



Kingsgate

Consolidated Limited

ABN 42 000 837 472

29 August 2014

Manager

Company Announcements Office

Australian Securities Exchange

Preliminary Final Results and Appendix 4E for the Year Ended 30 June 2014

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

- **Gold sold up 11% to 216,887 ounces**
- **Revenue of \$328.3 million.**
- **EBITDA* (before significant items) of \$66.4 million.**
- **Loss before tax and significant items of \$5.2 million.**
- **Loss after tax and significant items of \$96.3 million.**
- **Non-cash asset impairment of \$84.6 million relating to the Bowdens Silver Project.**

Gold sold for the year was up 11% to 216,887 ounces (2013: 195,948 ounces) including 140,868 ounces from Chatree and 76,022 ounces from Challenger. This was offset by a lower realised gold price of US\$1,291 per ounce (2013: US\$1,588 per ounce).

Chatree continued to perform strongly delivering EBITDA of \$87.2 million and a net profit before tax of \$34.3 million. At Challenger the major restructure and new mine plan and new contract miner improved the underlying financial performance with the operation close to breakeven for the year before one-off restructuring costs.

The major contributor to the after tax loss of \$96.3 million is the non-cash impairment to the carrying value of the Bowdens Silver Project ("Bowdens"). The Board of Kingsgate believes that Bowdens remains an important asset in the Kingsgate development portfolio, however in accordance with the current accounting standards the Company is required to assess the carrying value of the operating and development projects within a set valuation framework. The outcome of the assessment is a non-cash impairment of \$84.6 million against the carrying value of Bowdens.

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

Outlook

The outlook for the Group in fiscal year 2015 is for gold production to be in the range of 195,000 to 215,000 ounces. The Chatree Mine in Thailand is expected to continue its strong performance and remain the major producing asset for Kingsgate with an improved production performance of between 130,000 to 140,000 ounces. At the Challenger Mine in South Australia, the focus will remain on cost and productivity improvements with drilling to continue to assess the potential to convert further resources to reserves and extend the mine life. Gold production for the year from Challenger is expected to be in the range of 65,000 ounces to 75,000 ounces of gold.

Kingsgate continues to adapt to the volatile operating environment for gold producers and pursue strategies to lower costs and improve operating efficiencies in order to maximise shareholder returns. This includes considering partners for development projects and potential rationalisation of the asset base.



Tim Benfield

Acting CEO

Kingsgate Consolidated Limited

IMPORTANT NOTICES

Caution regarding forward-looking statements

This announcement contains forward-looking statements, which can usually be identified by the use of words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

Past performance not indicative of future performance

Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

**EBITDA*

EBITDA before significant items is a financial measure which is not prescribed by International Financial Reporting Standards (IFRS) and represents the profit under IFRS adjusted for specific significant items. The EBITDA before significant items has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying half financial report



Kingsgate

Consolidated Limited

ABN 42 000 837 472

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

ASX CODE: KCN



Kingsgate

Consolidated Limited

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

Appendix 4E
Preliminary Final Report
For the Financial Year Ended 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2014	2013
		\$'000	Restated¹
			\$'000
Revenue from ordinary activities	Revenue reduced 0.3%	328,326	329,282
Profit / (loss) from ordinary activities after tax attributable to members	Loss reduced 70%	(96,291)	(326,271)
Net profit / (loss) for the period attributable to members	Loss reduced 70%	(96,291)	(326,271)

1. *Restatement for the impact of IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine and Voluntary Change in Accounting Policy – Deferred Transaction Costs of Divestment*

DIVIDENDS

No interim dividend was paid in relation to the year ended 30 June 2014.

No final dividend will be paid in relation to the year ended 30 June 2014.

	2014	2013
Net tangible asset backing per ordinary share: \$ per share	1.72	2.46

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



OPERATING AND FINANCIAL REVIEW

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

The Directors of Kingsgate Consolidated Limited today announced a net loss of \$96.3 million for the year ended 30 June 2014 which includes significant items totalling \$88.2 million.

The pre-tax loss of the Group before significant items was \$5.2 million and the EBITDA before significant items was \$66.4 million.

