



Kingsgate

Consolidated Limited

42 000 837 472

30 August 2011

**Via ASX online
(131 pages including cover)**

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

END OF YEAR FINANCIAL REPORT

We enclose the End of Year Financial Report for the period ending 30 June 2011.

Yours faithfully,
KINGSGATE CONSOLIDATED LIMITED

PETER WARREN
Company Secretary



Kingsgate Consolidated Limited
Preliminary Final Report 4E for the year ended 30 June 2011

KINGSGATE CONSOLIDATED LIMITED
ABN 42 000 837 472

ASX CODE: KCN

PRELIMINARY FINAL ASX 4E REPORT
FOR THE YEAR ENDED 30 JUNE 2011

TABLE OF CONTENTS

Results for Announcement to the market	2
Review of operations	3
Outlook	6
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statements of Changes in Equity	10
Statement of Cash Flow	12
Notes to the Preliminary Final Report	13

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

Appendix 4E
Preliminary Final Report
For the Financial Year Ended 30 June 2011

Results for Announcement to the market

\$'000

Revenue from ordinary activities	Down	2%	to	173,352
Profit from ordinary activities after tax attributable to members	Down	71%	to	21,148
Net profit for the period attributable to members	Down	71%	to	21,148

Dividends/distribution	Amount per security	Franked amount per security
Final dividend		
- current reporting period	5 cents	nil
- previous reporting period	20 cents	nil
Interim dividend		
- current reporting period	10 cents	nil
- previous reporting period	15 cents	nil

Record date for determining entitlements to dividend

12 September 2011

The Dividend is Unfranked and will be paid out of Conduit Foreign Income.

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

Current Reporting Period:

Year ended 30 June 2011

Previous Corresponding Reporting Period:

Year ended 30 June 2010

Review of operations

The Directors of Kingsgate Consolidated Limited today announced a net profit after tax of \$20.9 million for the year ended 30 June 2011.

Dividends

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

Overview

Kingsgate underwent a major transformation in 2011 with the successful acquisition of Dominion Mining Limited (“Dominion”), via a Scheme of Arrangement, and acquiring 70% of Laguna Resources NL (“Laguna”) through an off-market takeover. The Company also advanced the Chatree North plant expansion through the year to remain on schedule for completion in the September quarter 2011. These initiatives have taken Kingsgate from one producing mine to a company with two producing mines and an advanced development project across three geographic regions.

Group gold production for the year ended 30 June 2011 was 113,134 ounces, a decrease of 14.7% on the previous corresponding year. The contribution from Chatree was 76,248 ounces with 36,886 ounces from Challenger for the 5 months from acquisition.

Chatree gold production was 43% lower than the previous corresponding period as a result of processing low grade ore. This was principally due to restrictions imposed on mining by the delay in approval to access high grade ore in C North, an operating night curfew to reduce noise effects on the local community and an unusually heavy wet season.

Financial results

Kingsgate achieved an after tax profit of \$20.9 million for the full year to 30 June 2011 compared to an after-tax profit of \$73.1 million for the previous corresponding period.

EBITDA before significant items

Before significant items, the pre-tax profit of the Group was \$38.4 million. Significant items during the year comprised foreign exchange losses and acquisition transaction costs.

EBITDA before significant items were \$67.8 million down from \$100.7 million in the previous year.

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit after tax	20,879	73,066
Income tax (benefit) / expense	(3,092)	9,285
Profit before tax	17,787	82,351
<i>Significant items</i>		
Foreign exchange losses	15,832	2,507
Acquisition transaction costs	4,757	-
Profit before tax and significant items	38,376	84,858
Borrowing costs	1,669	1,823
Depreciation and amortisation	27,772	14,004
EBITDA before significant items	67,817	100,685

Revenue

Total revenue for the Group for the year was \$173 million down 1.6% from the previous year. Gold revenue decreased by 5% to \$156 million and Group silver revenue increased by 56% to \$16 million.

The decrease in gold revenue is due to lower gold production from Chatree largely offset by the five months production contribution from Challenger, and a higher gold price.

The average US\$ gold price received was US\$1,386 however the impact on revenue in AUD was reduced due to the strengthening of the AUD against USD during the year.

The increase in Group silver revenue is a result of a significant increase in the silver price.

Costs

The overall increase in mining and processing costs to \$99.5 million largely reflect the addition of Challenger costs of \$29 million and lower costs at Chatree. The lower costs attributable to Chatree were due to deferred stripping, the stronger AUD, lower geology and processing costs and lower royalty.

On a unit cost basis, total cash costs for the Group were US\$639/oz up from US\$335/oz in the previous year. The increase reflects the lower production at Chatree (US\$479/oz) and the addition of the higher cost Challenger mine (US\$968/oz).

Depreciation and Amortisation

The increase in depreciation and amortisation to \$27.8 million reflects the addition of \$18 million from Challenger operations including \$6 million relating to the allocation of fair values to various Challenger assets as required under acquisition accounting. Depreciation and amortisation decreased at Chatree by \$3 million, reflecting the lower production.

Exploration

Exploration expensed was higher by \$2 million and mainly relates to the write-off associated with 19 exploration licences in Thailand that were relinquished during the year.

Foreign Exchange

The significant rise in foreign exchange losses to \$15.8 million is a result of the strengthening of the AUD against Thai Baht on foreign currency denominated intercompany loans and bank accounts.

Cash flow

Operating cash inflow was \$34 million. Net investing cash outflow for property, plant, equipment and exploration was \$124.6 million and \$3.7 million was received from the issue of shares as a result of options being exercised. The Group's cash borrowing (net of transaction costs) was \$134 million. \$45 million was repaid prior to 30 June 2011.

Operational performance

Gold production for the year ended 30 June 2011 was 113,134 ounces, a decrease of 14.7% on the year ended 30 June 2010.

Chatree

Chatree mine produced 76,248 ounces during the year. The decrease in gold production is largely due to mining and processing of lower grade ore while approval to access C North, where higher grade ore was scheduled to be mined during the June half of the year, was delayed. Mining was also impacted by restrictions imposed by a night time operating curfew during the March and June quarters. This resulted in a

lack of flexibility to access alternative high grade and less intrusive areas. These restrictions have subsequently been lifted. The heaviest wet season in a generation also had an impact on operating activities.

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

The Chatree North Expansion project is being constructed as a separate 2.7 million tonnes per annum (Mtpa) ore processing plant located besides the current 2.3 Mtpa Chatree processing plant. This will result in a combined total ore processing capacity of over 5 Mtpa. Construction is on schedule for completion in September 2011 and the project is coming in around 5% under the original US\$100 million budget. Most contracts are finalised with the major outstanding task being electrical and instrumentation work. This is a credible result particularly given the excessive rainfall over the past 12 months in Thailand.

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

Challenger

The Challenger mine produced 36,886 ounces for five months since the acquisition.

Production at Challenger was lower than expected due primarily to the effects of unusually heavy rainfall during February and March. This prevented continuous road access with supplies of fuel, consumables and maintenance parts only intermittently delivered to the site. During this period underground mining of higher grade ore was restricted at times due to equipment unavailability, a result of the delay in the delivery of spare parts. This resulted in low grade stockpiled ore supplementing scheduled higher grade underground ore.

Operations at Challenger during the June quarter continued to suffer some residual effects from the heavy rains and was also impacted by both mine grade dilution and production rate caused by pillar failures in a number of stopes.

Acquisition

During the year, Kingsgate Consolidated Limited (“Kingsgate”) successfully acquired 100% of Dominion and 70% of Laguna.

Dominion Mining Limited

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

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

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

Acquisition related costs of \$4.8 million were expensed during the year. These costs comprise legal, advisory and accounting fees.

Laguna Resources NL

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

Kingsgate gained control over Laguna by acquiring an interest in more than 50% of Laguna issued shares on 20 December 2010.

Kingsgate closed its takeover on 15 February 2011 having increased its interest in Laguna to 70% at the close of the bid.

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

A feasibility study is currently in progress.

Exploration

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

Finance

Syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Mining Limited ("Akara"), executed a 3.0 billion Baht (US\$100 million equivalent) syndicated loan facility that completes its funding requirements for the expansion to over 5 million tonnes per annum ore throughput of its Chatree Mine. The participants in the syndicated loan facility are CIMB Thai Bank Public Company Limited ("CIMB"), the Bangkok branch of Sumitomo Mitsui Banking Corporation ("SMBC") and Investec Bank (Australia) Limited ("Investec"). Participation is US\$42 million, US\$40 million and US\$18 million respectively. CIMB and SMBC are Mandated Lead Arrangers with CIMB also acting as Facility and Security Agents. Investec is the Arranger and Technical Agent. The loan facility is a four year amortising loan with equal half yearly repayments commencing on 31 March 2012. There is no mandatory hedging requirements under the facility.

