)	(785)	(47,553)
Net book amount	25,578	62,003	34,094	1,247	122,922
Year ended 30 June 2007					
Opening net book amount	25,578	62,003	34,094	1,247	122,922
Additions	2,468	14,440	7,461	878	25,247
Reclassified	-	3,239	(3,231)	(8)	-
Disposals	(1,416)	-	(4)	(132)	(1,552)
Depreciation and amortisation expense	-	(6,656)	(1,623)	(653)	(8,932)
Foreign currency exchange differences	670	2,339	1,209	29	4,247
Closing net book amount	27,300	75,365	37,906	1,361	141,932
At 30 June 2007					
Cost	27,300	106,458	63,580	2,813	200,151
Accumulated depreciation and amortisation	-	(31,093)	(25,674)	(1,452)	(58,219)
Net book amount	27,300	75,365	37,906	1,361	141,932

Consolidated					
Year ended 30 June 2008					
Opening net book amount	27,300	75,365	37,906	1,361	141,932
Additions	4,342	8,976	20,431	54	33,803
Reclassified	-	6,109	(6,109)	-	-
Disposals	-	-	(66)	(1)	(67)
Depreciation and amortisation expense	-	(7,854)	(1,253)	(426)	(9,533)
Foreign currency exchange differences	(4,734)	(13,167)	(7,757)	(162)	(25,820)
Closing net book amount	26,908	69,429	43,152	826	140,315
At 30 June 2008					
Cost	26,908	102,435	65,709	2,395	197,447
Accumulated depreciation and amortisation	-	(33,006)	(22,557)	(1,569)	(57,132)
Net book amount	26,908	69,429	43,152	826	140,315

Parent entity	Non-mining plant and equipment $'000	Total $'000
At 1 July 2006		
Cost	233	233
Accumulated depreciation	(118)	(118)
Net book amount	115	115
Year ended 30 June 2007		
Opening net book amount	115	115
Additions	29	29
Disposals	-	-
Depreciation expense	(52)	(52)
Closing net book amount	92	92
At 30 June 2007		
Cost	262	262
Accumulated depreciation	(170)	(170)
Net book amount	92	92

	Non-mining plant and equipment $'000	Total $'000
Year ended 30 June 2008		
Opening net book amount	92	92
Additions	30	30
Disposals	(1)	(1)
Depreciation expense	(60)	(60)
Closing net book amount	61	61
At 30 June 2008		
Cost	236	236
Accumulated depreciation	(175)	(175)
Net book amount	61	61

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
13. DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Tax losses	-	3,752	-	3,752
Employee benefits	60	67	60	67
Accruals	109	116	109	116
Unrealised exchange losses	3,683	72	-	-
Total deferred tax assets	3,852	4,007	169	3,935
Deferred tax assets to be recovered within 12 months	169	116	169	116
Deferred tax assets to be recovered after more than 12 months	3,683	3,891	-	3,819
	3,852	4,007	169	3,935

The deferred tax asset in 2007 were tax losses arising from foreign exchange translation on loans which were used in 2008. Similarly, the deferred tax assets in 2008 is expected to reverse in 2009.

	Tax losses	Employee benefits	Accruals	Unrealised exchange losses	Total
	$'000	$'000	$'000	$'000	$'000
Movements – Consolidated					
At 30 June 2007	3,752	67	116	72	4,007
Charged (credited) to the income statement	(3,752)	(7)	(7)	77	(3,689)
Charged directly to equity	-	-	-	3,534	3,534
At 30 June 2008	-	60	109	3,683	3,852
Movements – Parent					
At 30 June 2007	3,752	67	116	-	3,935
Charged (credited) to the income statement	(3,752)	(7)	(7)	-	(3,766)
Charged directly to equity					
At 30 June 2008	-	60	109	-	169

14. BORROWINGS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
CURRENT LIABILITIES – BORROWINGS				
Secured				
Revolving credit facility	-	20,000	-	20,000
NON-CURRENT LIABILITIES – BORROWINGS				
Secured				
Preference shares in controlled entity	1,599	1,220	-	-
Total secured liabilities				
The total secured liabilities (current and non-current) are as follows:				
Revolving credit facility	-	20,000	-	20,000
Preference shares in controlled entity	1,599	1,220	-	-
Total secured liabilities	1,599	21,220	-	20,000

Revolving credit facilities
As at 30 June 2007, the Company had US$8,000,000 in revolving credit facilities with two banks. In July 2007 the Company restructured its credit facilities with a single bank and increased the overall limit to US$28 million. In late 2007, this facility was repaid in full.

