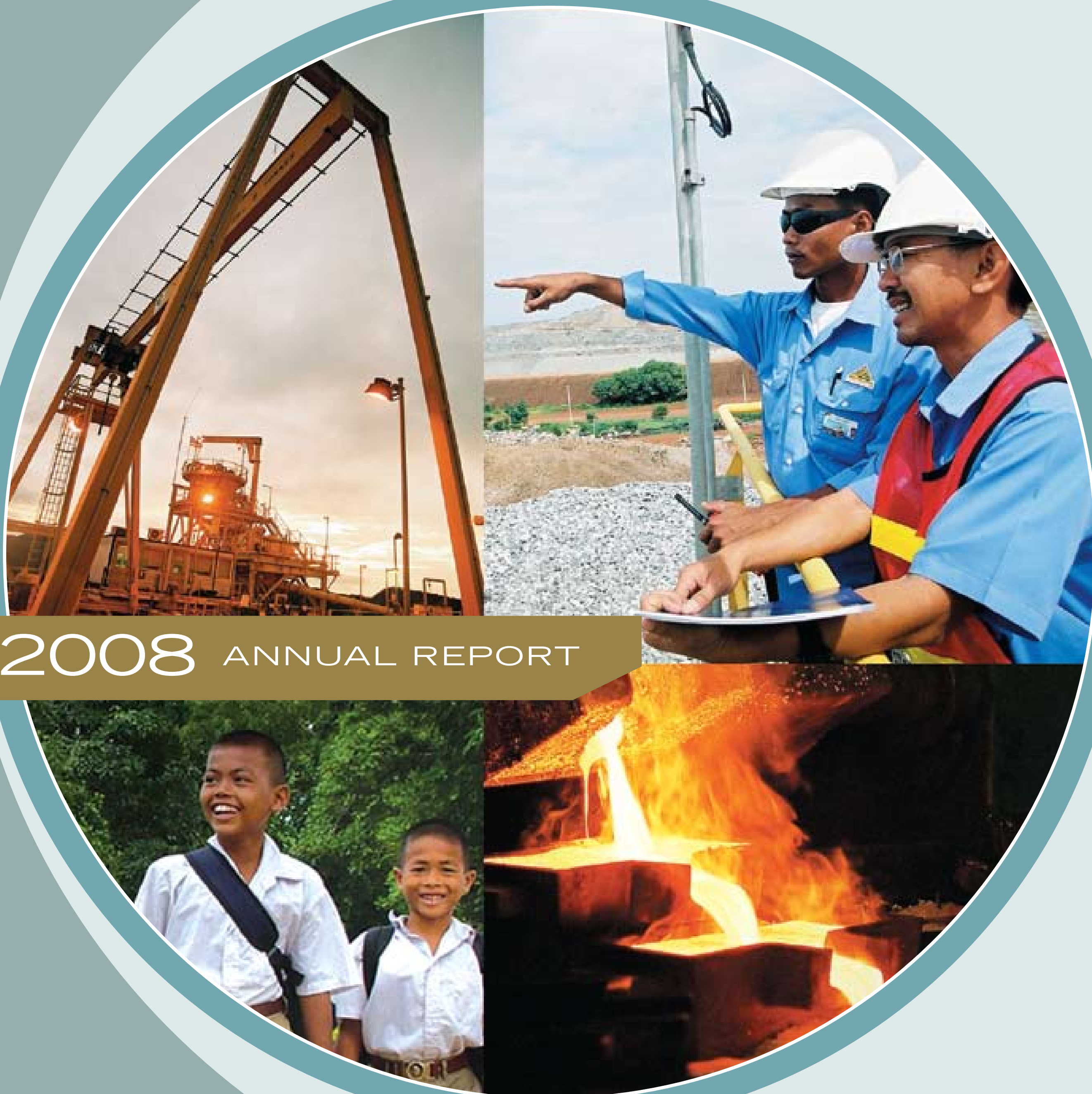
2008 ANNUAL REPORT



PRODUCTION

EXPLORATION

SUSTAINABILITY

Kingsgate
Consolidated Limited

CONTENTS

CHAIRMAN'S REVIEW

"A new milestone has been reached in our Company...Kingsgate has a new lease of life and a bright future."

Kingsgate is now in the process of returning to full production with potential for substantial growth. This is due to the recent granting of the new mining leases at the Company's Chatree gold mine in Thailand. Our Company will be able to finally deliver on its stated aims of both gold production and exploration growth by expanding the current orebodies at Chatree North and testing the potential for new discoveries. I want to thank our patient shareholders for their shared belief in the future of Kingsgate.

This exciting phase we are entering should significantly increase shareholder value by:

- increasing cashflow per share,
- increasing the ounces of gold produced per share, and
- increasing the reserves of gold per share.

The past year was difficult due to constrained gold production while the Company continually strived for the approval of the Chatree North mining leases. However, the gold price rose substantially and the Company benefitted by being unhedged. This meant that Kingsgate was profitable with a reasonable margin despite mining low grade ore material.

During the year, the Company sold its stake in the gold explorer Andean Resources Limited. This cash sale significantly bolstered the Company's cash position prior to the current global "credit crisis". For those investors who joined Kingsgate at the time, the granting of the mining leases heralds the promised new era of growth.

The Company's ambition for growth brings greater demands on capital. The planned resource development drilling programme, exploration for new deposits and the expansion of gold production all require significant investment. As a consequence, the Directors have decided not to pay a dividend this year. Dividends will be reviewed once the Company has achieved its growth objectives.

Looking forward, our Company is planning to list part of its operating asset on the stock exchange in Thailand. We believe this benefits shareholders as a listing of our operating asset will strengthen relationships within Thailand and provide strategic support for the future development of the Company in Thailand. Kingsgate would retain 49% of the listed vehicle and ensure effective management.

Beyond Thailand, our Company continues to seek new projects with considerable upside where the skill sets of our team can be best utilised. Projects are being reviewed currently in South East Asia, Australia and South America.

I would like to take this opportunity to thank the committed team in Thailand and Australia for their perseverance and persistence in delivering the Chatree North mining leases. A large amount of time and effort has been contributed by many people, much of which is unseen. Our Thai partners have helped achieve the desired result and their ongoing support will continue to assist the Company in the future. During that time, the determined effort of the Chatree team to deliver operational profits has been impressive.

A new milestone has been reached in our Company in securing the new leases. Kingsgate has a new lease of life and a bright future.

Ross Smyth-Kirk
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

"The Company can now enter a new growth phase with a large expanding gold deposit and an experienced team."

Kingsgate experienced a challenging year yet the Company was profitable despite mining lower grade remnant ore at the Chatree mine in Thailand. The mine team again displayed excellent international operating standards and won numerous awards in recognition of these achievements, although it had been a frustrating wait for the Chatree North mining leases to be granted.

Operations

Chatree performed well but it was another difficult year, similar to the previous year, with confined open pits inhibiting production and ore feed for the plant only averaging 1.1 gram/tonne gold. Production was marginally less at 74,137 ounces of gold and 232,089 ounces of silver at a cash cost of US$457 per ounce of gold which is virtually the world average. The series of open pits were exhausted at Chatree. Stockpiled ore, mostly of marginal grade (0.6-1.0 gram/tonne), supplemented the ore mined to keep the processing plant fully utilised. Plant throughput increased to 2.5 million tonnes per annum, the highest utilisation yet for the plant and almost 25% above its rated capacity.

In the face of significant industry-wide cost pressures, the team at Chatree did an excellent job of maintaining unit costs per tonne and cash costs per ounce to a level similar to the previous year. Increased royalty payments were the main reason for not keeping it below the previous year's figures. The experienced, predominantly-Thai team was aided by the excellent infrastructure in central Thailand, with grid power at stable prices being key to controlling rapid increases in fuel, consumables, explosives and reagents. The Company was able to benefit from stable costs and higher gold prices because the Company was unhedged and all gold was sold into the spot market.

With the Chatree North mining leases granted, the Company has access to a mineable area, more than double that previously available, with higher gold grades and resulting in a substantially increased mine life. The Chatree North project covers almost 5 square kilometres and, in time, it is expected that additional mine leases will be applied for. The total area currently covered by the Chatree operation is almost 10 square kilometres.

A new fleet of mining equipment will help the operations ramp up during the first 6 to 9 months of the new fiscal year, with increased gold production as new pits are developed.

Planning for an expansion to double production to about 5 million tonnes per annum continues with Ausenco, which built the original plant at Chatree. Prior to determining the final capital cost of the expansion, detailed engineering studies are being undertaken to refine the design layout and reduce contingencies so the final capital cost can be estimated with maximum confidence.

With the current increase in demand for resource projects and the significant increase in capital expenditures on projects, the Chatree expansion is well placed to be expedited as all long-lead mill circuit items are arriving in Thailand prior to the end of 2008.

Sustainability

The example of international best practice continued at Chatree with over 9.2 million hours worked (in excess of 2,000 consecutive days) without a Lost Time Incident. In recognition of Chatree being the safest gold mine in the world, with no environmental incidents ever recorded, the Company won the Australian mining industry's highest award for health and safety – the 2007 Australasian Institute of Mining and Metallurgy (AusIMM) Jim Torlach Health and Safety Award.

Numerous Thai awards recognised our Thai subsidiary, Akara Mining Limited, with the Thai Prime Minister's and Labour Minister's Award for Best Labour Relations and Welfare 2007 and the Thai Zero Accident Award 2007. Last year's effort of becoming the world's first mining company with Social Accountability SA 8000, considered by Amnesty International the benchmark for corporate social accountability, was also recognised with awards. A special award for Labour Relations was won at the 7th Australian Sustainability Awards, and the mine' s Human Resources Superintendant, Khun Arporn Malayaporn, won the Thai Working Woman of the Year 2008 award for her drive in ensuring the mine site met the rigorous auditing necessary to attain SA 8000 status.

Exploration

Drilling had been restricted during the past two years in Chatree North. The grant of the Chatree North mining leases has allowed the exploration drilling efforts to recommence and a major drill programme of well over 100,000 metres of diamond and reverse circulation drilling has been approved to increase the resource and reserve base within the Chatree North mining leases. The resource development drilling is focused on extending the known orebodies into areas that were previously inaccessible due to Forestry Department restrictions. These restrictions have now been removed.

It is anticipated that the conversion rate of resources to reserves will be greater than that historically experienced as much of the additional resources will be a result of already identified open pits being joined.

Drilling activities within the extensive 1300 square kilometre exploration tenement holding in central Thailand has also been accelerated following the grant of the Chatree North mining leases. Significant new targets will be drill tested during the coming year. Importantly, several of the larger drill-ready targets will be tested in 2008 with one target having a similar surface geochemical and geophysical response to the Chatree mineralisation. During the past year, mostly surface sampling and geophysics had been conducted to bring a number of prospects up to a drill ready status. These will be prioritised for drilling after the initial targets are drilled.

The gold tenement in the Cloncurry region of Queensland remains to be drill tested and the South American exploration activities were limited to joint venturing our properties.

Financial Summary		2008	2007
Revenue	$000	**76,495**	52,600
Other Income	$000	**44,443**	9,857
Income Tax	$000	**(11,675)**	3,115
Net Profit / (Loss) after Tax	$000	**36,197**	(12,950)
Profit from Operations	$000	**8,159**	(26,158)
Cashflow from Operations	$000	**18,657**	(19,888)
Dividends paid	$000	**0**	4,513

Sustainability Summary		2008	2007
Lost Time Injury (LTI) frequency rate	per million hours worked	**0**	0
Hours worked since last LTI	million	**9.2**	7.4
Sustainability Index Rating	-	**A**	A
Total energy use	GJ	**466,390**	565,348
Greenhouse gas emissions	tonnes CO_2 equiv	**58,937**	66,737
Total water use / tonne of ore milled	litres	**1,556**	1,694
Total electricity use / tonne of ore milled	kWh	**28.91**	30.6
Reportable environmental incidents		**0**	0
Rehabilitation	ha	**30.5**	3.4
Community expenditure	US$	**183,000**	289,000

FINANCE REPORT

Summary

Kingsgate's financial outcomes for the year were mainly driven by the sale of the Company's shareholding in Andean Resources Limited (ASX:AND) and the increase in gold price. As a result, the Company was able to fully repay debt and meet its capital commitments whilst contributing to a $40 million cash surplus at year end. Chatree was profitable despite lower gold production as a result of operations being reduced to mining low grade remnant ore.

The operating performance is anticipated to continue to improve during the 2008/09 year as gold grade and production will increase as new open pits are progressively developed within the new Chatree North mining leases.

Earnings

The net profit after tax for the year was $36.2 million, equivalent to US$32.4 million, a significant increase on the previous year's loss of $12.6 million (US$10.9 million). Revenue was $76.5 million, equivalent to US$68.4 million, above the previous year of $52.6 million which was a result of the Company being fully exposed to the increasing gold prices during the year. All gold hedging commitments were extinguished during the previous year. Other income of $44.4 million (US$39.7 million) was the profit on the sale of the Andean Resources Limited shareholding.

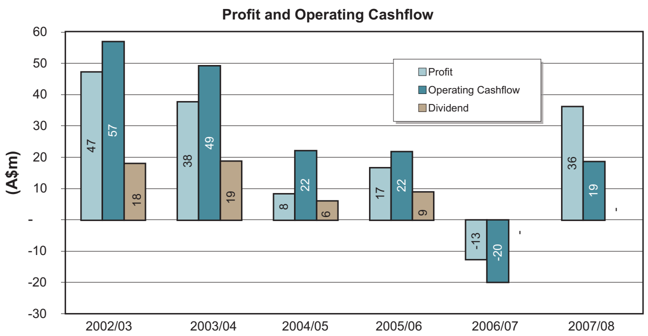
Gold production was delivered into higher spot gold prices which averaged US$824 per ounce, twice the average delivered gold price in the previous year of US$417 per ounce in which most production was delivered into gold hedge positions. The spot gold price ranged from US$650 to US$1,010 per ounce.

Cash costs of production on a per ounce basis were maintained at a similar level to the previous year mainly as a result of decreased mining activity. However, annual gold production of 74,137 ounces was 14% less than the previous year due to the grade of the ore feed being slightly lower.

Deferred gold hedging losses of $4.5 million (US$4.0 million) were incurred during the year. This completes the accounting for all losses associated with the prior pre-delivery into gold hedge positions.

Cash Flow

The cash on hand at the end of the fiscal year totalled $40.2 million, equivalent to US$38.6 million. This was an increase of $35.1 million over the previous year end. This cash position was driven by sales of gold into rising spot prices which resulted in an operational cashflow of $18.7 million and asset sales of $69.9 million. These funds were used primarily to repay debt of $27 million as well as $33.2 million for investment in property, plant and equipment, mine properties and exploration. No dividends were paid during the year. The Company has a financing facility of US$30 million with Investec Bank (Australia) Limited and will be seeking to implement additional financing arrangements as more detailed capital requirements for the planned expansion become available.



Financial Position

Shareholders' equity at 30 June 2008 was $181 million, or US$174 million equivalent, similar to the previous year. Shareholders' equity was adversely impacted by the weakening Thai Baht which reduced the Company's foreign currency translation reserve by $22.5 million, or US$20.1 million equivalent.

Income Tax

The mine operation in Thailand has approvals for tax benefits received from the Royal Thai Board of Investment (BOI) and as a consequence no tax expense was booked for the Thai operations. The sale of the shareholding in Andean Resources Limited created a tax expense in the Australian consolidated tax group of $11.7 million (US$10.5 million).

Dividends

No dividends were paid this year. Although the Company is again profitable, no final dividend has been declared for the year as the Company is about to commence a new growth phase which will require near term capital to implement. This includes funding for an extensive exploration programme to increase the Company's resource/reserve base, as well as providing initial funding for the planned plant expansion.

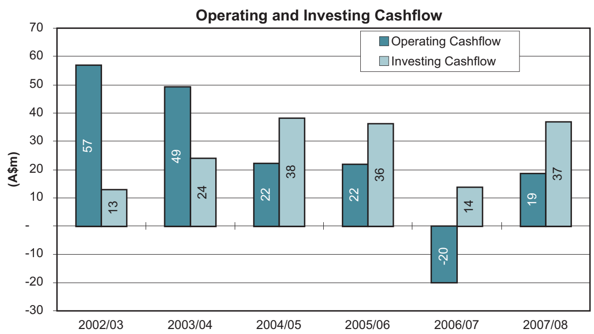
Planned IPO in Thailand

In November 2006, Thai interests purchased preference shares in the Thai subsidiary, Akara Mining Limited, to hold 52% of the issued capital. Kingsgate retained the ordinary shares in Akara which have direct access to cashflow and dividends. This transaction satisfied the Thai legal requirement to have majority Thai ownership of Akara after five years of 100% foreign ownership.