The significant items include:

- Write-down of \$84.6 million against the carrying value of the Bowdens Silver Project in Australia.
- Divestment transaction costs of \$4.2 million.
- Write-down of \$2.1 million against the carrying value of greenfield exploration projects in Thailand.
- Foreign exchange gain of \$2.6 million.
- Change in fair value of undesignated gold contracts held for trading and realised gain on delivery against hedge contracts, a net gain of \$0.8 million.
- Change in fair value of available-for-sale financial assets, a loss of \$0.3 million.
- Share of loss in associate of \$0.4 million.

DIVIDENDS

No interim dividend was declared for the year ended 30 June 2014.

No final dividend has been declared for the year ended 30 June 2014.

OVERVIEW

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

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

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

The after tax loss of \$96.3 million for the year is primarily due to a non-cash impairment charge of \$84.6 million against the carrying value of the Bowdens Silver Project. The Board believes that the Bowdens Project remains an important asset in the Kingsgate development portfolio, however, in accordance with current accounting standards Kingsgate is required to assess the carrying value of its operating and development projects within a set valuation framework (refer to Note 3 on page 17 for further detail).

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



FINANCIAL RESULTS

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

EBITDA before significant items

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

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

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

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

Revenue

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

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

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



Costs

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

Depreciation and amortisation

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

Cash flow

Operating cash inflow was \$34.1 million. Net investing cash outflow was \$40.2 million. Net cash inflows from financing activities was \$30.9 million, including a drawdown of \$26.1 million of the convertible revolving credit loan facility net of transaction costs, repayment of \$51.6 million of the corporate loan facility and convertible revolving credit facility and proceeds from an equity raising of \$56.5 million net of costs.

OPERATIONAL PERFORMANCE

Gold production for the year ended 30 June 2014 was 209,500 ounces, an increase of 5% on the year ended 30 June 2013.

Chatree

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

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

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



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

Challenger

The Challenger Mine produced 74,954 ounces of gold for the year with an average grade processed of 4.78 g/t and a total cash cost of US\$1,310 per ounce.

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

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

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

Nueva Esperanza Silver / Gold Project

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

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

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

Bowdens Silver Project

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

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

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



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

Exploration

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

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

FINANCE

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

Senior corporate facility

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

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

Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL ("Akara"), has an amortising multi-currency loan facility with 4.5 years remaining. It is currently drawn to the equivalent of \$111.6 million, following the commencement of quarterly repayments in November 2013. Akara also has an additional undrawn Thai Baht denominated working capital facility equivalent to \$16 million.

Hedging

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



OUTLOOK

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

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

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

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



INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Note	2014 \$'000	2013 Restated \$'000
Sales revenue	3 (a)	328,326	329,282
Cost of sales	3 (b)	(301,891)	(282,501)
Gross profit		26,435	46,781
Exploration expenses		(210)	(675)
Corporate and administration expenses	3 (c)	(23,966)	(22,263)
Other income and expenses	3 (d)	2,102	(15,490)
Foreign exchange gain / (loss)		2,595	(745)
Share of loss in associate	5	(413)	(1,353)
Impairment losses – Challenger Gold Project	3 (e)	-	(311,850)
Impairment losses – Bowdens Silver Project	3 (e)	(84,586)	-
Impairment losses – exploration assets	3 (e)	(2,112)	(20,421)
Impairment of investment in associate	3 (e)	-	(537)
Loss before finance costs and income tax		(80,155)	(326,553)
Finance income		610	2,587
Finance costs	3 (f)	(13,860)	(18,809)
Net finance costs		(13,250)	(16,222)
Loss before income tax		(93,405)	(342,775)
Income tax (expense) / benefit	4	(2,886)	16,504
Loss after income tax		(96,291)	(326,271)
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations (net of tax)		(26,427)	40,311
Change in fair value of available-for-sale financial assets (net of tax)		-	(91)
Total other comprehensive (loss) / income for the year		(26,427)	40,220
Total comprehensive loss for the year		(122,718)	(286,051)
Loss attributable to:			
Owners of Kingsgate Consolidated Limited		(96,291)	(326,271)
Total comprehensive loss attributable to:			
Owners of Kingsgate Consolidated Limited		(122,718)	(286,051)
Loss per share		Cents	Cents
Basic loss per share	12	(55.9)	(215.0)
Diluted loss per share	12	(55.9)	(215.0)

