



Kingsgate
Consolidated Limited

ABN 42 000 837 472

Annual Report 2005

Who we are

Kingsgate Consolidated Limited (Kingsgate) is a highly successful gold mining and exploration company, traded on the Australian Stock Exchange (KCN:ASX).

The company owns and operates the low cost Chatree gold mine in central Thailand through its wholly-owned subsidiary, Akara Mining Limited, using world's best practice for safe, environmental and socially responsible operations.

A rapidly growing reserve/resource position is fuelled by exploration within a surrounding gold province which exhibits world class potential.

Thailand

The Chatree Mine is located in Thailand within South East Asia. Thailand's population is 65 million people, living in an area of 514,000 sq. km similar to the size of France (about half the size of the Australian state of New South Wales). Approximately 20% of the population is located in urban areas with the capital, Bangkok, having more than 10 million residents.

Following a difficult period in 1997, Thailand successfully implemented substantial reforms in its financial sector, strengthening corporate governance, reforming lending practices, and boosting incentives for increasing competition. The resilience of the Thai economy facilitated a quick recovery. After contracting more than 10% in 1998, Thailand's economy grew at a rate of more than 4% in 1999 and 2000 and is expected to exceed 4% in 2005.

One of the key drivers of the Thai economy has been export growth of 16-18% achieved for 2003/04. Thailand is a major exporter of computers and parts, textiles, gems and jewellery, electronic and automotive products, in addition to agricultural products. The value of exports, which is expected to exceed US\$90 billion in 2005 has resulted in it achieving a current account surplus consistently from 1998.

Our Vision

Kingsgate's vision is to be a preferred gold company delivering shareholder value through profit and growth.

We are continually assessing new business opportunities and recognise that the strength of our relationships, our experience in both low sulphidation epithermal gold deposits and in Asia, and our operating expertise will provide the opportunities for growth.

Growth is propelled by focused gold exploration and prudent acquisitions producing high margin operations. Our expertise is based on embracing cultural diversity and skill development, fostering teamwork and a focus on the best result for all stakeholders.



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Our operating expertise will provide the opportunities for growth.

Net Profit **\$8.7 million**

Total Revenue **\$66.2 million**

Operating Cash Flow **\$22.2 million**

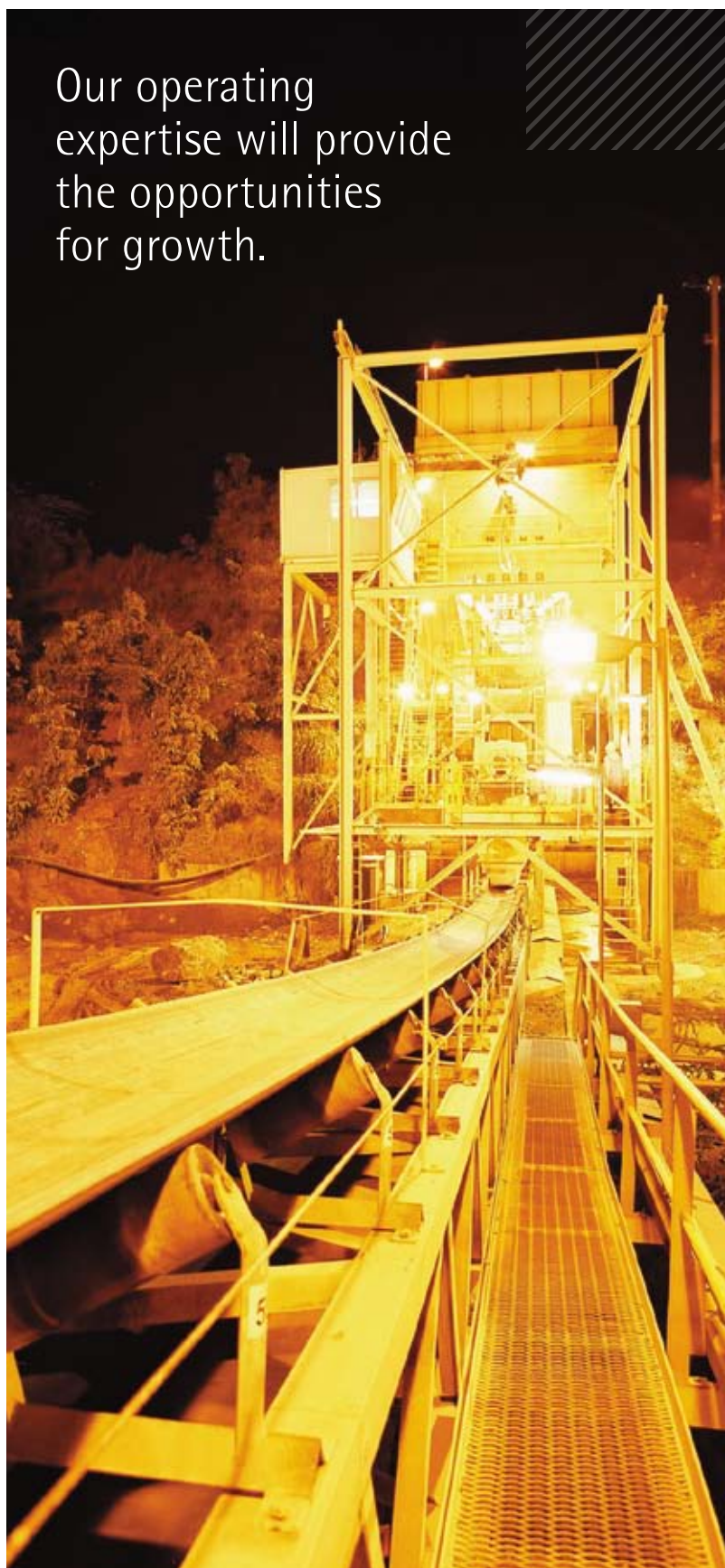
Earnings per Share **10.1c**

Gold Poured **126,550 oz**

Silver Poured **353,275 oz**

Ore Treated **1.83 Mt**

Lost Time Injuries **Zero**



Chairman's Review

This year confirmed the growth potential of Chatree Gold Mine.



Ross Smyth-Kirk - Chairman

The 2004/05 year has been another successful one for Kingsgate with exciting exploration success near the mine site confirming the growth potential of the Chatree Gold Mine. The company continues to invest for the future and substantial expenditure has been incurred near Chatree on exploration, land acquisition, plant and equipment.

While operational performance was good, the net profit after tax of \$8.7 million (US\$6.5 million) represents a reduction on the net profit of \$37.7 million (US\$26.5 million) achieved in 2003/04. Current year profit was impacted by reduced gold production, higher mining costs, and restrictive hedge positions that were required as part of the original mine financing and the write off of exploration in South America.

Total revenue of \$66.2 million reduced from \$86.8 million in the previous year, reflecting a reduction in gold production, a lower realised gold price due to hedge positions and the impact of the Australian dollar appreciation against the US dollar.

Costs have increased in line with increased plant throughput and a higher mining strip ratio. The company has exemption from income tax in Thailand up to agreed annual production levels and there is no withholding tax on dividends remitted to Australia.

Earnings per share of 10.1 cents have decreased by 77.8% on the 45.5 cents recorded in 2003/04, allowing the Directors to declare a total dividend for the year of 7 cents per share, of which 2 cents was paid as an interim dividend and 5 cents as a final dividend. The company also commenced a Share Buyback program and 275,721 shares were bought back and cancelled up to 30 June 2005 at a cost of \$723,353.

Operating cash generation achieved was \$22.2 million and \$38.1 million was reinvested in the business through exploration, development and plant expenditure. Dividend payments of \$12.0 million were made to shareholders. There were no outstanding loans at the end of June 2005 and the company was in a net cash position of \$32.1 million. The company also has available a financing facility of US\$24 million.

Under the exemption granted to the company to operate in Thailand, a majority interest in the Chatree operation must be owned by Thai nationals within 5 years of commencing production in November 2001.

The recently-signed Free Trade Agreement between Australia and Thailand permits Australian companies to own up to 60% of Thai mining ventures. The company is considering the implication of this in the context of the current Board of Investment approval and is hopeful that the higher ownership level will be available. The final structure adopted to meet this ownership requirement will be based on generating the maximum financial return to the company.

The gold market performed well during the 2004/05 year. The price traded a US\$67 range during 2004/05, with a low of US\$387 in July 2004 and a high of US\$454 in December 2004. The principal factor affecting the gold price during this period was the depreciating US dollar. However, concerns over terrorism, continued producer dehedging and the extension of The Washington Accord by central banks for another five years have also been factors supporting the gold market.

The market outlook is for the price to continue to be driven by the US dollar and the level of sales by central banks but it

Key Results

| Financial Summary | | 2005 | 2004 | % Change |
|---|---------|-----------|-----------|----------|
| Revenue | \$'000 | 66,190 | 86,780 | -23.7 |
| Net Profit Before Tax | \$'000 | 8,680 | 37,679 | -77.0 |
| Income Tax | \$'000 | - | - | - |
| Net Profit After Tax | \$'000 | 8,680 | 37,679 | -77.0 |
| Cash flow from Operations | \$'000 | 22,184 | 49,294 | -55.0 |
| Capital Expenditure | \$'000 | 4,229 | 12,837 | -67.1 |
| Exploration and Land Expenditure | \$'000 | 33,913 | 11,160 | 203.9 |
| Dividends Paid (Cash and DRP) | \$'000 | 11,973 | 17,631 | -32.1 |
| Basic Earnings Per Share | Cents | 10.1 | 45.5 | -77.8 |
| Production Summary | | 2005 | 2004 | % Change |
| Ore Treated | Tonnes | 1,828,876 | 1,670,854 | 9.5 |
| Ore Grade | Au g/t | 2.4 | 3.1 | -22.6 |
| Recovery | % | 90.8 | 91.2 | -0.4 |
| Gold Poured | ozs | 126,550 | 149,979 | -15.6 |
| Silver Poured | ozs | 353,275 | 395,346 | -10.6 |
| Cash Costs per Ounce | US\$/oz | 212 | 135 | 57.0 |
| Total Cost per Ounce | US\$/oz | 262 | 189 | 38.6 |
| Average Realised Price on Physical Deliveries | US\$/oz | 401 | 385 | 4.2 |
| Average Spot Price | US\$/oz | 422 | 391 | 7.9 |

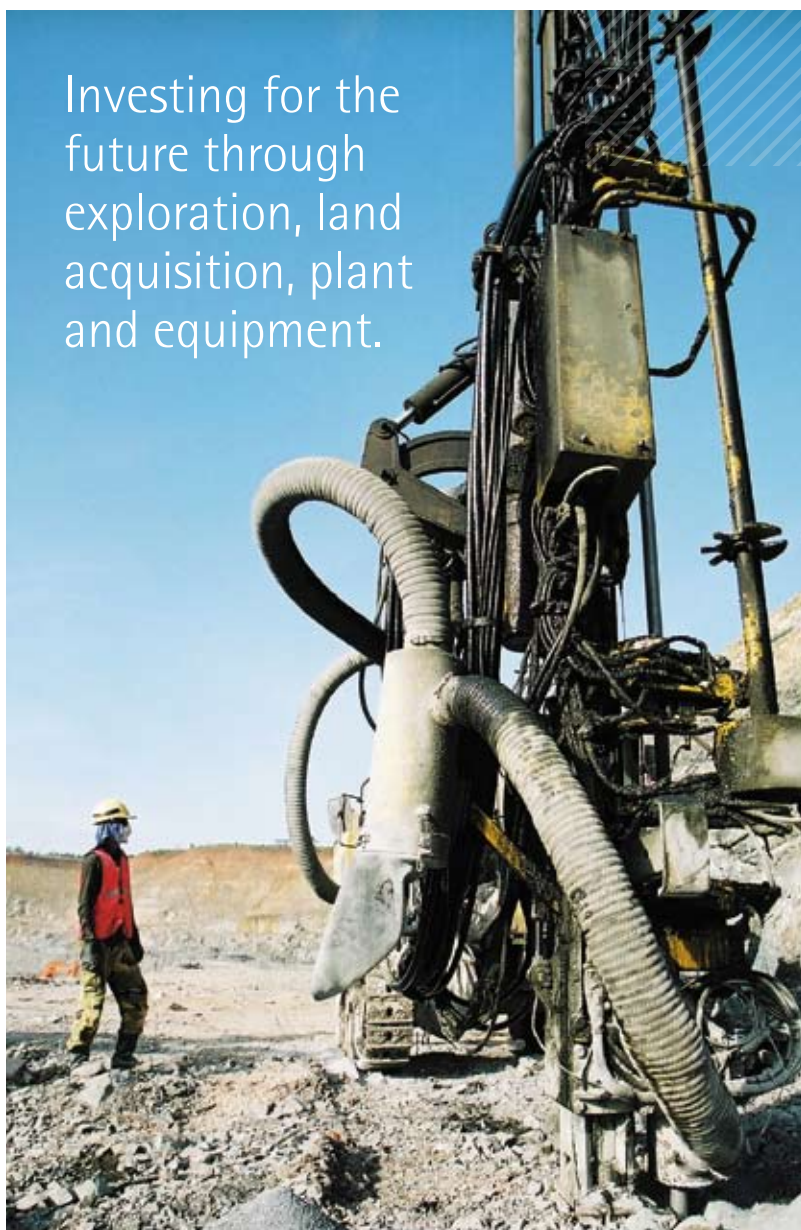
is unlikely that interest in gold will wane too much. In fact, given the continued uncertainty over economic prospects, the US dollar, high oil prices and the higher risk of terrorist events, it would not be surprising to see renewed institutional and retail investor interest in gold.