Subsequent to 30 June 2011 the loan facility has been fully drawn down.

Revolving loan facilities

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

Outlook

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

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

Commissioning of the Chatree plant expansion and first gold are also expected in September, subject to final regulatory approvals. The US\$100 million expansion is currently expected to come in approximately 5% under budget.

Exploration and resources definition drilling will continue both within the mining and exploration licences in Thailand to further evaluate both the open pit and underground potential.

At Challenger, the operation is expected to be in-line with fiscal year 2011 with on-going exploration drilling to upgrade resources to reserves and add to the overall resource inventory.

Significant progress has been made at the Nueva Esperanza project (Kingsgate 70%) in Chile, formerly the Arqueros project. Stage 1 of the feasibility study was completed in July 2011 with completion of the final feasibility study and the decision to mine scheduled for the end of March 2012.

On 1 August 2011, the Company announced that it had entered into an agreement to acquire the Bowdens Silver project in New South Wales. The Company is currently undertaking a review of all drilling and other technical data relating to the project and is in the process of finalising a Mineral Resource in line with JORC guidelines. It is planned to initiate a full feasibility study once the review is finalised and the purchase transaction completed. Kingsgate has entered into financing facilities to fund the Bowdens acquisition. The Investec existing US\$50 million three year revolving facility will be increased to A\$60 million and Investec will also provide an A\$35 million five year convertible loan facility.

Following the settlement with Siphum Co Ltd, the holder of the preference shares in the Group's Thai operating subsidiary Akara Mining Limited, the Group can recommence preparations for an IPO of Akara on the Stock Exchange of Thailand.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from continuing operations	3	173,352	176,098
Other income	4	613	-
Changes in inventories of finished goods and work in progress		23,865	27,851
Direct costs of mining and processing		(99,536)	(82,212)
Employee benefits expense		(16,744)	(11,820)
Depreciation and amortisation expenses	5	(27,772)	(14,004)
Finance costs	5	(1,669)	(1,823)
Exploration expensed		(2,447)	(385)
Foreign exchange losses	5	(15,832)	(2,507)
Other expenses from ordinary activities	5	(16,043)	(8,847)
Profit before income tax		17,787	82,351
Income tax benefit /(expense)	6	3,092	(9,285)
Profit after income tax		20,879	73,066
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax)		(30,795)	1,634
Change in fair value of available-for-sale financial assets (net of tax)		791	-
Total other comprehensive (loss) / income for the year, net of tax		(30,004)	1,634
Total comprehensive income for the year		(9,125)	74,700
Profit attributable to:			
Owners of Kingsgate Consolidated Limited		21,148	73,066
Non-controlling interests		(269)	-
Profit for the year		20,879	73,066
Total comprehensive income attributable to:			
Owners of Kingsgate Consolidated Limited		(8,856)	74,700
Non-controlling interests		(269)	-
Total comprehensive (loss) / income for the year		(9,125)	74,700
		Cents	Cents
Earnings per share			
Basic earnings per share	17	18.7	75.2
Diluted earnings per share	17	18.6	74.5

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009		129,300	4,579	111,161	245,040	-	245,040
Total comprehensive income for the year		-	1,634	73,066	74,700	-	74,700
<i>Transaction with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs		26,768	-	-	26,768	-	26,768
General reserve		-	(822)	822	-	-	-
Dividends provided for or paid		-	-	(29,082)	(29,082)	-	(29,082)
Movement in share option reserve		-	(1,383)	-	(1,383)	-	(1,383)
Total transactions with owners		26,768	(2,205)	(28,260)	(3,697)	-	(3,697)
Balance as 30 June 2010		156,068	4,008	155,967	316,043	-	316,043

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010		156,068	4,008	155,967	316,043	-	316,043
Total comprehensive income for the year		-	(30,004)	21,148	(8,856)	(269)	(9,125)
<i>Transaction with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	10	9,659	-	-	9,659	-	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets	10	317,147	-	-	317,147	-	317,147
General reserve		-	23	-	23	-	23
Dividends provided for or paid		-	-	(33,647)	(33,647)	-	(33,647)
Movement in share option reserve	11	-	(554)	-	(554)	-	(554)
Total transactions with owners		326,806	(531)	(33,647)	292,628	-	292,628
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		482,874	(26,527)	143,468	599,815	(269)	599,546
Acquisition of non-controlling interests		-	-	-	-	7,378	7,378
Balance as 30 June 2011		482,874	(26,527)	143,468	599,815	7,109	606,924

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

STATEMENT OF CASH FLOW
For the year ended 30 June 2011

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		176,686	172,083
Payments to suppliers and employees		(133,470)	(119,392)
Interest received		747	321
Finance costs paid		(1,346)	(1,319)
Income tax paid		(8,591)	(5,225)
Net cash inflow / (outflow) from operating activities	14	34,026	46,468
Cash flows from investing activities			
Payments for exploration and evaluation		(12,937)	(2,355)
Payments for mine properties, plant and equipment and land		(111,690)	(28,840)
Payments for available-for-sale financial assets		-	(1,071)
Cash acquired on acquisition of subsidiaries, net of cash paid		16,478	-
Proceeds from disposal of property, plant and equipment		72	-
Net cash inflow / (outflow) from investing activities		(108,077)	(32,266)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		134,193	-
Repayment of borrowings		(45,000)	-
Payments for interest / proceeds from borrowings - preference shares		(233)	8,643
Proceeds from the issue of shares		3,728	20,423
Dividends paid		(28,461)	(24,585)
Net cash inflow / (outflow) from financing activities		64,227	4,481
Net increase / (decrease) in cash held		(9,824)	18,683
Cash at the beginning of the financial year		49,098	29,680
Effects of exchange rates on cash and cash equivalents		(3,410)	735
Cash at the end of the reporting period		35,864	49,098

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

1. Basis of preparation

This report has been prepared in accordance with Appendix 4E of the Australian Stock Exchange Listing Rules and is in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. This financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011. The accounting policies adopted are consistent with those of the previous year and the 2011 full financial report.

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. All financial information presented in Australian dollars has been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. Statement about the audit status

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

3. Revenue

	Consolidated	
	2011 \$'000	2010 \$'000
<i>From continuing operations</i>		
Sales revenue		
Gold sales	156,344	165,183
Silver sales	16,012	10,297
Total sales revenue	172,356	175,480
Other revenue		
Interest	747	321
Other revenue	249	297
Total other revenue	996	618
Revenue from continuing operations	173,352	176,098

4. Other income

	Consolidated	
	2011 \$'000	2010 \$'000
Net gain on sale of fixed assets	72	-
Change in fair value of undesignated gold contracts held for trading	541	-
Total other income	613	-

5. Expenses

	Consolidated	
	2011 \$'000	2010 \$'000
Cost of sales	118,988	94,500
Foreign exchange losses (a)	15,832	2,507
<i>Finance costs</i>		
Interest and finance charges paid / payable	5,573	1,319
Rehabilitation provision discount adjustment	323	227
Amortisation of deferred borrowing costs	733	277
Borrowing costs capitalised	(4,960)	-
Total finance costs	1,669	1,823
Movement in provision for inventory obsolescence	(261)	(83)
<i>Depreciation and amortisation</i>		
Mine properties	21,011	11,442
Mine buildings, plant and equipment	6,922	2,472
Non-mining property, plant and equipment	457	181
Depreciation capitalised	(618)	(91)
Total depreciation and amortisation	27,772	14,004
<i>Other expenses from ordinary activities</i>		
Rental expense relating to operating leases	254	266
Business development	1,659	1,223
Dominion acquisition cost (See Note 7) (b)	4,757	-
Investor and community relations	1,049	1,216
Professional fees	2,605	2,527
Administration	5,719	3,615
Total other expenses from ordinary activities	16,043	8,847
Significant items during the year included the following items:		
Foreign exchange losses (a)	15,832	2,507
Dominion acquisition costs (b)	4,757	-
Total significant items	20,589	2,507

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

6. Income tax

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

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

6. Income tax (continued)

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
c) Amounts recognised directly in equity			
Deferred tax credited directly to equity		339	-
d) Tax expense (income) relating to items of other comprehensive income			
Foreign exchange losses recognised directly in foreign currency translation reserves		(507)	-
e) Tax losses			
Unused tax losses for which no deferred tax assets has been recognised		10,868	15,123
Potential tax benefit at 30%		3,260	4,537
<i>The tax losses were incurred by the Kingsgate tax-consolidation group in Australia as well as Laguna Resources NL.</i>			
f) Unrecognised temporary differences			
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses above		11,031	1,220
Tax at Australian tax rate of 30%		3,309	366

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

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

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

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

The start of the promotion period was 27 November 2001.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

6. Income tax (continued)

Akara Mining Limited also received on 18 June 2010 a BOI promotion for the Chatree North gold processing plant that is currently under construction.