Kingsgate believes that an Initial Public Offering (IPO), on the stock exchange of Thailand, of the operations within Akara Mining, may be beneficial to shareholders and the Company's future ambitions. A Thai listed entity could be of strategic benefit in the development of any future gold discoveries or extensions to Chatree mine. The timing of such a transaction would be dependent on market conditions. Kingsgate would continue to hold a 49% direct interest in the listed entity and would ensure effective management of Akara.

Business Development

Kingsgate continues to monitor opportunities in the gold sector for early to advanced stage projects which could deliver substantial value to Kingsgate shareholders.



Summary

The Chatree mine performed well, during the past year, despite low grade ore. The production forecast was achieved with similar operating cash costs as the previous year. This achievement was commendable considering the difficult circumstances of low grade ore and tight open pits with industry-wide cost pressures of rising fuel and consumable prices. Chatree is still the safest gold mine in the world with over 9.2 million hours worked (over 2,000 days) without a Lost Time Injury. The processing plant throughput was higher than the previous year at 2.5 million tonnes per year, 25% higher than its rated capacity.

In the coming year, higher grade ore feed from recently granted mining leases should see costs per ounce decline, although unit costs will increase mainly due to higher capital charges and a longer ore haulage distance. A timetable for the expansion of the processing plant to 5 million tonnes per annum will also become available with construction anticipated to commence during the coming year.

Chatree North Mining Leases

In July 2008, the Chatree North mining leases, which are a northern extension to the Chatree mine, were granted. This triples the area available for mining and provides access to much larger defined ore reserves with mining planned to commence in August-September 2008. A series of open pit extractable deposits have been delineated for mining over many years. The initial mining areas will allow the mine to return to full production by the end of calendar year 2008.

Mining

Ore feed for the year was mainly from remnant parts of previous, tight, open pits at Chatree. This was supplemented by stockpiled ore, which was mostly of a marginal grade.

Remnant ore was removed from the C, D, H and S pits. New working areas included H West Pit and a cutback on C Pit. Minor ore was supplied from the starter pit at Chatree North (A Pit). The higher gold price helped in expanding some of the pits as marginal grade ore became available as the cut-off grade was lowered from 0.6 to 0.5 grams/tonne gold. Low grade, stockpiled ore supplemented the ore feed to the processing plant.

The Chatree leases have been fully exploited this year except for an extension to the C Pit at C North and underground potential.

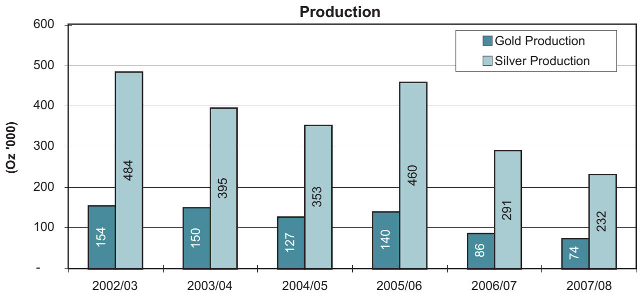
New ore sources at higher gold grades are available within the recently granted mining leases at Chatree North. Production will ramp-up during the December quarter of 2008 from an expanded A Pit and from new pits at K East and C North (which straddles the lease boundary). Gold grades are higher near surface (1.7-2.2 grams/tonne gold) due to the shape of the orebodies to be exploited. A revised mine plan was recently completed for Chatree North, as earlier plans had envisioned ore being treated from both Chatree and Chatree North, with a slower ramp-up phase.

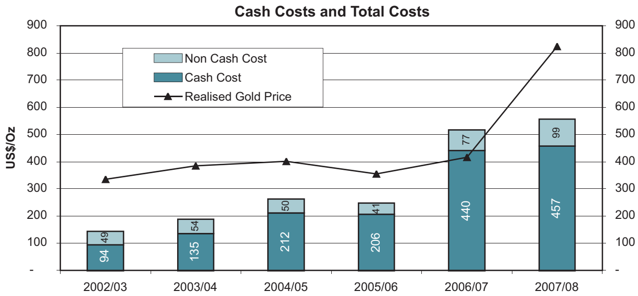
Lotus Hall, the Thai mining contractor, had been mining with equipment with higher operational hours. This had impacted on equipment availabilities. Currently, a new mining fleet is arriving on site. By December, the new equipment will be able to produce ore feed at double the previous rate. New Caterpillar trucks are able to move up to 100 tonne per load and the excavator buckets are twice as large as the previous models.

Processing

The throughput of the processing plant increased to 2.47 million tonnes per annum (Mtpa) from the previous year of 2.4Mtpa, well above the rated capacity of 2Mtpa. Recovery of gold from the plant decreased slightly to 88.8%, from the previous year of 90%, due to a mix of many different ore feed types during the year. The gold grade of the ore feed was 1.1 grams/tonne, slightly lower than the previous year's 1.2 grams/tonne gold. Gold production decreased correspondingly to 74,137 ounces from 85,994 ounces gold in the previous year.

Gold production will increase in the coming year with 100-140,000 ounces gold forecast, due to higher grades of around 2 grams/tonne gold.



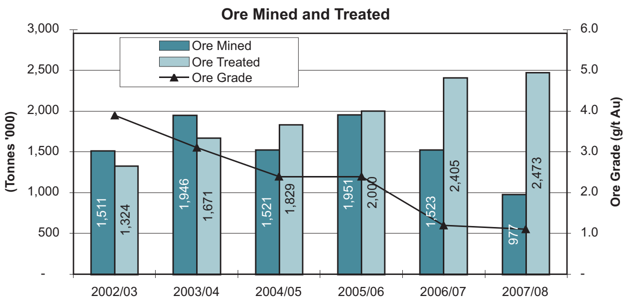


Operational Costs

Operational cash costs were similar to the previous year. The unit cost per tonne of ore processed decreased slightly. This result was achieved by greater efficiencies, mainly in the plant, even though the cost of all materials, reagents, fuel and electricity increased. The cash costs were US$457 per ounce gold in comparison with US$440 per ounce in the previous year. The difference was mainly in increased royalties and slightly lower grade ore feed. The largest cost items, comprising over 80% of costs, continue to be the electricity to run the crushing and grinding circuits, the mining contract, plant consumables/reagents, drilling & blasting and labour costs, together with royalties. Electricity has been fairly stable, the cost of which has risen with inflation. Industry cost increases are evidenced by the rising average cash cost of producing an ounce of gold globally, which was US$317/ounce in 2006 to US$459/ounce in the first half of 2008 (Gold Fields Mineral Services, August 2008).

Royalties increased in late October 2007 from a fixed 2.5% on gold sales to a progressive scale, where the royalty increases as the gold price rises, linked to the price in Thai Baht per gram of gold. This has increased the effective royalty to range between 5 and 6%, depending on the gold price, one of the highest mining royalty rates globally. The effect last year was to increase the average royalty paid for the fiscal year from US$16/ounce to US$40/ounce gold, averaging US$50/ounce in the first half of calendar year 2008. Of royalties paid, 60% is paid directly to the provincial government and the local village councils.

Unit costs per tonne of ore processed are expected to increase in the coming year. A higher capital charge on new mining fleet and a longer haulage distance from Chatree North pits to the processing plant will increase mining unit costs, while in the processing circuit higher electricity costs, steel and reagent costs will impact processing unit costs. Higher gold ore grades are expected to counter balance these rising costs. The net effect being a decrease in the cash costs per ounce of gold processed.



Labour, Health, Safety and Environment

The Chatree gold mine continues to be the world's safest gold mine with over 9.2 million hours worked (over 2,000 consecutive days), without a Lost Time Injury (LTI). This is more than four times better than the Australian mine average. During the almost seven years of operation and one year of construction, only one LTI has been recorded across all staff and contractors. This outstanding performance led to the Chatree team winning the highest award for health and safety in the Australian mining industry, the 2007 Australasian Institute of Mining and Metallurgy (AusIMM) Jim Torlach Health and Safety Award. Thai awards, including the Zero Accident Award 2007, the Thai Prime Minister's and Labour Minister's Award for Best Labour Relations and Welfare 2007 and the Thai National Occupational Safety and Health Award 2007, were also given to the Chatree team. These awards are discussed in the Sustainability section.

No reportable environmental incidents have occurred on site since operations began. In processing the gold ore, cyanide is used, most of which is recycled within the plant. Total cyanide levels in the solutions average 5 parts per million when released into the tailings storage facility, low by world standards. The Chatree site reuses and recycles water wherever possible and the mine operates a zero discharge operation from the process section meaning all cyanide bearing solutions are retained on site. This continued robust methodology and performance was audited externally and Chatree mine became the smallest gold producer in the world to be certified under the International Cyanide Management Institute, and the only Australian-listed gold miner with this certification.

The Company's continued world's best practice in labour relations was recognised in the 7th Australian Sustainability Awards with a Special Award for Labour Relations in Thailand, as mentioned above. Chatree's Human Resources Superintendant was awarded the Thai Working Woman of the Year for 2008 in recognition of her contribution to this performance and the accreditation of the Company under Social Accountability SA 8000.

Processing Plant Expansion

An expansion is planned to double the capacity of the processing plant to 5 million tonnes per annum of ore. The timing of the plant expansion will be dependent on discussions currently underway with Ausenco. The discussions could continue until late in the December quarter 2008 but will lead to a start date for the expansion. A one year construction period is anticipated. Final capital costs will be available once all subcontractors have re-quoted. Construction is anticipated to commence during the coming year.

The processing method and layout is similar to the current plant, although it will be set up entirely separately from the current plant. The crushing section of the plant is planned to be duplicated, adding grinding mills with an additional capacity of 2.7 million tonne per annum. New leach/CIP tanks will also be added.

Initial site works were completed during 2008 to clear the area adjacent to the existing plant. Process water ponds were removed and new water tanks established. Detailed engineering was also undertaken by Ausenco.

Once a timeline has been established, and capital cost estimates finalised, it is anticipated that a Fixed Price Design and Construct contract will be entered into between Ausenco, Kingsgate and Akara. Ausenco, based in Brisbane Australia, constructed the current plant at Chatree in 2000-01.

	Full Year 2007/08	Full Year 2006/07
Gold Production	74,137 oz	85,994 oz
Silver Production	232,039 oz	290,897 oz
Cash Costs per Ounce	US$457/oz	US$440/oz
Cash Costs per Tonne	US$13.70/tonne	US$15.74/tonne
Ore Treated (Mill Throughput)	2.5 Million tonnes	2.4 Million tonnes
Gold Grade	1.1 grams/tonne	1.2 grams/tonne
Gold Recovery	88.80%	90.1%
Waste to Ore Ratio	6.7	8.0
Hours without Lost Time Accident	9.2 Million hours	7.4 Million hours

EXPLORATION

Summary

Chatree mine exploration was curtailed during the past year due to limited access for drilling within the Chatree North mining leases prior to their being granted. The focus was on improving ore zone definition in the planned A Pit by drilling within the single, granted mining lease at Chatree North. Drilling was also directed at expanding the limits of remnant ore within the Chatree mining leases. Although regional exploration continued in Thailand, no substantial drilling occurred prior to the grant of the new mining leases.

Exploration has been reinvigorated since the Chatree mining leases were granted. An aggressive drilling programme, in excess of 160 kilometres, is scheduled for the forthcoming year, with a focus on rapidly increasing resources and ore reserves by targeting extensions of known orebodies within the Chatree North leases. New regional prospects will also be targeted in the coming year.

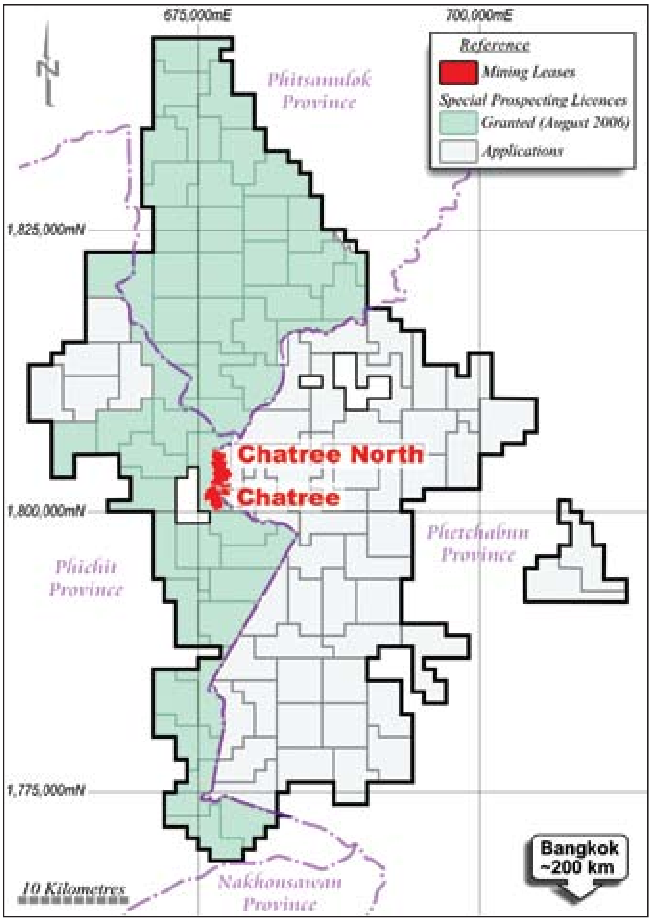
A budget of over US$12 million has been approved for the forthcoming financial year.

Chatree/Chatree North

Within the Chatree leases, extensions to ore zones were identified in C and H Pits. These ore zones were defined to their economic limits and mined during the year.

Drilling within the optimum A Pit shell, in Chatree North, was carried out during the year in order to better define the orientation and shape of some of the ore zones prior to mining. From this drilling, significant intersections were returned indicating extensions to the A Pit which will be followed up during the year.

At Chatree North, constraints on drilling, in the last two years, have led to small declines in mineral resources and ore reserves. As at the end of June 2008, mineral resources within the granted mining leases decreased to 3.2 million ounces gold in 81 million tonnes of ore grading 1.2 grams/tonne gold. Ore Reserves decreased to 1.4 million ounces gold in 34 million tonnes of ore grading 1.2 grams/tonne gold over the same period. By adopting a higher gold price for pit optimisation, the cut-off grade for ore reserves was reduced from 0.6 to 0.5 grams/tonne gold.



Resource Development

An aggressive drilling programme is planned on known extensions to mineralisation within the Chatree North mining leases. The focus will be on the western and northern sides of A Pit and the central and western areas of Q Pits where access has been previously restricted. Geophysics and air core drilling has indicated potential extensions to these orebodies, which are likely to coalesce into a larger single pit. Total drilling on resource development targets alone is in excess of 160,000 metres, utilising four reverse circulation (RC) and three diamond drill rigs.

Previous limited drilling intersected high grade gold-silver zones up to 30 grams/tonne gold over significant widths (5 to 30 metres) in two mineralised zones beneath the base of the current planned A Pit at Chatree North. Preliminary scoping studies indicate that this mineralisation is economic for underground mining and could provide high grade feed to the Chatree mill. High grade zones were also intersected beneath the C Pit at Chatree and deep drilling is planned to follow-up these and the Chatree North zones once the initial open pit resource development drilling is under way.

Regional Exploration - Thailand

Surface sampling and top-of-bedrock air core drilling continued over regional prospects in granted exploration leases (Special Prospecting Licences or SPL's) with approximately 80% of the granted SPL areas now covered. Ground geophysical surveys (Induced Polarisation and Resistivity) were extended during the year to cover a 250 square kilometre area, which includes a number of regional prospects. Geophysical anomalies coinciding with silicified zones have proved a powerful tool for drill hole planning under laterite and alluvium cover. One target zone, with geologic characteristics similar to Chatree, hosts a geochemical anomaly extending over a 30 square kilometre area, which is larger than Chatree's original geochemical anomaly footprint (23 square kilometres).

RC and diamond drilling on regional prospects to date has been limited due to the requirement to ensure the continuity of operations at Chatree before drilling new prospects. Limited drilling returned some encouraging gold intercepts, although the results are not considered significant at this stage. Now that the Chatree mining leases have been granted, a significant drilling programme is planned in regional targets with the most encouraging geochemical and geophysical anomalies.

In Thailand, the Company has a total area of 1,780 square kilometres covered by 125 Special Prospecting Licences (SPL's) of which 52 have thus far been granted.

A new review process for exploration lease applications was announced in December 2007, which involves recommendations from a government policy advisory body, the National Economic and Social Development Board (NESDB), on the economic and social benefits of gold exploration and mining in Thailand. Processing of applications for exploration title had been suspended while the report was compiled and reviewed.