Kingsgate has agreed to take up to 19.99% of the issued capital of Goldstar Resources NL, a gold exploration company listed on the Australian Stock Exchange (Code:GDR). The investment will be by way of share placements in two tranches and taking up an entitlement and sub-underwriting in a proposed rights issue to be made by Goldstar. This is a strategic long term investment in an undervalued Victorian gold producer and explorer.

The Directors would like to thank all employees and contractors for their efforts during the past year. 2004/05 has been a challenging year for the Chatree operation with lower grades, increased strip ratio, harder ore and vigorous permitting activity associated with mining lease applications. That the company was able to improve the efficiency of the operations and generate reasonable levels of production and profits is a creditable achievement.

The Directors are confident that Kingsgate is well-positioned to progress its strategy for profitable growth. Opportunities are being continually monitored and evaluated. The outlook for next year is positive and installation of a pebble crusher will increase plant throughput by approximately 30%. Current expectations are for gold production in the vicinity of 145,000 to 150,000 ounces at a cash cost of approximately US\$220 per ounce. Improvements to these projections are being targeted through a focus on cost and production initiatives and by pursuing short-term contributions from exploration.

Investing for the future through exploration, land acquisition, plant and equipment.



The Directors would like to make special mention of Max Brown, the Chairman of Lotus Hall, our mining contractor in Thailand. Max passed away suddenly in December 2004 and his drive and enthusiasm in establishing Lotus Hall is recognised. His family is continuing to successfully run the business which since commencing at Chatree is operating at 2 gold mines in Laos.

Chief Executive Officer's Report

Our significant exploration program achieved continuing success.

Total production at Chatree for the year was 126,550 ounces of gold and 353,275 ounces of silver at a total cash cost of US\$212 per ounce and total production cost of US\$262 per ounce of gold. These results place Chatree as a low cost producer. Gold production represents a 15.6% decrease on the previous year as lower grades of ore were treated. The impact of lower grade ore has been mitigated through higher plant throughput following an upgrade at the end of 2003. Installation of a pebble crusher is expected to further increase plant capacity to 2.35Mtpa by the end of 2005.

The company's excellent safety and environmental performance continued without a single lost time injury being recorded throughout the year. This world class performance is highly commendable. The company remained in compliance with all environmental approvals and maintained international accreditations for ISO 9001 for Quality Management, ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety Management. It is anticipated that the laboratory will have international accreditation during the 2005 calendar year.

Exploration continued to focus on developing resources and reserves near the Chatree mine area. The company's significant exploration program achieved continuing success and raised the total company Ore Reserves to over 1.5 million ounces of gold as at 30 June 2005. Mineral Resources amount to over 3.0 million ounces of gold, and 23.7 million ounces of silver. New discoveries have been made at various locations north and south of the existing operation, illustrating mineralisation over approximately 10 kilometres in strike length as well as to the west of current operations. The success of the exploration program in Thailand is largely the result of the regional geophysical program completed in 2004 that enabled a highly focused exploration program in difficult outcrop areas. The ground follow-up of the main Chatree trend has now identified prospective

anomalies for over 23kms, both north and south of the Chatree mine. There will be an increased focus on converting these discoveries to mineral resources and ore reserves and a commensurate re-evaluation of the project scale as the size of the project is increased.

Scope to significantly increase the plant capacity further is being evaluated in light of the exploration potential of the area.

A scoping study that reviewed various scenarios ranging from increasing current production from 2.5 to 5 million tonnes per annum has been completed in April 2005. Current focus is in the upper end of this range. The indicated capital cost to increase production from its current 1.8 to 5 million tonnes per annum is approximately US\$30 million for the plant. Additional modifications to the plant that would be required with the increased production are estimated to be an extra US\$5 to 10 million.

In the Regional program, stream sediment sampling was completed over a large area of the Loei-Petchabun Belt and numerous gold (Au) and copper (Cu) anomalies have been generated by this work.

In South America Kingsgate has recently applied for tenements in the Puquio Region of Peru where a large alteration system with associated high grade gold/silver epithermal vein systems has been identified.

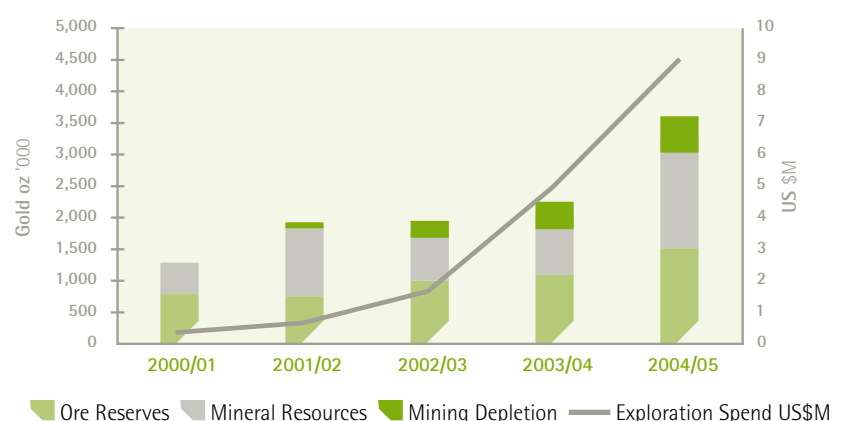


Gavin Thomas - Chief Executive Officer

The company is committed to exploration as a major growth vehicle and the most effective means of increasing its Mineral Resource and Ore Reserve position. Accordingly, we will increase exploration expenditure to approximately US\$11.0 million in the forthcoming year. This substantial investment in exploration places us among the leading Australian explorers in expenditure terms and reflects our confidence in the prospectivity of the Central Thailand Gold Belt where most of the funds will be spent.

The cost of discovering gold in the Chatree area has averaged US\$7 per ounce over

Exploration Success



the past 2 years. With our increasing understanding of the controls to geological settings, we are confident that trend will continue.

Kingsgate continued its sustainability initiatives during the year and is a signatory to the Australian Mineral Industry's new Enduring Value Code. The new Code places increased emphasis on sustainable development and seeks to ensure that the mining industry operates in a manner which is attuned to the expectations of the community and maximises the long-term benefits to society.

The company's third annual Sustainability Report is being issued this year in accordance with these principles and outlines our major sustainability initiatives. The company's aim in environmental management and safety is to continuously improve performance through implementation of appropriate management programs. Community relations near the mine site and engagement with other stakeholders remain an ongoing commitment of the company.

Operating & Investing Cashflow

(A\$m)



Kingsgate seeks continuous improvements in environment and safety performance.

Finance

The company continued with its focus on cost management.

Group earnings

The net profit after tax for the year was \$8.7 million and represents a 77.0% decrease on the profit of \$37.7 million achieved in the previous year. The profit is equivalent to US\$6.5 million and is less than achieved in 2003/04 (US\$26.5 million). Operational performance was impacted by treatment of lower grade ore at a higher mining strip ratio and realised gold price was reduced by delivery into restrictive hedge positions. The financial performance of the company in A\$ terms was also adversely impacted by the stronger A\$:US\$ exchange rate in 2004/05 of 0.75 compared with 0.71 in the previous year.

Gold production for the year was 126,550 ounces at a total cost of US\$262 per ounce. Total revenue amounted to \$66.2 million and is a decrease of 23.7% over the previous year. The decreased revenue resulted from lower gold production and a lower average gold price after hedge adjustments of US\$362 per ounce.

The company continued with its focus on cost management and achieved unit cash costs of production of US\$212 per ounce. Procurement of supplies and services is increasingly being sourced within Thailand at internationally competitive prices.

The weighted average earnings per share for the year amounted to 10.1 cents compared with 45.5 cents achieved in the previous year.

Group cash flow

The operational performance during the year constrained the operating cash flow which totalled \$22.2 million. Net investing cash flows for property, plant, equipment and exploration were \$38.1 million and included \$11.5 million spent on exploration activities.

Dividends paid during the year amounted to \$12.0 million and a further \$723,353 was expended on the Share Buy Back program, under which 275,721 shares were cancelled.

The company has available a financing facility of US\$24 million, with 4 banks participating by means of a revolving credit facility. The facility was fully available at year-end.



The company is in a strong financial position at year end with cash on hand of \$32.1 million.

Financial position

Shareholders' equity at 30 June 2005 was \$123.0 million and represents a decrease of 8.9% on the previous year, partly caused by the translation of Thailand financial statements at a lower exchange rate.

Income tax

The company's operation is located in Thailand and operates under approvals received from the Royal Thai Board of Investment (BOI). Subject to meeting BOI conditions, the benefits of these approvals include an exemption from corporate income tax for 8 years, with a reduction of 50% of the standard rate available for 5 years thereafter based on a production of 178,416 ounces of gold and 583,733 ounces of silver per year. In addition, there are no withholding taxes applicable on dividends remitted to Australia during the initial exemption period.

Risk management

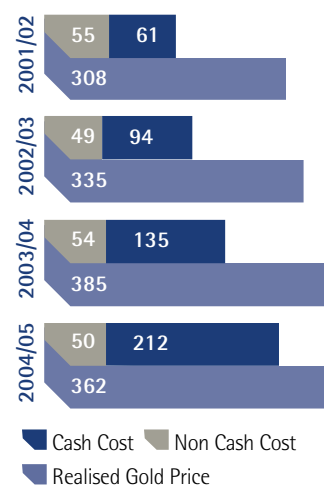
The company actively manages its exposure to movements in the gold price and foreign currency exchange rates through the use of hedging instruments. The principal objective in managing revenue risk is to minimize the downward price exposure associated with volatile markets while endeavouring as far

as possible to preserve the opportunity to participate in upward price movements. The company constantly monitors the gold market and hedge book to actively manage value.

Financial instruments used by the company include forwards, puts and calls, of which a number have down and out barrier levels. As at 30 June 2005, price limiting positions had reduced to 178,750 ounces of gold and price protecting positions stood at 262,750 ounces. The price limiting positions represent approximately 11.9% of the total Ore Reserves. There has been a significant

Contribution

(US\$/Oz)



reduction in price limiting positions during the year to 178,750 ounces from 330,250 in the prior year, with all remaining A\$ calls with barriers knocked out during the year.

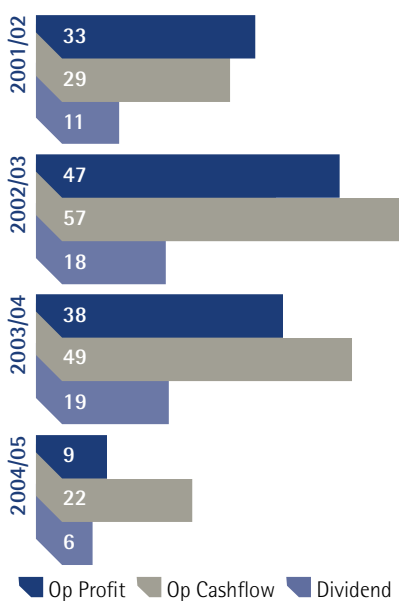
The negative mark to market valuation of these positions as at 30 June 2005 was \$27.9 million, calculated by reference to the year end spot gold price and exchange rate. This valuation is not an estimate of future hedging results as this will depend on market conditions at the time of delivery. The company is managing the hedge book with a view to providing greater spot price exposure in a rising gold price environment.