Based on an annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara Mining Limited is entitled to:

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

Tax consolidation legislation in Australia

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 liabilities of the wholly-owned entities in the case of default by the head entity, Kingsgate Consolidated Limited.

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

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

On 2 February 2011, Kingsgate acquired Dominion Mining Limited through a Scheme Implementation Agreement (see Note 7). Dominion Mining Limited and its controlled entities joined Kingsgate Consolidated Limited tax-consolidation group upon being wholly-owned subsidiaries of Kingsgate Consolidated Limited.

7. Controlled entities acquired or disposed of

(i) Dominion Mining Limited

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

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

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

7. Controlled entities acquired or disposed of (continued)

Details of the acquisition are as follows:

Consideration

	\$'000
Equity instruments: 32,416,572 Kingsgate shares at \$9.33 per share *	302,447
Cash consideration	-
Total consideration	302,447

* *The fair value of \$9.33 per share is based on the quoted price of Kingsgate shares at the acquisition date (2 February 2011).*

Net cash flow attributable to the acquisition

	\$'000
Cash and cash equivalent balance acquired	17,104
Less: Cash consideration paid	-
Net cash inflow	17,104

Acquisition related costs

	\$'000
Charged to the profit or loss	4,757
Charged to equity (Note 10)	155
Total acquisition related costs	4,912

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

7. Controlled entities acquired or disposed of (continued)

Provisional fair value

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

	Provisional fair value on acquisition \$'000
ASSETS	
Current Assets	
Cash and cash equivalents	17,104
Receivables	8,282
Inventories	10,660
Other assets	536
Total current assets	36,582
Non-current assets	
Exploration, mine property, plant and equipment	314,020
Deferred tax assets	30,220
Total non-current assets	344,240
TOTAL ASSETS	380,822
LIABILITIES	
Current liabilities	
Payables	15,277
Provisions	4,165
Total current liabilities	19,442
Non-current liabilities	
Provisions	1,086
Deferred tax liabilities	57,847
Total non-current liabilities	58,933
TOTAL LIABILITIES	78,375
Fair value of identifiable net assets	302,447

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

(ii) Laguna Resources NL

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

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

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

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

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

Details of the acquisition are as follows:

Consideration

	\$’000
Cash consideration	2,370
Equity instruments: 1,198,465 Kingsgate shares issued as at acquisition date (see Note 10)	12,308
Consideration on acquisition date	14,678
Equity instruments: 235,921 Kingsgate shares issued subsequent to acquisition date (see Note 10)	2,392
Total consideration	17,070

Net cash flow attributable to the acquisition

	\$’000
Cash and cash equivalent balance acquired	1,744
Less: cash consideration paid	(2,370)
Net cash outflow	(626)

Fair value

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

7. Controlled entities acquired or disposed of (continued)

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

Acquisition of non-controlling interests

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

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

	\$'000
Company's ownership interest at the acquisition date	14,678
Effect of increase in Company's ownership interest	2,962
Share of comprehensive loss	(570)
Company's ownership interest at the end of the year	17,069

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

8. Details of aggregate share of profits / losses of associated and joint venture entities

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

9. Operating segments

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

- Asia – encompassing mining at the Group's Chatree Gold Mine in Thailand and exploration activities in Thailand;
- Australia – encompassing the operation of the Group's Challenger Gold Mine and mineral exploration in Western Australia and the Gawler Craton region of South Australia. Challenger Gold Mine was acquired on 2 February 2011 via the acquisition of Dominion Mining Limited (see Note 7); and
- South America – encompassing feasibility and exploration activities at the Group's Arqueros project in Chile and exploration activities in Argentina and Peru. The Group has a 70% interest in the Arqueros gold project as at 30 June 2011. The Arqueros project was acquired via the acquisition of Laguna Resources NL on 20 December 2010 (see Note 7).

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

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

Kingsgate Consolidated Limited
Preliminary Final Report 4E for the year ended 30 June 2011

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

* Transactions between segments have been eliminated.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

Major customers

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

	Revenue		% of External Revenue	
	2011 \$'000	2010 \$'000	2011 %	2010 %
Customer A	122,660	175,480	71	100
Customer B	49,696	-	29	0

10. Contributed equity

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

Movements in ordinary share capital - 2011

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

10. Contributed equity (continued)

(a) Share options exercised

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

(b) Dividend reinvestment plan

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

(c) Share options expired / lapsed

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

(d) Shares issued for the acquisition of Dominion

32,416,572 fully paid ordinary shares issued on 21 February 2011 pursuant to the Scheme of Arrangement between Dominion Mining Limited and its shareholders and option holders. The fair value of \$9.33 per share has been determined with reference to the quoted price of Kingsgate at the acquisition date. Refer to Note 7 for further details.

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

(e) Shares issued for the acquisition of Laguna

A total of 1,434,386 fully paid ordinary shares were issued for the acquisition of Laguna Resources NL pursuant to the Bid Implementation Agreement announced on 25 October 2010. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Securities Exchange. Refer to Note 7 for further details.

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

11. Reserves and retained profits

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

Foreign currency translation reserve

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

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.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

11. Reserves and retained profits

Share-based payment reserve

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

General reserve

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

b) Retained profits

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

12. Net tangible asset backing

	2011	2010
Net tangible asset backing per ordinary shares; \$ / per share	4.43	3.16

13. Dividends

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

14. Cash flow information

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

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

15. Events occurring after reporting date

Acquisition of Bowdens Silver Project

On 1 August 2011, the Company announced that it had entered into an agreement to purchase the Bowdens Silver Project (“Bowdens”) in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. (“Silver Standard”), subject to the satisfaction of certain conditions precedent.

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

Consideration for the acquisition is \$75 million comprising:

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

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

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

Management restructure

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

Preference shares

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

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

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

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

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

**NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011**

16. Events occurring after reporting date

Exercise of options

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

Facilities draw down

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

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

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

Dividends declaration

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

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2011

17. Earnings per share

	Consolidated	
	2011 Cents	2010 Cents
Basic earnings per share	18.7	75.2
Diluted earnings per share	18.6	74.5
	\$'000	\$'000
Net profit used to calculate basic and diluted earnings per share	21,148	73,066
	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	113,284,262	97,164,748
Adjustment for calculation of diluted earnings per share: option	557,722	863,156
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	113,841,984	98,027,904

Options

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

KINGSGATE CONSOLIDATED LIMITED

Directors' Report and Financial Statements

For The Year Ended 30 June 2011



CONTENTS	PAGES
Directors' Report	1
Auditor's Independence Declaration	22
Statement of Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flow	27
Notes to the Financial Statements	29
Directors' Declaration	94
Independent Auditor's Report	95



DIRECTORS' REPORT

30 June 2011

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

Directors

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

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

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

Principal activities

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

Dividends

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

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

Review of operations and results

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

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

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



DIRECTORS' REPORT (continued)
30 June 2011

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

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

Significant change in the state of affairs

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

Matters subsequent to the end of the financial year

Acquisition of Bowdens Silver Project

On 1 August 2011, the Company announced that it had entered into an agreement to purchase the Bowdens Silver Project ("Bowdens") in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. ("Silver Standard"), subject to the satisfaction of certain conditions precedent.

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

Consideration for the acquisition is \$75 million comprising:

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

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

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

Management restructure

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



DIRECTORS' REPORT (continued)
30 June 2011

Preference shares

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

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

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

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

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

Exercise of options

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

Facilities draw down

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

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

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

Dividends declaration

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

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

At the Chatree mine in Thailand an expansion of the processing plant is expected to be completed in the September quarter 2011 that will lift nominal throughput from around 2.3 million tonnes per annum to over 5 million tonnes per annum. This uplift in throughput rates together with the higher grade ore mined from the C North pit will result in an increase in gold production to between 145,000 ounces to 155,000 ounces for the 2012 financial year. At the Challenger mine in South Australia, production for the year is expected to be in line with 2011 with production in the range of 95,000 ounces to 105,000 ounces of gold.



DIRECTORS' REPORT (continued)
30 June 2011

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

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

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

Environmental regulation

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

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

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

* Appointed 22 February 2011.