Preference shares
The preference shares were issued by the Group's Thai subsidiary. They are classified as borrowings as the consolidated entity has put options to acquire the preference shares and are net of establishment fees. The establishment fees are amortised over a 3 year period.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
NON-CURRENT LIABILITIES – BORROWINGS				
Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Revolving credit facility	-	21,209	-	21,209
	-	21,209	-	21,209
Unused at balance date				
Revolving credit facility	-	1,209	-	1,209
	-	1,209	-	1,209

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
15. PAYABLES				
Current				
Trade creditors	7,317	6,707	633	581
Intercompany payable	-	-	31,173	-
	7,317	6,707	31,806	581
16. PROVISIONS				
Current				
Employee benefits (Note 1(w) and 25)	788	342	199	225
Non-Current				
Restoration and rehabilitation (Note 1(v))	3,598	3,509	-	-
Employee benefits severance (Note 1(w) and 25)	968	1,148	-	-
	4,566	4,657	-	-
Movements in provision				
Movements in each class of provision during the financial year other than employee benefits, are set out below:				
Restoration and rehabilitation				
At the beginning of the financial year	3,509	3,292	-	-
Revision of rehabilitation provision	185	-	-	-
Provision discount adjustment	126	98	-	-
Foreign currency exchange differences	(222)	119	-	-
At the end of the financial year	3,598	3,509	-	-
17. CURRENT TAX LIABILITIES				
Current				
Taxation	7,798	-	7,798	-

18. DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Prepayment and interest	(168)	-	(168)	-
Loan establishment fee	-	(29)	-	(29)
Unrealised exchange gains	-	(1,237)	-	-
Unrealised profit on available-for-sale assets	-	(10,567)	-	-
Total deferred tax liabilities	(168)	(11,833)	(168)	(29)
Deferred tax liabilities to be recovered within 12 months	(168)	-	(168)	-
Deferred tax liabilities to be recovered after 12 months	-	(11,833)	-	(29)
	(168)	(11,833)	(168)	(29)

	Prepayment and Interest	Loan Establishment Fee	Unrealised Exchange Gains	Unrealised Profit on available for sale assets	Total
		$'000	**$'000**	**$'000**	**$'000**
Movements – Consolidated					
At 30 June 2006	**-**	-	-	-	-
Charged (credited) to the income statement	**-**	(29)	(1,237)	-	(1,266)
Charged directly to equity	**-**	-	-	(10,567)	(10,567)
At 30 June 2007	**-**	(29)	(1,237)	(10,567)	(11,833)
Charged (credited) to the income statement	(168)	29	-	-	(139)
Charged directly to equity	**-**	-	1,237	10,567	11,804
At 30 June 2008	(168)	-	-	-	(168)
Movements – Parent					
At 30 June 2006					
Charged (credited) to the income statement	**-**	(29)	-	-	(29)
Charged directly to equity	**-**	-	-	-	-
At 30 June 2007	**-**	(29)	-	-	(29)
Charged (credited) to the income statement	(168)	29	-	-	(139)
At 30 June 2008	(168)	-	-	-	(168)

19. CONTRIBUTED EQUITY

	2008 No of shares	2007 No of shares	**2008 $'000**	2007 $'000
Share capital				
Ordinary shares fully paid (a)	92,680,392	92,680,392	111,576	111,576

Movements in ordinary share capital:

Date	**Details**	**Notes**	**Number of Shares**	**$'000**
1 July 2007	Closing balance		88,591,541	92,091
20 March to 30 June 2006	Andean Takeover Offer	(b)	1,667,951	8,186
3 October 2006	Dividend reinvestment plan	(c)	170,900	769
20 June 2007	Share placement to Thai interests	(d)	2,250,000	10,530
30 June 2007 and 30 June 2008	Closing balance		92,680,392	111,576

a) Ordinary shares
Ordinary shares have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Details of share options are disclosed in Note 25.

b) Andean Resources Limited Takeover Offer
Kingsgate offered Andean shareholders 1 Kingsgate ordinary share for every 15 Andean shares held. Kingsgate issued 1,667,951 shares at an average of $4.90 per share and acquired 18.35% of Andean Resources Limited.

c) Dividend Reinvestment Plan
170,900 fully paid ordinary shares were issued as part of the interim dividend under the Company's Dividend Reinvestment Plan at $4.50 each**.**

d) Share Placement to Thai interests
2,250,000 fully paid ordinary shares were issued during 2007 at $4.68 per share.

20. RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Foreign currency translation reserve	(15,513)	6,960	-	-
General reserve	1,050	1,026	-	-
Available-for-sale investment revaluation reserve	-	24,658	-	-
Hedging reserve	-	(4,515)	-	-
Share-based payment reserve	5,261	2,087	5,261	2,087
	(9,202)	30,216	5,261	2,087
Movements:				
Foreign currency translation reserve				
At the beginning of the financial year	6,960	2,369	-	-
Net exchange differences on translation of foreign controlled entities	(27,243)	4,591	-	-
Deferred tax (Note 13 and 18)	4,770	-	-	-
At the end of financial year	(15,513)	6,960	-	-
General reserve				
At the beginning of the financial year	1,026	1,026	-	-
Net change	24	-	-	-
At the end of the financial year	1,050	1,026	-	-
Available-for-sale investment revaluation reserve				
At the beginning of the financial year	24,658	(955)	-	2,856
Transfer to net profit – gross	(35,225)	(9,857)	-	(9,381)
Revaluation	-	46,037	-	6,525
Deferred tax (Note 18)	10,567	(10,567)	-	-
At the end of the financial year	-	24,658	-	-
Hedging reserve				
At the beginning of the financial year	(4,515)	(26,835)	-	-
Transferred to the income statement	4,515	22,320	-	-
At the of the financial year	-	(4,515)	-	-
Share-based payment reserve				
At the beginning of the financial year	2,087	766	2,087	766
Option issue	3,174	1,321	3,174	1,321
Transfer to share capital (Options exercised)	-	-	-	-
At the end of the financial year	5,261	2,087	5,261	2,087

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 1(d).

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

Available-for-sale investment revaluation reserve
Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investment revaluation reserve, as described in Note 1(m).

Hedging reserve
The hedging reserve is used to record unrealised gains and losses on effective hedging instruments, as described in Note 1(n). All hedge commitments were extinguished as at 30 June 2007. Losses in respect of effective hedges which were terminated prior to their maturity and the original transaction is still expected to occur have been deferred until such time as the transaction occurs. All deferred losses were realised in the year ended 30 June 2008 and there was no cash impact.

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised as described in Note 1(w).

(b) Retained profits

Movements in retained profits were as follows:	**Consolidated**		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Retained profits at the beginning of the financial year	42,442	59,545	7,481	32
Net profit attributable to members of Kingsgate Consolidated Limited	36,197	(12,590)	(6,759)	11,962
Dividends provided for or paid (Note 23)	-	(4,513)	-	(4,513)
Retained profits at the end of the financial year	78,639	42,442	722	7,481

21. COMMITMENTS FOR EXPENDITURE

Capital commitments
Commitments for the plant, equipment and mine properties contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year	19,559	13,126	-	294
Later than 1 year but not later than 5 years	3,065	-	-	-
	22,624	13,126	-	294

Land commitments
Commitments for the acquisition of land contracted for at the reporting date but not recognised as liabilities, payable:

Within 1 year	-	2,584	-	-

Exploration
In order to maintain current rights of tenure to exploration tenements, the consolidated entity has the following discretionary 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 and are payable:

Not later than one year	3,744	755	-	-
Later than one year but not later that 5 years	8,102	7,997	-	-
	11,846	8,752	-	-

Operating leases
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	3,683	372	77	261
Later than 1 year but not later than 5 years	8,679	376	48	108
Later than 5 years	4	5	-	-
	12,366	753	125	369

Remuneration commitments

Within 1 year	-	450	-	450
Later than 1 year but not later than 5 years	-	-	-	-
	-	450	-	450

22. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the ultimate parent entity, Kingsgate Consolidated Limited, and the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of Shares	Equity holding		Parent entity cost	
			2008	2007	**2008**	2007
			$	$	**$**	$
			%	%		
Issara Mining Limited	Thailand	Ordinary	100	100	-	-
Richaphum Limited	Thailand	Ordinary	100	100	-	-
Naka Udsahakum Limited	Thailand	Ordinary	100	100	-	-
Akara Mining Limited	Thailand	Ordinary	100	100	-	-
Suan Sak Patana Limited	Thailand	Ordinary	100	100	-	-
Phar Mai Exploration Limited	Thailand	Ordinary	100	100	-	-
Phar Rong Limited	Thailand	Ordinary	100	100	-	-
Kingsgate Capital Pty Limited	Australia	Ordinary	100	100	1	1
Kingsgate South America Pty Ltd	Australia	Ordinary	100	100	1	1
Minera Kingsgate Limitada	Chile	Ordinary	100	100	2	2
Kingsgate Peru SRL	Peru	Ordinary	100	100	274	274
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	100	100	200	200

Minera Kingsgate Limitada, Kingsgate Peru SRL and Minera Kingsgate Argentina S.A. depend on funding from the Group to sustain exploration activities. The loans have been fully provided as exploration is at an early stage and have been expensed.

Suan Sak Patana Limited (Suan Sak) was acquired by Akara Mining Limited on 23 May 2007. The business of Suan Sak was to acquire prospective land for exploration purposes and to rent such land to Group subsidiaries. In previous accounting periods, consistent with accounting policy 1(q) exploration included funds for land purchases advanced to Suan Sak. Advances were capitalised in the Group as exploration expenditure. As a result of this accounting policy the impact on consolidating Suan Sak has had no material impact.