Dividends

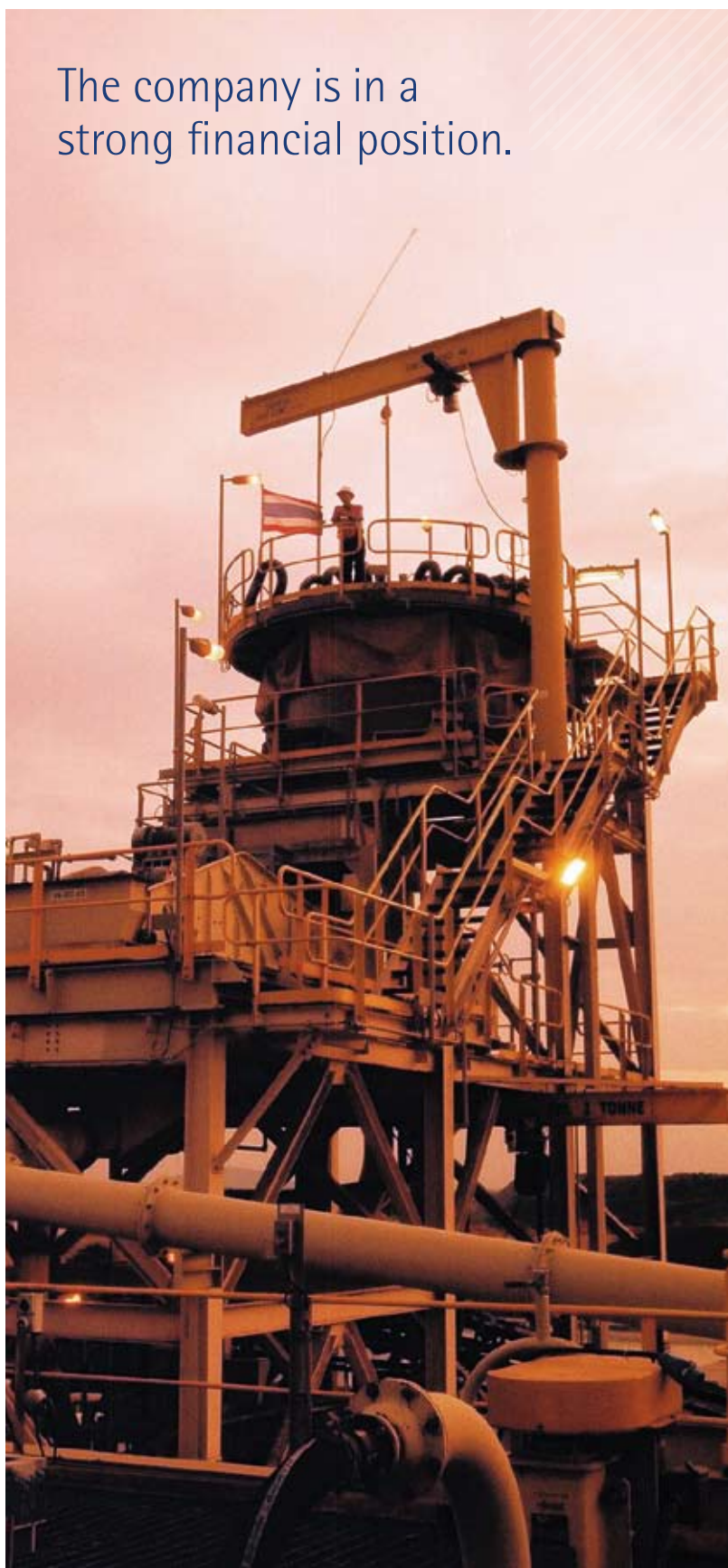
A final dividend of 12 cents per share was paid to shareholders during the year relating to the 2003/04 year. In addition, an interim dividend for 2004/05 of 2 cents per share was paid to shareholders in March 2005. The Directors have declared a final dividend of 5 cents per share, payable on 27 September 2005. This brings the total dividend declared for the year to 7 cents per share.

Operating Profit & Cashflow

(A\$m)



The company is in a strong financial position.



Operations

Options to significantly increase plant capacity are being considered and costed.



The Chatree mine continued to perform strongly under challenging conditions in its third full year of operation:

- Gold production of 126,550 ounces was achieved at a cash cost of US\$212 per ounce.
- Mine production was escalated to meet waste stripping requirements and 3 mining shifts per day commenced.
- A full year's benefit was realised from the December 2003 Stage II process plant upgrade, with an increase in ore processed.
- The excellent safety and environmental performance continued.

Gold grades declined as anticipated from 3.1 g/t to 2.4 g/t and gold recovery of 90.8% was achieved throughout the year despite the increased throughput. This resulted in the mine achieving production of 126,550 ounces of gold and 353,275 ounces of silver.

Mining activities continued in Tawan (C and H orebodies) and P pits and commenced in the smaller S pit. Mining activity was completed in the remnant areas of D pit, which is proposed to be used as a wet season run off water storage facility. Total mine production was 587,558 bank cubic metres of ore and 4,915,448 bank cubic metres of waste as the strip ratio increased in accordance with the mine plan.

The mining contractor, Lotus Hall, commenced three mining shifts per day, up from 2 shifts per day, to enable more efficient use of mining equipment. Additional mining equipment was mobilised to site to cater for higher plant throughput and increasing volumes of waste.

The Chatree process plant continued to perform well and at throughput rates in excess of design. The full year benefit of the processing plant upgrade completed in December 2003 was realised, with the plant operating above its design capacity of 1.8 million tonnes per annum. The circuit now comprises a SAG mill, ball mill, 12 CIL tanks and expanded cyanide reduction capacity.

A scoping study is underway to further increase the processing plant capacity. The first phase of this project involves installation of a pebble crushing circuit by December 2005, to process hard pebbles in the grinding circuit. Work has commenced on this installation which is projected to increase design capacity to 2.35 million tonnes per annum. Further options to significantly increase plant capacity are being considered and costed.

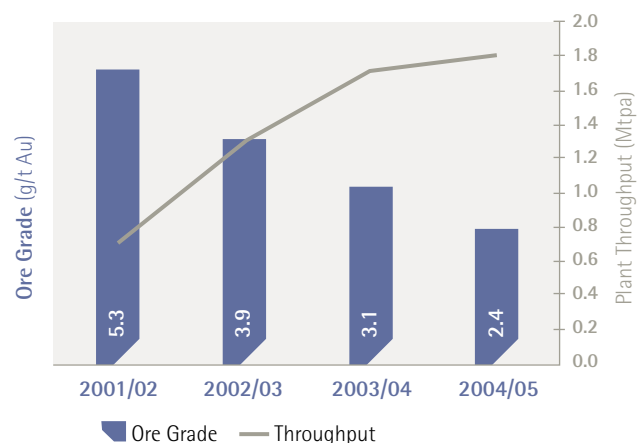
The company has applied for additional mining leases at Chatree North and permitting is well advanced. The new mining leases cover a much larger area than the existing lease and

incorporate exploration prospects previously identified under the successful exploration programs. Management anticipates achieving all regulatory approval for extension of project activities into these areas during 2005.

Chatree has developed a strong safety culture since it commenced construction in November 2000 with more than five million hours having been worked up to 30 June 2005 with only one lost time injury. For the year ended 30 June 2005 the Lost Time Injury Frequency Rate (LTIFR) was 0 compared with an industry average of 4.0 for Australian open cut mines (Minerals Council of Australia statistics). There were no environmental incidents during the year and the mine remains in compliance with all regulatory requirements. The company maintained its accreditation for ISO 9001 for Quality Management, ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety Management during the year.

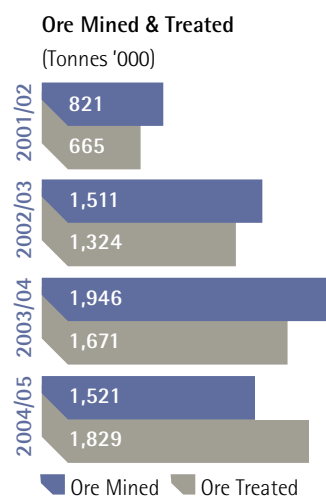
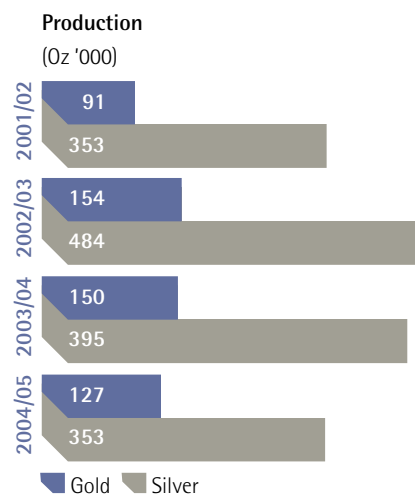
Chatree is continuing to source supplies and services in the Thai domestic markets. In excess of 80% of warehouse purchases are now sourced within Thailand and a significant amount of services are also being supplied locally. The safety, environmental and operational practices at Chatree were acknowledged by industry bodies and the operation won a number of awards during the 2004/05 year.

Plant Throughput & Grade



In 2005 the company was awarded the Prime Minister's 'Best Practice Award for Employee Welfare' for the third year running. Akara was also awarded a trophy and certificate by the Ministry of Labour for its 'Best Practice Award for Labour relations,' following a consolation prize in this category last year.

Chatree continued with its community affairs program and initiated a number of community related projects. These included installation of another water system in a local village, the rebuilding of a local school, sponsorship of educational programs in local schools and sponsorship of a number of local festivals and sporting events.



The operation won a number of awards during 2004/05.



Mineral Resources & Ore Reserves

Mineral Resources inclusive of Ore Reserves as at 30 June 2005 (>0.7 g/t Au)

| Source | Category | Tonnes (kt) | Grade | | Contained Ounces | |
|--------------------------------|--------------|---------------|------------|--------------|------------------|-------------------|
| | | | Gold (g/t) | Silver (g/t) | Gold | Silver |
| On Mining Lease ⁽¹⁾ | Measured | 6,769 | 2.0 | 9 | 428,000 | 1,956,000 |
| | Indicated | 6,663 | 1.8 | 8 | 377,000 | 1,666,000 |
| | Inferred | 3,410 | 1.9 | 9 | 203,000 | 985,000 |
| | Sub-total | 16,842 | 1.9 | 9 | 1,008,000 | 4,607,000 |
| Chatree North ⁽²⁾ | Measured | 12,946 | 1.9 | 19 | 794,000 | 8,065,000 |
| | Indicated | 9,396 | 2.0 | 19 | 592,000 | 5,791,000 |
| | Inferred | 10,262 | 1.9 | 16 | 626,000 | 5,253,000 |
| | Sub-total | 32,604 | 1.9 | 18 | 2,012,000 | 19,109,000 |
| Kingsgate | Total | 49,446 | 1.9 | 15 | 3,020,000 | 23,716,000 |

⁽¹⁾Includes C, H, D, HS, HW, S and P

⁽²⁾Includes A, AE, Q, KW and KE

Ore Reserves ⁽¹⁻⁴⁾ as at 30 June 2005 (>0.7 g/t Au)

| Pit Source | Category | Tonnes (kt) | Grade | | Contained Ounces | |
|---------------------------------|--------------|---------------|------------|--------------|------------------|-------------------|
| | | | Gold (g/t) | Silver (g/t) | Gold | Silver |
| On Current Lease ⁽⁵⁾ | Proved | 3,833 | 2.2 | 9 | 277,000 | 1,165,000 |
| | Probable | 2,996 | 1.9 | 8 | 183,000 | 770,000 |
| | Sub-total | 6,829 | 2.1 | 9 | 460,000 | 1,935,000 |
| Chatree North ⁽⁶⁾ | Proved | 7,795 | 2.0 | 21 | 507,000 | 5,327,000 |
| | Probable | 8,283 | 1.9 | 20 | 512,000 | 5,297,000 |
| | Sub-total | 16,078 | 2.0 | 21 | 1,019,000 | 10,624,000 |
| Total from Pits | Proved | 11,628 | 2.1 | 17 | 783,000 | 6,492,000 |
| | Probable | 11,279 | 1.9 | 17 | 695,000 | 6,067,000 |
| | Total | 22,907 | 2.0 | 17 | 1,478,000 | 12,559,000 |
| Stockpiles | | 843 | 1.0 | 7 | 27,000 | 176,000 |
| Kingsgate | Total | 23,750 | 2.0 | 17 | 1,505,000 | 12,735,000 |

⁽¹⁾ Calculated from composite pit outlines (Including modified 4X pit shell) optimised at US\$375/oz.

⁽²⁾ Above 0.7 g/t cut-off grade, based on Category 1 and 2 only.

⁽³⁾ No access designed unless road is relocated.

⁽⁴⁾ Below 30 June 2005 mine depleted surface.

⁽⁵⁾ Includes C, H, D, HS, HW, S and P.

⁽⁶⁾ Includes A, AE, Q, KW and KE.

Due to rounding some figures may not add correctly

Ore Reserve Reconciliation ('000oz)

| Ore Reserves at 30 June 2004 | Mined in 2004/05* | Discoveries / Other | Ore Reserves at 30 June 2005 |
|------------------------------|-------------------|---------------------|------------------------------|
| 1,082 | (139) | 562 | 1,505 |

* Based on annual production divided by the recovery percentage.

Information in this report that relates to geology, drilling, mineralisation and Mineral Resource and Ore Reserve estimates is based on information compiled by Rob Spiers an employee of the Kingsgate Group, who is a Competent Person under the meaning of the JORC Code with respect to the mineralisation being reported on. He has given consent to the Public Reporting of these statements concerning geology, drilling and mineralisation.