Exploration - South America

Exploration tenements in Chile, Peru and Argentina were maintained with only limited exploration conducted. One package of tenements in Peru, Artemisas, was joint ventured to a Latin American-focused exploration company, Radius Gold Inc (RDU:TSX.V). Radius can earn 70% in the project via an exploration programme of US$2 million of which 50% must be spent on drilling. Access agreements are being negotiated with local communities prior to surface exploration.

Exploration - Australia

Exploration recommenced on exploration licence EPM 12409, 25 kilometres east of Cloncurry, Queensland. This area was previously explored by Kingsgate in 1988-94, identifying a zone of gold mineralisation on the Wynberg Project with a mineral resource of 20,000 ounces gold in 330,000 tonnes grading 2.0 grams/tonne gold.

An airborne geophysical survey (Magnetics & Radiometrics) and a detailed ground gravity survey were completed. Results improved the understanding of the geology under cover but did not identify new targets. The lack of availability of a drill rig for a small drill programme in 2007 meant that extensions to the main target which hosts the resource was not tested. The term of the licence expired in November 2007 and an extension to the licence has been requested to allow the proposed drilling to go ahead.

Chatree Mineral Resources Inclusive of Ore Reserves as at 30 June 2008 *(>0.5g/t Au cut-off)*

Source	Category	Tonnes (Million tonnes)	Grade Gold (g/t)	Grade Silver (g/t)	Contained Ounces Gold (Million Oz)	Contained Ounces Silver (Million Oz)
Chatree Mine on Current Leases [1]	Measured	6.6	1.5	8	0.31	1.64
	Indicated	5.7	1.3	6	0.24	1.18
	Inferred	3.3	1.2	7	0.14	0.73
	Total	**15.7**	**1.4**	**7**	**0.69**	**3.55**
Chatree North Granted Leases [2]	Measured	47.3	1.2	11	1.79	16.98
	Indicated	13.1	1.2	8	0.51	3.28
	Inferred	4.9	1.1	6	0.17	1.02
	Total	**65.3**	**1.2**	**10**	**2.47**	**21.29**
Stockpiles	**Sub-Total**	**0.03**	**1.1**	**3.5**	**0.001**	**0.003**
	Measured	53.9	1.2	11	2.10	18.62
	Indicated	18.9	1.2	7	0.75	4.46
	Inferred	8.1	1.2	7	0.31	1.75
Chatree Total	**Total**	**81.0**	**1.20**	**10**	**3.16**	**24.85**

Notes for Mineral Resources and Ore Reserves Statement:
Some rounding of figures may cause numbers not to add correctly
(1) Includes C, H, D, HS, HW, S and P at Chatree Mine cut to the end of June 2008 mine surface.
(2) Includes A, AE, Q, KW and KE at Chatree North Mining Leases granted July 2008
(3) The Ore Reserves are based on a US$630/oz gold price for Chatree Mine on current leases and US$650/oz gold price for Chatree North, and US$12.50/oz silver price, which is the approximate 3 year average, prior to 30 June 2008, prepared by Kingsgate from public data.
Chatree Mine Lease Notes:
(4) Based on a composite of the current mine design and an optimised pit shell which extends the C Pit to the north.
Chatree North Mining Lease Notes:
(5) Based on optimum pit shells including haul road allowance in the slopes, long term fuel, consumables, and mining contract prices.

Chatree Ore Reserves as at 30 June 2008 *(>0.5 g/t Au cut-off)*

Source	Category	Tonnes (Million tonnes)	Grade Gold (g/t)	Grade Silver (g/t)	Contained Ounces Gold (Million Oz)	Contained Ounces Silver (Million Oz)
Chatree Mine on Current Leases [1, 3, 4]	Proved	1.0	2.4	11	0.07	0.34
	Probable	0.4	1.6	7	0.02	0.10
	Sub-Total	**1.4**	**2.1**	**10**	**0.10**	**0.44**
Chatree North Granted Leases [2, 3, 5]	Proved	30.1	1.2	12	1.13	12.05
	Probable	3.9	1.3	11	0.16	1.31
	Sub-Total	**33.9**	**1.2**	**12**	**1.29**	**13.36**
Total from Pits	Proved	31.0	1.2	12	1.20	12.40
	Probable	4.3	1.3	10	0.19	1.40
	Sub-Total	**33.9**	**1.2**	**12**	**1.39**	**13.80**
Stockpiles	**Sub-Total**	**0.03**	**1.1**	**3.5**	**0.001**	**0.003**
Chatree Total	**Total**	**33.9**	**1.2**	**12**	**1.39**	**13.80**

Information in this report that relates to Exploration Results, Mineral Resource and Ore Reserve estimates is based on information compiled by Ron James, Mike Garman and Guy Davies who are employees of the Kingsgate Group and members of The Australasian Institute of Mining and Metallurgy, and Rob Spiers, an employee of Hellman & Schofield and member of the Australian Institute of Geoscientists. These people are Competent Persons under the meaning of the JORC Code with respect to Exploration Results, Mineral Resources and Ore Reserves being reported on. All have given their consent to the Public Reporting of these statements and are in agreement with the contents and format of this report.

SUSTAINABILITY

Kingsgate's Thai subsidiary, Akara, became the world's first mining company to gain accreditation under Social Accountability SA 8000. This is considered the global best practice standard for assuring a fair and humane workplace.

Management Discussion

Sustainability is integral to Kingsgate's business, both in its approach to business and as displayed by its actions. Sustainable development's core aims are integrated into all activities of exploration and mining, especially health, safety and environment, together with community responsibilities and rural development.

Kingsgate developed its single mine operation at Chatree in central Thailand in 2000-01. The Company recognised that Thailand did not have a developed, modern, mining industry and therefore made a commitment to bring the mining industry's world's best practice to the mining sector in Thailand. Initially, specific policies were established for sustainability, environment and governance, among others, at a high level across the organisation. This approach developed into embedding sustainability parameters into the description of each job task and into the Key Performance Indicators of every worker, after gaining certification for world's best practice in operational activities, including health and safety, environmental management, materials handling and labour agreements. Internal and external planning and reporting practices were improved to ensure that sustainability issues were integrated into the Company's business.

Rural development has focused on developing new industries to support or provide services and manufacturing items for the operation, demonstrating the export potential of mining equipment and services. Local community programmes moved beyond training and jobs, infrastructure development, education and health to integrating development programmes with regional and provincial governments. In 2006, the Company divested a share in the company which operates the Chatree mine to Thai interests. In the future, the aim is to list the Thai operation on the Thai Stock Exchange and complete the integration process.

Separate Sustainability Reports were produced for each year from 2003 to 2006, however, regarded as core to our business and delivering superior outcomes for all stakeholders, the decision was again made to integrate Sustainability into the Company's Annual Report as per the 2007 Annual Report.

Examples of the outcomes from this approach to Sustainability include: for more than 2,000 days, no employee was injured at work; there were no interruptions to the business through environmental incidents at any time; the Company increased operational efficiencies and experienced positive cooperation with local governments and communities. Positive interaction with local communities and provincial government was demonstrated through their support for the continuation of the mine and approval of new mining leases at Chatree North. Few mining companies have achieved this result. Greater financial returns will result as the mine expands at Chatree North and the plant expansion is completed.

The Company has a commitment to improved sustainability achievements and greater disclosure of sustainability progress. During the year, the delays in the granting of the new mining leases had constrained further development initiatives. Now that the operation has recently received government approval for a number of years of further mining, new projects can be initiated. The Company continues to report against the Global Reporting Initiative (GRI) Indices and provide additional information in the GRI format on the Company web site (www.kingsgate.com.au). This is an ongoing process.

Context and Performance

Kingsgate has experienced two tough years operating the Chatree mine with low grade ore feed and low levels of gold production – the last year being the mine's lowest production since opening. Remnant ore was extracted from the open pits and supplemented with marginal grade stockpile ore, while maintaining effective cost controls in an environment of spiralling industry wide costs. Ore supplies were almost exhausted when the Chatree North mining leases were finally granted. Despite these limitations, the Company was able to benefit from higher gold prices, selling all gold produced into the spot gold market which, combined with asset sales, resulted in a profitable year.

Kingsgate continued to implement all its sustainability initiatives at a higher level than in the previous year, due to improved profitability, but was still constrained due to the lack of certainty of continued mine-life. The planned social and economic programmes around Chatree, which involve a partnership with local and provincial governments and community stakeholders, will progress now that new mining leases are granted. The direct partnering with the two provincial governments has improved relations and trust significantly, aided by the Thai investors. Community expenditures will increase during the new fiscal year 2008-09.

In July 2008, the Chatree North mining leases were granted. New areas will be progressively opened for mining with higher grade material ramping up production during the first 6 to 9 months of 2008-09 with a consequent increase in earnings. This will aid in putting various social development plans into action.

Key Sustainability Achievements in 2008

- Safety performance at Chatree continued to be outstanding with no lost time injuries for the entire year. On the basis of publicly available safety records, Chatree continues to be the safest gold mine in the world.
- Chatree continues to win major Australian and Thai awards for outstanding health, safety, environment and labour relations.
- Kingsgate won the Special Award for Labour Relations in the 7th Australian Sustainability Awards, mainly in recognition for Kingsgate's Thai subsidiary, Akara Mining Limited, becoming the world's first mining company to gain accreditation under Social Accountability SA 8000.
- Akara Mining's Human Resources Superintendant won the 2008 Thai Working Woman of the Year Award, mainly in recognition for driving the Company through the rigorous audit to gain accreditation under Social Accountability SA 8000.
- The Chatree team won the Australian mining industry's highest award for health and safety, the 2007 Australasian Institute of Mining and Metallurgy (AusIMM) Jim Torlach Health and Safety Award.
- The audit was completed and the Chatree mine certified as compliant with the International Cyanide Management Code (ICMC). This was the smallest producing gold mine certified so far in the world and the first Australian company to achieve code certification.
- The Chatree North mining leases were approved in July 2008 by the Thai Minister of Industry allowing for a new future and extending the mine life for many years.
- New vegetation cover trials have commenced over part of the Tailings Storage Facility (TSF) and Waste Rock Dumps, with new plants trialled including rice, tree crops and bamboo.
- The annual external environmental audit confirmed that the mine continues to operate to high standards and in compliance with its statutory requirements. Environmental performance under the MCA's 'Enduring Value' was assessed with favourable results.

Record of International Standards

Akara/Kingsgate's impressive record of implementing best practice international standards continued this year with accreditation of the Akara laboratory under ISO 17025 and certification of the Chatree mine under the International Cyanide Management Code. These include:

ISO 9001	Quality Assurance Standard
ISO 14001	Environmental Management Standard
OHSAS 18001	Occupational Health and Safety Management Standard
TLS 8001:2003	Thai Labour Standard
SA 8000	Social Accountability Standard
ISO 17025	Laboratory Standard
ICMC	International Cyanide Management Code accreditation
GRI	Global Reporting Initiative (in relevant areas).

Social Accountability SA 8000 accreditation was achieved in July 2007 and certification of the Akara laboratory to ISO 17025 Standard for bullion analysis occurred in September 2007. In January 2008, the Chatree mine was certified under the International Cyanide Management Code after an audit in late 2007.

Recognition of these standards has been reinforced by winning numerous awards in Thailand and Australia. These include the Best Employer Award 2008 (AustCham) as well as the 2007 Australian Sustainability Award for Labour Relations and the Thai Prime Minister's Best Labour Relations and Welfare Award 2007. For health and safety and the environment, awards included the Thai Zero Accident Award and the Thailand National Occupational Safety and Health Award 2007, the 2007 AusIMM Health and Safety Award and the Outstanding Corporation in Drug Prevention.

SA 8000 Social Accountability Standard

In July 2007, Akara Mining Limited, Kingsgate's Thai subsidiary, became the world's first mining company to gain Social Accountability SA 8000 accreditation. This is considered the 'current benchmark in corporate social accountability' by Amnesty International and is a global best practice standard for assuring a fair and humane workplace.

For Kingsgate, achieving this certification confirms our commitment to world's best practice demonstrates our belief in fair dealings with employees and stakeholders and verifies we have not lowered our standards when operating outside Australian jurisdictions.

International and Industry Initiatives

Human Rights, Corruption and Poverty

Kingsgate considers humanitarian issues such as social justice, human rights and distribution of wealth as a part of its business approach. The Company is supportive of global initiatives which address these issues including the Global Compact, World Economic Forum's Anti Corruption Initiative, Business Principles for Countering Bribery, Labour Conventions and the Equator Principles for the financial sector.

An example of the genuine commitment of the Company is holding the SA 8000 Social Accountability Standard, the Company's Code of Conduct and mine specific policies.

The Company is also supportive of industry initiatives such as the International Cyanide Management Code, the Mineral Council of Australia's Sustainability Framework 'Enduring Value', the International Council on Mining and Metals' (ICMM) Sustainable Development Charter and the Global Reporting Initiative. Kingsgate is a signatory to most of these initiatives and supports measures that lead to improved environmental and social performance within the mining industry.

International Cyanide Management Code (ICMC)

The ICMC was established to promote and administer a voluntary code to improve the production, use, transport and management of cyanide, to assist in protecting human health and to reduce potential environmental impacts. The code was developed under the guidance of the United Nations Environment Programme.

The ICMC announced on 24 January 2008 that Akara Mining's Chatree mine was certified as compliant with the ICMC Code. This was the smallest producing gold mine certified so far in the world and the first Australian company to achieve code certification. Akara was one of the original nine founding gold company signatories to the Code.

Enduring Value

Kingsgate is a signatory to the Australian Minerals Industry Code for Environmental Management and Enduring Value. This includes a Sustainable Development Framework for the mining industry through the implementation of a range of economic and social initiatives in addition to environmental practices. Signatories to the code are committed to continuous improvement, as well as compliance, which involves an annual audit and a report on performance.

An assessment of Chatree's performance in relation to the 10 principles of Enduring Value was carried out by an external auditor in February-March 2008 as part of a larger annual external environmental audit of the operation. The audit report commented that numerous examples existed of one of the code's key elements, continuous improvement, such as the ICMC certification and SA 8000 accreditation, as well as numerous awards. The supporting elements of each of the 10 principles were assessed to be achieved or at least adequately addressed through a range of accreditations, policies, programmes and initiatives.

Global Reporting Initiative (GRI)

The Global Reporting Initiative was developed to provide a framework for measuring and reporting the social, environmental and economic performance of companies. The GRI contains a number of performance indicators to assist in this process. Last year we published a table showing our progress against these indicators. This year we will continue to report against these indices and provide additional information in the GRI format on the Company web site.

Climate Change

Kingsgate acknowledges that climate change is a real international and community concern. The Company supports and endorses various initiatives for voluntary actions consistent with the international initiatives on climate change.

Kingsgate's main business is located in Thailand which ratified the United Nations Framework Convention on Climate Change (UNFCCC) in December 1994 and the Kyoto Protocol in August 2002. Australia followed by ratifying the Kyoto Protocol in 2007. In 2008, Australia has introduced guidelines for Australian operations regarding greenhouse gas emissions and controls.

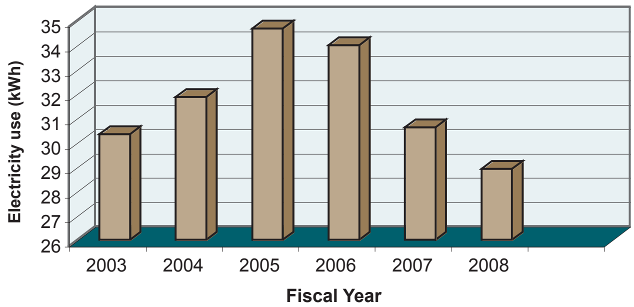
Kingsgate considers that the mining industry and individual mining companies have an important role to play in reducing greenhouse gas emissions.

Kingsgate's Chatree mine derives its electricity from the national grid which is relatively clean, being derived principally from hydro and gas, supplemented with brown coal. Most of the mine's power on the grid is sourced from the nearby Queen Sirikit hydro facility. The mine has introduced a range of strategic initiatives to increase energy efficiencies and reduce greenhouse gas emissions.

These initiatives have been successful in reducing electricity use per tonne of ore milled by 16% over four years since they were introduced in 2004/05. (See Figure 5, Electricity Use). Prior to 2005, the operation was processing softer oxide ore and consequently energy use was relatively low compared with that required for the harder fresh ore now being processed. Total electricity consumption has also reduced, but will increase within two years time once an expansion to the processing plant is complete.

Fuel consumption has also reduced as mining operations were optimised. In the coming year, total fuel consumption will increase due to longer haulage distances from the new mining areas within Chatree North.

Figure 5: Electricity use per tonne of ore milled



Sustainability Indices

Kingsgate is the cluster leader for 2008 of four ASX gold companies in the Zurich based Australian SAM Sustainability Index. The Index tracks the performance of companies that lead their industry in corporate sustainability - in economic, environmental and social criteria.