23. DIVIDENDS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
No final dividend was declared in 2008 (2007 – 5 cents paid)	-	4,513	-	4,513
No interim dividend was declared in 2008 (2007 – Nil)	-	-	-	-
	-	4,513	-	4,513
Paid in cash	-	3,744	-	3,744
Satisfied by issue of shares	-	769	-	769
	-	4,513	-	4,513

The Group's franking credit balance at 30 June 2008 is Nil (2007: Nil).

24. RELATED PARTIES

Transactions with related parties

Information on remuneration of Directors is disclosed in Note 31. A Director of a controlled entity, S Udompornwirat, was a Director and shareholder of Suan Sak Patana Limited (Suan Sak) until 23 May 2007 when the Group acquired Suan Sak. Transactions with this prior to the company acquisition of the company comprise:

	Consolidated	**Parent entity**
	2007	2007
	$	$
Loans advanced – Non-current	45,176,665	-
Interest received	1,595,703	-
Rentals paid	1,935,151	-

Interest is charged on the loans advanced at the rate of 4% per annum (2007 – 4%). Rentals relate to land used by the Group for gold mining and exploration.

All transactions with Director-related entities were based on normal commercial terms and conditions.

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 22.

Transactions between Kingsgate Consolidated Limited and controlled entities during the years ended 30 June 2008 and 30 June 2007 consisted of loans advanced by Kingsgate Consolidated Limited. The loans do not bear interest. Management fees of $600,000 and service fee of $757,763 (2007 - $600,000) were received from Akara Mining Limited during the year.

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

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Non-current receivables				
Wholly-owned subsidiaries (Note 8)	-	-	118,920	133,312
Current payable				
Wholly-owned subsidiary	-	-	31,173	-

During the year the parent entity received $69,908,000 (2007 - $45,515,000 advanced to) from controlled entities and advanced $9,234,000 to controlled entities.

Controlling entities
The ultimate parent entity in the wholly-owned Group is Kingsgate Consolidated Limited.

25. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

		Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Employee benefit and related on-costs liabilities					
Provision for employee benefits	- current	788	342	199	225
Provision for Thai severance pay	- non-current	968	1,148	-	-
Employee numbers					
Average number of employees during the financial year		343	386	7	7

Superannuation
The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employees' wages and salaries. Contributions to defined contribution plans for 2008 were $262,000 (2007 - $198,000).

Kingsgate Employees and Contractors Option Plan
On 28 November 2001, shareholders at the Annual General Meeting approved the special resolution to establish the Kingsgate Employees and Contractors Option Plan 2001. Under this plan 2,500,000 options may be issued to employees and contractors of the Group (excluding Directors of the Company). This plan has similar option terms as the option plan established in 1998 which authorised the Directors to issue up to 500,000 options to employees and contractors of the Group (excluding Directors of the Company).

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

a) the exercise period for the options is 3 years from the date the options are granted.

b) each option will entitle the holder to subscribe for one ordinary share of the Company and the exercise price for each option will be 10% above the average closing sale price of the Company's ordinary fully paid shares on the Australian Stock Exchange over the 5 trading days preceding the day on which options are issued (but in any event not less than 20 cents).

c) options are granted under the plan to eligible employees and contractors for no consideration.

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

e) set out as follows are summaries of options granted under the plans.

Full details of the Employee Option Plan are disclosed in the Share Option Plan rules which were approved by shareholders in November 2001, a copy of which can be obtained from the Company.

There were no options granted during the year and there are no options outstanding under this plan as at 30 June 2008 and it is the current view that the Company will not issue any options under this plan. Instead the Kingsgate Executive Option Plan will be used to issue options.

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Expired during year	Balance end of year	Exercisable end of year
29 Jan 2004	29 Jan 2007	$3.93	60,000	-	-	60,000	-	-
		Total	60,000	-	-	60,000	-	-
Weighted average exercise price			3.93	-	-	3.93	-	-

Kingsgate Executive Option Plan

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

a) each option will entitle the holder to subscribe for one ordinary share of the Company.
b) options are granted under the plan for no consideration.
c) options granted under the plan carry no dividend or voting rights.
d) set out below are summaries of options granted under the plans.