Exploration

Exciting exploration success near Chatree Mine site & regionally.

The company continued to invest for the future with substantial expenditure in exploration during 2004/05. This has resulted in exciting exploration success near the Chatree Mine site and regionally. The company is committed to exploration in Thailand and South America and expanding Ore Reserves and will increase exploration expenditure to approximately US\$11.0 million in the forthcoming year.

Exploration activities continued to focus on developing resources and reserves near the Chatree Mine area. The area surrounding the Chatree Mine has been termed the Chatree Volcanic Complex and this area is developing into a world class gold system. Significant exploration success was achieved both on-lease and in the Chatree North area. This has resulted in the company recording an increase in Mineral Resources to 3.0 million ounces of gold and in Ore Reserves to 1.5 million ounces. Over the past two years the average cost of discovering gold into a resource category has been US\$7 an ounce. Recent drilling has shown potential exists for mining to go underground after the finalisation of open pit mining but more work is required to finally determine this option.

A new mineralised lens was discovered in the hanging wall of the H orebody (H West) where drilling has confirmed economic gold grades. Drilling in the Chatree North Mine Lease application area concentrated on extending A East Section resources to the north, south and down dip and further testing of the mineralisation at Q Section. Work also commenced on infill drilling at A Section to augment existing resources and reserves as well as to determine the potential for a combined A and A East open pit. At M Section – 2 km northwest of the Chatree Mill, three separate zones of gold mineralisation have now been delineated.

In the Regional program, stream sediment sampling was completed over a large area of the Loei-Petchabun Belt and numerous gold and copper anomalies have been generated by this work.

In South America Kingsgate has recently applied for tenements in the Puquio Region of Peru where a large alteration system with associated high grade gold/silver epithermal vein systems has been identified.



Exploration

Continued

Committed to exploration and expanding ore reserves.

Chatree Mine area

H West Section:

Recent drilling, carried out as part of the program to extend the known mineralisation to deeper levels at the Chatree Gold Mine to the west of the H orebody, resulted in the discovery of a new zone of near surface mineralisation. This zone is referred to as H West Section and is close to surface and occurs in the hanging wall of the H Pit.

H West Section mineralisation is located 100m to the northwest of H South Section and is open both along strike and at depth. Preliminary interpretations indicate multiple, steeply dipping structures between 2-14m true widths striking parallel to H Section. To date drilling has delineated 450m of strike length along this zone with potential for at least 750m of strike.

Deep drilling below 150 metres depth on H Pit indicates that mineralisation on the orebody persists to depth at sufficient grades to be potentially economic. Potential exists to further deepen the existing C-H ore body. The potential exists for underground development and preliminary studies are underway.



Chatree North Lease Application

A East Section:

Following the successful delineation of geological resources at the southern end of the A East Section, drilling has continued to extend the mineralisation at A East both to the west (towards A Section) to the east, to the northwest and to a lesser extent to the south. Particularly encouraging results have been obtained to the north west of the existing resource where indications are that another mineralised lens may be developed between the A east mineralisation and A Section.

A Section:

A major focus of the exploration effort is the ongoing evaluation and upgrading of the A Section resources and reserves and incorporation of the A East resource into a mining plan for the Chatree North area. Activities at A section have included reinterpretation of all existing diamond holes, a review of the geostatistical modelling in light of new understanding of the geometry and structural controls on the mineralisation and drilling based on

new models to further upgrade existing resources and reserves.

This work has confirmed the depth and strike of the mineralised structures, intersecting significant shallow mineralisation with excellent potential for further resource upgrades in future when all revisions are complete. Drilling to the south of the A mineralisation has been particularly encouraging and will extend the currently designed open pit.

Q Section:

Ongoing testing of the mineralisation at Q Section has revealed the mineralisation to be robust and continuous. Three lenses have now been delineated in the south and central portions of Q Section, the westernmost of these lenses being higher grade than other lenses.

All indications are that the mineralisation at Q Section is part of the same mineralised structure as the northern end of A Prospect and there is potential for economic mineralisation stretching continuously from A Section to the central portion of Q Section, a distance of some two kilometres.

Adjacent areas to Chatree Mine

J and M Sections:

Drilling continued in the J and M Sections, respectively 1km and 2km northwest of the Chatree mill, to determine the extent of the mineralisation in this area. At J Section two parallel zones of mineralisation have been identified over about 500m in length. Three separate zones of mineralisation have now been delineated at M Section over a total strike length of 700m.

Regional exploration - Thailand

Regional exploration concentrated on stream sediment, soil and rock chip sampling, air core drilling and mapping. The total number of prospects in the Chatree region now stands at 36 with 26 of these being discovered by the Akara Exploration team.

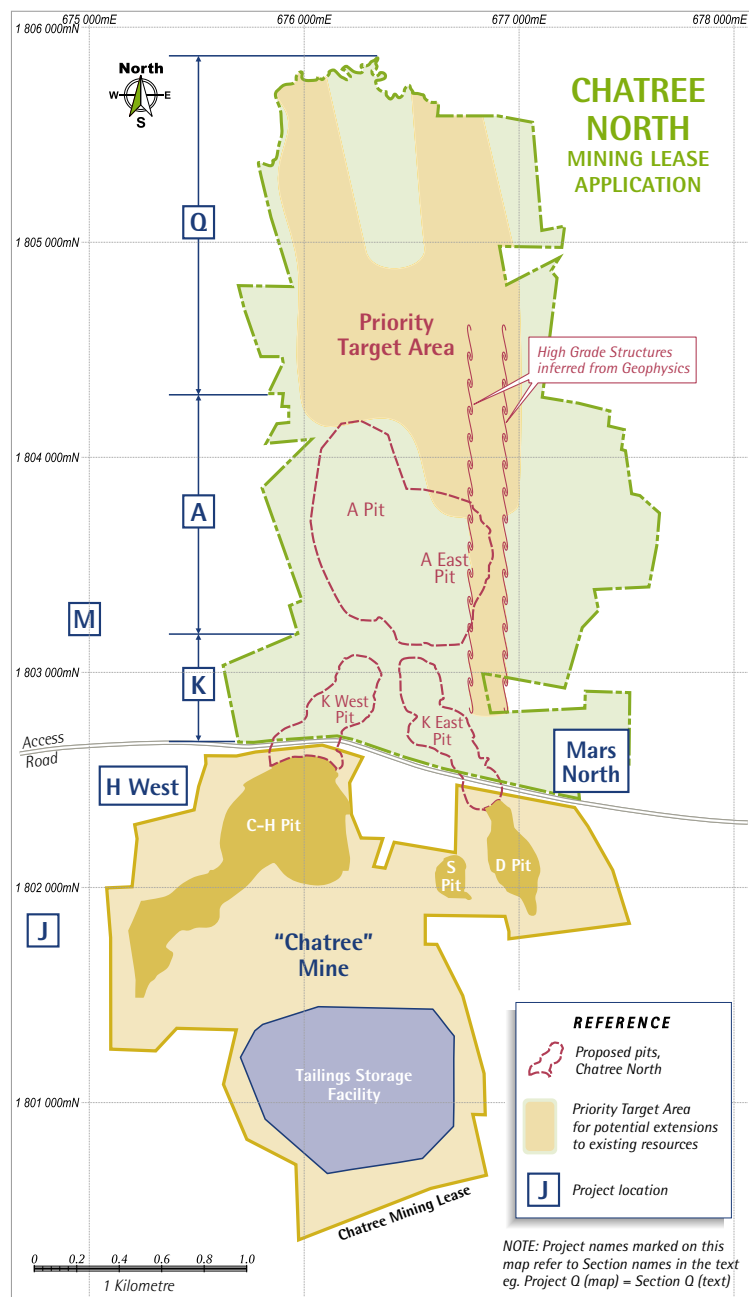
New stream sediment gold anomalies were identified in several areas close to the Chatree Gold Mine within our exploration application areas. Three anomalies located within 25km of the mine have now been traced to outcropping quartz-gold and quartz-sulfide-gold mineralisation. Channel sampling over one of these returned 46.2m at 2.23 g/t Au.

Further ground Induced Polarization and Resistivity surveys were conducted adjacent to the Chatree Volcanic Complex. This work continues to outline highly prospective zones to the south of the Chatree mine that extend for well over 10kms.

The focus of regional exploration continues in areas close to the Chatree Mine. Project generation is also in progress in other provinces of Thailand as well as in Laos.

South America

Project generation carried out by Kingsgate in Peru has resulted in applications for exploration tenements covering a large zone of alteration and high grade gold-silver-quartz-carbonate epithermal veining in the Puquio District of south central Peru. Rock chip sampling and mapping in this area has confirmed the prospectivity for a major high grade epithermal vein system which hosts a number of formerly producing Ag/Au vein deposits.



Sustainability

Kingsgate's aim is to maximise long-term benefits to society.



Introduction

Kingsgate is a signatory to the Australian Mineral Industry's Code for Environmental Management which requires signatories to commit to continual improvement and to annually audit and report their performance.

The Code was phased out in 2004 and has been replaced by **Enduring Value**. Enduring Value builds on the Code's platform for environmental management, but provides a Sustainable Development Framework for the industry through the implementation of a range of economic and social practices in addition to environmental practices.

The key role to Enduring Value is to translate the principles of sustainable development into practices to ensure that the mining industry operates in a manner which is attuned to the expectations of the community and which seeks to maximise the long-term benefits to society.

SRI Index

Kingsgate is the only gold mining company to be included in the RepuTex Social Responsibility Investment (SRI) Index launched in August 2005 and achieved an A rating.

The RepuTex SRI Index comprises 44 companies from the S&P/ASX 300 Index spread across a broad range of industry sectors.

The RepuTex SRI Rating is an assessment of the extent to which an organisation is performing in a socially responsible manner and managing its social risk exposures in terms of Corporate Governance, Environmental Impact, Social Impact and Workplace Practices.

The index goes beyond ethical investment and takes into consideration risk analysis and management, past and current practices, and future risk exposures relating to social responsibility.

People

As at 30 June 2005, the Chatree operation employs 243 people, 96% of whom are Thai nationals. An additional 465 contractors are employed as mining contractors and in other service functions. The contractors are local and national Thai companies and the vast majority of their employees are Thai.

Where possible, local community members are employed preferentially and local contractors are commissioned to undertake work at the mine or on exploration tenements. The contractors carry out open pit mining, as well as providing employee transport, cooking and eating facilities, security and other services.

Kingsgate believes that open, harmonious relationships in the workplace are conducive to high levels of employee satisfaction, productivity and quality standards.

Workforce as at 30 June 2005:

| Chatree employees | |
|----------------------|-----|
| Local Thai employees | 171 |
| Other Thai nationals | 63 |
| Expatriates | 9 |
| Total employees | 243 |
| Contractors | 465 |
| Total workforce | 708 |

Mine management encourages employees to participate in social functions. The mine sponsors a range of local sporting activities including a soccer competition and social tennis in addition to a number of employee social functions throughout the year.

Risk management

Chatree undertakes a rigorous program of improvement to identify, report and eliminate workplace risks in order to improve safety and prevent accidents. Chatree believes that all accidents are preventable and that no injury is acceptable.

In addition to risk management practices that have been introduced for specific work areas and tasks, Chatree has adopted a longer-term, strategic approach to managing risk at the site. Under this approach, various "all of business" risks and opportunities are identified in areas such as regulations and licensing, human resources, commercial, community relations, health and related activities.

Safety performance

Safety in the workplace is integral to Chatree's operational and sustainability policies and the mine strives for an incident free environment for all employees and contractors. Chatree has developed appropriate policies, codes, procedures and ongoing training to help maintain an accident free work place. All staff and contractors are required to complete the Site Safety and Environment Induction before working on the mine site and are re-inducted on an annual basis and undergo further training in relation to their specific occupations.

The good safety performance of the previous years continued in 2005 and again was better than similar gold mining operations in Australia. More than 3 million hours were achieved without a lost time injury and the Lost Time Injury Frequency Rate (LTIFR) was 0, compared with an industry average of 4.0 for Australian open cut mines (Minerals Council of Australia statistics).

Emergency response

The Chatree mine takes a pro-active approach to managing emergencies. The mine has formed an Emergency Response Team with representation from all areas of the mine site. The ERT trains regularly in a range of emergency procedures including fire fighting, first aid/CPR, casualty transfers and emergency response to chemical spills.

The skills developed within the Emergency Response Team are made available to the local communities through co-ordination with the appropriate provincial authorities.

Training and development

Chatree's workforce is drawn from local communities with no experience in modern mining methods. Consequently, over the past three years the mine has implemented an extensive range of training programs for its employees. The programs have been enormously successful as evidenced by the safety, environmental and production statistics for the mine. Performance in all aspects of the operation has been comparable or better than Australian mines and is a credit to the inherent skills and diligence of the Thai people.