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



STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 \$'000	*2013 Restated \$'000	* 1 July 2012 Restated \$'000
ASSETS				
Current assets				
Cash and cash equivalents		53,632	30,494	87,031
Receivables		13,360	9,431	12,226
Inventories		73,374	62,032	56,079
Other assets		26,601	32,197	29,512
Total current assets		166,967	134,154	184,848
Non-current assets				
Restricted cash		5,489	5,474	-
Inventories		24,348	44,731	30,314
Available-for-sale financial assets		270	767	1,751
Investment in associate	5	1,072	1,485	-
Property, plant and equipment		165,455	190,231	239,237
Exploration, evaluation and development		256,836	361,195	566,568
Other assets		13,537	10,894	8,232
Deferred tax assets		9,205	10,395	10,211
Total non-current assets		476,212	625,172	856,313
TOTAL ASSETS		643,179	759,326	1,041,161
LIABILITIES				
Current liabilities				
Payables		25,478	41,185	42,597
Borrowings		42,978	84,101	35,697
Derivatives held for trading		623	1,271	2,685
Current tax liabilities		1,148	272	11,655
Provisions		3,115	3,797	2,993
Total current liabilities		73,342	130,626	95,627
Non-current liabilities				
Payables		4,800	5,921	6,681
Borrowings		110,654	115,657	121,847
Deferred tax liabilities		8,628	9,552	29,110
Provisions		32,998	33,596	19,381
Total non-current liabilities		157,080	164,726	177,019
TOTAL LIABILITIES		230,422	295,352	272,646
NET ASSETS		412,757	463,974	768,515
EQUITY				
Contributed equity	7	677,109	605,504	599,618
Reserves	8 (a)	(8,356)	18,175	(20,407)
Accumulated losses	8 (b)	(255,996)	(159,705)	189,304
TOTAL EQUITY		412,757	463,974	768,515

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

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Note	Contributed equity	Reserves	Retained profits / Accumulated losses	Total equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012 (Restated)		599,618	(20,407)	189,304	768,515
Loss after income tax	8 (b)	-	-	(326,271)	(326,271)
Total other comprehensive income for the year		-	40,220	-	40,220
Total comprehensive income / (loss) for the year		-	40,220	(326,271)	(286,051)
Transaction with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		4,374	-	-	4,374
Issue of ordinary shares as part consideration for the settlement of a legal dispute	7	1,512	-	-	1,512
Dividends provided for or paid	8 (b)	-	-	(22,738)	(22,738)
Movement in share-based payment reserve	8 (a)	-	(1,638)	-	(1,638)
Total transactions with owners		5,886	(1,638)	(22,738)	(18,490)
Balance at 30 June 2013 (Restated)		605,504	18,175	(159,705)	463,974

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Note	Contributed equity	Reserves	Retained profits / Accumulated losses	Total equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013 (Restated)		605,504	18,175	(159,705)	463,974
Loss after income tax	8 (b)	-	-	(96,291)	(96,291)
Total other comprehensive loss for the year		-	(26,427)	-	(26,427)
Total comprehensive loss for the year		-	(26,427)	(96,291)	(122,718)
Transaction with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		597	-	-	597
Issue of ordinary shares to repay funds drawn down under the convertible revolving credit facility, net of transaction costs	7	14,548	-	-	14,548
Share placement and rights issue, net of transaction costs	7	56,460	-	-	56,460
Movement in share-based payment reserve	8 (a)	-	(104)	-	(104)
Total transactions with owners		71,605	(104)	-	71,501
Balance at 30 June 2014		677,109	(8,356)	(255,996)	412,757