During the financial year, twenty six Board meetings, two Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting were held. The table above shows information on Board members and their attendance (including by telecommunication) during the year.

Information on Directors

Ross Smyth-Kirk, B Com, CPA, F Fin, Age 64

Chairman

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He has been a Director of a number of companies over the past 31 years in Australia and the UK and is currently a Director of Argent Minerals Limited. Mr. Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited.

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



DIRECTORS' REPORT (continued)
30 June 2011

Peter McAleer, B Com (Hons), B L (Kings Inn – Dublin, Ireland), Age 68

Non-Executive Director

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

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

Craig Carracher, LLB (Sydney), BCL (Oxford), Age 45

Non-Executive Director

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

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

Peter Alexander, Ass. Appl. Geol, Age 59

Non-Executive Director

Peter Alexander has had 38 years experience in the Australian and off-shore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr. Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr. Alexander is also a Director of the ASX listed company Doray Minerals Limited.

Gavin Thomas, BSc FAusIMM, Age 60

Managing Director

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and / or copper production entities. He has over 40 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe. Amongst other things he was credited with the discovery of the Lihir gold deposit in Papua New Guinea, one of the largest gold deposits in the world. In particular he has extensive experience in Thailand, Southwest Pacific and South America. Mr. Thomas is currently Chairman of the TSX listed company Mercator Minerals Limited and also Chairman of the ASX listed company Laguna Resources NL.

Responsibilities: Managing Director and Chief Executive Officer.

Company Secretary

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

Responsibilities: Chief Financial Officer.



DIRECTORS' REPORT (continued)
30 June 2011

Remuneration Report

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

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

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

A Principles used to determine the nature and amount of remuneration

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

The objectives of this policy are:

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

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

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



DIRECTORS' REPORT (continued)
30 June 2011

Non-Executive Directors

The aggregate remuneration of Directors is set by shareholders in general meeting, in accordance with the Constitution of the Company, with individual Director's remuneration determined by the Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants is taken into account. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is \$1,000,000.

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

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

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

Retirement allowances for Directors

There are no retirement allowances for Non-Executive Directors.

Executive pay

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

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

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

Base pay

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

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

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

Benefits

Executives may receive benefits including car allowances and car parking.

Short-term incentives

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



DIRECTORS' REPORT (continued)
30 June 2011

Long-term incentives

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

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

B Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the Directors of Kingsgate Consolidated Limited (see pages 4 to 5) and those executives that report directly to the Managing Director being:

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

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

- Genesio Circosta – Country Exploration Manager, Thailand.



DIRECTORS' REPORT (continued)
30 June 2011

2011	Short-term benefits			Post-employment benefits		Share-based payment	Total
	Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Retirement benefits \$	
<i>Non-executive directors</i>							
Ross Smyth-Kirk	160,000	-	1,884	14,400	-	-	176,284
Peter McAleer *	100,000	-	-	-	-	-	100,000
Craig Carracher	100,000	-	-	9,000	-	-	109,000
Peter Alexander	41,667	-	-	3,750	-	-	45,417
Sub-total non-executive directors compensation	401,667	-	1,884	27,150	-	-	430,701
<i>Executive director</i>							
Gavin Thomas	940,000	400,000	42,094	50,000	-	-	1,432,094
<i>Other key management personnel</i>							
Peter Warren ^ #	564,400	200,000	8,344	46,803	-	12,786	832,333
Phil MacIntyre ^	456,448	105,759	9,727	-	-	18,990	590,924
Ron James ^ #	424,600	-	1,832	-	-	10,128	436,560
Duane Woodbury ^#	390,000	250,000	1,142	-	-	52,680	693,822
Peter Bamford >	123,335	-	11,515	20,833	-	-	155,683
Stephen Promnitz **	258,978	-	-	10,417	-	-	269,395
Sub-total executive director and other key management personnel compensation	3,157,761	955,759	74,654	128,053	-	94,584	4,410,811
<i>Other group executives</i>							
Genesio Circosta ^	285,744	23,133	4,625	-	-	-	313,502
Sub-total other group executives compensation	285,744	23,133	4,625	-	-	-	313,502
TOTAL	3,845,172	978,892	81,163	155,203	-	94,584	5,155,014

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

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

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

** Resigned 30 November 2010.

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



DIRECTORS' REPORT (continued)
30 June 2011

2010	Short-term benefits			Post-employment benefits		Share-based payment	Total
	Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Retirement benefits \$	
<i>Non-executive directors</i>							
Ross Smyth-Kirk	160,000	-	2,120	14,400	-	-	176,520
Peter McAleer *	100,000	-	-	-	-	-	100,000
Craig Carracher	100,000	-	-	10,800	-	-	110,800
John Falconer **	25,000	-	-	2,250	-	-	27,250
Sub-total non-executive directors compensation	385,000	-	2,120	27,450	-	-	414,570
<i>Executive director</i>							
Gavin Thomas	850,000	-	36,855	50,000	-	-	936,855
<i>Other key management personnel</i>							
Peter Warren ^ #	435,000	-	8,277	49,863	-	34,246	527,386
Phil MacIntyre ^	675,171	-	11,672	-	-	50,861	737,704
Ron James ^ #	551,200	-	-	-	-	27,126	578,326
Stephen Promnitz ^ #	375,000	-	-	25,000	-	-	400,000
Sub-total executive director and other key management personnel compensation	2,886,371	-	56,804	124,863	-	112,233	3,180,271
<i>Other group executives</i>							
Genesio Circosta ^	341,920	-	1,847	-	-	-	343,767
Sub-total other group executives compensation	341,920	-	1,847	-	-	-	343,767
TOTAL	3,613,291	-	60,771	152,313	-	112,233	3,938,608

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

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

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

** Resigned 27 August 2009.



DIRECTORS' REPORT (continued)
30 June 2011

C Service agreements

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

Gavin Thomas – Chief Executive Officer / Managing Director

- Term of agreement – 3 years commencing on 1 July 2008. The service agreement is in the process of being renewed.
- Base salary, inclusive of superannuation, as at 30 June 2011 of \$990,000 to be reviewed annually by the Remuneration Committee.
- The agreement may be terminated early by the Company, other than for gross misconduct with one month notice. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equals the base salary for the remaining term of the agreement.

Peter Warren – Chief Financial Officer / Company Secretary

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

Phil MacIntyre – Chief Operating Officer

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

Ron James – General Manager Exploration and Resource Development

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

Duane Woodbury – General Manager Strategic Development

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

Peter Bamford – General Manager Challenger Operations and Development

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

Genesio Circosta – Country Exploration Manager, Thailand

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



DIRECTORS' REPORT (continued)
30 June 2011

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:



DIRECTORS' REPORT (continued)
30 June 2011

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



DIRECTORS' REPORT (continued)**30 June 2011**

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

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

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



DIRECTORS' REPORT (continued)

30 June 2011

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

Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Intrinsic value at exercise date * \$
Directors			
Gavin Thomas	01 Jul 2010	500,000	2,735,000
Key management personnel			
Phil MacIntrye	06 Sep 2010	15,000	74,250
	25 Feb 2011	35,000	117,250
Stephen Promnitz **	30 Jul 2010	175,000	925,000

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

** Resigned 30 November 2010.

E Additional information

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

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

Details of remuneration: cash bonus and options

For each contracted bonus and grant of options (included in the tables on pages 9 to 10 and 13 to 15), the percentage of the available bonus or grant that was paid or vested, and the percentage that was forfeited (because the person did not meet the service and performance criteria) is set out as follows. No part of the bonus is payable in future years. Non-contracted bonuses (included in the tables on pages 9 to 10), paid at the discretion of the Remuneration Committee, have been excluded from this table. The options vest over a 3 year period and will vest if the executive remains an employee of the Company on the vesting date and the options will vest immediately if the executive's employment is terminated as a result of a change in control of the Company. No options will vest if the above conditions are not satisfied, hence the minimum value of the options yet to vest is nil.



DIRECTORS' REPORT (continued)
30 June 2011

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

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

** Resigned 30 November 2010.

Share-based compensation: options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are in accordance with the Kingsgate Executive Option Plan. For details of these plans and the valuation of options, including models and assumptions used, please refer to Note 26.



DIRECTORS' REPORT (continued)
30 June 2011

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

** Resigned 30 November 2010.

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

Shares under options

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

Date of grant	Number of options	Terms
07 Jul 2006	50,000	\$6.00 expiring 01 Jul 2011
04 Apr 2008	58,535	\$4.68 expiring 03 Apr 2013
04 Apr 2008	981,001	\$6.00 expiring 03 Apr 2013
04 Apr 2008	500,000	\$7.00 expiring 03 Apr 2013



DIRECTORS' REPORT (continued)
30 June 2011

Shares issued on the exercise of options

In 2011:

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

This resulted in the issue of 893,978 fully paid ordinary shares being issued. No amounts are unpaid on any of the shares.