The mine has provided basic training in all aspects of the operation but also in other areas such as risk assessment, first aid, fire fighting, chemical safety, emergency response, computers and cross cultural management. Environmental training plays an important role in securing continuous improvement. Consequently, an extensive environmental training program has been developed and implemented at the mine.

Community development

Chatree's activities contribute to a wide range of stakeholder's aims including business, local and national government and community organisations. Through its community development programs, Chatree seeks to strengthen its relationships with stakeholders and introduce sustainable benefits and activities.

Kingsgate is committed to industry best practice for sustainable development.



Sustainability

Continued

Improving water quality and reliability for local villages is a key aim.

Chatree's community development program has a positive social impact on the local and regional community. It provides a range of opportunities for direct and indirect employment, increased access to health and education, construction of roads and water delivery infrastructure, sporting infrastructure and financial contributions to local communities through religious centres and sporting events.

Fresh water is a precious resource in all parts of the world but especially in those areas that do not enjoy a reticulated supply. One of Kingsgate's sustainability aims for Chatree is to improve the reliability and quality of water supply in the local villages around the mine.

The environment

Kingsgate is committed to best practice environmental management in all aspects of the operation and has implemented standards and policies that provide the highest degree of protection for employees and the environment.

Chatree mine's Environmental Management System (EMS) is accredited as achieving the ISO 14001 standard. The EMS

describes the organisational structure, responsibilities, practices, processes and resources for implementing and maintaining environmental management.

The Environmental Management Plan (EMP) facilitates compliance with relevant licenses, legislation and targets for the site. It outlines specific procedures to aid the implementation of the EMP, such as revegetation trials and waste rock emplacement trials and contains specific plans for water management and waste management.

Auditing and review

Chatree carries out a comprehensive environmental auditing and review program to assess compliance with licence conditions, relevant legislation, EMS objectives and best practice environmental management. The program is based on regular internal and external environmental audits. These audits are regarded as key feedback and quality control mechanisms that facilitate continual improvement of environmental management programs and systems. A summary of Chatree's environmental audit program for 2005 is shown in the table below.



Monthly reports are provided to the Kingsgate Board of Directors to ensure regular review of management strategies and potential environmental impacts. The Board ensures further checks and balances by commissioning an annual independent environmental audit of the Chatree operations.

The annual independent environmental audit of the operation was conducted early in 2005, following the submission to the Thai authorities of the annual environmental monitoring report. The independent audit consisted of an assessment of compliance with licence requirements and the practicality, relevance and performance of specific environmental management strategies.

| Audit Type | Audit Scope | Auditor | Frequency |
|---|--|---|------------------------|
| Internal environmental audit | Compliance with environmental management objectives and plans | Chatree Internal Audit Team | Quarterly and annually |
| External environmental compliance audit | Compliance with license 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 Code for Enduring Value | Independent Australian environmental consultant | Annual |
| ISO 9001 certification audit | Compliance of Quality Assurance Program 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 |

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 framework is largely consistent with the ASX Corporate Governance Council's "Principles of good Corporate Governance and Best Practice Recommendations". However, a few changes were made as a result of other recent governance developments. 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 recognizes 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.



We are committed to achieving and demonstrating the highest standards.

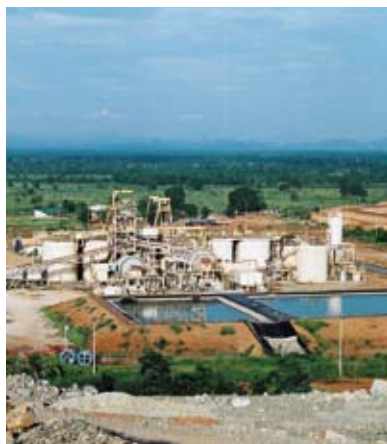
Corporate Governance Statement

Continued

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.



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 3 non-executive members, including the Chairman.

The names of the Directors in office and their relevant details are outlined below.

| Name | Appointed | Non-Executive | Independent | Retiring in 2005 | Seeking re-election in 2005 |
|-----------------|-----------|---------------|-------------|------------------|-----------------------------|
| Ross Smyth-Kirk | 1994 | Yes | Yes | Yes | Yes |
| John Falconer | 1995 | Yes | Yes | No | N/A |
| Peter McAleer | 2000 | Yes | Yes | No | N/A |

The qualifications of the current Directors are as follows:

Ross Smyth-Kirk, B Com, CPA, ASIA Age: 58

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 26 years in Australia and the UK.

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

John Falconer, FCA, ASIA Age: 57

John Falconer is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia. He is principal of Carbone Falconer & Co, a firm of Chartered Accountants practising in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses. He is a Director of TZ Limited and Taragon Property Fund.

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

Peter McAleer, B Com (Hons), B L (Kings Inns - Dublin - Ireland) Age: 62

Peter McAleer is Chairman of Westmag Limited, a Director of Kenmare Resources Plc (Ireland) and Kalahari Diamonds Resources PLC (England). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Tesoro (Chile). He has been an Executive Director of Whim Creek Consolidated NL, Austwhim Resources NL and The Northgate Group of Companies (Canada). He has been involved in the discovery, and/or successful development, of over 10 base and precious metal deposits in Europe, Australia, South America and North America.

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

Steve Reid and John Shaw resigned as Directors during the course of the year.

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 3 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 judgment.

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 appointment of the external auditors.

Board meetings

There are 11 scheduled Board meetings each year with further ad hoc meetings held as and when required. The Board combines a visit to the Chatree Gold Mine with a Board meeting on approximately 3 occasions each year.



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.

Performance assessment

The Board is in the process of developing an annual assessment of collective performance of the Board, its committees and the executive. This process is the responsibility of the Nomination Committee.

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 who was appointed on the resignation of John Shaw.

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

Corporate Governance Statement

Continued

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;
- Recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity; and
- Oversee the company's transition to International Financial Reporting Standards (IFRS).

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;
- Establishing processes for the review of the performance of individual Directors and the Board as a whole; and
- Establishing processes for the identification of suitable candidates for appointment to the Board.

When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit. 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 of 5 days.

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 recognized 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 program designed to improve controls and

better manage the overall level of risk. The company has implemented and received accreditation for ISO 9001:2000 on Quality Control, ISO 14001 on Environmental matters and ISO 18001 on Occupational Health and Safety.

Kingsgate actively manages its exposure to movements in the gold price and foreign currency exchange rates through the use of hedging instruments. The principal objective in managing revenue risk is to minimize the downward price exposure associated with volatile markets while endeavouring as far as possible to preserve the opportunity to participate in upward price movements.

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 program which provides a systematic approach to assessing and addressing its risks and opportunities for improvement. This program 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 auditors

The Audit Committee policy is to appoint external auditors who clearly demonstrate 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 were appointed as the external auditors in May 1989.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Director's

report. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested 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.

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 Code for Environmental Management which requires signatories to commit to continual improvement and to annually audit and report their performance.

The Code was phased out in 2004 and has been replaced by Enduring Value. Enduring Value builds on the Code's platform for environmental management, but provides a Sustainable Development Framework for the industry through the implementation of a range of economic and social practices in addition to environmental practices. Kingsgate has become a signatory to Enduring Value.

The company has 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.

In accordance with the Code, a Sustainability Report is issued by the group on an annual basis covering the



areas of health, safety, environmental and community responsibilities.

Kingsgate Code of Conduct

The group 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 openness. 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 group has also adopted the Code of Conduct for Chief Financial Officers developed by the Group of 100.

Corporate Governance Statement

Continued

Senior Management

Gavin Thomas,
B Sc (Geology), F AusIMM, Ch.G.
Chief Executive Officer, 54.



Gavin has had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He has over 32 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe. Amongst other things he was credited with the discovery of the Lihir gold deposit in Papua New Guinea the largest gold deposit in the world. In particular he has extensive experience in Thailand and South America.

Gavin is currently a director of Andean Resources Limited, Mercator Minerals Limited and Cordillera PLC.

Niall Lenahan,
B Comm (Hons), MBA,
FCA (Ireland)
Chief Financial Officer, 52.



Niall has over 26 years experience in commercial environments, of which the majority have been spent in industries associated with mineral resource development. Before joining Kingsgate, he was the CFO and Company Secretary of AurionGold Limited and Goldfields Limited and prior to that worked for the RGC Limited group. Niall has broad international experience in financial matters, particularly in corporate structuring and reorganisations, mergers and acquisitions, capital raisings in debt and equity markets, investor relations and corporate affairs. He joined Kingsgate as CFO in February 2003.

Phil MacIntyre,
B Sc (Hons), F AusIMM,
MCIM, SME
General Manager -
Chatree Gold Mine, 53.



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

Ron James, BSc Geology
M Aus IMM, M AIG, M SEG
General Manager
Exploration and Resource
Development, 47.



Ron has 24 years of experience with equal time in exploration and mining at management level. Before joining Kingsgate he was Chief Mine Geologist at the Gold Ridge mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. Ron is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments. He has broad experience setting up gold mines and exploration projects from their earliest stages through to development and sustainability. Ron 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.

Surapol Udompornwirat,
B Sc (Geology), EMBA,
Dip. in Minex
Vice President - Akara
Mining Limited, 46.



Surapol has over 21 years of both technical and management experience in both the Thai government and private sector. This includes 11 years as an exploration geologist for the Thai Department of Mineral Resources and 3 years as a mineralogist of the South-East Asian Tin Research and Development Centre in Malaysia. Before joining Kingsgate, Surapol was the exploration manager of Banpu PLC, a major coal miner and power plant operator in Thailand. Surapol has been associated with the Chatree Gold Project since 1992 and was appointed as vice president of Akara Mining Limited in April 1998. He is a registered Member of the Geological Society of Thailand and a committee member of the Thai Mining Council. He received a Master of Management from the Graduate Institute of Business Administration (Executive) of Chulalong Korn University in 2005.



2005 Financial Summary

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Directors

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

Ross Smyth-Kirk (Chairman)

John Falconer (Company Secretary)

Peter McAleer

Steve Reid resigned from his position as Managing Director & Chief Executive Officer on 24 January 2005.

John Shaw resigned from his position as non-executive director on 31 March 2005.

Information on Directors is contained on pages 18 to 21 of this Annual Report.

Principal activities

The principal continuing activity of Kingsgate Consolidated Limited was mineral exploration and mining in Thailand. Companies were established and exploration activities commenced in Chile and Peru during the financial year. There have been no other significant changes in the principal activities of the company during the financial year.

Dividends

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

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Final unfranked dividend of 12 cents per share (2004 - 12.5 cents) paid on 15 October 2004 (2003 - 1 October 2003) | 10,251 | 9,125 |
| Interim unfranked dividend of 2 cents per share (2004 - 10 cents) paid on 17 March 2005 (2004 - 2 April 2004) | 1,722 | 8,506 |
| Total dividend payment | 11,973 | 17,631 |

Significant change in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity 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

On 25 August 2005, the Directors of the consolidated entity declared an unfranked final dividend of 5 cents per share to be paid on 27 September 2005.

Between the period from 1 July to 1 September 2005, the company bought back and cancelled 215,756 shares under the Share Buy Back program, at a total cost of \$674,317. This program is still in operation at the time of this report.

Kingsgate has agreed to take up to 19.99% of the issued capital of Goldstar Resources NL, a gold exploration company listed on the Australian Stock Exchange (Code:GDR). The investment will be by way of share placements in two tranches and taking up an entitlement and sub-underwriting in a proposed rights issue to be made by Goldstar.

The total cost of the investment is dependant on how many shares are taken up by Kingsgate in the sub-underwriting at 13 cents each as against shares taken up in the placements at 15 cents. The maximum cash cost of the investment will be between \$2.1 and \$2.4 million.

Except for the above, no other matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The likely developments of the consolidated entity in the subsequent financial year include the continuation of mining operations at the Chatree Gold Mine, securing the Chatree North mining lease, a continuation of the expanded exploration program both near mine site, regionally within the mineralised corridor and in South America, and further increases in Mineral Resources and Ore Reserves.

Additional comments on expected results of the operations of the consolidated entity are included in this report under the review of operations.

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

Environmental regulation

The consolidated entity is subject to environmental regulation in respect to its gold mining operations and exploration activities in Thailand, Chile and Peru. For the year ended 30 June 2005, the consolidated entity has operated within all environmental laws and there were no known contraventions at the date of this report. The performance in respect of environmental regulations is discussed on pages 14 to 16 of this annual report and the company also issues a separate annual Sustainability Report which provides further information on this subject.