Consolidated and parent entity – 2008

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
31 Mar 2005	1 Apr 2010	$2.69	60,000	-	-	60,000	60,000
7 Jul 2005	1 Jul 2010	$4.00	500,000	-	-	500,000	360,000
7 Jul 2005	1 Jul 2010	$5.00	500,000	-	-	500,000	360,000
7 Jul 2005	1 Jul 2010	$6.00	500,000	-	-	500,000	360,000
7 Jul 2005	1 Jul 2010	$7.00	1,000,000	-	-	1,000,000	720,000
26 Oct 2005	26 Oct 2010	$3.00	50,000	-	-	50,000	50,000
26 Oct 2005	26 Oct 2010	$4.00	30,000	-	-	30,000	30,000
26 Oct 2005	26 Oct 2010	$5.00	80,000	-	-	80,000	80,000
26 Oct 2005	26 Oct 2010	$6.00	80,000	-	-	80,000	80,000
26 Oct 2005	1 Aug 2010	$3.25	25,000	-	-	25,000	18,750
26 Oct 2005	1 Aug 2010	$4.00	50,000	-	-	50,000	37,500
26 Oct 2005	1 Aug 2010	$5.00	100,000	-	-	100,000	75,000
26 Oct 2005	1 Aug 2010	$6.00	100,000	-	-	100,000	75,000
26 Oct 2005	1 Aug 2010	$7.00	125,000	-	-	125,000	93,750
7 Jul 2006	1 Jul 2011	$5.50	50,000	-	-	50,000	16,667
7 Jul 2006	1 Jul 2011	$6.00	100,000	-	-	100,000	33,334
7 Jul 2006	1 Jul 2011	$7.00	100,000	-	-	100,000	33,333
7 Jul 2006	1 Jul 2011	$8.00	150,000	-	-	150,000	50,000
4 Apr 2008	3 Apr 2013	$4.68	-	334,000	-	334,000	-
4 Apr 2008	3 Apr 2013	$6.00	-	666,000	-	666,000	-
Total			3,600,000	1,000,000	-	4,600,000	2,533,334
Weighted average exercise price			5.79	5.56		5.74	5.67

The share price at the grant date of 4 April 2008 was $4.05.
Valuation of options at grant date is disclosed in Note 31.

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
31 Mar 2005	1 Apr 2010	$2.69	60,000	-	-	60,000	60,000
7 Jul 2005	1 Jul 2010	$4.00	500,000	-	-	500,000	180,000
7 Jul 2005	1 Jul 2010	$5.00	500,000	-	-	500,000	180,000
7 Jul 2005	1 Jul 2010	$6.00	500,000	-	-	500,000	180,000
7 Jul 2005	1 Jul 2010	$7.00	1,000,000	-	-	1,000,000	360,000
26 Oct 2005	26 Oct 2010	$3.00	50,000	-	-	50,000	50,000
26 Oct 2005	26 Oct 2010	$4.00	30,000	-	-	30,000	15,000
26 Oct 2005	26 Oct 2010	$5.00	80,000	-	-	80,000	40,000
26 Oct 2005	26 Oct 2010	$6.00	80,000	-	-	80,000	40,000
26 Oct 2005	1 Aug 2010	$3.25	25,000	-	-	25,000	12,500
26 Oct 2005	1 Aug 2010	$4.00	50,000	-	-	50,000	25,000
26 Oct 2005	1 Aug 2010	$5.00	100,000	-	-	100,000	50,000
26 Oct 2005	1 Aug 2010	$6.00	100,000	-	-	100,000	50,000
26 Oct 2005	1 Aug 2010	$7.00	125,000	-	-	125,000	62,500
7 Jul 2006	1 Jul 2011	$5.50	-	50,000	-	50,000	-
7 Jul 2006	1 Jul 2011	$6.00	-	100,000	-	100,000	-
7 Jul 2006	1 Jul 2011	$7.00	-	100,000	-	100,000	-
7 Jul 2006	1 Jul 2011	$8.00	-	150,000	-	150,000	-
			3,200,000	400,000	-	3,600,000	1,305,000
Weighted average exercise price			5.65	6.94	-	5.79	5.49

The share prices at the grant dates were $2.82 at 7 July 2005, $4.03 at 26 October 2005, $5.12 at 7 July 2006 and $4.05 at 4 April 2008.

The fair value of shares issued on the exercise of options is the weighted average price at which the Company's shares were traded on the Australian Stock 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 2.7 years (2007 – 3.1 years).

Fair value of options granted

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at 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.

The model inputs for options granted during the year ended 30 June 2008 included:

a) Options are granted for no consideration

b) Expected price volatility of the Company's shares: 56% (2007 – 47%)

c) Expected dividend yield: 0.5% (2007 – 1.95%)

d) Risk-free interest rate: 6.2% (2007 – 5.87%)

e) Grant date 4 April 2008 (2007 – 7 July 2006)

f) Share price 4 April 2008 (2007 – $5.12)

g) Share price 30 June 2008 $5.23

h) Exercise price $6.00 (2007 - $5.50 to $8.00)

i) Expiry date 3 April 2013 (2007 – 6 July 2012)

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

Expense arising from share-based payment transactions

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

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Options issued to executives	2,161	645	2,161	645

Share-based payments – non-employee related

On 4 April 2008 the parent entity issued 2,250,000 options to a Thai consultant. Each option entitles the holder to acquire 1 ordinary share at a strike price of $4.68. The options expire 1 year from the date of issue. On the same day 415,000 options were issued to contractors. Each option entitles the holder to acquire 1 ordinary share at a strike price of $6.00. The option expires 1 year from the date of issue. The value of $1,013,000 was capitalised in 2008 directly into Mine Properties in accordance with Note 1(q).