Kingsgate's inclusion in both these indices validates the Company's global standards accreditation initiatives and superior sustainability performance.

Assurance and Review

Chatree carries out a comprehensive environmental auditing and review programmes to assess compliance with licence conditions, relevant legislation, Environmental Management System (EMS) objectives and best practice environmental management. The programme is based on regular internal and external environmental audits. These audits are key mechanisms that facilitate continual improvement of environmental management programmes and systems. A summary of Chatree's environmental audit programme is shown in Table 1.

Monthly reports are provided to the Kingsgate Board of Directors to ensure regular review of management strategies and potential environmental impacts. The Board also commissions an annual, independent, environmental audit of the Chatree operations. The audit consists of an assessment of compliance with licence requirements, relevant Thai legislation, Kingsgate's sustainability policies and the Company's obligation to the Mineral Council's 'Enduring Value'.

The annual, independent, environmental audit was conducted early in 2008 following submission to the Thai authorities of the site's annual environmental monitoring report. The 2008 audit confirmed the mine is operating in compliance with its statutory licence requirements, voluntary environmental commitments and company policies. An exception of a single recorded slight excedance on dust is part of the new recommendations to adequately monitor data in this area.

The 2008 Audit reviewed the status of the major recommendations from the 2007 Audit as summarised in the 2007 Sustainability Report. All of the nine recommendations were implemented and completed, except for two which are underway. (See Table 2.)

Major recommendations from the 2008 Audit were:

1. The inventory of all stockpiles should be updated on a regular basis – either annually or following the completion of each Tailings Storage Facility (TSF) raise,
2. The new TSF rehabilitation trial should be implemented as soon as possible and in time for planting during the forthcoming wet season. The trial of a green manure treatment, as recommended in the previous audit, be included. (This is now underway),
3. High priority should be given to maintenance of the continuous dust monitoring equipment so that it provides data for at least 80% of each year, and
4. A programme of visual observations should be implemented over a 12 month period to help assess the validity of any complaints relating to dust.

Table 1. Chatree Environmental Audit Programme

Audit Type	Audit Scope	Auditor	Frequency
Internal environmental audit	Compliance with environmental management objectives and plans	Chatree Internal Audit Team	Quarterly
External environmental compliance audit	Compliance with licence conditions, applicable laws in Thailand and the Chatree gold mine Environmental Policy	Independent Australian Environmental Consultant	Annual
Minerals Council of Australia	Compliance with the Australian Mineral Industry's Enduring Value Code for sustainable development	Independent Australian Environmental Consultant	Annual
ISO 9001 certification audit	Compliance of Quality Assurance Programme with ISO 9001	External Independent International Certification Auditors	Semi annual
ISO 14001 certification audit	Compliance of the Chatree gold mine Environmental Management System (EMS) with ISO 14001	External Independent International Certification Auditors	Semi annual
OHSAS 18001 certification audit	Compliance of the Chatree gold mine Safety Management System (SMS) with OHSAS 18001	External Independent International Certification Auditors	Semi annual
ISO 17025 certification audit	Compliance of the Akara analytical Laboratory' s Management System with ISO 17025	External Independent International or Thai Certification Auditors	Annual
SA 8000 Social Accountability certification audit	Compliance of Chatree's labour, welfare and social accountability standards with SA 8000	External Independent International Certification Auditors	Semi annual
International Cyanide Management Code	Compliance with nine standards for the safe use, handling and storage of cyanide	External Independent International Certification Auditors	Every three years

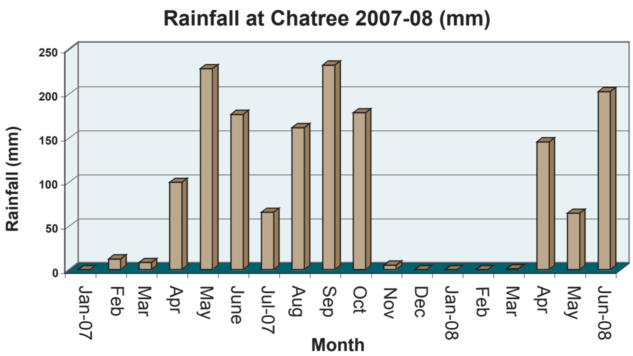
Table 2. Major Recommendations – 2007 Audit

Recommendation	Status
Stockpiled clay material located east of the Tailings Storage Facility (TSF) should be used in the Stage 6 lift of the TSF as soon as possible to avoid potential acid rock drainage.	Completed
The borrow pit located southeast of the TSF should be rehabilitated by at least partial backfilling with non acid forming (NAF) material followed by planting of vegetation to avoid possible contamination of a local aquifer.	Intent of recommendation completed. No rehab of pit as TSF footprint is growing.
Appropriate management safeguards should be devised to prevent acid rock drainage from the exposed mineralised waste rock dump.	Removed & processed. New design for future waste dumps.
Exploration holes drilled through waste rock dumps should be back-filled, immediately after completion, using low permeability materials.	Now standard practice.
The location of all stockpiles around the site should be documented to identify the original source, nature, approximate volume and intended use of each.	Completed
A legume cover crop providing green manure should be included as part of the TSF cover trial.	New trial underway.
Two separate accrual funds should be established, one for environmental costs during operations, the other for closure and post-closure costs.	Completed
A hydrogeologist should be engaged to examine the existing water quality data in the vicinity of the original Reserve Pond No. 1 to determine whether there is any groundwater contamination.	In progress
Additional sampling and testing should be carried out to provide a better understanding of the spatial and temporal concentrate of cyanide in the vicinity of the Tawan pit, following some elevated levels in recent analyses.	Further sampling showed return to normal levels.

Water Use and Ecoefficiency

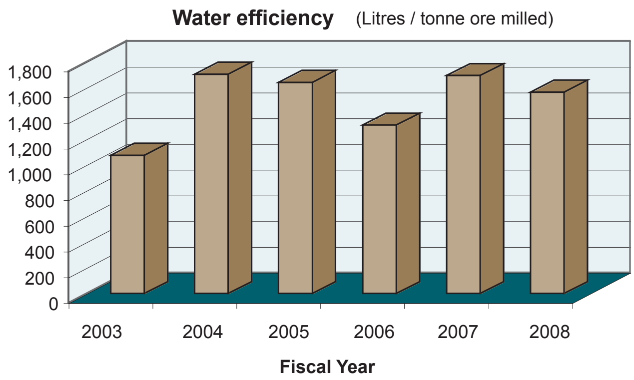
The Chatree region experiences a monsoonal climate with a wet season extending from late April to October and a dry season from November to early April. In calendar year 2007, rain continued into late October and there was slightly less precipitation than in 2006. Total rainfall for the year was 1,164 millimetres, compared with 1,251 millimetres in 2006 and the wettest months were May and September with 230 millimetres, compared with 2006 when July was the wettest month with 249 millimetres.

Chatree uses this seasonal rainfall to collect surface water directed to storage ponds for commercial use at the site. In 2006-07 additional sediment traps were installed to collect and clean run-off water and the mine now uses the now-disused D Pit to store water. Water collected in the main pits is also pumped to D Pit, especially during the wet season.



The mine obtains its full water requirements from these storage ponds, from open pit dewatering and from water bores that intersect underground water sources. To promote water efficiency and conservation, Chatree re-uses and recycles water wherever possible and the mine operates as a zero discharge operation from processing.

The primary consumer of water is the ore processing plant. An average of 75% of the water used for processing is recycled from the Tailings Storage Facility (TSF), although this reduced to 60% in the 12 months leading up to December 2007 as total water inputs increased due to higher plant throughput rates. Make-up water is pumped from on-site storage dams and local groundwater bores which dewater the pit areas ahead of mining.



Water use efficiency showed good improvement between 2004 and 2006. In 2007 Chatree began processing ore from the new A pit. This ore contained surface laterite material which required more water for efficient treatment. Water usage was again efficient during 2008, as can be seen in the table, although water usage/tonne is expected to increase again in fiscal year 2009 as more laterite material is processed from new pits opened at Chatree North.

To protect the quality of surface and underground water in the vicinity of the mine, Chatree employs world's best practice in the treatment, handling and storage of tailings residue. The construction and operation of tailings storage facility was described in detail in the 2003 Sustainability Report which is available on the Company's website. The quality of surface and underground water is monitored to ensure the quality of water exiting the site is not significantly degraded. Further surface water and bore water monitoring stations were installed during 2008 to cover the new areas within and around the Chatree North mining leases.

Table 3. Water Efficiency per tonne of Ore Milled.

	2008	2007	2006	2005	2004	2003
Throughput ('000 tonnes)	**2,474**	2,405	2,000	1,829	1,671	1,324
Total water use ('000 litres)	**3,873,000**	4,075,000	2,619,000	3,003,000	2,851,000	1,423,000
Litres / tonne of ore milled	**1,566**	1,694	1,309	1,641	1,706	1,074

Biodiversity, Land Use and Rehabilitation

Biodiversity

Competing land use, including mining operations, poses significant risks to biodiversity around the world.

The Chatree mine is located on the eastern edge of Thailand's great central plain in gently undulating country. The region has been cleared of original vegetation for many years and is now predominantly used for farming and rice growing. There were no protected or biodiversity-rich areas or other areas of ecological significance within the proposed area of operation.

The major impacts on biodiversity associated with mine activities come from land clearing. The mine has a policy to minimise land clearing to the minimum necessary and carries out progressive rehabilitation of disturbed areas wherever possible with the most suitable vegetation for the region. At 30 June 2008, the total land disturbance was 377.9 hectares. An additional 23.6 hectares was cleared during the year as preparations commenced to start mining within the new Chatree North mining leases. Of this disturbed area, 85.0 hectares has been rehabilitated, as at 31 December 2007, the date of the mine's last internal audit.

The Company continues to research, revegetation and tree plantings, useful local flora species, acid drainage prevention and groundwater modelling and recharge.

Rehabilitation

Chatree strives to minimise its environmental impacts and progressively rehabilitates disturbed ground as it becomes available. Rehabilitation progress for the calendar year 2007 is summarised in Table 4.

The rehabilitation programme was considerably expanded in 2007 as more land became available at the waste dumps and along the southern embankment of the TSF. A total of 30.5 hectares was rehabilitated compared with the 32.5 hectares which had been planned for rehabilitation in calendar year 2007. A total of 11.2 hectares is planned for rehabilitation in calendar year 2008.

In addition to rehabilitating the mine's active waste rock dumps, Chatree has been undertaking vegetation trials on a purpose built waste rock emplacement, comparing five different treatments (or capping) to the surface of the dump, including blue clay. The plot was planted with various tree species and vetiver grass in the 2006 wet season. Instrumentation was also installed to monitor moisture profiles within the dump.

The 2006 planting has taken good hold. The percentage cover is 82 to 100% and the average percentage survival of trees planted is 64%, varying from 46 to 85%, depending on the treatment. The average growth rate is 0.13 metres per month.

New rehabilitation trials started on the TSF (Trial II) in July and November 2007. A portion has been set aside so that the trial plots do not become inundated and buried like the first trial as the TSF was raised. The approach is to trial various species without using topsoil. Rice was planted initially in July 2007, followed by tree species including bamboo, physic nut (jatopha curcas), rubber tree, coconut, eagle wood and wattle.

The Chatree team has also been working with the provincial and local governments to promote tree plantings in key areas. On National Tree Day on 23 May 2008, 2,800 trees were planted, together with other plantings by Phitchit provincial representatives, on a block of 1.6 hectares of land, west of highway 11 and the intersection with the sealed road to Chatree.

Table 4. Summary of Rehabilitation Activities 2007

Location	Area (ha)	Type of Rehabilitation
CH-WRD slope at northwest area	1.1	Vetiver grass; minor area with bamboo, cork, acacia, tabebuya, queen's flower
CH-WRD slope at west area	0.7	Vetiver grass
CH-WRD slope at southwest area	12.1	Vetiver grass; minor area with bamboo, cork, acacia, tabebuya, queen's flower
CH-WRD slope at east area	0.9	Vetiver grass; minor bamboo, cork, acacia, tabebuya, queen's flower
CH-WRD top of dump	6.6	Vetiver grass
D-WRD slope	2.9	Vetiver grass
D-WRD top of dump	1.6	Fruit trees: tamarind, guava, physic nut, coconut, date palm, mango, casod tree. Also bamboo, intamin, pradu, salas
CGM north along fence	0.5	Trees and vetiver grass
North of TSF embankment	0.2	Vetiver grass
Northeast corner TSF wall	0.4	Vetiver grass
South of TSF embankment	3.5	Vetiver grass
Total rehabilitated	30.5	

Note: The data included in this table relates to the 2007 calendar year. *(WRD = Waste Rock Dump)*

Energy Use and Greenhouse Gas Emissions

Chatree is a major energy user and consumes significant quantities of electricity to power the processing plant and diesel fuel to mine and transport ore to the plant.

The mine derives its power from the national grid which is relatively clean, being derived principally from hydro, supplemented with gas and brown coal. Even so, the mine has introduced a range of strategic initiatives to increase energy efficiencies and reduce greenhouse gas emissions. These include introducing an Energy Conservation Policy, forming a Power Smart Committee to evaluate new energy saving initiatives and promoting energy management to employees and contractors. These initiatives have been successful in reducing electricity use per tonne of ore milled by 15% since they were introduced in 2004-05 (see Figure 5).

Other energy saving initiatives recently introduced include:

- Scheduling the operation of the electrowinning cells running to operate during off-peak electrical tariff periods reducing energy costs.
- Installing photocells to control lighting for all safety showers, the elution area and the road around the treatment plant area.
- Controlling the carbon elution circuit wash water volume and running time in proportion with the gold and silver contained on the carbon resulting in lower power, water and reagent consumption.

Greenhouse gas emissions are produced mostly from electricity and diesel fuel use with minor amounts from LPG and explosives use.

Greenhouse gas emissions are shown in Table 6.

Following the introduction of energy saving measures, overall energy usage and CO_2 emissions decreased by 11% to 58,937 tonnes due to reduced truck movements and efficient electricity use. The granting of the Chatree North mining leases will lead to higher fuel usage (increasing by approximately three times) due to longer haulage distances. Once the processing plant expansion is complete, electricity consumption will double in 2010-2011.

Sulphur dioxide and nitric oxide emissions are not reported separately as Chatree's ore is metallurgically simple and hence emissions of these substances are quite low. The mine also derives its power from the national grid which is relatively clean, being derived principally from hydro and gas, supplemented with brown coal. Greenhouse emissions from electricity use in Thailand are significantly less than those from coal derived electricity in Australia.

Figure 5: Electricity use per tonne of ore milled

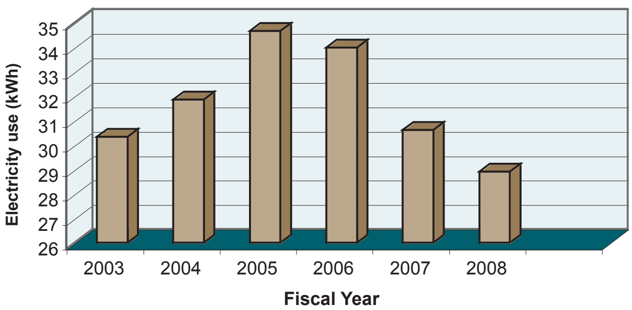


Figure 6: Contributors to CO_2 Emissions for Chatree 2007-08

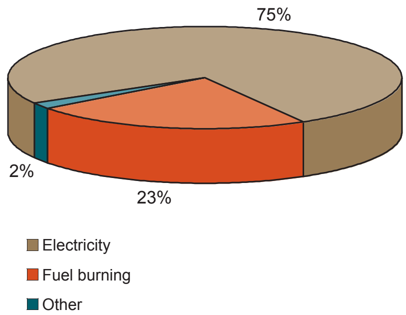


Table 5. Electricity Use per tonne of Ore Milled

	2008	2007	2006	2005	2004	2003
Throughput ('000 tonnes)	**2,474**	2,405	2,000	1,829	1,671	1,324
Total electricity use (MWh)	**71,517**	73,650	67,990	63,433	53,253	40,220
Electricity / tonne milled (kWh)	**28.911**	30.624	33.995	34.681	31.869	30.377

Table 6. CO_2 Emissions

CO_2 Emissions	2008	2007	2006	2005	2004	2003
From electricity use (tonnes)	**44,198**	45,516	35,899	33,493*	28,118*	21,236*
From mobile equipment (tonnes)	**13,709**	20,089	23,697	19,041	13,158	6,126
From LPG (tonnes)	**833**	873	849	786	856	814**
From explosives (tonnes)	**197**	259	340	373	184	77
Total (tonnes)	**58,937**	66,737	60,785	53,693	42,316	28,253

Greenhouse gas emissions are calculated using the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) emission factors. *Restated using WBCSD/WRI emission factor for electricity generation. **Adjusted from 2003 report.