Directors' attendance at meetings

(1 July 2004 to 30 June 2005)

During the financial year, 11 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 1 Remuneration Committee meeting were held. The table below shows information on Board members and their attendance (including attendance by telecommunication) during the year.

| Name | Appointed | Independent | Board Meetings Held & Attended | Audit Committee Held & Attended | Nomination Committee Held & Attended | Remuneration Committee Held & Attended |
|-----------------|-----------|-------------|--------------------------------|---------------------------------|--------------------------------------|--|
| Ross Smyth-Kirk | 1994 | Yes | 11 | 2 | 1 | 1 |
| Steve Reid | 2003 | No | 6 | N/A | N/A | N/A |
| John Falconer | 1995 | Yes | 11 | 2 | 1 | 1 |
| Peter McAleer | 2000 | Yes | 11 | N/A | 1 | 1 |
| John Shaw | 2000 | Yes | 7 | 2 | 1 | 1 |

Remuneration report

Review of operations and results

The table below shows the company performance over the last 4 years since commencement of operations in 2002. Net profit in the first 2 years was favourably impacted by high grades and a low strip ratio. Profit has reduced over the last 2 years due to mining of lower gold grades at a higher strip ratio and restrictive hedge positions. The company has made a major commitment to exploration in Thailand and has been successful in increasing Mineral Resources to over 3.0 Million ounces of gold and Ore Reserves to over 1.5 million ounces.

A detailed review of Kingsgate Consolidated Limited's operations and the results for the financial year ended 30 June 2005 is set out on pages 2 to 13 of this Annual Report.

| | 2005 | 2004 | 2003 | 2002 |
|--------------------------------------|--------|--------|--------|--------|
| Net Profit After Tax (\$'000) | 8,680 | 37,679 | 47,323 | 33,022 |
| Dividends Paid (Cash & DRP) (\$'000) | 11,973 | 17,631 | 19,927 | - |
| Mineral Resources (Gold oz'000) | 3,020 | 1,804 | 1,668 | 1,817 |
| Ore Reserves (Gold oz'000) | 1,505 | 1,082 | 987 | 743 |
| Share Price 30 June (\$) | 2.84 | 3.51 | 2.94 | 2.50 |
| Basic earnings per share (Cents) | 10.1 | 45.5 | 65.4 | 48.5 |
| Diluted earnings per share (Cents) | 10.1 | 45.5 | 65.3 | 45.9 |

The company commenced a Share Buyback program and 275,721 shares were bought back and cancelled up to 30 June 2005 at a cost of \$723,353.

Principles used to determine the nature and amount of remuneration

The company'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 company's stage of development, remuneration in the industry and performance.

The main objective of the company's executive reward program 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 company seeks to structure an executive remuneration program that is market competitive and complimentary to the reward strategy of the organisation, and ensures:

Alignment to shareholders' interests:

- Has economic profit as a core component of plan design
- Focuses 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
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

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

The program 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.

Directors' Report

Continued

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 program is comprised of four components:

- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through participation in an option plan, and
- Other remuneration such as superannuation.

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

Fees paid to any executive while serving on a non-group company Board are paid to the benefit of the company.

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 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 had 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.

Details of remuneration

Details of the remuneration of each Director of Kingsgate Consolidated Limited and each of the five specified executives of the company and consolidated entity who received the highest remuneration, including their personally-related entities, for the year ended 30 June 2005 are set out in the following tables.

Directors of Kingsgate Consolidated Limited

| Name | Primary | | | Post-employment | | Equity | Total |
|--|----------------------|------------|-----------------------|-----------------|---------------------|---------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary benefits | Super-annuation | Retirement benefits | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Non-executive directors | | | | | | | |
| Ross Smyth-Kirk – Chairman | 120,000 | - | 1,916 | 10,800 | - | - | 132,716 |
| John Falconer – Company Secretary | 60,000 | - | - | 5,400 | - | - | 65,400 |
| Peter McAleer * | 60,000 | - | - | - | - | - | 60,000 |
| John Shaw ** | 45,000 | - | - | 4,050 | - | - | 49,050 |
| Executive directors | | | | | | | |
| Steve Reid – CEO & Managing Director *** | 331,114 | - | - | 26,271 | - | - | 357,385 |
| Total | 616,114 | - | 1,916 | 46,521 | - | - | 664,551 |

* Consulting fees of \$60,000 (2004 - \$50,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and Director.

** John Shaw resigned 31 March 2005 *** Steve Reid resigned 24 January 2005



Specified Executives

| Name | Primary | | | Post-employment | | Equity | Total |
|---|-------------------------------|---------------------|--------------------------------|---------------------------|------------------------------|---------------|-----------|
| | Cash salary and fees \$ | Cash bonus \$ | Non-monetary benefits \$ | Super- annuation \$ | Retirement benefits \$ | Options \$ | |
| Specified executives of the parent entity | | | | | | | |
| Gavin Thomas – CEO | 200,000 | - | 2,044 | - | - | 22,940 | 224,984 |
| Niall Lenahan – CFO | 276,000 | - | 11,178 | 24,000 | - | 11,225 | 322,403 |
| Marcus Tomkinson – General Manager Exploration | 238,415 | - | - | 11,585 | - | 3,227 | 253,227 |
| Arthur Ellis – Financial Controller | 142,908 | - | - | 12,000 | - | 5,612 | 160,520 |
| Specified executives of the consolidated entity | | | | | | | |
| Surapol Udompornwirat – Executive Vice President – Akara | 132,113 | 29,405 | 29,740 | 6,920 | - | 11,225 | 209,403 |
| Phil MacIntyre – General Manager – Chatree Gold Mine | 182,175 | - | 102,178 | - | - | 11,225 | 295,578 |
| Total | 1,171,611 | 29,405 | 145,140 | 54,505 | - | 65,454 | 1,466,115 |

Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the specified executives 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 (From 22 November 2004)

- Term of agreement – 3 years ending 1 April 2008.
- Base salary, inclusive of superannuation, as at 30 June 2005 of \$500,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Steve Reid – Managing Director & Chief Executive Officer

- Agreement terminated on resignation on 24 January 2005.
- Base salary, inclusive of superannuation, for the period 1 July 2004 to 24 January 2005 was \$357,385.

Niall Lenahan – Chief Financial Officer

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2005 of \$300,000 to be reviewed annually by the Remuneration Committee.
- Payment of termination benefit by the employer, other than for gross misconduct, equal to annual base salary.

Marcus Tomkinson – General Manager, Exploration & Resource Development

- Agreement terminated on resignation on 15 July 2005.
- Base salary, inclusive of superannuation, as at 30 June 2005 of \$250,000.
- Payment of termination benefit by the employer, other than for gross misconduct, equal to 75% of annual base salary.

Surapol Udornpornwirat –

Vice President Akara Mining Limited

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of \$139,033 to be reviewed annually by the Remuneration Committee.

Phil MacIntyre –

General Manager, Chatree Gold Mine

- Term of agreement – 3 years ending 16 July 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of \$182,175 to be reviewed annually by the Remuneration Committee.

Arthur Ellis –

Financial Controller

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2005 of \$155,000 to be reviewed annually by the Remuneration Committee.

Directors' Report

Continued

Share Based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows and are in accordance with the Kingsgate Employees and Contractors Option Plan:

| Grant date | Expiry date | Exercise price | Value per option at grant date | Date exercisable |
|-----------------|-----------------|----------------|--------------------------------|------------------|
| 3 November 2003 | 28 August 2006 | \$4.16 | \$0.51 | 28 August 2004 |
| 29 January 2004 | 29 January 2007 | \$3.93 | \$0.49 | 29 January 2005 |
| 31 March 2005 | 1 April 2010 | \$2.69 | \$0.38 | 1 April 2005 |

The following Chief Executive Officer options were granted on the 7 July 2005:

| Expiry date | Exercise price | Value per option at grant date | Date exercisable | Number under option |
|-------------|----------------|--------------------------------|------------------|---------------------|
| 1 July 2010 | \$4.00 | \$0.33 | 1 July 2006 | 180,000 |
| 1 July 2010 | \$4.00 | \$0.27 | 1 July 2007 | 180,000 |
| 1 July 2010 | \$4.00 | \$0.19 | 1 July 2008 | 140,000 |
| 1 July 2010 | \$5.00 | \$0.21 | 1 July 2006 | 180,000 |
| 1 July 2010 | \$5.00 | \$0.16 | 1 July 2007 | 180,000 |
| 1 July 2010 | \$5.00 | \$0.09 | 1 July 2008 | 140,000 |
| 1 July 2010 | \$6.00 | \$0.14 | 1 July 2006 | 180,000 |
| 1 July 2010 | \$6.00 | \$0.09 | 1 July 2007 | 180,000 |
| 1 July 2010 | \$6.00 | \$0.05 | 1 July 2008 | 140,000 |
| 1 July 2010 | \$7.00 | \$0.09 | 1 July 2006 | 360,000 |
| 1 July 2010 | \$7.00 | \$0.06 | 1 July 2007 | 360,000 |
| 1 July 2010 | \$7.00 | \$0.02 | 1 July 2008 | 280,000 |
| | | | | 2,500,000 |

ASIC guidelines require that a valuation of options issued to executives under the company's incentive plans be provided. Given the share trading restrictions applied internally to employees, no single method of valuation is considered appropriate. Kingsgate has used an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Further details relating to options are set out below and on the following page:

| Name | A Remuneration Consisting of options | B Value at grant date \$ | C Value at exercise date \$ | D Value at lapse Date \$ |
|-----------------------|--|--------------------------------|-----------------------------------|--------------------------------|
| Peter McAleer | - | 20,922 | 162,000 | - |
| Gavin Thomas | 10.2% | 22,940 | - | - |
| Steve Reid | - | 51,045 | - | - |
| Niall Lenahan | 3.5% | 51,241 | - | - |
| Marcus Tomkinson | 1.3% | 20,365 | - | - |
| Surapol Udompornwirat | 5.4% | 19,417 | - | - |
| Phil MacIntyre | 3.8% | 19,417 | - | - |
| Arthur Ellis | 3.5% | 9,709 | - | - |

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B. B = Value at grant date calculated in accordance with AASB 1046 *Director and Executive Disclosures by Disclosing Entities* of options granted during the year 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.



Shares under option

Un-issued ordinary shares of Kingsgate Consolidated Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|-----------------|-----------------|----------------|---------------------|
| 5 February 2003 | 5 February 2006 | \$4.44 | 50,000 |
| 3 November 2003 | 28 August 2006 | \$4.16 | 40,000 |
| 29 January 2004 | 29 January 2007 | \$3.93 | 180,000 |
| 31 March 2005 | 1 April 2010 | \$2.69 | 60,000 |
| 7 July 2005 | 1 July 2010 | \$4.00 | 500,000 |
| 7 July 2005 | 1 July 2010 | \$5.00 | 500,000 |
| 7 July 2005 | 1 July 2010 | \$6.00 | 500,000 |
| 7 July 2005 | 1 July 2010 | \$7.00 | 1,000,000 |
| | | | 2,830,000 |

Shares issued on the exercise of options

The following ordinary shares of Kingsgate Consolidated Limited were issued during the year ended 30 June 2005 on the exercise of options granted under the Kingsgate Employees and Contractors Option Plan.

No further shares have been issued since that date and no amounts are unpaid on any of the shares.

| Date Options Granted | Issue price of shares | Number of Shares issued |
|----------------------|-----------------------|-------------------------|
| 28 November 2001 | \$1.48 | 100,000 |
| 11 July 2002 | \$2.66 | 25,000 |
| | | 125,000 |

Interest in shares and options of the company

As at the date of this report, the interests of the Directors and specified executives 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 | 4,252,380 | - |
| John Falconer | 147,095 | - |
| Peter McAleer | 380,000 | - |
| Specified executives of the consolidated entity | | |
| Gavin Thomas | 14,741 | 2,560,000 |
| Niall Lenahan | 6,706 | 90,000 |
| Marcus Tomkinson | - | 80,000 |
| Surapol Udompornwirat | - | 40,000 |
| Phil MacIntyre | 95,000 | 40,000 |
| Arthur Ellis | 31,200 | 20,000 |

Insurance of officers

During the financial year, the company paid premiums to insure Directors and Officers of the company. 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 company 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 consolidated entity 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 on page 30.

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 set out below, 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 the Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

Directors' Report

Continued

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:

| | Consolidated | |
|---|----------------|----------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Assurance services | | |
| Audit services | | |
| PricewaterhouseCoopers Australian Firm | | |
| Audit and review of the financial reports and other work under the <i>Corporations Act 2001</i> | 164,545 | 157,000 |
| Related practices of PricewaterhouseCoopers Australian Firm | 78,442 | 61,000 |
| Total remuneration for audit services | 242,987 | 218,000 |
| Other assurance services | | |
| PricewaterhouseCoopers Australian Firm | | |
| Workers compensation review | 3,000 | 2,600 |
| AGM scrutineers | 12,292 | - |
| Other | - | 20,398 |
| Total remuneration for other assurance services | 15,292 | 22,998 |
| Total remuneration for assurance services | 258,279 | 240,998 |
| Taxation services | | |
| PricewaterhouseCoopers Australian Firm | 70,207 | 59,790 |

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, 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.