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

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit (loss) for the year	36,197	(12,590)	(6,759)	11,962
Depreciation and amortisation	9,533	8,446	60	52
Share-based payments	2,161	1,321	2,064	1,321
Net (gain) loss on sale of available-for-sale financial assets	(44,439)	(9,864)	-	(9,381)
Gain (loss) on disposal of property, plant and equipment	(4)	-	1	-
Write off of exploration cost capitalised	382	3,854	-	-
Non-cash finance expense	339	346	-	378
Write off of inventories	589	391	-	-
Non-cash increase in general reserve	24	-	-	-
Loss/(gains) on derivative financial instruments	4,514	(867)	-	-
Net exchange differences	3,772	(173)	-	(359)
Change in operating assets and liabilities				
(Increase) decrease in trade debtors	1,078	(1,078)	-	-
(Increase) decrease in debtors	(498)	(1,349)	(129)	(37)
(Increase) decrease in inventories	(46)	1,519	-	-
(Increase) decrease in future income tax benefit	(3,852)	(4,007)	3,766	(3,935)
(Increase) decrease in other operating assets	(2,765)	(5,406)	(39)	(1,774)
Increase (decrease) in current tax liabilities	7,798	-	(5,801)	-
Increase (decrease) in creditors	610	(1,285)	52	(587)
Increase (decrease) in provisions	355	(411)	(26)	108
Increase (decrease) in deferred tax liabilities	2,909	1,265	139	29
Net cash inflow (outflow) from operating activities	18,657	(19,888)	(6,672)	(2,223)

27. EVENTS OCCURRING AFTER REPORTING DATE

In July 2008, final ministerial approval was received for the grant of the mining lease applications of Kingsgate's Thai subsidiary, Akara Mining Limited, at Chatree North, next to the operating gold mine in central Thailand.

A new debt facility of US$30 million has been obtained from Investec Bank (Australia) Limited.
The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares. The credit facility is subject to certain conditions precedent during 2008 which includes the grant of the Chatree North Mining Leases.

On 29 July 2008, 280,000 ordinary fully paid shares were issued pursuant to the exercise of options and $1,290,000 was received.

28. CONTINGENT LIABILITIES

The parent entity and Group had contingent liabilities at 30 June 2008 in respect of:

Guarantees
Cross guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the revolving credit facility as part of the security package as described in Note 14.

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

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

	2008
Within 1 year	11,832,972
Later than 1 year not later than 5 years	44,895,335
Later than 5 years	468,380
	57,196,687

29. SEGMENT INFORMATION

Primary reporting – Business segments
The Group operates exclusively in one business segment of gold mining and exploration.

Secondary reporting – Geographical segments
The Group operates in primarily two geographical segments, being Asia Pacific and South America.

	Consolidated	
	2008	2007
	$'000	$'000
Sales to external customers:		
Asia Pacific	76,495	52,600
Other revenue:		
Asia Pacific	44,443	9,857
	120,938	62,457
Segment results:		
Profit before tax:		
Asia Pacific	48,379	(12,056)
South America	(507)	(3,649)
	47,872	(15,705)
Income tax:		
Asia Pacific	11,675	3,115
South America	-	-
	11,675	3,115
Profit after tax:		
Asia Pacific	36,704	(8,941)
South America	(507)	(3,649)
Profit/(loss) for the year	36,197	(12,590)
Segment assets:		
Asia Pacific	199,494	228,820
South America	109	173
	199,603	228,993
Capital expenditure:		
Asia Pacific	33,170	25,247
South America	-	-
	33,170	25,247

30. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management

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

At this point in the commodity price cycle, the Directors believe that it is in the interests of shareholders to expose the Group to commodity price risk, foreign currency risk and interest rate risk. Therefore, the Group does not employ any derivative hedging of commodity price, foreign currency or interest rate risks. The Directors and management monitor these risks, in particular market forecasts of future movements in commodity prices and foreign currency movements and if it is 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 and the parent entity hold the following financial instruments:-

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	40,226	5,148	36,286	2,314
Trade and other receivables	3,245	3,825	79,140	133,355
Available-for-sale financial assets	-	60,693	-	-
Other financial assets	4,008	4,063	46	46
	47,479	73,729	**115,472**	135,715
Financial liabilities				
Trade and other payable	7,317	6,707	633	581
Borrowings	1,599	21,220	-	20,000
	8,916	27,927	**633**	20,581

a) Market risk

(i) 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.