People and Safety

Kingsgate's Chatree mine employs a diverse and multi skilled workforce of 248 people, 98% of whom are Thai nationals. An additional 505 long term contractors are employed to carry out open pit mining, as well as providing employee transport, cooking and eating facilities, security and other services. Outside of the Chatree mine, the exploration team employs 123 people, of which 98% are Thai nationals.

The contractors are local and national Thai companies, and the vast majority of their employees are Thai. Where possible, local community members are given employment priority and local contractors are commissioned to work at the mine or on exploration tenements. The Company has a policy to improve the quality of life for women workers who comprise approximately 13% of the workforce and 23% of the senior management team.

In 2007, Akara obtained certification of the Chatree operation under the International SA 8000 Standard for Social Accountability, and the Thai Labour Standard (TLS 8001). These Standards provide for labour protection, welfare, employee relations and health and safety, as well as the Conventions of the International Labour Organisation and of the United Nations. Recognition of this accreditation has come from awards in Thailand and in Australia for best practice in labour relations, such as the 2007 Australian Sustainability award for Labour Relations.

Safety Performance

Safety performance at Chatree continued to be outstanding with no lost time injuries for the entire year. On the basis of publicly available safety records, Chatree continues to be the safest gold mine in the world.

The Chatree operation has worked more than 9.2 million hours (more than 2,000 days) without a lost time injury. For the year ended 30 June 2008, the Lost Time Injury Frequency Rate (LTIFR) was zero compared with an industry average of 4.0 for Australian open cut mines (Minerals Council of Australia statistics). The mine has achieved an injury rate in the lowest quartile of international safety statistics since start-up.

Occupational Health

Chatree strives to minimise occupational health risks at the mine site and has instituted a regular monitoring programme to test noise, vibration and air quality effects on employees and the surrounding communities. All employees undergo an annual medical check-up.

Specific testing is carried out on employees working in certain sections of the operation. Chatree is continuing a range of 'fitness for work' programmes for employees including random drug and alcohol testing which is carried out on all permanent and contractor employees.

In recognition of the leadership displayed by the Chatree mine in this field, the Company was awarded "The Outstanding Corporation in Drug Prevention" by Phichit Province in June 2007.

Training and Development

Since commencing operations, the mine has implemented an extensive range of training programmes for its employees. The programmes have been enormously successful as evidenced by the safety, environmental and operational performance of the mine.

To date, 22 employees have entered Masters degree level university courses in accounting, geotechnical, and in management (MBA's), with four graduates to date. One employee is completing a doctorate (PhD) in geology and expects to graduate in 2009.

Kingsgate's subsidiary, Akara Mining Limited (Akara), is considered an employer of choice due to its training programmes and is the largest employer of geoscientists in Thailand after the Thai Government's Department of Primary Industries and Mines.

Akara has a workforce of employees and contractors which has approximately 80% sourced from the local villages. Training over time has up-skilled these people from predominantly agricultural labourers to mine workers.

Table 7. Safety Performance (Chatree Mine Employees and Contractors)

	2008	2007	2006	2005	2004	2003
Lost time injuries	**0**	0	0	0	0	1
Total recordable injuries	**4**	8	4	2	3	1
Total injuries	**29**	23	24	10	16	25
LTIFR*	**0**	0	0	0	0	1.1
TRIFR*	**2.2**	3.9	2.0	1.3	2.2	1.1
TIFR*	**15.7**	11.3	12.0	6.4	11.8	26.3

Total recordable injuries (TRI) includes all injuries but excluding first aid cases

Total injuries (TI) includes all injuries including first aid cases

* per million hours worked

Community

Since start-up, Chatree has sought to contribute to community amenities, facilities and programmes while not adversely affecting their quality of life or the environment. We understand that local communities must benefit from our presence and we strive to implement community programmes that meet their needs.

Chatree's community development programmes contribute to a wide range of stakeholders' aims including higher local employment, business development, local and national government planning and improved community facilities. Through its community development programmes, Chatree seeks to strengthen its relationships with stakeholders and introduce sustainable benefits.

Over the past five years Chatree's community development programmes have advanced direct and indirect employment, increased access to health and education, provided new roads, water delivery infrastructure, sporting infrastructure, and supported financial contributions to local religious centres and sporting events.

In implementing these programmes, Chatree has sought to work within and respect the local customs, culture and standards.

In fiscal year 2007-08, Chatree spent US$182,750 (5,793,196 Baht) on a range of community activities. (See Table 8.)

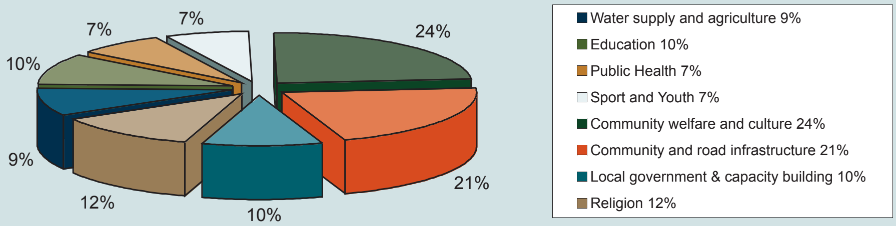
Chatree's direct contribution to community, social and infrastructure development since start-up is US$1,787,750. The sustainability initiatives supported by these funds are shown in Figure 7.

Table 8. Community Development Expenditure in 2007-08

	Expenditure	
	(US$)	Thai Baht
Water Supply and Agriculture	19,785	627,200
Education	19,754	626,200
Public Health	29,754	943,200
Sport and Youth	35,688	1,131,323
Custom and Culture	40,357	1,279,323
Community & Road Infrastructure	0	0
Local Government & Capacity Building	252	8,000
Religion	37,160	1,177,950
Total	**182,750**	**5,793,196**

1US$ = 31.7 Baht

Figure 7: Community Development Expenditure since start-up (US$1.79 million)



Aligning with Local Development Priorities

For some years Chatree has been researching how community development activities may be implemented in a way which is best suited to the local community. Research included interviews with key Thai personnel, community and provincial leaders and local and regional governments.

Regional development goals at the provincial level were examined and Thai best practice examples of community development explored, including partnering with Thai community development specialist organisations. Following these initiatives, a review of Chatree's community development function was undertaken in 2006 and several changes were implemented.

In 2006-07, Chatree continued this process and established a formal Community Fund as part of the EIA for Chatree North. In 2008-09, with the mining leases at Chatree North recently granted, the Company can finalise stakeholder's inputs in selecting the composition of a Community Committee to oversee the fund's management and distribution. The Community Committee will be comprised of representatives from local, regional and provincial governments, local communities and Akara personnel. The main aim of the Committee is to oversee the allocation of funds and ensure they align with community needs and regional development plans.

Community Survey

In 2006, Chatree commissioned a community survey to determine opinions, attitudes and concerns about the Chatree mining operation. Details of the survey were published in the 2006 Sustainability Report.

The Company has acted on several of the findings including:

- increased stakeholder communication and transparency through the introduction of a monthly regional newsletter which reports all issues of local significance not just Chatree mine issues,
- publishing a local Thai version of the Sustainability Report with particular emphasis on local issues,
- progress in coordinating mine programmes with district and regional programmes.

Chatree will continue to integrate the survey findings into community and operational activities.

Economic Contribution

Chatree is located in a relatively infertile region of Thailand. Most people in the Chatree vicinity are farmers in an area that provides few other employment opportunities. The Chatree operation offers alternative employment opportunities and helps reduce migration to urban areas.

Kingsgate seeks to promote economic independence in local communities and to assist small business wherever possible, while contributing to the Thai economy through the buying of local goods and services and payment of taxes.

Most business opportunities are contracts with the Company on mine related services but Chatree's long term aim is to diversify local enterprises beyond mining activities. Where the potential exists, we encourage and support improvements in the subsistence economy.

To promote these aims, Chatree has, since commencing operations, proactively sourced more of its goods and services from Thailand in preference to importing them from Australia and other countries. The Company promotes a 'Buy Thai' policy which has seen the value of goods and services supplied by Thailand increase steadily since the mine began operations. In 2006-07 and 2007-08 approximately 85% of the mine's warehouse items were sourced from within the Thailand.

Substantial payments are made in the form of wages, taxes, royalties, goods and services all of which are a major benefit to the local economy.

In 2008, Chatree spent US$72.5 million on goods and services of which 19.4% was spent in local provinces and a further 61.6% in the rest of Thailand. In addition, US$3.4 million was paid in royalties and US$0.1 million in taxes and duties.

Corporate

The Royal Board of Investment in Thailand has sponsored the Chatree project as part of its strategy to encourage foreign investment in underdeveloped areas in Thailand. As such, all local and foreign investors including Kingsgate, are awarded an eight year tax holiday and a five year exemption from import duties on consumables not manufactured in Thailand. Consequently taxes and duties are lower than would normally be expected but taxes will increase from November 2009. The country has benefited from direct employment, purchase of goods and services, community investment, and reinvestment in the operation through expansion and exploration activities. This expenditure is estimated to be in excess of $160 million at 30 June 2008.

Figure 8: Expenditure by Region 2007-08 (US$million)

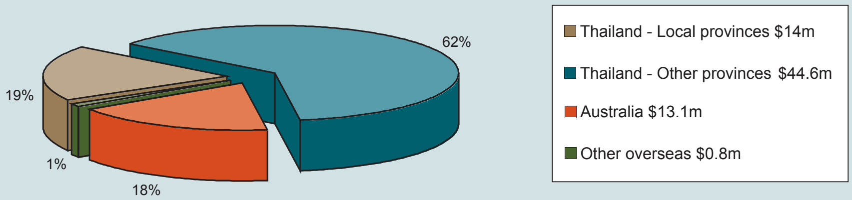


Table 9. Value Added and Distribution for Kingsgate

Economic Value Added	US$M	Value Distribution	US$M
Gold and silver sales	66.6	Wages and salaries*	(7.2)
Interest income	2.0	Royalties and duties*	(3.4)
Other revenue and cash reserves	31.2	Payments to suppliers*	(38.0)
Value Added	99.8	Reinvestment in Thailand	
		- Community investment	(0.2)
		- Plant and equipment	(18.4)
		- Mine properties and exploration	(11.4)
		Debt service / interest	(3.0)
		Net repayment of borrowings	(17.9)
		Other exploration	(0.3)
		Value Distribution	(99.8)

*Significant components of these distributions (all for royalties and duties) were incurred in Thailand.

Table 10. Land Management

Land	Area	
Chatree Mining Leases (hectares)	417.7	
Chatree North Mining Leases (hectares)	456.4	
Rehabilitation	2008	Project to Date
Area of land disturbed (hectares)	**23.6**	377.9
Area of land rehabilitated (hectares)	**30.5**	85.0
Area of land available for rehabilitated (hectares)	**11.0**	11.0

Table 11. Energy Use

Energy Use	2008	2007	2006	2005	2004	2003
Electricity (MWh)	**71,517**	73,650	67,990	63,433	53,253	40,220
Diesel fuel – mobile sources (litres)	**5,096,433**	7,468,000	8,809,107	7,078,571	4,891,487	2,277,107
LPG / Propane (tonnes)	**287**	301	293	271	295	281
Explosives (tonnes)	**1,204**	1,582	2,072	2,276	1,123	472
Total Energy Use (Gigajoules)	**466,390**	565,348	595,804	512,202	393,198	245,715

Table 12. Assurance Programmes

Assurance Programme	Type	Business Aspect	Internal or Ext verified (I or E)
AMI Enduring Value Code	Audit	Environment	E
Env. Licence Compliance	Review	Statutory	I
Tailings Management System	Audit	Waste management	E
ISO 9001	Audit	Quality assurance	I & E
ISO 14001	Audit	Environment	I & E
OHSAS 18001	Audit	Occupational Health & Safety	I & E
SA 8000 and TLS 8001	Audit	Labour standards	I & E
ISO 17025	Audit	Laboratory standards	I & E

Table 13. Environmental Incidents

Category	Definition	2008	2007	2006	2005	2004	2003
Level 1	Low severity (includes minor oil spills less than 10 litres)	**4**	20	15	2	2	3
Level 2	Minor severity (one-off occurrence)	**0**	0	0	0	0	0
Level 3	Minor severity (repeated occurrence)	**0**	0	0	0	0	0
Level 4	Medium occurrence (effects can be reversed)	**0**	0	0	0	0	0
Level 5	High severity (non reversible, serious impact)	**0**	0	0	0	0	0

Table 14. Material Inputs and Outputs

Inputs

Water	ML
Raw water	1,012
Recycled water	2,861
Total water	3,873
Energy	
Electricity (MWh)	71,517
Diesel fuel – mobile sources (litres)	5,096,400
LPG (tonnes)	287
Explosives (tonnes)	1,204
Ore	**tonnes**
Tonnes	2,473,690
Chemicals	**tonnes**
Cyanide	738
Hydrochloric acid	228
Lime	4,594
Carbon	46

Outputs

Water	ML
Discharge to surface waters	0
Landfills	**M³**
Landfill	0
CO_2 Emissions	**tonnes**
From electricity	44,198
From mobile sources	13,709
From LPG	833
From explosives	197
Total CO_2 Emissions	58,937
Waste	**tonnes**
Milled tailings	2,473,690
Waste rock to surface dumps	6,645,000
Product	**ounces**
Gold	74,137
Silver	232,039

CORPORATE GOVERNANCE STATEMENT

Kingsgate Consolidated Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company's corporate governance framework is consistent with the first edition of the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (March 2003). The Company has continued to report against the first edition as it is currently in the process of establishing the appropriate policies and procedures that will ensure the Company's corporate governance will comply with the second edition of the ASX Corporate Governance Council's Best Practice Recommendations. The Company and its controlled entities together are referred to as the Group or Consolidated Entity in this statement.

The relationship between the Board and senior management is critical to the Group's long term success. The Directors are responsible to shareholders for the performance of the Company in both the short and the long term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. The focus of the Directors is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

This Corporate Governance Statement outlines the key components of Kingsgate's governance framework.

Shareholders

Shareholders play an important part in the governance of the Group by electing the Board, whose task it is to govern on their behalf. In carrying out this role, the Board recognises that shareholders must receive timely and relevant information of the highest standard. The Board oversees the protocols for investor and media relations with a view to facilitating an efficient, competitive and informed market.

Kingsgate is a publicly listed entity on the Australian Stock Exchange and is subject to continuous disclosure obligations. In general terms, these obligations require the Company to notify the market immediately of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its securities.

In order to meet these objectives and satisfy regulatory requirements, the Board provides information to shareholders and the market in several ways:

- Significant announcements are released directly to the market via the Australian Stock Exchange and are placed on the Company web site.
- The Kingsgate web site (www.kingsgate.com.au) contains further information about the Group and its activities, including Annual, Interim and Quarterly Reports, and media presentations.
- From time to time, investment briefings are conducted in order to promote a better understanding of the Group.
- Site visits are also arranged to give those who advise investors a better understanding of the Group's operating facilities and exploration prospects.
- The Annual General Meeting provides an opportunity for the Board to communicate with investors directly.

In addition, the Group has established written procedures to ensure that staff (including contractors and consultants) of the Group comply with the Company's continuous disclosure requirements and that material information is reported to shareholders in a timely manner.

Composition of the Board of Directors

Under the *Corporations Act 2001*, the minimum number of Directors the Company must have is three, two of whom must ordinarily reside in Australia.

The Board currently has four non-executive members, including the Chairman. The names of the Directors in office and their relevant details are outlined in the Directors' Report.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Director's Report under the heading "Information on Directors".

Directors have a broad range of business, financial, technical and international experience. This gives the Directors the range of skills, knowledge, and experience necessary to govern the Group, including an understanding of the health, safety, environmental and community-related issues that it faces.

Directors are not appointed for a fixed term but are subject to re-election by shareholders, at least every three years, in accordance with the Constitution of the Company. Shareholders are also required to ratify, at the next Annual General Meeting, the appointment of any Director appointed throughout the year to fill a vacancy.

The Board's Nomination Committee is responsible for considering the re-nomination of retiring Directors, having regard to the contribution of their skills and experience to the desired composition of the Board.

Independence of Non-Executive Directors

The Board has considered the independence of the four Non-Executive Directors and considers all of them to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Role of the Board

The Company's Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder funds. The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman leads the Board and is responsible for ensuring the effectiveness of governance practices. He is also responsible for the conduct of Board and shareholder meetings.

Responsibility for the operations of the Company is delegated to the Chief Executive Officer who manages the Company within the policies set by the Board of Directors. The levels of authority for management are also documented.