Interest in shares and options of the Company

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

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



DIRECTORS' REPORT (continued)
30 June 2011

Insurance of officers

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

Directors' interest in contracts

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

Non-audit services

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

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

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

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

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



DIRECTORS' REPORT (continued)
30 June 2011

REMUNERATION OF AUDITORS

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



DIRECTORS' REPORT (continued)
30 June 2011

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 22.

Rounding of amounts

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

Auditors

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

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

A handwritten signature in black ink, appearing to read 'ROSS SMYTH-KIRK', written over a horizontal line.

Ross Smyth-Kirk
Director

Sydney
29 August 2011



Auditor's Independence Declaration

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

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

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

A handwritten signature in blue ink, appearing to read 'M Upcroft', is written over the typed name.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
29 August 2011



STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from continuing operations	4	173,352	176,098
Other income	5	613	-
Changes in inventories of finished goods and work in progress		23,865	27,851
Direct costs of mining and processing		(99,536)	(82,212)
Employee benefits expense		(16,744)	(11,820)
Depreciation and amortisation expenses	6	(27,772)	(14,004)
Finance costs	6	(1,669)	(1,823)
Exploration expensed		(2,447)	(385)
Foreign exchange losses	6	(15,832)	(2,507)
Other expenses from ordinary activities	6	(16,043)	(8,847)
Profit before income tax		17,787	82,351
Income tax benefit /(expense)	7	3,092	(9,285)
Profit after income tax		20,879	73,066
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax)	21	(30,795)	1,634
Change in fair value of available-for-sale financial assets (net of tax)	21	791	-
Total other comprehensive (loss) / income for the year, net of tax		(30,004)	1,634
Total comprehensive income for the year		(9,125)	74,700
Profit attributable to:			
Owners of Kingsgate Consolidated Limited		21,148	73,066
Non-controlling interests		(269)	-
Profit for the year		20,879	73,066
Total comprehensive income attributable to:			
Owners of Kingsgate Consolidated Limited		(8,856)	74,700
Non-controlling interests		(269)	-
Total comprehensive (loss) / income for the year		(9,125)	74,700
		Cents	Cents
Earnings per share			
Basic earnings per share	34	18.7	75.2
Diluted earnings per share	34	18.6	74.5

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



STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

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

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

Consolidated	Notes	Contributed equity	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010		156,068	4,008	155,967	316,043	-	316,043
Total comprehensive income for the year		-	(30,004)	21,148	(8,856)	(269)	(9,125)
<i>Transaction with owners in their capacity as owners:</i>						-	
Contributions of equity, net of transaction costs	20	9,659	-	-	9,659	-	9,659
Issue of ordinary shares related to acquisition of subsidiaries and assets	20	317,147	-	-	317,147	-	317,147
General reserve		-	23	-	23	-	23
Dividends provided for or paid		-	-	(33,647)	(33,647)	-	(33,647)
Movement in share option reserve	21	-	(554)	-	(554)	-	(554)
Total transactions with owners		326,806	(531)	(33,647)	292,628	-	292,628
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		482,874	(26,527)	143,468	599,815	(269)	599,546
Acquisition of non-controlling interests		-	-	-	-	7,378	7,378
Balance as 30 June 2011		482,874	(26,527)	143,468	599,815	7,109	606,924

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



STATEMENT OF CASH FLOW
For the year ended 30 June 2011

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

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



CONTENTS OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1	BASIS OF PREPARATION	Pg. 29	12	AVAILABLE-FOR-SALE FINANCIAL ASSETS	Pg. 51
2	SIGNIFICANT ACCOUNTING POLICIES	Pg. 29	13	EXPLORATION, MINE PROPERTY, PLANT AND EQUIPMENT	Pg. 52
	<i>(a) Principles of consolidation</i>	Pg. 29	14	DEFERRED TAX ASSETS	Pg. 53
	<i>(b) Foreign currency translation</i>	Pg. 30	15	BORROWINGS	Pg. 54
	<i>(c) Revenue</i>	Pg. 31	16	PAYABLES	Pg. 56
	<i>(d) Income tax</i>	Pg. 31	17	PROVISIONS	Pg. 56
	<i>(e) Leases</i>	Pg. 32	18	CURRENT TAX LIABILITIES	Pg. 57
	<i>(f) Impairment of assets</i>	Pg. 33	19	DEFERRED TAX LIABILITIES	Pg. 57
	<i>(g) Cash and cash equivalents</i>	Pg. 33	20	CONTRIBUTED EQUITY	Pg. 58
	<i>(h) Trade and other receivables</i>	Pg. 33	21	RESERVES AND RETAINED PROFITS	Pg. 61
	<i>(i) Inventories</i>	Pg. 33	22	COMMITMENTS FOR EXPENDITURE	Pg. 63
	<i>(j) Non-derivative financial assets</i>	Pg. 34	23	INVESTMENTS IN CONTROLLED ENTITIES	Pg. 64
	<i>(k) Derivative financial instruments</i>	Pg. 35	24	DIVIDENDS	Pg. 65
	<i>(l) Property, plant and equipment</i>	Pg. 35	25	RELATED PARTIES	Pg. 65
	<i>(m) Deferred stripping costs</i>	Pg. 36	26	EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS	Pg. 66
	<i>(n) Deferred mining services costs</i>	Pg. 37	27	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES	Pg. 69
	<i>(o) Exploration and evaluation expenditure</i>	Pg. 37	28	EVENTS OCCURRING AFTER REPORTING DATE	Pg. 70
	<i>(p) Mine properties</i>	Pg. 37	29	CONTINGENT LIABILITIES	Pg. 71
	<i>(q) Trade and other payables</i>	Pg. 38	30	OPERATING SEGMENTS	Pg. 72
	<i>(r) Borrowings</i>	Pg. 38	31	FINANCIAL RISK MANAGEMENT AND INSTRUMENTS	Pg. 74
	<i>(s) Borrowing costs</i>	Pg. 38	32	KEY MANAGEMENT PERSONNEL DISCLOSURES	Pg. 80
	<i>(t) Provisions</i>	Pg. 38	33	REMUNERATION OF AUDITORS	Pg. 84
	<i>(u) Restoration and rehabilitation provision</i>	Pg. 39	34	EARNINGS PER SHARE	Pg. 85
	<i>(v) Employee benefits</i>	Pg. 39	35	PARENT ENTITY FINANCIAL INFORMATION	Pg. 86
	<i>(w) Dividends</i>	Pg. 40	36	BUSINESS ACQUISITION	Pg. 87
	<i>(x) Earnings per share</i>	Pg. 40	37	DEED OF CROSS GUARANTEE	Pg. 91
	<i>(y) Contributed equity</i>	Pg. 41			
	<i>(z) Goods and Services Tax (GST)</i>	Pg. 41			
	<i>(aa) Operating segment reporting</i>	Pg. 41			
	<i>(bb) New accounting standards and interpretations</i>	Pg. 41			
3	CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS	Pg. 43			
4	REVENUE	Pg. 45			
5	OTHER INCOME	Pg. 45			
6	EXPENSES	Pg. 46			
7	INCOME TAX	Pg. 47			
8	CASH AND CASH EQUIVALENTS	Pg. 50			
9	RECEIVABLES	Pg. 50			
10	INVENTORIES	Pg. 51			
11	OTHER ASSETS	Pg. 51			



NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

The Financial Report of Kingsgate Consolidated Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of Directors on 29 August 2011.

Kingsgate Consolidated Limited (the “Company”) is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). A description of the nature of the Group’s operations and its principal activities is included in the Directors’ Report.

1. BASIS OF PREPARATION

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

Compliance with IFRS

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

Historical cost convention

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

Functional and presentation currency

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

Rounding of amounts

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

Critical accounting estimates

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) *Principles of consolidation*

(i) *Business combinations*

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

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

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

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

(ii) Subsidiaries

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

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

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

(b) Foreign currency translation

(i) Transactions and balances

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

(ii) *Foreign operations*

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

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

(c) *Revenue*

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

Gold and silver sales

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

(d) *Income tax*

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

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

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

Deferred tax is not recognised for:

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

Tax consolidation

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

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

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

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

Tax funding and sharing agreements

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

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

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

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

(e) Leases

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

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

(i) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

expenditure the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(j) *Non-derivative financial assets*

Classification and recognition

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(ii) *Loans and receivables*

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

(iv) Held-to-maturity financial assets

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

Impairment

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

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

(k) Derivative financial instruments

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

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

(l) Property, plant and equipment

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Depreciation

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

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

The expected useful lives are as follows:

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

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

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

Impairment

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

Derecognition

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

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

(m) Deferred stripping costs

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

Amortisation of costs is provided on the units-of-production method. The units-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

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

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

(n) Deferred mining services costs

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

(o) Exploration and evaluation expenditure

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

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

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

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

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

(p) Mine properties

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

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

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

(q) Trade and other payables

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

(r) Borrowings

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

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

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

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

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year used to develop the qualifying asset.