These foreign exchange risks arise 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; and
- the financial liabilities incurred by the mining and exploration activities in Thailand which are also denominated in Thai Baht.
- the functional currency of the Thai subsidiaries is Thai Baht.

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

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

	June 2008	June 2007
	US$ '000's	US$ '000's
Cash & cash equivalents	303	149
Trade & other receivables	92	-
Payables	298	19
Borrowings	-	-

Group sensitivity
The Group's sale of gold is in US dollars, however most of the Group's assets and operating costs 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 pre-tax profit for the year would have been $759,000 higher/$743,000 lower (2007 – $289,000 higher/$282,000 lower). It should be noted that in 2007 there were derivative financial instruments used on conversion of the us dollars receipts into Australian dollars. This was not the situation in this current reporting period.

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

Parent entity sensitivity
As the parent entity transactions are principally in Australian dollars the sensitivity to foreign currency movements is immaterial.

Other price risk
In 2007, the Group was also exposed to price risk arising from investments in equity securities reported as Available-for-sale financial assets in the balance sheet. These investments were realised during the current reporting period and therefore the Group no longer has any significant exposure to investments. The majority of the Group's equity investments were publicly traded ASX listed companies. For every $0.10 movement in share price the Group's pre-tax profit would have been $ 6,355,310 higher or lower.

Interest risk
The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets.
The Group does not have any borrowings from external counterparties. The Group does however have significant deposits with approved counterparties, which must have sound credit ratings defined as having a minimum of a Standard & Poor's or equivalent long term rating of at least "A". The Directors and management do not believe it is appropriate at this time to use financial instruments to hedge interest rates based on current market conditions. Deposits are generally made to receive floating market rates at the time of the deposit.

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. These counterparties are defined as having a minimum Standard & Poor's or equivalent long term credit rating of "A". The Group also has policies that limit the amount of credit exposure to any one financial institution.

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 remaining period at the reporting date. The amounts disclosed are the contractual undisclosed cash flows.
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	Notes	Variable rate $'000	1 year or less $'000	1 to 2 years $'000	More than 2 years $'000	Non-interest bearing $'000	Total $'000
2008							
Financial liabilities							
Payables *	15	-	-	-	-	7,317	7,317
Borrowings	14	-	-	-	1,599	-	1,599
		-	-	-	1,599	7,317	8,916

	Notes	Variable rate $'000	1 year or less $'000	1 to 2 years $'000	More than 2 years $'000	Non-interest bearing $'000	Total $'000
2007							
Financial liabilities							
Payables *	15	-	-	-	-	6,707	6,707
Borrowings *	14	20,000	-	-	1,220	-	21,220
		20,000			1,220	6,707	27,927

The borrowings which are preference shares in Akara Mining Limited have been classified as borrowings on consolidation and have an interest rate of 12% per annum.

* These amounts are payable in less than 6 months.

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

d) Fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximate their carrying amounts.

The net fair value of cash or other monetary financial assets and financial liabilities is based upon market prices where a market exists, or through discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Chairman – Non-Executive
Ross Smyth-Kirk

Executive Director
Gavin Thomas

Non-Executive Directors
John Falconer
Peter McAleer
Craig Carracher

(b) Other key management personnel

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

Name	Position	Employer
Gavin Thomas	Chief Executive Officer	Kingsgate Consolidated Limited
Peter Warren	Chief Financial Officer	Kingsgate Consolidated Limited
	Company Secretary	Kingsgate Consolidated Limited
Phil MacIntyre	Chief Operating Officer	Kingsgate Consolidated Limited
	General Manager	Akara Mining Limited
Stephen Promnitz	Corporate Development Manager	Kingsgate Consolidated Limited
Ron James	General Manager, Exploration and Resources Development	Akara Mining Limited
John McDougall	Operations Manager	Akara Mining Limited

All of the above persons were also key management personnel during the year ended 30 June 2008.

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short-term employee benefits	2,454,058	1,912,652	1,399,014	1,255,234
Post-employment benefits	231,372	166,963	244,572	180,163
Share-based payments	416,536	684,090	318,254	616,590

The Company has taken advantage of the relief provided by Corporations Regulations CR2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 9.