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

There are a number of matters that the Board is specifically responsible for. These include setting the strategic direction of the Company, the appointment of key senior executives, approval of the financial accounts and environmental reports, approval of financial policies and the budget, and overall review of operating results, risk management, remuneration levels, succession planning and significant capital expenditure.

The Board is also responsible for the appointment of the external auditors.

Board Meetings

There were 9 Board meetings in 2007/08 year. The Board combines a visit to the Chatree Gold Mine with a Board meeting regularly. Individual Directors are encouraged to visit the mine at their discretion.

The Board receives monthly reports on the Group's activities and undertakes a full review of them when setting the annual budgets and approving strategic plans for future years. In addition, the Board receives specific reports and presentations on items of special interest either on a regular basis or as requested. Briefings by senior management are a regular feature at Board meetings.

Audit Committee

The Board has established an Audit Committee, which is comprised entirely of independent Non-Executive Directors. The Committee is chaired by John Falconer, the other members being Ross Smyth-Kirk and Peter McAleer.

In addition, the Chief Executive Officer, the Chief Financial Officer and the partner responsible for the Company's external audit attend the meetings.

The Audit Committee's primary functions are to:

- Review the financial information provided by the Board to shareholders and other parties and ensure that it is true and fair and complies with relevant accounting standards,
- Ensure that corporate risk management policies and internal controls are in place and are maintained in accordance with appropriate standards and statutory requirements,
- Oversee and evaluate the quality of the audits conducted by the external auditors,
- Provide for open communication between the external auditors and the Board for the exchange of views and information, and
- Recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity.

As appropriate, the Committee reports to the Board on all matters relating to the Company's financial affairs.

The Board has adopted a policy relating to auditor independence. The policy requires the external auditors to confirm that they have maintained their independence in accordance with the Corporations Act 2001 and the rules of professional accounting bodies. The policy also specifies obligations regarding employment relationships, financial relationships and provision of non-audit services by the auditors. In particular, management consultancy, IT implementation and specialist internal audit work will not be performed by the external auditor.

Nomination Committee

The Nomination Committee is comprised of independent Non-Executive Directors, with Ross Smyth-Kirk as Chairman, John Falconer and Peter McAleer as members.

The Nomination Committee supports and advises the Board in fulfilling its responsibility to ensure that it comprises individuals who are best able to discharge the responsibilities of Directors, having regard to the law and the highest standards of governance, by:

- Assessing the skills required on the Board,
- Reviewing the structure, size and composition of the Board,
- From time to time assessing the extent to which the required skills are represented on the Board and ensuring appropriate succession planning is in place,
- Oversee the annual performance assessment programme, and
- Prepare for the identification of, and evaluation of, suitable candidates for appointment to the Board.

The Nomination Committee conducts peer reviews to evaluate the performance of the Board, each Committee and individual Directors. The performance of each Director is evaluated by the other Directors in the absence of the Director being reviewed. This review was last conducted in July 2007.

When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Committee prepares a short list of candidates with the appropriate expertise and experience. The Board then appoints the most suitable Director on merit. This ensures that the Board continues to have an appropriate balance of skills and experience.

Remuneration Committee

The Remuneration Committee is comprised of independent Non-Executive Directors, with Ross Smyth-Kirk as Chairman, John Falconer and Peter McAleer as members. The Committee has the right to seek any information it considers necessary to fulfil its duties, including the right to obtain appropriate external advice at the Group's expense.

The Remuneration Committee supports and advises the Board in fulfilling its responsibilities to shareholders by:

- Recommending to the Board, with the Chief Executive Officer, an appropriate executive remuneration policy,
- Determining the remuneration of Directors,
- Reviewing and approving the remuneration of those reporting directly to the Chief Executive Officer, and other senior executives, as appropriate, and
- Reviewing all equity-based plans for approval by the Board.

Share Ownership and Dealing

Directors and Officers who wish to buy or sell Company shares are required to notify the Chairman prior to dealing in such shares. Directors and Officers are prohibited from short-term trading of the Company's shares or trading shares while in possession of price sensitive information. Subject to the foregoing, Directors and Officers may buy or sell shares in the Company in the four week period following significant announcements by the Company, including the release of the Quarterly Report, Half Yearly Results, the Preliminary Annual Results and the lodgement of the Annual Report. At all other times the Board must receive prior notice of transactions, which are subject to Board veto.

Any dealings in Kingsgate shares are reported to the Board at its next meeting. The Australian Stock Exchange is notified of any share dealing by Directors within the applicable time limit.

Internal Control and Risk Management

The Board has overall responsibility for the Group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives. It must be recognised that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

Areas of operational and financial risks are regularly reviewed by the Board and appropriate risk management strategies considered. The risk, control and reporting profiles are evaluated and presented to the Board, together with a risk improvement programme designed to improve controls and better manage the overall level of risk. The Company has implemented and received accreditation for ISO 9001 on Quality Control, ISO 14001 on Environmental matters, ISO 18001 on Occupational Health and Safety, TLS 8001:2003 on Thai Labour standards and SA 8000:2001 on Social Accountability, ensuring a fair and equitable workplace. The Company is also a founding member of the International Cyanide Management Institute and subscribes to the Minerals Council of Australia's industry framework on sustainability, called 'Enduring Value'.

This ensures that the Company continues to be a leader in Corporate Social Responsibility in the mining sector.

Kingsgate is exposed to movements in the gold price and foreign currency exchange rates, as well as other financial market risks. Kingsgate's current risk management policy is full exposure to the spot gold price.

Regular reports are provided to the Board in the areas of financial exposures, health, safety and environmental matters.

Kingsgate also operates a company-wide risk management programme which provides a systematic approach to assessing and addressing its risks and opportunities for improvement. This programme complements and strengthens other existing risk management initiatives. It aims to improve the Company's bottom line through reduced loss and better management of retained risk, and through reduced insurance premiums. Major proposals submitted to the Board for consideration must be accompanied by a comprehensive risk assessment and management's proposed mitigation strategies.

External Auditor

The Audit Committee policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in May 1989. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit partner was engaged for the 2007/08 Audit.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit Committee.

The external auditor is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the Audit and the preparation and content of the Audit Report.

Social and Environmental Responsibility

Kingsgate is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities as these are integral to the way in which the Group conducts its business.

Details are in the Sustainability section of the Annual Report.

Kingsgate is subject to significant environmental regulation with respect to its exploration and mining activities. Kingsgate is a signatory to the Australian Mineral Industry's "Enduring Value" which is a Sustainable Development Framework through the implementation of a range of economic and social practices in addition to environmental practices.

The Company developed an effective Environmental Management Systems (EMS) which has ISO 14001 certification.

Reviews of the Company's environmental performance have included:

- External regulatory inspections at the operating site and exploration areas,
- Internal area inspections at these operations, and
- An annual review of these sites by an external consultant.

A Sustainability Report is issued by the Group on an annual basis covering the areas of health, safety, environmental and community responsibilities, which is now incorporated into the Annual Report.

Kingsgate Code of Conduct

Kingsgate has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of Kingsgate's business. The Code of Conduct defines how Kingsgate relates to its customers, employees, shareholders and the community in which it operates.

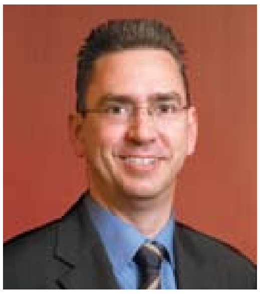
The underlying principles of the Code are the values of integrity, respect, trust and transparency. The Code provides clear directions on conducting business internationally, interacting with governments, communities and business partners and general workplace behaviour. The Code provides a common behavioural framework for all employees in the context of a wide range of ethical and legal issues. Employees are encouraged to take responsibility for their actions, achieve high performance, deliver on commitments and earn the trust of those with whom they interact. The Code also sets out procedures to ensure that staff deal with confidential information in an appropriate manner, to ensure the Group's compliance with its disclosure obligations and that material information is reported by the Group in a timely manner.

SENIOR MANAGEMENT

Gavin Thomas

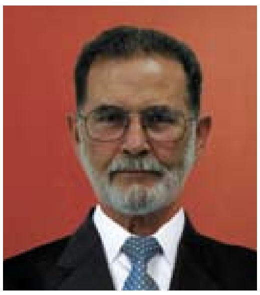
Peter Warren

Phil MacIntyre



Stephen Promnitz

Ron James



John McDougall

Senior Management

Gavin Thomas,
BSc (Geology), F AusIMM, CP, Chief Executive Officer and Managing Director, 57

Gavin commenced as CEO at Kingsgate in 2005 as part of a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities.

Gavin has over 37 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. One of his credits is the discovery in Papua New Guinea of the Lihir gold deposit, one of the world's largest gold deposits. In particular, he has extensive experience in Thailand and South America. Gavin is currently a Director of Mercator Minerals Limited.

Peter Warren,
BCom, CPA, Chief Financial Officer and Company Secretary, 58

Peter joined Kingsgate in March 2006 as Chief Financial Officer and is CPA of over 30 years standing, with an extensive involvement in the resources industry.

Prior to Kingsgate, Peter was Company Secretary and CFO of Equatorial Mining Limited and of the Australian subsidiaries of the Swiss-based Alusuisse Group. Previously, he held various financial and accounting positions for Peabody Resources and Hamersley Iron.

Phil MacIntyre,
BSc (Hons), F AusIMM, MCIM, SME, Chief Operating Officer and General Manager, Akara Mining Limited, 56

Phil joined Kingsgate as the General Manager of Chatree Gold Mine in July 2001. He has over 30 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand.

Phil has a metallurgical background and was the mine general manager at the Kidston Gold Mine in Queensland, Australia prior to joining Kingsgate. Prior to Kidston, Phil was mill superintendent at the Porgera Joint Venture in Papua New Guinea and at the Royal Oak Giant Mine, Westmin Resources Myra Falls Mine and Premier Gold Project and others in Canada.

Stephen Promnitz,
BSc (Hons), Corporate Development Manager, 43

Stephen joined Kingsgate in August 2005 to cover business development, investor relations and commercial activities. He has extensive experience across the resources sector in acquisitions, investment banking, equity analysis, corporate finance, corporate management, project management, mining and exploration geology.

Previously, Stephen worked for Citigroup and Westpac and spent over 15 years with WMC Resources, Rio Tinto and Placer Dome including a global brief as manager-acquisitions for WMC and as country manager for WMC in Argentina. Prior to that, he worked in exploration for precious and base metals in Papua New Guinea, Indonesia and Australia.

Ron James,
BSc (Geology), M AusIMM, M AIG, General Manager Exploration, Akara Mining Limited, 50

Ron has 24 years of experience in exploration and mining at management level inclusive of setting up gold mines and exploration projects from their earliest stages through to development and sustainability.

Before joining Kingsgate, Ron was Chief Mine Geologist at the Gold Ridge mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. He is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments and has a strong focus on maximising returns from ore bodies through optimum waste and ore classification as well as increasing reserves from near-mine resource development.

John McDougall,
B E (Mining), CPEng (Mining), F AusIMM, MSMME, Operations Manager -Chatree Gold Mine, 65

John has over 40 years experience in Mine Engineering, Mine Evaluation and Mining Operational Management in Australia, the Pacific, Canada, United States, Middle East and SE Asia before joining the Chatree team in June 2007.

John's recent roles were as Chief Mining Engineer and Project Manager for new developments in Saudi Arabia, and as the Director of Project Development and Technical Services in operations management positions in Queensland, West Australia and Papua New Guinea.

DIRECTORS' REPORT

REPORT AND FINANCIAL STATEMENTS

Contents

Your Directors present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

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

Ross Smyth-Kirk
John Falconer
Peter McAleer

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

Principal activities

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

Dividends

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

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

Review of operations and results

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

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

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

Significant change in the state of affairs

During the financial year the Group sold its 18.35% stake in Andean Resources Limited. There were no other significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Matters subsequent to the end of the financial year

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

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

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

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

Except for the above, no other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Environmental regulation

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

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

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

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

During the financial year, 9 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 2 Remuneration Committee meetings were held. The table above shows information on Board members and their attendance (including by telecommunication) during the year.


Ross Smyth-Kirk


Gavin Thomas


John Falconer


Peter McAleer


Craig Carracher

Information on Directors

Ross Smyth-Kirk, B Com, CPA, F Fin, Age: 61

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He was appointed to the Board on 29 November 1994 and has been a Director of a number of companies over the past 28 years in Australia and the UK. Mr. Smyth-Kirk is currently Chairman of the Australian Jockey Club.
Responsibilities: Chairman of the Board, member of the Audit Committee and Chairman of the Remuneration and Nomination Committees.

Gavin Thomas, BSc FAusIMM, Age: 57

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He has over 37 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. Among his credits is the discovery in Papua New Guinea, of the Lihir gold deposit, one of the largest gold deposits in the world. In particular, he has extensive experience in Thailand and South America. Mr Thomas was appointed to the Board on 16 November 2007 and is currently a Director of Mercator Minerals Limited.
Responsibilities: Managing Director and Chief Executive Officer.

John Falconer, FCA, F FIN, Age: 60

John Falconer is a principal of Carbone Falconer & Co, a firm of Chartered Accountants practicing in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses. He is a Director of TZ Limited.
Responsibilities: Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee.
Former directorship in the last 3 years: Taragon Property Fund.

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

Peter McAleer is Chairman of Latin Gold Limited and a director of Kenmare Resources Plc (Ireland). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Teroso (Chile) and Kalahari Diamonds Resources PLC (England).
Responsibilities: Member of the Audit Committee, Remuneration Committee and Nomination Committee.
Former directorship in the last 3 years: Kalahari Diamond Resources Ltd.

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

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

Mr Carracher is a Director of Ellerston Capital Ltd, the manager of Ellerston GEMS Fund (ASX listed), a Director of Adkinsons Securities Ltd (Thai Stock Exchange listed), a Director of Living & Leisure Australia Group (ASX listed) and a former Alternate Director of Sunland Group Limited. He is the Managing Partner and Chief Executive Officer of Arctic Capital Limited, a private equity funds management business based in Hong Kong.

Company Secretary

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

Remuneration report

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

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

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

A Principles used to determine the nature and amount of remuneration

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

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

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

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

Alignment to shareholders' interests including:

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

Alignment to programme participants' interests including:

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

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

Non-executive Directors

The aggregate remuneration of Directors is set by shareholders in general meeting, in accordance with the Constitution of the Company, with individual Director's remuneration determined by the Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants is taken into account. The aggregate amount of Directors' fees approved by shareholders on 26 October 2004 is $500,000.

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

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

Retirement allowances for Directors

There are no retirement allowances for non-executive Directors.

Executive pay

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

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

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

Base pay

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

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

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

Benefits

Executives may receive benefits including car allowances and car parking.

Short-term incentives

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

Long-term incentive

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

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

B Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the Directors of Kingsgate Consolidated Limited (see page 33) and those executives that report directly to the Managing Director being:

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

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

- Arthur Ellis - Group Financial Controller

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

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

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

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

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

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

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

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

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

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

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

C Service agreements

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

Gavin Thomas – Chief Executive Officer

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

Peter Warren – Chief Financial Officer/Company Secretary

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

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

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

Stephen Promnitz – Corporate Development Manager

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

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

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

John McDougall – Operations Manager, Akara Mining Limited

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

Arthur Ellis – Group Financial Controller

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

D Share-based compensation

Options

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

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

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

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

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

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

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

Fair value of options granted

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

a) Options are granted for no consideration

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

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

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

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

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

g) Share price 30 June 2008 $5.23

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

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

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

Shares provided on exercise of remuneration options

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

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

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

Ross Smyth-Kirk	400,000
John Falconer	200,000
Peter McAleer	200,000
Craig Carracher	200,000

E Additional information

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

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

Details of remuneration: cash bonus and options

For each bonus and grant of options included in the tables on pages 36 to 37 and 39 to 41, the percentage of the available bonus or grant that was paid or that was vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest over a 2 or 3 year period and will vest if the executive remains an employee of the Company on the vesting date and the options will vest immediately if the executive's employment is terminated as a result of a change in control of the Company. No options will vest if the above conditions are not satisfied, hence the minimum value of the options yet to vest is nil.

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

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

Share-based compensation: options

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

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

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

Shares under options

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

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

Shares issued on the exercise of options

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

In July 2008, 30,000 $4.00 options expiring on 26 October 2010 and 250,000 $4.68 options were exercised and 280,000 fully paid ordinary shares were issued. No amounts are unpaid on any of the shares.