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



STATEMENT OF CASH FLOW
For the year ended 30 June 2014

	Note	2014 \$'000	2013 Restated \$'000
Cash flows from operating activities			
Receipts from customers (net of goods and services tax)		326,801	332,624
Payments to suppliers and employees (inclusive of goods and services tax)		(282,204)	(220,012)
Interest received		610	2,587
Finance costs paid		(10,000)	(10,120)
Income tax paid		(1,127)	(16,186)
Net cash inflow from operating activities	10	34,080	88,893
Cash flows from investing activities			
Payments for property, plant and equipment		(11,465)	(7,035)
Payments for exploration, evaluation and development		(29,412)	(127,706)
Interest capitalised to expansion and development projects		-	(3,948)
Deposits and debt service reserve account		688	(6,402)
Payments for other assets		-	(108)
Net cash (outflow) from investing activities		(40,189)	(145,199)
Cash flows from financing activities			
Proceeds from corporate borrowings, net of transaction costs		26,085	14,326
Proceeds from subsidiary (Akara Resources PCL) borrowings, net of transaction costs		-	119,642
Repayment of corporate borrowings		(32,000)	(35,000)
Repayment of subsidiary (Akara Resources PCL) borrowings		(19,671)	(81,250)
Proceeds from the issue of shares (net of transaction costs)		56,460	-
Dividends paid		-	(19,409)
Net cash inflow / (outflow) from financing activities		30,874	(1,691)
Net increase / (decrease) in cash held		24,765	(57,997)
Cash at the beginning of the year		30,494	87,031
Effects of exchange rates on cash and cash equivalents		(1,627)	1,460
Cash at the end of the year		53,632	30,494

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 2014

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 2014. The accounting policies adopted are consistent with those of the previous year with the exception of the Group adopting Interpretation 20 – *Stripping Costs* and changing the accounting policy for deferred transaction cost of divestment (refer Note 13) from 1 July 2013.

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

2. STATEMENT ABOUT THE AUDIT STATUS

This report is based on accounts which are in the process of being audited.

3. REVENUE AND EXPENSES

(a) Sales revenue

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

(b) Costs of sales

	2014 \$'000	2013 Restated \$'000
Direct costs of mining and processing	215,370	174,834
Royalties	22,773	25,838
Inventory movements	6,146	(8,341)
Depreciation (operations)	57,602	90,170
Total costs of sales	301,891	282,501



3. REVENUE AND EXPENSES (Continued)

(c) Corporate and administration expenses

	2014 \$'000	2013 Restated \$'000
Administration	15,304	15,515
Divestment transaction costs – (refer to Note 13)	4,246	1,111
Technical support and business development	1,426	2,096
Statutory and professional fees	2,851	3,334
Depreciation	139	207
Total corporate and administration expenses	23,966	22,263

(d) Other income and expenses

	2014 \$'000	2013 \$'000
Net (loss) on the sale of exploration assets	-	(16,709)
Realised gain on delivery against hedge contracts	1,175	-
(Loss) / gain on the change in fair value of undesignated gold contracts held for trading	(369)	1,414
(Loss) on the change in fair value of available-for-sale assets	(284)	(855)
Other revenue	1,580	660
Total other income and (expense)	2,102	(15,490)

(e) Impairment

	2014 \$'000	2013 \$'000
Challenger Gold Project	-	311,850
Bowdens Silver Project	84,586	-
Explorations assets	2,112	20,421
Investment in associate – Caravel Minerals	-	537
Total impairment	86,698	332,808

(f) Finance costs

	2014 \$'000	2013 \$'000
Interest and finance charges	13,852	15,161
Unwinding of discount	1,137	1,017
Amortisation of deferred borrowing costs	1,056	7,594
Less: borrowing costs capitalised ⁽ⁱ⁾	(2,185)	(4,963)
Total finance costs	13,860	18,809

(i) Capitalised borrowing costs

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



3. REVENUE AND EXPENSES (Continued)

(g) Depreciation and amortisation

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

(h) Employee benefits expenses

	2014 \$'000	2013 \$'000
Included in:		
Cost of sales	22,949	18,668
Corporate and administration expenses	11,694	11,464
Total employee benefits expenses	34,643	30,132

(i) Other items

	2014 \$'000	2013 \$'000
Operating lease rentals	625	915
Total other items	625	915

(j) Significant items

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



3. REVENUE AND EXPENSES (Continued)

Impairment – Bowdens Silver Project

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

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

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

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

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

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

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

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



4. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

	2014	2013
	\$'000	Restated \$'000
(Loss) / profit from continuing operations before income tax	(93,405)	(342,775)
Tax at Australian rate of 30%	(28,021)	(102,832)
<i>Tax effect of amounts not deductible / assessable in calculating taxable income</i>		
Non-deductible expenses	1,209	2,367
Non-deductible amortisation	1,433	1,210
Non-deductible interest expense to preference shareholders	322	157
Share-based payment remuneration	134	275
Impairment of investment in associate	-	161
Share of loss of associate	124	406
Differences in Thailand tax rates	(9,087)	(14,832)
Non-temporary differences affecting the tax expense	398	332
Prior year adjustment to tax return	(19)	-
Tax benefit of tax losses and deductible temporary differences not brought to account	11,017	58,495
Deferred tax asset written off in the current year	-	37,757
Non-deductible impairment of Bowdens Silver Project	25,376	-
Income tax (benefit) / expense	2,886	(16,504)