(d) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers 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:

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Kingsgate Consolidated Limited ordinary shares				
Ross Smyth-Kirk	4,586,271	-	-	4,586,271
Gavin Thomas	703,921	-	-	703,921
John Falconer	191,275	-	-	191,275
Peter McAleer	380,000	-	-	380,000
Craig Carracher	-	-	-	-
Key management personnel of the Group ordinary shares				
Peter Warren	10,000	-	-	10,000
Phil MacIntyre	145,000	-	-	145,000
Ron James	-	-	-	-
Stephen Promnitz	-	-	-	-
John McDougall	-	-	-	-
Arthur Ellis	24,310	-	(23,372)	938

2007 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Kingsgate Consolidated Limited ordinary shares				
Ross Smyth-Kirk	4,586,271	-	-	4,586,271
John Falconer	189,291	-	1,984	191,275
Peter McAleer	380,000	-	-	380,000
Key management personnel of the Group ordinary shares				
Gavin Thomas	703,921	-	-	703,921
Peter Warren	-	-	10,000	10,000
Phil MacIntyre	95,000	-	50,000	145,00
Ron James	-	-	-	-
Arthur Ellis	24,872	-	(562)	24,310

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 11 to 14.

(iii) Option holdings

The numbers 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:

Key Management Personnel

2008 Name	Balance at the start of the year	Granted/ (Expired) during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the of the year
Gavin Thomas	2,560,000	-	-	-	2,560,000	1,860,000
Peter Warren	400,000	101,000	-	-	501,000	133,334
Phil MacIntyre	150,000	150,000	-	-	300,000	150,000
Stephen Promnitz	400,000	-	-	-	400,000	300,000
Ron James	90,000	80,000	-	-	170,000	90,000
John McDougall	-	80,000	-	-	80,000	-
Arthur Ellis	-	50,000	-	-	50,000	-

Options granted during the year are provided as remuneration. No options are vested and unexercisable at the end of the year.

2007 Name	Balance at the start of the year	Granted/ (Expired) during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the of the year
Gavin Thomas	2,560,000	-	-	-	2,560,000	960,000
Peter Warren	-	400,000	-	-	400,000	-
Phil MacIntyre	190,000	(40,000)	-	-	150,000	100,000
Stephen Promnitz	400,000	-	-	-	400,000	200,000
Ron James	90,000	-	-	-	90,000	45,000
Arthur Ellis	20,000	(20,000)	-	-	-	-

On 3 April 2008, the Board of Directors resolved that, subject to shareholder approval, five year options vesting immediately with 50% at a strike price of $6.00 and 50% at strike price of $7.00 be granted at nil consideration to non-executive Directors as follows:

Ross Smyth-Kirk 400,000

John Falconer 200,000

Peter McAleer 200,000

Craig Carracher 200,000

Insurance

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

32. REMUNERATION OF AUDITORS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Audit services				
PricewaterhouseCoopers Australian Firm				
Audit and review of the financial reports	**298,100**	318,150	**298,100**	318,150
Related practices of PricewaterhouseCoopers Australian Firm	**85,288**	86,509	**-**	-
Total remuneration for audit services	**383,388**	404,659	**298,100**	318,150
(b) Non-audit services				
PricewaterhouseCoopers Australian Firm				
Workers compensation review	**3,500**	3,000	**3,500**	3,000
AIFRS accounting services	**-**	47,907	**-**	47,907
Andean bidders statement review	**-**	28,000	**-**	28,000
Total remuneration for audit-related services	**3,500**	78,907	**3,500**	78,907
Taxation services				
PricewaterhouseCoopers Australian Firm				
Tax compliance services	**154,275**	75,600	**154,275**	75,600
Related practices of PricewaterhouseCoopers Australian Firm				
Tax compliance services	**52,482**	42,728	**-**	-
Total remuneration for tax related services	**206,757**	118,328	**154,275**	75,600

33. EARNINGS PER SHARE

	Consolidated	
	2008	2007
	Cents	Cents
Basic earnings per share	51.7	(17.3)
Diluted earnings per share	51.5	(17.3)
	$'000	$'000
Net profit/(loss) used to calculate basic and diluted earnings per share	47,872	(15,705)
	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	92,680,392	90,606,728
Adjustment for calculation of diluted earnings per share: Options	299,996	148,117
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	92,980,388	90,754,845

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 25.

34. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Acquisition of available-for-sale financial assets	-	8,186	-	-

The parent entity issued 1 fully paid ordinary share for every 15 Andean Resources Limited shares.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 22 to 72:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) give a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2008.

In the Directors' opinion:

a) the financial statements and notes are in accordance with the *Corporations Act 2001*; 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.

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

DATED at SYDNEY this 21 August 2008
On behalf of the Board

Ross Smyth-Kirk
Director

John Falconer
Director

PRICEWATERHOUSECOOPERS

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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, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Kingsgate Consolidated Limited. 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

PRICEWATERHOUSECOOPERS

Independent Auditor's Report to the members of Kingsgate Consolidated Limited (continued)

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

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 company's and consolidated entity's financial position as at 30 June 2008 and of their 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 consolidated financial statements and parent entity financial statements and notes also with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 18 of the directors' report for the period ended 30 June 2008. 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 period ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
21 August 2008