Interest in shares and options of the Company

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

Name	Ordinary shares	Options over ordinary shares
Directors of Kingsgate Consolidated Limited		
Ross Smyth-Kirk	4,586,271	** 400,000
Gavin Thomas	703,921	2,560,000
John Falconer	191,275	** 200,000
Peter McAleer	380,000	** 200,000
Craig Carracher	-	** 200,000
Other key management personnel of the Group		
Stephen Promnitz	-	400,000
Peter Warren	10,000	501,000
Phil MacIntyre	145,000	300,000
Ron James	30,000	140,000
John McDougall	-	80,000
Arthur Ellis	938	50,000

** Note: Subject to shareholder approval.

Insurance of officers

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

Directors' interest in contracts

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

Non-audit services

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

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

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

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

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

REMUNERATION OF AUDITORS

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 46.

Rounding of amounts

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

Auditors

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

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

Ross Smyth-Kirk
Director

John Falconer
Director

Sydney
21 August 2008

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

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

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

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

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
21 August 2008

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations	3	**76,495**	52,600	**3,360**	8,090
Other income	4	**44,443**	9,857	**-**	9,381
Changes in inventories of finished goods and work in progress		**802**	(1,031)	**-**	-
Direct costs of mining and processing		**(40,135)**	(48,768)	**-**	-
Employee benefits expense		**(8,082)**	(8,160)	**(4,046)**	(2,562)
Depreciation and amortisation expenses	5	**(9,284)**	(8,446)	**(60)**	(52)
Finance costs	5	**(4,100)**	(2,642)	**(2,565)**	(2,466)
Exploration expensed		**(382)**	(3,846)	**-**	-
Foreign exchange gains / (losses)	5	**(216)**	(271)	**(1)**	-
Gain / (loss) on derivative financial instruments		**(4,514)**	867	**-**	-
Other expenses from ordinary activities	5	**(7,155)**	(5,865)	**(5,343)**	(4,471)
Profit/(Loss) before income tax		**47,872**	(15,705)	**(8,655)**	7,920
Income tax benefit (expense)	6	**(11,675)**	3,115	**1,896**	4,042
Profit/(Loss) for the year		**36,197**	(12,590)	**(6,759)**	11,962
Net Profit/(Loss) attributable to members of Kingsgate Consolidated Limited		**36,197**	(12,590)	**(6,759)**	11,962
		Cents	**Cents**		
Basic earnings per share	33	**51.7**	(17.3)		
Diluted earnings per share	33	**51.5**	(17.3)		

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

BALANCE SHEET

AS AT JUNE 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	7	**40,226**	5,148	**36,286**	2,314
Trade and other receivables	8	**3,245**	3,825	**172**	43
Inventories	9	**4,594**	5,137	**-**	-
Other assets	10	**8,558**	4,794	**1,535**	1,157
TOTAL CURRENT ASSETS		**56,623**	18,904	**37,993**	3,514
NON-CURRENT ASSETS					
Other financial assets	8	**-**	-	**118,520**	133,312
Available-for-sale financial assets	11	**-**	60,693	**-**	-
Mine property, plant and equipment	12	**140,315**	141,932	**61**	92
Deferred tax assets	13, 18	**3,852**	-	**169**	3,906
Other assets	10	**2,459**	3,457	**787**	1,126
TOTAL NON-CURRENT ASSETS		**146,626**	206,082	**119,537**	138,436
TOTAL ASSETS		**203,249**	224,986	**157,530**	141,950
CURRENT LIABILITIES					
Payables	15	**7,317**	6,707	**31,806**	581
Provisions	16	**788**	342	**199**	225
Current tax liabilities	17	**7,798**	-	**7,798**	-
Borrowings	14	**-**	20,000	**-**	20,000
TOTAL CURRENT LIABILITIES		**15,903**	27,049	**39,803**	20,806
NON-CURRENT LIABILITIES					
Provisions	16	**4,566**	4,657	**-**	-
Borrowings	14	**1,599**	1,220	**-**	-
Deferred tax liabilities	13, 18	**168**	7,826	**168**	-
TOTAL NON-CURRENT LIABILITIES		**6,333**	13,703	**168**	-
TOTAL LIABILITIES		**22,236**	40,752	**39,971**	20,806
NET ASSETS		**181,013**	184,234	**117,559**	121,144
EQUITY					
Parent entity interest					
Contributed entity	19	**111,576**	111,576	**111,576**	111,576
Reserves	20	**(9,202)**	30,216	**5,261**	2,087
Retained profits	20	**78,639**	42,442	**722**	7,481
TOTAL EQUITY		**181,013**	184,234	**117,559**	121,144

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

STATEMENTS OF CHANGE IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

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

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		**75,371**	52,044	**1,358**	600
Payments to suppliers and employees (inclusive of goods and services tax)		**(55,584)**	(70,022)	**(8,898)**	(8,225)
Interest received		**2,202**	386	**2,002**	290
Finance costs paid		**(3,332)**	(2,296)	**(1,134)**	(2,088)
Dividends received		**-**	-	**-**	7,200
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26	**18,657**	(19,888)	**(6,672)**	(2,223)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration acquisitions		**(4,722)**	(4,982)	**-**	-
Loans to controlled entities		**-**	-	**(9,234)**	(37,465)
Repayment from controlled entity		**-**	-	**69,908**	-
Payments for mine properties		**(7,963)**	(14,440)	**-**	-
Payments for property, plant and equipment		**(20,485)**	(8,339)	**(30)**	(29)
Proceeds from the sale of available-for-sale financial assets		**69,908**	14,133	**-**	13,337
Proceeds from disposal of property, plant and equipment		**71**	-	**-**	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**36,809**	(13,628)	**60,644**	(24,157)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings, net of transaction costs		**7,040**	34,220	**7,000**	33,000
Repayment of borrowings		**(27,000)**	(13,000)	**(27,000)**	(13,000)
Proceeds from issue of shares		**-**	10,530	**-**	10,530
Dividends paid		**-**	(3,744)	**-**	(3,744)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(19,960)**	28,006	**(20,000)**	26,786
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**35,506**	(5,510)	**33,972**	406
Cash at the beginning of the financial year		**5,148**	10,391	**2,314**	1,907
Effects of exchange rate changes on cash and cash equivalents		**(428)**	267	**-**	1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**40,226**	5,148	**36,286**	2,314

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

Compliance with IFRS

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

b) Principles of consolidation

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

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

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

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

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

c) Segment reporting

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

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Kingsgate Consolidated Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the financial currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(iii) Group companies

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

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

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

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

e) Revenue recognition

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

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

f) Income tax

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

h) Business combinations

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

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

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

i) Impairment of assets

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

j) Cash and cash equivalents

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

k) Trade receivables

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

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

l) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

m) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 8) in the balance sheet.

(iii) Available-for-sale financial assets

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

Recognition and derecognition

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

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

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

Impairment

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

n) Derivatives and hedging activities

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes the expenditure directly associated with the purchase and construction of the asset and the estimated future costs of dismantling and restoring the site on which it is located.

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

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

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

The expected useful lives are as follows:

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

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

p) Exploration and Evaluation Expenditure

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

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

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

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or on area of interest is abandoned.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount the impairment loss will be measured and disclosed in accordance with AASB 136 Impairment of Assets.

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

q) Mine Properties

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

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

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

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

r) Trade and other payables

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

s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

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

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

t) Borrowing costs

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

u) Provisions

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

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

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

v) Restoration and Rehabilitation Provision

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

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

w) Employee Benefits

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

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

(ii) Long service leave and severance pay

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

(iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable.

(iv) Share-based payments

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

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 January 2005

The fair value of options granted under Kingsgate Employees and Contractors Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

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

x) Contributed equity

Ordinary shares are classified as equity.

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

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

y) Dividends

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

z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

aa) Deferred stripping costs

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

The expenditure is carried forward as part of deferred stripping costs only when future economic benefits are established, otherwise such expenditure is expensed as part of the cost of production.

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

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

ab) Goods and Services Tax (GST)

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

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

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

ac) New accounting standards and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

ad) Rounding of amounts

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

2. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

(i) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met (Note 1(p)). Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgement. The related carrying amounts are disclosed in Note 12.

(ii) Restoration and rehabilitation provision

Significant judgement is required in determining the restoration and rehabilitation provision as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, commodity price changes and changes in interest rates. The related carrying amounts are disclosed in Note 16.

(iii) Units of production method of depreciation

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

(iv) Share-based payments

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

3. REVENUE

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations					
Sales Revenue					
Gold sales		**70,163**	47,263	**-**	-
Silver sales		**4,122**	4,781	**-**	-
Services		**-**	-	**1,358**	600
Totals		**74,285**	52,044	**1,358**	600
Other revenue					
Interest		**2,202**	386	**2,002**	290
Dividends		**-**	-	**-**	7,200
Other revenue		**8**	170	**-**	-
Totals		**2,210**	556	**2,002**	7,490
Revenue from continuing operations		**76,495**	52,600	**3,360**	8,090

4. OTHER INCOME

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Net gain on sale of available-for-sale assets	11, 20	**44,443**	9,857	**-**	9,381

5. EXPENSES

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Cost of sales		**52,276**	60,278	**-**	-
Foreign exchange (gains) / losses		**216**	271	**1**	-
Finance costs					
Interest and finance charges paid/payable		**2,239**	2,296	**1,473**	2,088
Rehabilitation provision discount adjustment		**126**	98	**-**	-
Amortisation and write-off of deferred borrowing costs		**1,735**	248	**1,092**	378
Finance costs expensed		**4,100**	2,642	**2,565**	2,466
Write down of raw materials and stores		**589**	391	**-**	-
Rental expense relating to operating leases		**190**	2,117	**190**	179
Depreciation and amortisation					
Mine properties		**7,854**	6,656	**-**	-
Mine buildings, plant and equipment		**1,253**	1,623	**-**	-
Non-mining property, plant and equipment		**426**	653	**60**	52
Depreciation capitalised		**(249)**	(486)	**-**	-
Total depreciation and amortisation		**9,284**	8,446	**60**	52
Other expenses from ordinary activities					
Business development		**738**	164	**738**	164
Investor and community relations		**1,074**	912	**934**	791
Professional fees		**1,278**	1,755	**1,917**	1,667
Administration		**4,065**	3,034	**1,754**	1,849
		7,155	5,865	**5,343**	4,471

6. INCOME TAX

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
a) Income tax expense					
Current tax		**7,807**	17	**(1,911)**	-
Deferred tax		**3,827**	1,471	**125**	762
Adjustment for current tax of prior periods		**41**	-	**(110)**	-
Prior year tax losses recognised in the financial year previously not recognised		**-**	(4,603)	**-**	(4,804)
Income tax expense / (benefit)		**11,675**	(3,115)	**(1,896)**	(4,042)
Deferred income tax (revenue) expense included in income tax expenses comprises:					
Decrease (increase) in deferred tax assets	13	**3,688**	799	**(14)**	728
Increase (decrease) in deferred tax liabilities	18	**139**	672	**139**	34
		3,827	1,471	**125**	762
b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit/(Loss) from continuing operations before income tax		**47,872**	(15,705)	**(8,655)**	7,920
Tax at Australian tax rate of 30%		**14,361**	(4,712)	**(2,595)**	2,374
Tax effect of amounts which are not deductible in calculating taxable income:					
Notional management fees		**67**	354	**67**	354
Non-taxable dividends		**-**	(2,553)	**-**	(2,159)
Share-based remuneration		**619**	193	**619**	193
Other non-deductible		**13**	-	**13**	-
Loan impairment		**139**	-	**-**	-
		838	(2,006)	**699**	(1,612)
Tax exempt profits – Thailand		**(3,833)**	8,206	**-**	-
Adjustments for current tax of prior periods			-	**-**	-
Prior year tax losses recognised in the financial year previously not recognised		**309**	(4,603)	**-**	(4,804)
Income tax benefit (expense)		**11,675**	(3,115)	**(1,896)**	(4,042)
Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly into equity					
Current tax credited directly to equity		**(15,337)**	10,567	**-**	-
Net deferred tax debit (credit) directly to equity		**-**	-	**-**	-
		(15,337)	10,567	**-**	-

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

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

a) an 8 year full corporate tax holiday commencing at first gold pour on metal sales;

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

c) other benefits.

The start of the promotion period was 27 November 2001.

Tax losses

Potential future income tax benefits of $4,400,000 (2007 - $5,100,000) attributable to Thai tax losses carried forward by the Company and future benefits attributable to exploration expenditure and other timing differences allowable for deduction have not been brought to account in the consolidated accounts at 30 June 2008 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

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

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

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

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

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

Tax consolidation legislation

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

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

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

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see Note 6).

7. CASH AND CASH EQUIVALENTS

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

Cash at bank and in hand

These are non-interest bearing.

Deposits at call

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

Risk Exposure

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

8. RECEIVABLES AND OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current – trade and other receivables				
Trade receivable	**-**	1,078	**-**	-
Other debtors	**3,245**	2,747	**172**	43
	3,245	3,825	**172**	43
Non-current – other financial assets				
Loans to controlled entities (Note 24)	**-**	-	**118,520**	133,312

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

Risk exposure

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

Other debtors

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

9. INVENTORIES

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

10. OTHER ASSETS

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

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

12. MINE PROPERTY, PLANT AND EQUIPMENT

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

Consolidated	Exploration and evaluation $'000	Mine properties $'000	Mine, buildings, plant and equipment $'000	Non-mining plant and equipment $'000	Total $'000
Year ended 30 June 2008					
Opening net book amount	27,300	75,365	37,906	1,361	141,932
Additions	4,342	8,976	20,431	54	33,803
Reclassified	-	6,109	(6,109)	-	-
Disposals	-	-	(66)	(1)	(67)
Depreciation and amortisation expense	-	(7,854)	(1,253)	(426)	(9,533)
Foreign currency exchange differences	(4,734)	(13,167)	(7,757)	(162)	(25,820)
Closing net book amount	**26,908**	**69,429**	**43,152**	**826**	**140,315**
At 30 June 2008					
Cost	26,908	102,435	65,709	2,395	197,447
Accumulated depreciation and amortisation	-	(33,006)	(22,557)	(1,569)	(57,132)
Net book amount	**26,908**	**69,429**	**43,152**	**826**	**140,315**

12. MINE PROPERTY, PLANT AND EQUIPMENT cont.

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

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

13. DEFERRED TAX ASSETS

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

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

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

14. BORROWINGS

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

Revolving credit facilities

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

Preference shares

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

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

15. PAYABLES

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Current				
Trade creditors	**7,317**	6,707	**633**	581
Intercompany payable	**-**	-	**31,173**	-
	7,317	6,707	**31,806**	581

16. PROVISIONS

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Current				
Employee benefits (Note 1(w) and 25)	**788**	342	**199**	225
Non-Current				
Restoration and rehabilitation (Note 1(v))	**3,598**	3,509	**-**	-
Employee benefits severance (Note 1(w) and 25)	**968**	1,148	**-**	-
	4,566	4,657	**-**	-
Movements in provision				
Movements in each class of provision during the financial year other than employee benefits, are set out below:				
Restoration and rehabilitation				
At the beginning of the financial year	**3,509**	3,292	**-**	-
Revision of rehabilitation provision	**185**	-	**-**	-
Provision discount adjustment	**126**	98	**-**	-
Foreign currency exchange differences	**(222)**	119	**-**	-
At the end of the financial year	**3,598**	3,509	**-**	-

17. CURRENT TAX LIABILITIES

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Current				
Taxation	**7,798**	-	**7,798**	-

18. DEFERRED TAX LIABILITIES

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

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

19. CONTRIBUTED EQUITY

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

Movements in ordinary share capital:

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

a) Ordinary shares

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

b) Andean Resources Limited Takeover Offer

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

c) Dividend Reinvestment Plan

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

d) Share Placement to Thai interests

2,250,000 fully paid ordinary shares were issued during 2007 at $4.68 per share.

20. RESERVES AND RETAINED PROFITS

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

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d).

General reserve

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

Available-for-sale investment revaluation reserve

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

Hedging reserve

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

Share-based payments reserve

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

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

21. COMMITMENTS FOR EXPENDITURE

Capital commitments

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

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

Land commitments

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

Within 1 year	**-**	2,584	**-**	-

Exploration

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

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

Operating leases

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

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

Remuneration commitments

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

22. INVESTMENTS IN CONTROLLED ENTITIES

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

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

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

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

23. DIVIDENDS

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

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

24. RELATED PARTIES

Transactions with related parties

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

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

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

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

Wholly-owned Group

The wholly-owned Group consists of Kingsgate Consolidated Limited and its wholly-owned controlled entities. A list of the controlled entities and the ownership interest is set out in Note 22.

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

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

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-current receivables				
Wholly-owned subsidiaries (Note 8)	**-**	-	**118,520**	133,312
Current payable				
Wholly-owned subsidiary	**-**	-	**31,173**	-

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

Controlling entities

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

25. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

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

Superannuation

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

Kingsgate Employees and Contractors Option Plan

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

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

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

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

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

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

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

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

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

25. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS cont.