Akara Resources Public Company Limited ("Akara"), a controlled entity, has received approval from The Royal Thai Board of Investment ("BOI") of the Office of the Prime Minister for promotion of the Chatree Mine. Subject to meeting the BOI conditions and based on an annual production limit of 178,416 ounces of gold and 583,733 ounces of silver, Akara's Chatree Mine is entitled to:

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

The start of the promotion period was 27 November 2001.

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

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

The start of the promotion period was 1 November 2012.



5. INVESTMENT IN ASSOCIATE

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

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

(b) Summarised financial information of associate

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

Group's share of:

	Ownership interest %	Assets \$'000	Liabilities \$'000	Revenue \$'000	Loss \$'000
Caravel Minerals Limited - 2014	27.04	1,839	146	108	413
Caravel Minerals Limited - 2013	35.54	3,007	384	199	1,353

(c) Fair value of listed investment in associate

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

(d) Contingent liabilities

Caravel Minerals Limited had no material contingent liabilities.

6. SEGMENT INFORMATION

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

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

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



6. SEGMENT INFORMATION (Continued)

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



6. SEGMENT INFORMATION (Continued)

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



6. SEGMENT INFORMATION (Continued)

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

7. CONTRIBUTED EQUITY

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

Capital risk management

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



8. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

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

Foreign currency translation reserve

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



8. RESERVES AND ACCUMULATED LOSSES (Continued)

Available-for-sale investment revaluation reserve

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

Share-based payment reserve

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

General reserve

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

(b) Accumulated losses

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

9. DIVIDENDS

No interim dividend was declared for the year ended 30 June 2014.

No final dividend has been declared for the year ended 30 June 2014.



10. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2014	2013
	\$'000	Restated \$'000
Loss for the year	(96,291)	(326,271)
Depreciation and amortisation	57,741	90,377
Share-based payments	448	917
Gain on disposal of property, plant and equipment	-	70
Impairment - Bowdens	84,586	332,808
Impairment - exploration	2,112	-
Unwind of discount rate for provision	1,137	1,017
Loss on sale of exploration assets	-	16,709
Amortisation of deferred borrowing costs	1,056	7,594
Unrealised (gains) / losses	(522)	(559)
Share of associate's loss	413	1,353
Net exchange differences	(670)	2,255
Change in operating assets and liabilities		
(Increase) / decrease in receivables	(4,321)	5,644
(Increase) / decrease in prepayments	2,900	(85)
(Increase) / decrease in inventories	1,583	(8,930)
Increase / (decrease) in current tax liabilities	930	(11,792)
Increase / (decrease) in creditors	(17,246)	(3,181)
Increase / (decrease) in provisions	43	1,143
Increase / (decrease) in deferred tax liabilities	181	(20,176)
Net cash inflow from operating activities	34,080	88,893

11. EVENTS OCCURRING AFTER REPORTING DATE

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

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



12. LOSS PER SHARE

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

Diluted loss per share

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



13. IMPACT OF VOLUNTARY CHANGE IN ACCOUNTING POLICY - DEFERRED TRANSACTION COSTS OF DIVESTMENT

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

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

This change in accounting policy has been applied retrospectively from the beginning of the earliest comparative period presented being 1 July 2012. On implementation of the revised policy, divestment costs deferred up to 30 June 2012 under the Group's previous policy have been expensed via opening retained earnings. This adjustment reduced opening retained earnings at 1 July 2012 by \$7,298,000. The 2013 Group income statement has been restated by \$1,111,000 to reflect the cost of divestment incurred in that year (refer Note 3c), this impacts closing retained earnings as well.

Signed in accordance with a Resolution of Directors.

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

Ross Smyth-Kirk
Chairman
Sydney, New South Wales
29 August 2014