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

(t) Provisions

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

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

(u) Restoration and rehabilitation provision

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

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

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation.

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

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

(v) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave and severance pay

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

(iii) Cash bonuses

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

(iv) Retirement benefit obligations

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

(v) Share-based payment transactions

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

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

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

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

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

(y) Contributed equity

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

(z) Goods and Services Tax (GST)

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

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

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

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

(aa) Operating segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 30.

(bb) New accounting standards and interpretations

(i) New and amended standards adopted by the Group

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

(ii) *New accounting standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial statement. The Group's assessment of the impact of these new standards and interpretations is set out below.

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(i) Mineral resources and ore reserves estimates

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

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

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

(ii) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met (Note 2(o)). Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgement. The related carrying amounts are disclosed in Note 13.

(iii) Restoration and rehabilitation provision

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

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see Note 17). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

(iv) Units-of-production method of depreciation

The Group applies the units-of-production method for depreciation and amortisation of its mine properties, mine buildings, plant and equipment. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the estimated recoverable reserves used in the determination of the depreciation and amortisation charges. Factors that must be considered in determining estimated recoverable reserves (which includes both reserves and resources) and production capacity are the history of converting resources to reserves and the relevant time frames, anticipated mining method and costs, the complexity of metallurgy, markets, and future developments. The related carrying amounts are disclosed in Note 13.

(v) Share-based payments

The Group measures share-based payments at fair value at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instrument were granted, as discussed in Note 26.



NOTES TO THE FINANCIAL STATEMENTS (continued)**30 June 2011***(vi) Deferred tax balances*

Deferred tax assets in respect of tax losses for the Kingsgate tax-consolidation group (Note 7) are recognised in the financial statements as management considers that it is probable that future taxable profits will be available to utilise those tax losses. Management reviews on a regular basis the future profitability of the entities included in the tax-consolidation group to ensure that the tax losses recognised will be utilised.

Deferred tax balances for temporary differences in respect of Akara Mining Limited are measured based on their expected rate of reversal. The rate of reversal for these temporary differences is mainly impacted by the allocation of the temporary differences between the two Royal Thai Board of Investment (“BOI”) activities (Note 7) which are undertaken by Akara Mining Limited. The estimated time period when they will reverse is largely based on the expected production of gold during the BOI period.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

4. REVENUE

	Consolidated	
	2011 \$'000	2010 \$'000
<i>From continuing operations</i>		
Sales revenue		
Gold sales	156,344	165,183
Silver sales	16,012	10,297
Total sales revenue	172,356	175,480
Other revenue		
Interest	747	321
Other revenue	249	297
Total other revenue	996	618
Revenue from continuing operations	173,352	176,098

5. OTHER INCOME

	Consolidated	
	2011 \$'000	2010 \$'000
Net gain on sale of fixed assets	72	-
Change in fair value of undesignated gold contracts held for trading	541	-
Total other income	613	-



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

6. EXPENSES

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

7. INCOME TAX

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
c) Amounts recognised directly in equity			
Deferred tax credited directly to equity		339	-
d) Tax expense (income) relating to items of other comprehensive income			
Foreign exchange losses recognised directly in foreign currency translation reserves		(507)	-
e) Tax losses			
Unused tax losses for which no deferred tax assets has been recognised		10,868	15,123
Potential tax benefit at 30%		3,260	4,537
<i>The tax losses were incurred by the Kingsgate tax-consolidation group in Australia as well as Laguna Resources NL.</i>			
f) Unrecognised temporary differences			
Tax losses recognised to offset deferred tax liabilities not recognised on the statement of financial position and not already included in the tax losses above		11,031	1,220
Tax at Australian tax rate of 30%		3,309	366

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

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

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

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

The start of the promotion period was 27 November 2001.

Akara Mining Limited also received on 18 June 2010 a BOI promotion for the Chatree North gold processing plant that is currently under construction.

Based on an annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara Mining Limited is entitled to:



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

Tax consolidation legislation in Australia

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

8. CASH AND CASH EQUIVALENTS

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

Cash on hand

These are petty cash held by subsidiaries.

Deposits at call

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

Other deposits

This represents restricted cash held on deposit with financial institutions.

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

Risk exposure

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

9. RECEIVABLES

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

Trade receivables

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

Other debtors

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

Risk exposure

The Group's exposure to credit and currency risks is disclosed in Note 31.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

10. INVENTORIES

	Consolidated	
	2011 \$'000	2010 \$'000
Current		
Raw materials and stores – at cost	9,685	4,107
Provision for obsolescence	(1,470)	(1,731)
Work in progress – at cost	19,601	9,368
Gold bullion	3,146	-
Total inventories – current	30,962	11,744
Non-current		
Stockpiles	43,265	37,552
Total inventories – non-current	43,265	37,552

11. OTHER ASSETS

	Consolidated	
	2011 \$'000	2010 \$'000
Current		
Prepaid mining services	11,692	9,639
Prepayments	7,449	8,795
Deferred cost of divestment	5,024	3,124
Other deposits	103	73
Deferred stripping costs	-	6,903
Loan establishment fees	-	81
Total other assets - current	24,268	28,615
Non-current		
Deferred stripping costs	14,477	-
Other deposits	2,138	1,903
Total other assets – non-current	16,615	1,903

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2011 \$'000	2010 \$'000
Equity securities		
At the beginning of the year	1,071	-
Additions	-	1,071
Disposals	-	-
Revaluation	1,129	-
At the end of the year	2,200	1,071



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

13. EXPLORATION, MINE PROPERTY, PLANT AND EQUIPMENT

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Capitalised borrowing costs

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

14. DEFERRED TAX ASSETS

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

15. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see Note 31.

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

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

Syndicated loan facility

A US\$100 million baht denominated syndicated loan facility between Akara Mining Limited (“Akara”) and a bank syndicate comprising CIMB Thai Bank Public Company Limited, the Bangkok branch of Sumitomo Mitsui Banking Corporation and Investec Bank (Australia) Limited (“Investec”) was executed in May 2011. The facility is provided subject to security over Akara's assets and undertakings and guarantees from Akara's subsidiary.

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Revolving loan facility

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

Covenants

The syndicated loan facility and the revolving loan facility contain covenants and restrictions requiring the Group to meet certain financial ratios and reporting requirements, as well as subsidiaries that are guarantors of borrowings. The Group is in compliance with the debt covenants as at 30 June 2011.

Preference shares

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

16. PAYABLES

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

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

17. PROVISIONS

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Current			
Employee benefits	26	3,264	1,003
Total provisions – current		3,264	1,003
Non-current			
Restoration and rehabilitation		8,943	7,946
Employee benefits	26	3,025	3,211
Total provisions – non-current		11,968	11,157
<i>Movements in the restoration and rehabilitation provision is set out below:</i>			
Restoration and rehabilitation			
At the beginning of the financial year		7,946	5,130
Addition on Dominion acquisition	36	1,086	-
Revision of rehabilitation provision		768	2,648
Unwind of discount rate for provision		323	227
Foreign currency exchange differences		(1,180)	(59)
At the end of the financial year		8,943	7,946