Consolidated and parent entity – 2007

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

Kingsgate Executive Option Plan

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

a) each option will entitle the holder to subscribe for one ordinary share of the Company.

b) options are granted under the plan for no consideration.

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

d) set out below are summaries of options granted under the plans.

Consolidated and parent entity – 2008

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

The share price at the grant date of 4 April 2008 was $4.05.

Valuation of options at grant date is disclosed in Note 31.

25. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS cont.

Consolidated and parent entity – 2007

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

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

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.7 years (2007 – 3.1 years).

Fair value of options granted

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

25. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS cont.

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

a) Options are granted for no consideration

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

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

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

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

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

g) Share price 30 June 2008 $5.23

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

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

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

Expense arising from share-based payment transactions

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

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

Share-based payments – non-employee related

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

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

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

27. EVENTS OCCURRING AFTER REPORTING DATE

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

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

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares. The credit facility is subject to certain conditions precedent during 2008 which includes the grant of the Chatree North Mining Leases.

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

28. CONTINGENT LIABILITIES

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

Guarantees

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

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

Lotus Hall

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

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

29. SEGMENT INFORMATION

Primary reporting – Business segments

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

Secondary reporting – Geographical segments

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

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

30. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management

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

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

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

The Group and the parent entity hold the following financial instruments:-

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

a) Market risk

(i) Foreign exchange risk

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

These foreign exchange risks arise from

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

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

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

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

Group sensitivity

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

If the spot Australian dollar weakened/strengthened by 1 cent against the US dollar with all other variables held constant, the Group's pre-tax profit for the year would have been $759,000 higher/$743,000 lower (2007 – $289,000 higher/$282,000 lower). It should be noted that in 2007 there were derivative financial instruments used on conversion of the US dollars receipts into Australian dollars. This was not the situation in this current reporting period.

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

Parent entity sensitivity

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

Other price risk

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

Interest risk

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets.

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

b) Credit risk

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

The Group has no significant concentrations of credit risk. The sale of gold and other cash transactions are limited to counterparties with sound credit ratings. These counterparties are defined as having a minimum Standard & Poor's or equivalent long term credit rating of "A". The Group also has policies that limit the amount of credit exposure to any one financial institution.

c) Liquidity risk

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

	Notes	Variable rate $'000	1 year or less $'000	1 to 2 years $'000	More than 2 years $'000	Non-interest bearing $'000	Total $'000
2008							
Financial liabilities							
Payables *	15	-	-	-	-	7,317	**7,317**
Borrowings	14	-	-	-	1,599	-	**1,599**
		-	**-**	**-**	**1,599**	**7,317**	**8,916**

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

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

* These amounts are payable in less than 6 months.

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

d) Fair values

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

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

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

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

Chairman – Non-Executive

Ross Smyth-Kirk

Executive Director

Gavin Thomas

Non-Executive Directors

John Falconer

Peter McAleer

Craig Carracher

b) Other key management personnel

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

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

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

c) Key management personnel compensation

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

The Company has taken advantage of the relief provided by Corporations Regulations CR2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report on pages 34 to 38.

d) Equity instrument disclosures relating to key management personnel

(i) Share holdings

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

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

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

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 38 to 41.

(iii) Option holdings

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

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

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

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

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

Ross Smyth-Kirk	400,000
John Falconer	200,000
Peter McAleer	200,000
Craig Carracher	200,000

Insurance

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

32. REMUNERATION OF AUDITORS

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

33. EARNINGS PER SHARE

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

Options

Options granted to employees and Directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 25.

34. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

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

DIRECTORS' DECLARATION

30 June 2008

The Directors declare that the financial statements and notes set out on pages 47 to 92:

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

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

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

In the Directors' opinion:

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

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

DATED at SYDNEY this 21 August 2008

On behalf of the Board

Ross Smyth-Kirk
Director

John Falconer
Director

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of Kingsgate Consolidated Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Kingsgate Consolidated Limited. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Kingsgate Consolidated Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial statements and parent entity financial statements and notes also with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 43 of the directors' report for the period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Kingsgate Consolidated Limited for the period ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PRICEWATERHOUSECOOPERS

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Kingsgate Consolidated Limited (the company) for the year ended 30 June 2008 included on Kingsgate Consolidated Limited web site. The company's directors are responsible for the integrity of the Kingsgate Consolidated Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
21 August 2008

SEVEN YEAR SUMMARY

30 JUNE 2008

SEVEN YEAR SUMMARY

For the years ended 30 June

	2008	2007	2006	2005	2004	2003	2002
	AIFRS	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP
PRODUCTION							
Ore mined ('000 bank cubic metres)	**375**	546	734	588	801	638	306
Waste mined ('000 bank cubic metres)	**2,507**	4,388	5,121	4,915	4,444	1,758	631
Waste to Ore Ratio	**6.7**	8.0	7.0	8.4	5.5	2.8	2.1
Ore mined ('000 tonnes)	**977**	1,523	1,951	1,521	1,946	1,511	821
Ore treated ('000 tonnes)	**2,474**	2,450	2,000	1,829	1,671	1,324	665
Head grade - Gold g/t	**1.1**	1.2	1.4	2.4	3.1	3.9	5.3
- Silver g/t	**6.8**	9.2	14.0	13.0	15.0	22.0	42.0
Gold recovery (%)	**88.8**	90.1	90.2	90.8	91.2	90.2	90.8
Gold poured (ounces)	**74,137**	85,994	140,071	126,550	149,979	154,484	91,185
Silver poured (ounces)	**232,039**	290,897	459,701	353,275	395,346	484,170	353,146
PROFIT AND LOSS (A$'000)							
Sales Revenue	**74,285**	52,044	72,782	64,299	84,410	94,020	54,688
Other Revenue	**2,210**	556	1,361	2,471	2,370	627	1,818
Other Income	**44,443**	9,857	-	-	-	-	-
Total Income	**120,938**	62,457	74,143	66,770	86,780	94,647	56,506
Operating Expenses	**55,743**	64,908	47,761	47,366	34,343	28,465	9,685
Administration & Other Costs	**4,065**	2,264	1,158	1,404	1,019	3,563	2,223
EBITDA	**61,130**	(4,715)	25,224	18,000	51,418	62,619	44,598
Depreciation & Amortisation	**9,284**	8,446	7,805	8,720	11,323	13,293	8,620
EBIT	**51,846**	(13,161)	17,419	9,280	40,095	49,326	35,978
Borrowing Costs	**3,974**	2,544	757	889	2,416	2,003	2,566
Profit/(loss) before income tax	**47,872**	(15,705)	16,662	8,391	37,679	47,323	33,412
Income tax expense/(benefit)	**11,675**	(3,115)	-	-	-	-	390
Net profit/(loss) after income	**36,197**	(12,590)	16,662	8,391	37,679	47,323	33,022
BALANCE SHEET (A$'000)							
Current assets - Cash	**40,226**	5,148	10,391	32,119	59,696	28,914	25,262
- Other	**16,397**	13,756	10,805	12,162	14,162	14.057	12,984
Non-Current assets	**146,626**	206,082	143,401	91,727	69,555	53,336	63,619
Total assets	**203,249**	224,986	164,597	136,008	143,413	96,307	101,865
Total debt	**-**	20,000	-	-	-	18,694	44,448
Other liabilities	**22,236**	20,752	36,589	14,779	8,367	4,329	15,775
Total liabilities	**22,236**	40,752	36,589	14,779	8,367	23,023	60,223
Shareholders' equity	**181,013**	184,234	128,008	121,229	135,046	73,284	41,642
OTHER INFORMATION							
Average realised gold price on physical deliveries (US$/ounce)	**824**	417	355	401*	385	335	308
Average spot gold price (US$/ounce)	**824**	634	525	422	391	334	289
Cash cost (US$/ounce)	**457**	440	206	212	135	94	61
Total cost (US$/ounce)	**556**	517	247	262	189	143	116
Operating cashflow (A$'000)	**18,657**	(19,888)	21,889	22,184	49,294	56,956	28,937
Dividends paid (Cash & DRP) (A$'000)	**0**	4,513	8,669	11,973	17,631	19,927	-
Number of issued shares ('000) – Ordinary	**92,680**	92,680	88,592	85,949	85,329	72,869	71,649
Basic earnings per share (A$ cents)	**51.7**	(17.3)	19.3	9.8	45.5	65.4	48.5
Dividends per share (A$ cents)	**0**	0	10.0	7.0	22.0	25.0	15.0

SUSTAINABILITY OBJECTIVES AND TARGETS

Objective	Target for 2008	2008 Performance against Target	Target for 2009
Environment and Safety			
Chatree Environmental Management System (EMS) - ISO 14001	Maintain certification through continuous improvement	Achieved	Maintain certification through continuous improvement
Safety Management System (SMS) - OHSAS 18001	Maintain certification through continuous improvement	Achieved	Maintain certification through continuous improvement
No Lost Time Injuries (LTI)	Zero Lost Time Injuries	Achieved No Lost Time Injuries Now worked over 9.2 million hours without Lost Time Injury	Zero Lost Time Injuries
Optimise final land use and rehab of waste rock dumps (WRD)	Continue to monitor vegetation growth in WRD revegetation trials to determine best cover	New WRD planted with trees and vetiver grass Types of trees have expanded	Continue to monitor vegetation growth and water infiltration into cover
Optimise final land use and rehab of Tailing Storage Facility (TSF)	Conduct plantings on new TSF revegetation trial plot away from existing facility and investigate potential for growing agricultural crops in tailings material	New trial area constructed in TSF and planted with rice and tree crops	Continue monitoring performance of agricultural crops in tailings material
Implement progressive rehabilitation wherever possible	Rehabilitate 32.5ha of waste dump and TSF embankment	Achieved 30.5 ha rehabilitated with vetiver grass and trees	Rehabilitate 11ha of waste dump and TSF embankment
Safe handling, storage and use of cyanide	Obtain & maintain certification from the International Cyanide Management Institute (ICMI)	Audit conducted and Akara certified in January 2008	Maintain certification in 2009 and beyond
Laboratory certification for environmental and mineral testing	Seek and maintain certification of Chatree's laboratory to ISO 17025 Standard	Audits completed and Akara Laboratory certified in September 2007	Seek and maintain certification of Chatree's laboratory to ISO 17025 Standard
Social and Economic Progress			
Integrate sustainability initiatives into local communities and regional planning	Continue to integrate sustainability initiatives with local and regional planning Continue implementation of Community Relations plan Finalise Community Committee and evaluate potential projects	Community Committee to oversee community programmes not finalised due to delay in grant of new mining leases Formal Community and Rehabilitation Funds established	Continue to integrate sustainability initiatives with local planning Evaluate programmes for 2009 Finalise Community Committee and evaluate potential projects
Social Accountability Standard and Thai Labour Standard TLS 8001	Maintain certification of Chatree to SA 8000 and TLS 8001	Achieved	Maintain certification through continuous improvement
Communication			
Public Environmental Reporting	Integrate Sustainability Report into Kingsgate's Annual Report by October 2007 Produce and distribute local Thai version of public report	Achieved and distributed to all stakeholders including shareholders Achieved and distributed to all local stakeholders	Generate Sustainability Report within Kingsgate's Annual Report by October 2008 Produce and distribute local Thai report
Improve communications in local communities	Continue publication of regional newsletter Continue to implement findings from the 2006 community survey	Quarterly regional newsletter continued Several findings implemented	Continue publication of regional newsletter Continue to implement survey findings

TENEMENT SCHEDULE

THAILAND

Chatree Mining Leases

Mining Lease Number	Province	Interest
25618/15368	Phetchabun	100%
26910/15365	Phitchit	100%
26911/15366	Phitchit	100%
26912/15367	Phitchit	100%

Chatree North Mining Leases

Mining Lease Number	Province	Interest
25528/14714	Phetchabun	100%
32529/15809	Phetchabun	100%
32530/15810	Phetchabun	100%
32531/15811	Phetchabun	100%
32532/15812	Phetchabun	100%
26917/15804	Phitchit	100%
26922/15805	Phitchit	100%
26921/15806	Phitchit	100%
26920/15807	Phitchit	100%
26923/15808	Phitchit	100%
Waste Dump Number		
32533/15813	Phetchabun	100%
32534/15814	Phetchabun	100%

Exploration Tenements

Special Prospecting Licence Number	Province	Interest
38-67/2549	Phitsanulok	100%
17-37/2549	Phichit	100%
1/2550	Chantaburi	100%
Special Prospecting Licence Application Number		
1-2/2550	Phitsanulok	100%
1/2549, 1-4/2550	Phichit	100%
8-9/2549	Chantaburi	100%
1/2549	Rayong	100%
3-7/2546, 16-28/2546, 30-32/2546, 40/2546, 47-57/2546, 59/2546, 67/2546, 1-3/2548, 5-6/2548, 12/2548,	Phetchabun	100%
2-16/2550 and 1/2551	Lop Buri	100%

TENEMENT SCHEDULE

AUSTRALIA

Exploration Licence Number	Location	Interest
EL 12409 (Currently under renewal)	Queensland	100%

SOUTH AMERICA

Exploration Tenement	Location	Interest
Boleadora Pampa	Argentina	100%
El Bayo	Argentina	100%
El Bozal	Argentina	100%
El Pegual	Argentina	100%
Gato	Argentina	100%
La Carona	Argentina	100%
La Herradura	Argentina	100%
Mancha	Argentina	100%
Rio Oro	Argentina	100%
San Lorenzo	Argentina	100%
Sofia	Argentina	100%
Victoria	Argentina	100%
Bayo 21, 1 to 40	Chile	100%
Bayo Sur, 5 to 7, 11 to 23	Chile	100%
Bayo, 1-A to 3-A, 5-A, 9-A,	Chile	100%
Escoba, 1 to 4	Chile	100%
Martinez, 1 to 3, 6 to 11, 13 to 14, 16 to 22	Chile	100%
Roxana, 1 to 8	Chile	100%
Romero 10, 1 to 60	Chile	100%
Romero 5, 1 to 60	Chile	100%
Romero, 1-A to 17-A, 18 to 31	Chile	100%
San Luis, 1 to 4	Chile	100%
Zapallo, 1-A to 7-A	Chile	100%
Andrea 1 to 3	Peru	100%
Andrea 5 to 7	Peru	100%
Artemisa 2005	Peru	100% *
Artemisa 1, 2	Peru	100% *
Artemisa 3 2006	Peru	100% *
Fabiana 1 to 4	Peru	100%
Lucas 1	Peru	100%

* Radius Gold Inc has option to earn 70%

SHAREHOLDER INFORMATION

www.kingsgate.com.au

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

Holder	No. of shares held as disclosed in notices to the Company
Gold 2000 Limited	5,845,000
Jabre Capital Partners SA	6,956,608
UBS Nominees Pty Ltd	8,663,845

Distribution of equity securities as at 2 September 2008

Size of Holding	No. of shareholders Fully paid ordinary shares	No. of Option Holders
1 - 1,000	1,222	Nil
1,001 - 5,000	1,548	19
5,001 - 10,000	400	9
10,001 - 100,000	400	22
100,001 -	81	7
Total	**3,651**	**57**

133 have less than a marketable parcel of ordinary shares

20 largest shareholders of quoted ordinary shares as at 2 September 2008

1	HSBC Custody Nominees	17,652,714	18.99
2	Citicorp Nominees Pty Limited	10,192,881	10.96
3	ANZ Nominees Limited	6,883,445	7.40
4	National Nominees Limited	4,931,795	5.31
5	Smyth-Kirk Ross Donald	4,586,271	4.93
6	Bird Bruce Clayton	3,207,110	3.45
7	J P Morgan Nominees Australia	2,339,974	2.52
8	Citicorp Nominees Pty Limited	1,604,697	1.73
9	Belike Nominees Pty Limited	967,850	1.04
10	Sixteen Pty Limited	945,163	1.02
11	Ron Medich Properties Pty Limited	800,000	0.86
12	Warnford Nominees Pty Limited	797,222	0.86
13	Maminda Pty Limited	733,533	0.79
14	HSBC Custody Nominees Australia Limited	727,930	0.78
15	ANZ Nominees Limited	677,681	0.73
16	Komor C & Grady D	610,370	0.66
17	Rellav Pty Limited	607,858	0.65
18	Ron Medich Properties Limited	600,000	0.65
19	Bahulu Holdings Pty Limited	599,387	0.64
20	HSBC Custody Nominees Australia Limited	594,706	0.64

Unquoted equity securities as at 2 September 2008

There were 57 option holders holding 9,111,000 options including Suvarna Holdings Limited holding 2,000,000 unlisted options.

Voting rights

a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Options
No voting rights.

Kingsgate
Consolidated Limited

GREENHOUSE FRIENDLY

CONSUMER

Kingsgate uses
Greenhouse Friendly™
ENVI Coated Silk

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