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



Ross Smyth-Kirk
Director



John Falconer
Director

Sydney

1 September 2005



Auditors' Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'P. Buchholz'.

Peter Buchholz
Partner

Sydney
1 September 2005

Consolidated Statement of Financial Performance

For the year ended
30 June 2005

| | Notes | 2005 \$'000 | 2004 \$'000 |
|---|-------|----------------|----------------|
| Revenue from ordinary activities | 2 | 66,190 | 86,780 |
| Changes in inventories of finished goods and work in progress | | (868) | 2,096 |
| Direct costs of mining and processing | | (33,537) | (31,012) |
| Rehabilitation expenses | | (785) | (667) |
| Employee benefits expense | | (5,972) | (4,760) |
| Depreciation and amortisation expenses | | (8,520) | (11,323) |
| Borrowing costs expense | | (889) | (2,416) |
| Exploration expensed | | (2,082) | - |
| Foreign exchange gains / (losses) | | 135 | 1,645 |
| Other expenses from ordinary activities | | (4,992) | (2,664) |
| Profit from ordinary activities before related income tax expense | | 8,680 | 37,679 |
| Income tax expense | | - | - |
| Profit from ordinary activities after related income tax expense | | 8,680 | 37,679 |
| Net Profit attributable to members of Kingsgate Consolidated Limited | | 8,680 | 37,679 |
| Net exchange differences on translation of financial reports of foreign controlled entities | | (10,504) | (968) |
| Total revenues, expenses and valuation adjustments attributable to members of Kingsgate Consolidated Limited recognised directly in equity | | (10,504) | (968) |
| Total changes in equity attributable to members of Kingsgate Consolidated Limited other than those resulting from transactions with owners as owners | | (1,824) | 36,711 |
| | | Cents | Cents |
| Basic earnings per share | 5 | 10.1 | 45.5 |
| Diluted earnings per share | 5 | 10.1 | 45.5 |

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



Consolidated Statement of Financial Position

As at 30 June 2005

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Cash assets | 32,119 | 59,696 |
| Receivables | 5,989 | 5,854 |
| Inventories | 5,200 | 6,511 |
| Other assets | 1,816 | 1,797 |
| TOTAL CURRENT ASSETS | 45,124 | 73,858 |
| NON-CURRENT ASSETS | | |
| Mine property, plant and equipment | 86,474 | 65,689 |
| Other assets | 3,650 | 3,866 |
| TOTAL NON-CURRENT ASSETS | 90,124 | 69,555 |
| TOTAL ASSETS | 135,248 | 143,413 |
| CURRENT LIABILITIES | | |
| Payables | 7,184 | 4,443 |
| Provisions | 1,395 | 1,201 |
| Other liabilities | 872 | 1,095 |
| TOTAL CURRENT LIABILITIES | 9,451 | 6,739 |
| NON-CURRENT LIABILITIES | | |
| Other liabilities | 2,767 | 1,628 |
| TOTAL NON-CURRENT LIABILITIES | 2,767 | 1,628 |
| TOTAL LIABILITIES | 12,218 | 8,367 |
| NET ASSETS | 123,030 | 135,046 |
| EQUITY | | |
| Parent entity interest | | |
| Contributed equity | 75,934 | 74,153 |
| Reserves | (19,846) | (9,342) |
| Retained profits | 66,942 | 70,235 |
| TOTAL EQUITY | 123,030 | 135,046 |

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

Consolidated Statement of Cash Flows

For the year ended
30 June 2005

| | 2005 \$'000 | 2004 \$'000 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 65,440 | 86,194 |
| Payments to suppliers and employees | (44,350) | (37,764) |
| Interest received | 1,983 | 1,991 |
| Borrowing costs | (889) | (1,127) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 22,184 | 49,294 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration and land acquisitions | (33,913) | (11,160) |
| Payments for property, plant and equipment | (4,229) | (12,837) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (38,142) | (23,997) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 215 | 42,910 |
| Payments for shares bought back | (718) | - |
| Share issue and buy-back transaction costs | (5) | (1,183) |
| Proceeds from borrowings | - | 13,274 |
| Repayment of borrowings | - | (32,693) |
| Dividends paid | (9,684) | (16,676) |
| NET CASH INFLOW /(OUTFLOW) FROM FINANCING ACTIVITIES | (10,192) | 5,632 |
| NET (DECREASE) / INCREASE IN CASH HELD | (26,150) | 30,929 |
| Cash at the beginning of the financial year | 59,696 | 28,914 |
| Effects of exchange rate changes on cash | (1,427) | (147) |
| CASH AT THE END OF THE FINANCIAL YEAR | 32,119 | 59,696 |

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



Notes to the Consolidated Financial Statements

For the year ended
30 June 2005

Discussion and analysis of:

(a) Consolidated statement of financial performance

Revenue from ordinary activities decreased by 23.7% as a result of a 15.6 % reduction in gold produced, lower realised gold price and the appreciation of the Australian dollar. The reduction in gold production was primarily caused by a decline in the gold grade, from 3.1 grams per tonne in 2003/04 to 2.4 grams per tonne in 2004/05.

Direct costs of mining and processing have increased compared to 2003/04 reflecting the higher strip ratio of 8.4:1 (2003/04 - 5.4:1), a lower gold grade and the resulting increase in material mined, transported and processed.

Depreciation of mine properties is provided using the unit-of-production method. Depreciation expenses reduced compared to 2003/04 due to lower gold production and an increase in reserves allowing mine properties to be written off over a longer period.

Exploration activities in South America started during 2004/05 and have been expensed.

(b) Consolidated statement of financial position

Assets

Total assets have decreased by 5.7% reflecting the reduction on conversion of Thailand based assets to Australian dollars and dividends paid.

Cash decreased due to the investment in land and exploration exceeding cash generated from operations.

Liabilities

The increase in total liabilities is principally due to deferred hedging gains. Two hedge restructures were undertaken during 2004/05 adding \$2,011,000 to liabilities.

Equity

Contributed equity increased by \$1,780,997 due to new shares being issued under the dividend reinvestment plan and the exercise of options, partly offset by the on-market buy back of \$723,353, which is still current at the date of this report.

Reserves decreased by \$10,504,000 resulting from a negative movement in the foreign currency translation reserve due to the appreciation of the Australian dollar effecting the translation of foreign controlled entities. Retained profits increased in line with the profit achieved during the year, less dividends paid.

(c) Consolidated statement of cash flows

Cash flows from operating activities

The decrease in receipts from customers reflected the reduction in gold produced, lower realised gold price and the appreciation of the Australian dollar.

Payments to suppliers and employees increased with the higher level of mining and processing volumes at the Chatree Gold Mine.

Cash flows from investing activities

Payments for property, plant and equipment in 2004/05 decreased compared to 2003/04 as the Chatree processing facility expansion was completed in December 2003.

Payments for exploration have increased in 2004/05 in line with the group's scaled up exploration activity and land acquisition program on the region surrounding the Chatree Gold Mine.

Cash flows from financing activities

The group's strong cash flow was utilised to retire all outstanding debt in 2003/04.

Payments of dividends reduced in 2004/05 in line with the lower profit.

Notes to the Consolidated Financial Statements

Continued

For the year ended
30 June 2005

1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

This concise financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005. The concise report has been derived from the full financial report for the year ended 30 June 2005. The accounting policies adopted are consistent with those of the previous year.

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

2. SALES REVENUE

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Sales revenue included in revenue from ordinary activities | 63,719 | 84,410 |

3. DIVIDENDS

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Final unfranked dividend of 12 cents per share (2004 – 12.5 cents) paid on 15 October 2004 (2003 – 1 October 2003) | 10,251 | 9,125 |
| Interim unfranked dividend of 2 cents per share (2004 – 10 cents) paid on 17 March 2005 (2004 – 2 April 2004) | 1,722 | 8,506 |
| Total dividends provided for or paid | 11,973 | 17,631 |
| Paid in Cash | 9,684 | 16,676 |
| Satisfied by issue of shares | 2,289 | 955 |
| Total dividends provided for or paid | 11,973 | 17,631 |

4. EVENTS OCCURRING AFTER REPORTING DATE

Dividend

On 25 August 2005, the Directors of Kingsgate Consolidated Limited declared a final unfranked dividend of 5 cents per share. The record date for the dividend is 9 September 2005 with payment due on 27 September 2005.

Share Buy Back

Between the period from 1 July to 1 September 2005, the company bought back and cancelled 215,756 shares under the Share Buy Back program, at a total cost of \$674,317. This program is still in operation at the time of this report.

Investment

Kingsgate has agreed to take up to 19.99% of the issued capital of Goldstar Resources NL, a gold exploration company listed on the Australian Stock Exchange (Code:GDR). The investment will be by way of share placements in two tranches and taking up an entitlement and sub-underwriting in a proposed rights issue to be made by Goldstar.

The total cost of the investment is dependant on how many shares are taken up by Kingsgate in the sub-underwriting at 13 cents each as against shares taken up in the placements at 15 cents. The maximum cash cost of the investment will be between \$2.1 and \$2.4 million.



5. EARNINGS PER SHARE

Basic earnings per share
Diluted earnings per share

| 2005 Cents | 2004 Cents |
|---------------|---------------|
| 10.1 | 45.5 |
| 10.1 | 45.5 |

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

| 2005 Number | 2004 Number |
|----------------|----------------|
|----------------|----------------|

| | |
|------------|------------|
| 85,901,267 | 82,808,422 |
|------------|------------|

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

| | |
|------------|------------|
| 85,901,967 | 82,879,220 |
|------------|------------|

6. SEGMENT INFORMATION

Primary reporting – business segments

The consolidated entity operates exclusively in the business segment of gold mining and exploration.

Secondary reporting – geographical segments

| | 2005 \$,000 | 2004 \$,000 |
|-------------------------------------|----------------|----------------|
| Sales to external customers: | | |
| Asia Pacific | 66,190 | 86,780 |
| Segment results: | | |
| Asia Pacific | 10,510 | 37,679 |
| South America | (1,830) | - |
| | 8,680 | 37,679 |
| Segment assets: | | |
| Asia Pacific | 134,586 | 143,413 |
| South America | 662 | - |
| | 135,248 | 143,413 |

7. FULL FINANCIAL REPORT

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position, financing and investing activities of Kingsgate Consolidated Limited and its controlled entities as the full financial report. Further financial information can be obtained from the full financial report which is available from the company, free of charge, on request. A copy may be requested by calling +61 2 8256 4800. Alternatively, both the full financial report and the concise financial report can be accessed via the internet at: www.kingsgate.com.au.

8. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Notes to the Consolidated Financial Statements

Continued

For the year ended
30 June 2005

The parent entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team has prepared a timetable for managing the transition to AIFRS and is currently on schedule. The project team is led by the Chief Financial Officer who reports on a regular basis to the Audit Committee.

The project team has analysed all of the AIFRS and has identified most of the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimated impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS have been indicated along with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Financial Instruments

The consolidated entity will be taking advantage of the exemption available under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the consolidated entity to apply previous Australian Generally Accepted Accounting Principles (AGAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report. Accordingly, there will be no quantitative impacts on the 30 June 2005 financial statements.

Under AASB 139, gold contracts held for hedging purposes will be accounted for as cash flow hedges. These contracts will be measured at fair value and included as a liability, with changes in the fair value recognised directly in equity where effectiveness tests are met, until the hedged transaction occurs. Once the hedged transaction occurs, the changes in the fair value will be transferred to the profit and loss.

Where effectiveness tests are not met, changes in the fair value are recognised directly in the profit and loss.

Currently, the costs or gains arising upon entry into forward sale or derivative contracts intended to hedge specific future production, together with subsequent realised or unrealised losses are deferred until the underlying designated production is delivered.

Gains or costs arising upon entry into foreign exchange contracts intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred in the statement of financial position from the inception of the hedging transaction to the date of the purchase or sale and included in the measurement of the purchase or sale.

The IFRS project team is in the process of determining the impact that adopting the standards would have on the financial statements of the consolidated entity.

Exploration Expenses

AASB 6 Exploration for and Evaluation of Mineral Resources was issued in December 2004 and replaces AASB 1022 Accounting for the Extractive Industry. The guidance specified by AASB 6 is broadly consistent with the factors used to determine whether or not an entity can continue to recognise its capitalised exploration and evaluation expenditures under AASB 1022.

Consequently, the recognition and measurement are largely equivalent under AASB 6 and AASB 1022 and the consolidated entity does not expect to make a material adjustment to capitalised exploration with the introduction of AIFRS.

Income Tax

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amount of the consolidated entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, where items are only tax-effected if they are included in the determination of pre-tax accounting profit and deferred taxes cannot be recognised directly in equity.

The IFRS project team is in the process of determining the impact that adopting the standard would have on the financial statements of the consolidated entity.



Foreign Currency Translation Reserve: Cumulative Translation Differences

On the initial application of AIFRS, the consolidated entity will elect to apply the exemption on AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of translation to AIFRS.