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

18. CURRENT TAX LIABILITIES

	Consolidated	
	2011	2010
	\$'000	\$'000
Current tax liabilities	2,953	3,225

19. DEFERRED TAX LIABILITIES

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

20. CONTRIBUTED EQUITY

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Movements in ordinary share capital - 2010				
Date	Details	Notes	2010 Number of shares	2010 \$'000
01 Jul 2009	Opening balance		96,136,392	129,300
31 Jul 2009	Options exercised	(a)	26,667	192
26 Aug 2009	Options exercised	(a)	10,200	63
28 Aug 2009	Options exercised	(a)	18,000	112
02 Sep 2009	Options exercised	(a)	37,900	235
18 Sep 2009	Options exercised	(a)	23,506	146
23 Sep 2009	Dividend reinvestment plan	(b)	252,670	1,908
01 Oct 2009	Options exercised	(a)	60,000	377
09 Nov 2009	Options exercised	(a)	10,600	66
10 Nov 2009	Options exercised	(a)	16,667	120
13 Nov 2009	Options exercised	(a)	146,666	1,073
17 Nov 2009	Options exercised	(a)	100,000	835
19 Nov 2009	Options exercised	(a)	150,000	1,403
23 Nov 2009	Options exercised	(a)	160,000	1,061
24 Nov 2009	Options exercised	(a)	225,000	1,602
30 Nov 2009	Options exercised	(a)	60,000	442
02 Dec 2009	Options exercised	(a)	9,000	64
25 Feb 2010	Options exercised	(a)	110,000	544
04 Mar 2010	Options exercised	(a)	100,000	637
16 Mar 2010	Dividend reinvestment plan	(b)	288,901	2,589
21 May 2010	Options exercised	(a)	34,080	216
10 Jun 2010	Options exercised	(a)	19,534	124
30 Jun 2010	Options exercised	(a)	2,000,000	12,889
30 July 2009	Options expired / lapsed	(c)	-	39
30 Nov 2009	Options expired / lapsed	(c)	-	31
30 Jun 2010	Closing balance		99,995,783	156,068

(a) Share options exercised

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

(b) Dividend reinvestment plan

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

(c) Share options expired / lapsed

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

(d) Shares issued for the acquisition of Dominion

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

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

(e) Shares issued for the acquisition of Laguna

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

21. RESERVES AND RETAINED PROFITS

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Foreign currency translation reserve

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

Available-for-sale investment revaluation reserve

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

Share-based payment reserve

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

General reserve

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

b) Retained profits

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

22. COMMITMENTS FOR EXPENDITURE

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

Capital commitments

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

Operating leases

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

Exploration commitments

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

Remuneration commitments

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

23. INVESTMENTS IN CONTROLLED ENTITIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Issara Mining Limited	Thailand	Ordinary	100	100
Richaphum Limited	Thailand	Ordinary	100	100
Phar Lap Limited	Thailand	Ordinary	100	100
Akara Mining Limited	Thailand	Ordinary	100	100
Suan Sak Patana Limited	Thailand	Ordinary	100	100
Phar Mai Exploration Limited	Thailand	Ordinary	100	100
Phar Rong Limited	Thailand	Ordinary	100	100
Kingsgate Capital Pty Limited	Australia	Ordinary	100	100
Kingsgate South America Pty Ltd	Australia	Ordinary	100	100
Dominion Mining Limited	Australia	Ordinary	100	-
Dominion Gold Operations Pty Limited	Australia	Ordinary	100	-
Quadrio Resources Pty Limited	Australia	Ordinary	100	-
Gawler Gold Mining Pty Limited	Australia	Ordinary	100	-
Dominion Copper Pty Limited	Australia	Ordinary	100	-
Dominion Metals Pty Limited	Australia	Ordinary	100	-
Laguna Resources NL	Australia	Ordinary	70	-
Laguna Exploration Pty Ltd	Australia	Ordinary	70	-
Laguna Chile Ltda	Chile	Ordinary	70	-
Minera Kingsgate Limitada	Chile	Ordinary	100	100
Kingsgate Peru SRL	Peru	Ordinary	100	100
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	100	100

Minera Kingsgate Limitada, Kingsgate Peru SRL, Minera Kingsgate Argentina S.A., and Laguna Resources NL depend on funding from the Group to sustain exploration activities.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

24. DIVIDENDS

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

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

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

25. RELATED PARTIES

Transactions with related parties

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

Wholly owned Group

The wholly-owned Group consists of Kingsgate Consolidated Limited and its wholly-owned controlled entities. A list of the controlled entities and the ownership interest is set out in Note 23.

Intercompany loans

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

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

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

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

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

Management fees

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

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

Controlling entity

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

26. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

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

Superannuation

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

Kingsgate executive option plan

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

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

Year ended 30 June 2011							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
08 Jul 2005	01 Jul 2010	\$4.00	500,000	-	500,000	-	-
13 Oct 2005	01 Aug 2010	\$3.25	25,000	-	25,000	-	-
13 Oct 2005	01 Aug 2010	\$4.00	50,000	-	50,000	-	-
13 Oct 2005	01 Aug 2010	\$5.00	100,000	-	100,000	-	-
07 Jul 2006	01 Jul 2011	\$6.00	50,000	-	-	50,000	50,000
04 Apr 2008	03 Apr 2013	\$4.68	179,180	-	113,645	58,535	58,535
04 Apr 2008	03 Apr 2013	\$6.00	431,334	-	105,333	286,001	286,001
Total			1,335,514	-	893,978	394,536	394,536
Weighted average exercise price			\$4.87		\$4.41	\$5.80	\$5.80



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Year ended 30 June 2010							
Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
08 Jul 2005	01 Apr 2010	\$2.69	60,000	-	60,000	-	-
08 Jul 2005	01 Jul 2010	\$4.00	500,000	-	-	500,000	500,000
08 Jul 2005	01 Jul 2010	\$5.00	500,000	-	500,000	-	-
08 Jul 2005	01 Jul 2010	\$6.00	500,000	-	500,000	-	-
08 Jul 2005	01 Jul 2010	\$7.00	1,000,000	-	1,000,000	-	-
13 Oct 2005	26 Oct 2010	\$5.00	80,000	-	80,000	-	-
13 Oct 2005	26 Oct 2010	\$6.00	80,000	-	80,000	-	-
13 Oct 2005	01 Aug 2010	\$3.25	25,000	-	-	25,000	25,000
13 Oct 2005	01 Aug 2010	\$4.00	50,000	-	-	50,000	50,000
13 Oct 2005	01 Aug 2010	\$5.00	100,000	-	-	100,000	100,000
13 Oct 2005	01 Aug 2010	\$6.00	100,000	-	100,000	-	-
13 Oct 2005	01 Aug 2010	\$7.00	125,000	-	125,000	-	-
07 Jul 2006	01 Jul 2011	\$5.50	50,000	-	50,000	-	-
07 Jul 2006	01 Jul 2011	\$6.00	100,000	-	50,000	50,000	50,000
07 Jul 2006	01 Jul 2011	\$7.00	100,000	-	100,000	-	-
07 Jul 2006	01 Jul 2011	\$8.00	150,000	-	150,000	-	-
04 Apr 2008	03 Apr 2013	\$4.68	334,000	-	154,820	179,180	67,854
04 Apr 2008	03 Apr 2013	\$6.00	666,000	-	148,000	431,334	209,334
Total			4,520,000	-	3,097,820	1,335,514	1,002,188
Weighted average exercise price			\$5.78		\$6.17	\$4.87	\$4.64

The share prices at the grant dates were \$2.82 at 8 July 2005, \$4.03 at 13 October 2005, \$5.12 at 7 July 2006 and \$4.05 at 4 April 2008.

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.71 years (2010: 1.95 years).



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Fair value of options granted

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

Options issued by controlled entity

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

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

	30 Jun 11
Term	3.6 years
Exercise price	\$3.125
Underlying share price at the date of grant *	\$2.875
Expected share price volatility over the term of the options	87.13%
Risk free rate for the term of the options (based on the Government bond rate)	4.75%
Vesting condition – the date Laguna’s Board of Directors approve the decision to mine the Arqueros project	

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

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

Expense arising from share-based payment transaction

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

28. EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of Bowdens Silver Project

On 1 August 2011, the Company announced that it had entered into an agreement to purchase the Bowdens Silver Project (“Bowdens”) in New South Wales, Australia from a wholly-owned subsidiary of Silver Standard Resources Inc. (“Silver Standard”), subject to the satisfaction of certain conditions precedent.

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

Consideration for the acquisition is \$75 million comprising:

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

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

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

Management restructure

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

Preference shares

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

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

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

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

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



DIRECTORS' REPORT

30 June 2011

Exercise of options

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

Facilities draw down

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

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

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

Dividends declaration

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

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

29. CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2011 in respect of:

Guarantees

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 15 as part of the security package.

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

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



DIRECTORS' REPORT
30 June 2011

30. OPERATING SEGMENTS

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

* Transactions between segments have been eliminated.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Major customers

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

	Revenue		% of External Revenue	
	2011 \$'000	2010 \$'000	2011 %	2010 %
Customer A	122,660	175,480	71	100
Customer B	49,696	-	29	0

31. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management

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

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

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

The Group holds the following financial instruments:

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

a) Market risk

Foreign exchange risk

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

Current year foreign exchange risks arise primarily from:

- the sale of gold which is in US dollars;
- the significant Group financial assets at the Chatree Gold Mine which are denominated in Thai Baht;
- the financial liabilities incurred by the mining and exploration activities in Thailand which are also denominated in Thai Baht; and
- the functional currency of the Thai subsidiaries is Thai Baht.

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

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

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

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

If the spot Australian dollar weakened / strengthened by 1 cent against the US dollar with all other variables held constant, the Group's revenue for the year would have been \$1,642,000 higher / \$1,611,000 lower (2010: \$2,073,000 higher / \$2,025,000 lower).

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

Commodity price risk

At 30 June 2011 the Group's subsidiary, Dominion Mining Limited, has forward sold 8,000 ounces of gold at an average price of \$1,130 per ounce. This represents approximately 1% of current Challenger gold resources.

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

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

Equity price risk

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

A 10% increase (decrease) of the share price for the equity securities at 30 June 2011 would have increased (decreased) equity by the amounts shown as follows.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

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

Interest rate risk

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 June 2011**

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

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

	Consolidated			
	100 bps increase		100 bps decrease	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2011				
Variable rate instrument	186	-	(186)	-
30 June 2010				
Variable rate instrument	472	-	(472)	-

b) Credit risk

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

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

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

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

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 undiscounted cash flows.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

2011	Carrying amount	1 year or less	1 - 2 years	2 - 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	39,096	35,556	880	2,330	330	39,096
Borrowings	99,896	30,016	41,510	42,206	-	113,732
Derivatives held for trading	2,260	2,260	-	-	-	2,260
Total financial liabilities 2011	141,252	67,832	42,390	44,536	330	155,088
2010	Carrying amount	1 year or less	1 - 2 years	2 - 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	20,964	15,055	881	2,645	2,383	20,964
Borrowings	11,064	10,982	-	82	-	11,064
Total financial liabilities 2010	32,028	26,037	881	2,727	2,383	32,028

The borrowings include secured bank loans (see Note 15) and preference shares in Akara Mining Limited have been classified as borrowings on consolidation and have an interest rate of 12% per annum (see Note 28).

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

d) Fair value measurements

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

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

Fair value hierarchy

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

	Consolidated			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2011				
Available-for-sale financial asset	*2,200	-	-	2,200
Payables	-	** (1,416)	-	(1,416)
Derivatives held for trading	-	(2,260)	-	(2,260)
Total as at 30 June 2011	2,200	(3,676)	-	(1,476)
30 June 2010				
Available-for-sale financial asset	-	-	1,071	1,071
Payables	-	(1,600)	-	(1,600)
Total as at 30 June 2010	-	(1,600)	1,071	(529)

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

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

Chairman - Non-Executive

Ross Smyth-Kirk

Non-Executive Directors

Peter McAleer
Craig Carracher
Peter Alexander - appointed 22 February 2011.

Executive Director

Gavin Thomas

b) Other key personnel

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

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

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

* Effective from 1 February 2011.

** Resigned 30 November 2010.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

c) Key management personnel compensation

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	4,188,174	2,943,175
Post-employee benefits	128,053	124,863
Share-based payments	94,585	112,233
Total key management personnel compensation	4,410,812	3,180,271

d) Equity instrument disclosures relating to key management personnel

i) Share holdings

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

2011	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at year end
Directors				
Ross Smyth-Kirk	4,520,176	-	-	4,520,176
Peter McAleer	100,000	-	-	100,000
Craig Carracher	100,000	-	-	100,000
Peter Alexander *	-	-	36,525	36,525
Gavin Thomas	2,763,721	500,000	(148,739)	3,114,982
Key management personnel				
Peter Warren	-	-	-	-
Phil MacIntyre	150,000	50,000	(200,000)	-
Ron James	-	-	-	-
Duane Woodbury	-	-	-	-
Peter Bamford ***	-	-	98,529	98,529
Stephen Promnitz **	-	175,000	(175,000)	-

* Appointed 22 February 2011.

** Resigned 30 November 2010.

*** Effective 1 February 2011.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

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

** Resigned 27 August 2009.

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

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

iii) Option holdings

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

2011	Balance at start of year	Granted / (expired) during the year	Exercised during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Gavin Thomas	500,000	-	500,000	-	-	-
Peter Warren	151,000	-	-	-	151,000	151,000
Phil MacIntyre	100,000	-	50,000	-	50,000	50,000
Ron James	80,000	-	-	-	80,000	80,000
Duane Woodbury	280,000	-	-	-	280,000	280,000
Stephen Promnitz**	175,000	-	175,000	-	-	-

** Resigned 30 November 2010.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

2010	Balance at start of year	Granted / (expired) during the year	Exercised during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
Gavin Thomas	2,560,000	-	2,060,000	-	500,000	500,000
Peter Warren	501,000	-	350,000	-	151,000	117,334
Phil MacIntyre	250,000	-	150,000	-	100,000	50,000
Ron James	140,000	-	60,000	-	80,000	53,334
Stephen Promnitz	400,000	-	225,000	-	175,000	175,000

Insurance

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

33. REMUNERATION OF AUDITORS

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

34. EARNINGS PER SHARE

	Consolidated	
	2011 Cents	2010 Cents
Basic earnings per share	18.7	75.2
Diluted earnings per share	18.6	74.5
	\$'000	\$'000
Net profit used to calculate basic and diluted earnings per share	21,148	73,066
	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	113,284,262	97,164,748
Adjustment for calculation of diluted earnings per share: option	557,722	863,156
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	113,841,984	98,027,904

Options

Options granted to employees and Directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 26.



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

35. PARENT ENTITY FINANCIAL INFORMATION

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

a) Summary of financial information

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

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

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

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

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

c) Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate Consolidated Limited's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 15 as part of the security package.

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

36. BUSINESS ACQUISITION

(i) Dominion Mining Limited

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

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

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

Details of the acquisition are as follows:

Consideration

	\$'000
Equity instruments: 32,416,572 Kingsgate shares at \$9.33 per share *	302,447
Cash consideration	-
Total consideration	302,447

* *The fair value of \$9.33 per share is based on the quoted price of Kingsgate shares at the acquisition date (2 February 2011).*

Net cash flow attributable to the acquisition

	\$'000
Cash and cash equivalent balance acquired	17,104
Less: Cash consideration paid	-
Net cash inflow	17,104

Acquisition related costs

	\$'000
Charged to the profit or loss	4,757
Charged to equity (Note 20)	155
Total acquisition related costs	4,912

Provisional Fair value

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

	Provisional fair value on acquisition \$'000
ASSETS	
Current Assets	
Cash and cash equivalents	17,104
Receivables	8,282
Inventories	10,660
Other assets	536
Total current assets	36,582
Non-current assets	
Exploration, mine property, plant and equipment	314,020
Deferred tax assets	30,220
Total non-current assets	344,240
TOTAL ASSETS	380,822
LIABILITIES	
Current liabilities	
Payables	15,277
Provisions	4,165
Total current liabilities	19,442
Non-current liabilities	
Provisions	1,086
Deferred tax liabilities	57,847
Total non-current liabilities	58,933
TOTAL LIABILITIES	78,375
Fair value of identifiable net assets	302,447

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

(ii) Laguna Resources NL

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2011

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

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

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

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

Details of the acquisition are as follows:

Consideration

	\$'000
Cash consideration	2,370
Equity instruments: 1,198,465 Kingsgate shares issued as at acquisition date (see Note 20)	12,308
Consideration on acquisition date	14,678
Equity instruments: 235,921 Kingsgate shares issued subsequent to acquisition date (see Note 20)	2,392
Total consideration	17,070

Net cash flow attributable to the acquisition

	\$'000
Cash and cash equivalent balance acquired	1,744
Less: cash consideration paid	(2,370)
Net cash outflow	(626)

Fair value

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

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

Acquisition of non-controlling interests

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

37. DEED OF CROSS GUARANTEE

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

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

The subsidiaries subject to the Deed are:

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

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



NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2011

STATEMENT OF FINANCIAL POSITION

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



DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes that are set out on pages 23 to 93 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

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

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

Ross Smyth-Kirk
Director

DATED at SYDNEY this 29 August 2011
On behalf of the Board



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

Report on the financial report

We have audited the accompanying financial report of Kingsgate Consolidated Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Kingsgate Consolidated Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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Independence

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

Auditor's opinion

In our opinion:

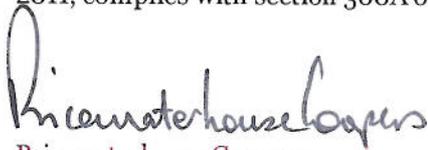
- (a) the financial report of Kingsgate Consolidated Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 18 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Marc Upcroft
Partner

Sydney
29 August 2011