This will result in \$10,368,000 of foreign currency translation reserve being reclassified against retained earnings at 1 July 2004.

Equity Based Compensation Benefits

Under AASB 2 Share-based Payments, from 1 July 2004 the consolidated entity is required to recognise an expense for those options that were issued to employees and directors under the Kingsgate Employees and Contractors Option Plan after 7 November 2002 but that had not vested by 1 January 2005. This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation. At 1 July 2004 280,000 options fall into the above category resulting in an adjustment against retained earnings of \$64,000. The impact during the financial year ended 30 June 2005 would be a further change to earnings of \$47,000, under AIFRS.

Restoration and Rehabilitation Provision

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 116 Property, Plant and Equipment an asset and liability should be recorded for the estimated, discounted future rehabilitation cost. The increase in the rehabilitation provision relating to the unwinding of the discount and depreciation on the rehabilitation asset would be recognised as a charge to earnings.

This will result in a change to the current accounting policy under which restoration costs are accrued over the life of the mine. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Under AIFRS there would be a transition adjustment against retained earnings of \$611,000 at 1 July 2004. At this time, a rehabilitation asset would be raised of \$2,521,000 along with accumulated depreciation of \$717,000 and a corresponding liability of \$2,748,000, the net effect being a charge to retained earnings of \$944,000. This is offset by the reversal of the existing rehabilitation provision currently recognised under AGAAP of \$333,000. This would result in a net charge to retained earnings of \$611,000.

Under AIFRS the impact on earnings during the financial year to 30 June 2005 would have been an increase in borrowing costs of \$93,000, and an increase in the depreciation charge of \$200,000. In addition there would be a further charge to earnings relating to an increase in the discounted rehabilitation provision of \$53,000, resulting in a net charge to earnings of \$346,000 during the year to 30 June 2005.

Revenue Recognition

Under AASB 118, Revenue the point of sale will be recognised when the refinery process has been finalised and the sale transaction to a third party has been completed.

This will result in a change to the current accounting policy allowed under AASB 1022 Accounting for the Extractive Industry as revenue was recorded at the point in time when the gold was taken off site by the transportation company. AASB 6 Exploration for and Evaluation of Mineral Resources does not extend to revenue recognition.

The impact of the above is an adjustment against retained earnings of \$946,000 at 1 July 2004. During the financial year ended 30 June 2005 the change under AIFRS would result in additional revenue of \$103,000. The cumulative impact on earnings to 30 June 2005 would be to reduce earnings by \$843,000, reduce gold sale receivables by \$1,990,000 and to increase inventories by \$1,147,000.

Directors' Declaration

For the year ended
30 June 2005

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2005 as set out on pages 32 to 39 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

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 for the financial year ended 30 June 2005.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in note 7, is available on request.

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



Ross Smyth-Kirk
Director



John Falconer
Director

Sydney
1 September 2005



Independent Audit Report

to the members of Kingsgate Consolidated Limited

For the year ended
30 June 2005

Matters relating to the electronic presentation of the audited concise financial report

This audit report relates to the concise financial report of Kingsgate Consolidated Limited (the Company) for the financial year ended 30 June 2005 included on Kingsgate Consolidated Limited's 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 audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial 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 concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Audit opinion

In our opinion:

- the concise financial report of Kingsgate Consolidated Limited for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*; and
- the remuneration disclosures that are contained in pages 25 to 29 of the directors' report comply with Australian Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report, remuneration disclosures and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration, for Kingsgate Consolidated Limited (the company) for the year ended 30 June 2005.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by AASB 1046, under the heading "remuneration report" on pages 25 to 29 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards,

in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 1 September 2005, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports* and whether the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report and remuneration disclosures.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
1 September 2005

Five Year Summary

For the year ended
30 June 2005

PRODUCTION

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---------------------------|---------|---------|---------|---------|------|
| Ore mined ('000 tonnes) | 1,521 | 1,946 | 1,511 | 821 | - |
| Ore treated ('000 tonnes) | 1,829 | 1,671 | 1,324 | 665 | - |
| Head grade - Au g/t | 2.4 | 3.1 | 3.9 | 5.3 | - |
| - Ag g/t | 13.0 | 15.0 | 22.0 | 42.0 | - |
| Gold recovery (%) | 90.8 | 91.2 | 90.2 | 90.8 | - |
| Gold poured (ounces) | 126,550 | 149,979 | 154,484 | 91,185 | - |
| Silver poured (ounces) | 353,275 | 395,346 | 484,170 | 353,146 | - |

PROFIT AND LOSS (A\$'000)

| | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|-----------|
| Sales Revenue | 63,719 | 84,410 | 94,020 | 54,688 | - |
| Other Revenue | 2,471 | 2,370 | 627 | 1,818 | 63 |
| Total Revenue | 66,190 | 86,780 | 94,647 | 56,506 | 63 |
| Operating Expenses | 46,697 | 34,343 | 28,465 | 9,685 | - |
| Administration & Other Costs | 1,404 | 1,019 | 3,563 | 2,223 | 1,890 |

EBITDA

| | | | | | |
|-----------------------------|--------|--------|--------|--------|---------|
| Depreciation & Amortisation | 18,089 | 51,418 | 62,619 | 44,598 | (1,827) |
| | 8,520 | 11,323 | 13,293 | 8,620 | 34 |

EBIT

| | | | | | |
|---|--------------|---------------|---------------|---------------|----------------|
| Borrowing Costs | 9,569 | 40,095 | 49,326 | 35,978 | (1,861) |
| | 889 | 2,416 | 2,003 | 2,566 | 504 |
| Operating profit/(loss) before income tax | 8,680 | 37,679 | 47,323 | 33,412 | (2,365) |
| Income tax expense/(credit) | - | - | - | 390 | - |
| Operating profit/(loss) after income | 8,680 | 37,679 | 47,323 | 33,022 | (2,365) |

BALANCE SHEET (A\$'000)

| | | | | | |
|-----------------------------|----------------|----------------|---------------|----------------|---------------|
| Current assets - Cash | 32,119 | 59,696 | 28,914 | 25,262 | 6,279 |
| - Other | 13,005 | 14,162 | 14,057 | 12,984 | 416 |
| Non-Current assets | 90,124 | 69,555 | 53,336 | 63,619 | 42,925 |
| Total assets | 135,248 | 143,413 | 96,307 | 101,865 | 49,620 |
| Total debt | - | - | 18,694 | 44,448 | 28,509 |
| Other liabilities | 12,218 | 8,367 | 4,329 | 15,775 | 7,755 |
| Total liabilities | 12,218 | 8,367 | 23,023 | 60,223 | 36,264 |
| Shareholders' equity | 123,030 | 135,046 | 73,284 | 41,642 | 13,356 |

OTHER INFORMATION

| | | | | | |
|---|--------|--------|--------|--------|---------|
| Average realised gold price on physical deliveries (US\$/ounce) | 401* | 385 | 335 | 308 | - |
| Average spot gold price (US\$/ounce) | 422 | 391 | 334 | 289 | - |
| Cash Cost (US\$/ounce) | 212 | 135 | 94 | 61 | - |
| Total Cost (US\$/ounce) | 262 | 189 | 143 | 116 | - |
| Operating cash flow (A\$'000) | 22,184 | 49,294 | 56,956 | 28,937 | (2,391) |
| Dividends paid (Cash and DRP) (A\$'000) | 11,973 | 17,631 | 19,927 | - | - |
| Number of issued shares ('000') - Ordinary | 85,949 | 85,329 | 72,869 | 71,649 | 61,233 |
| Basic Earnings per share (A\$ Cents) | 10.1 | 45.5 | 65.4 | 48.5 | - |
| Dividends per share (A\$ Cents) | 7.0 | 22.0 | 25.0 | 15.0 | - |

* Excludes negative hedge adjustment of US\$39 per oz.



Shareholder Information

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 Ltd | 7,984,705 |

Distribution of equity securities as at 25 August 2005

| Size of Holding | Number of Shareholders Fully paid Ordinary Shares | Number of Option- holders Employees Plan | Number of Option- holders Directors |
|------------------|--|---|--|
| 1 - 1,000 | 681 | - | - |
| 1,001 - 5,000 | 1,335 | - | - |
| 5,001 - 10,000 | 394 | - | - |
| 10,001 - 100,000 | 366 | 5 | - |
| 100,001 - | 59 | 1 | - |
| | 2,835 | 6 | - |

116 have less than a marketable parcel of ordinary shares.

20 Largest Shareholders of Quoted Ordinary Shares as at 25 August 2005

| | No of Shares | Percentage |
|---------------------------------|-------------------|--------------|
| 1 ANZ Nominees Limited | 16,546,332 | 19.29 |
| 2 Westpac Custodian Nominees | 13,161,546 | 15.34 |
| 3 National Nominees Limited | 11,052,295 | 12.88 |
| 4 J P Morgan Nominees Australia | 4,671,415 | 5.45 |
| 5 Arinya Investments Pty Ltd | 3,808,487 | 4.44 |
| 6 Bruce Clayton Bird | 3,207,110 | 3.74 |
| 7 HSBC Custody Nominees | 1,895,819 | 2.21 |
| 8 Willow Bend Station Pty Ltd | 1,401,408 | 1.63 |
| 9 Citicorp Nominees Pty Ltd | 1,135,413 | 1.32 |
| 10 Gaffwick Pty Ltd | 710,466 | 0.83 |
| 11 Whinners Pty Ltd | 651,460 | 0.76 |
| 12 Christopher Komor | 551,407 | 0.64 |
| 13 Maminda Pty Ltd | 533,533 | 0.62 |
| 14 Frederick Shepp Grimwade | 500,000 | 0.58 |
| 15 Warnford Nominees Pty Ltd | 490,891 | 0.57 |
| 16 Doogary Investments Limited | 380,000 | 0.44 |
| 17 Maniciti Pte Ltd | 349,757 | 0.41 |
| 18 Bindibango Pty Ltd | 339,253 | 0.40 |
| 19 Niwate Pty Ltd | 337,282 | 0.39 |
| 20 AMP Life Limited | 308,724 | 0.36 |
| Total | 62,032,598 | 72.30 |

Unquoted equity securities as at 25 August 2005

There were 6 option holders holding 2,830,000 options under the Kingsgate Consolidated Limited Employees option plan.

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.

Corporate Information

Company Secretary

John Falconer

Kingsgate Consolidated Limited

ABN 42 000 837 472

Registered Office and Principal Business Office:

Level 8, 14 Martin Place,
Sydney, New South Wales, 2000
Tel +61 2 8256 4800
Fax +61 2 8256 4810
Email: info@kingsgate.com.au

Stock Exchange Listing

Kingsgate Consolidated Limited ordinary shares are listed on the Australian Stock Exchange under the code KCN.

Share Registry

Security Transfer Registrars Pty. Ltd.
770 Canning Highway, Applecross,
Western Australia, 6153
Tel +61 8 9315 0933
Fax +61 8 9315 2233

Mining Leases

Mining leases covering the Chatree gold mine were granted by the Thai Ministry of Industry. EPM application 12409 is held 100% by the company. It is located east of Cloncurry in Queensland and includes gold mineralisation previously explored by the company.

Kingsgate Tenements Held

Akara Mining Limited: Chatree Gold Mine, Thailand:
100% - flow through interest for gold.

Other Kingsgate Offices and Mine Site

Bangkok Office

21st Floor No.1 Soi Sifa
Phaholyothin Road
Phayathai
Bangkok 10400
Thailand
Tel +66 2 617 0771
Fax +66 2 617 0773

Chatree Gold Mine

No. 99 Moo 9
Khao Chet Luk
Thap Khlo
Phichit 66230
Thailand
Tel +66 5 661 4195
Fax +66 5 661 4190

Exploration Office

No.156 Moo 11
Tambol Dong Khui
Amphoe Chon Daen
Petchabun 67190
Thailand
Tel +66 5 664 9253
Fax +66 5 664 9082

Chile Office

Office 51
Av. Providencia 2330
Santiago
Chile
Tel +562 234 9498
Fax +562 231 5651



2005/2006 Calendar of Events

| Event | Expected Date |
|---|------------------|
| September 2005 Quarterly Activities Report | 28 October 2005 |
| Annual General Meeting (Sydney) | 8 November 2005 |
| Half Year End | 31 December 2005 |
| December 2005 Quarterly Activities Report | 30 January 2006 |
| December 2005 Half Yearly Results Announcement | 24 February 2006 |
| March 2006 Quarterly Activities Report | 24 April 2006 |
| Financial Year End | 30 June 2006 |
| June 2006 Quarterly Activities Report | 28 July 2006 |
| June 2006 Full Year Results Announcement including final dividend and record date | 28 August 2006 |



Kingsgate
Consolidated Limited

Kingsgate Consolidated Limited

ABN 42 000 837 472

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