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Kingsgate
Consolidated Limited

ABN 42 000 837 472

Sustainability Report 2005

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This report is for the financial year ending 30 June 2005. All data for 2005 relates to the period 1 July 2004 to 30 June 2005 unless stated otherwise.

Overview & Summary

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.

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.

Our People

Only through our people can we achieve our goal of developing and operating high quality mineral resource projects. We will employ and retain highly skilled people and are committed to their continued development, safety and well-being.

Sustainability

Kingsgate conducts its operations to the highest standards and with due regard for the economic, social, governance and environmental considerations for the benefit of all stakeholders.



Chatree mine

The Chatree gold mine is located on the eastern edge of the Chao Phraya Basin in gently undulating terrain about 280km north of Bangkok. The area is well served with infrastructure including good road access and national grid power. The mine produces gold using open pit mining techniques and well proven processing technology.

Kingsgate included in 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.

Chatree Key Data 2005

	2005	2004
Reserves (30 June 2005)		
Ore reserves (oz)	1,505,000	1,082,000
Mine life (years)	9	9
Production		
Tonnes milled	1,828,876	1,670,854
Gold produced (oz)	126,550	149,979
Silver produced (oz)	353,275	395,346
Cash cost (\$US/oz)	212	135
People employed (30 June 2005)		
Thai citizens	234	215
Expatriates	9	8
Long term contractors	465	271
Short term contractors	0	0
Total	708	494

Chief Executive Officer's Introduction



Gavin Thomas – Chief Executive Officer

Welcome to Kingsgate's third public Sustainability Report.

2005 has been a challenging year for the Chatree operation with lower grades, higher mining rates due to an increased strip ratio, lower plant throughput due to harder ore and vigorous permitting activity associated with mining and exploration lease applications.

The lease applications follow a period of intense exploration activity resulting in a far greater understanding of the controls to mineralisation in the Chatree region, identification of several new prospects and, most importantly, significant increases in gold resources all within 5 kilometres of the Chatree plant.

These challenges and the identification of new resources have placed us in a much stronger position and given us greater certainty to plan for the future. Our intensive exploration effort, in particular, has been highly successful and already we are well advanced in scoping studies to expand mine capacity, increase gold production and extend the mine life for the benefit of all our stakeholders. In addition, we have maintained our excellent safety record, strengthened our environmental practices and completed a number of community development projects.

Along the way we have achieved several major awards for our performance including:

- **the Prime Minister's 'Best Practice Award for Employee Welfare 2005'**
- **the 'Best Occupational Health, Safety and Work Environment Award 2004' for Phichit Province**
- **the Ministry of Labour 'Best Practice Award for Labour Relations 2005'**

Attaining these awards recognises the commitment of our workforce and confirms that Chatree operates at the highest standards comparable with mining operations anywhere in the world.

The operation contributes to a wide range of community initiatives which seek to strengthen relationships with stakeholders and lead to improvements in the quality of life of local communities. Of particular importance is to improve the reliability and quality of water supply in the local villages around the mine. Following a similar initiative last year, the company installed a major water storage tank and pumping system for the village of Ban Kha Din to the west of the mine.

Successful exploration and strong performance positions Kingsgate for growth.

We also support local business development and promote a '**Buy Thai**' policy. Since commencing operations we have proactively sourced more of our goods and services from Thailand in preference to importing them from Australia and other countries. More than 80% of our warehouse items are sourced from within Thailand.

Although we have a direct beneficial impact on local communities, we are seeking ways to maximise the benefits for Thailand and align our programs with regional and national priorities. We are continuing our studies on how best to structure our social and economic programs in line with other regional initiatives.

The Free Trade Agreement between Australia and Thailand will have substantial benefits for trade and cooperation between Australia and Thailand and lead to new development initiatives. The agreement provides for Australian companies to own up to 60% of mining ventures in Thailand. Over the past 12 months we have been assessing ways of enhancing the value of our operations in Thailand for the benefit of both countries. We have made good progress and expect to finalise a divestment option (required by Thai law in 2006) which will lead to Thai equity in the project while maintaining a majority interest for Kingsgate.

To date we have invested more than \$US70 million in Thailand and are continuing our expansive exploration programs, with a further \$US11 million budgeted for 2005/06. We expect the new Mining Lease to be granted in the fourth quarter of 2005 and regional exploration leases (for more than 1,500 sq kilometres of prospective ground) later this year. We are introducing the most advanced exploration techniques to our programs and these have the potential to discover further mineral fields similar in scale to Chatree. So the outlook for the medium term is very encouraging indeed.

We welcome your feedback on our activities and reporting, and encourage you to return the feedback form accompanying this report or contact us at any of the offices listed in the report.

A handwritten signature in black ink, appearing to read "Gavin Thomas".

Gavin Thomas
Chief Executive Officer

Highlights for the Year

- The exploration effort was highly successful, resulting in advanced scoping studies to expand mine capacity, increase gold production and extend the mine life for the benefit of all stakeholders.
- Land acquisition and permitting processes are well advanced for a new mining lease (incorporating new discoveries), significantly larger than the existing Chatree Mining Lease.
- Safety performance at Chatree was outstanding with no lost time injuries for the entire year.
- Chatree won several major Thai awards for best practice health, safety and labour relations.
- Chatree's operational performance was very good in a challenging year of lower gold grades, harder ore and rock waste, higher stripping requirements and longer haul distances. Gold production was 126,550 ounces at a cash cost of \$US 212/oz.
- A comprehensive external environmental audit confirmed that the mine continues to operate to best practice standards and in compliance with its statutory requirements. Environmental performance under the Mineral Council of Australia's Code for Environmental Management increased again with the overall score increasing from 69% last year to 74% in 2005.
- The Tailing Storage Facility (TSF) was raised to accommodate higher future production, while minimising the environmental footprint and land disturbance of constructing a new cell.
- Community development programs continued with assistance to local villages (new water supply), schools (improved resources and facilities) and cultural activities.



Kingsgate and Sustainability

Providing a Sustainable Development Framework for the industry.

Enduring Value

(Code for Environmental Management)

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 key role of Enduring Value is to translate the principles of sustainable development into practices that 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.

Enduring Value is aligned with the International Council on Mining and Metals (ICMM) principles of sustainable development and the Global Reporting Initiative (GRI) against which signatories will be required to report.



The 10 ICMM principles of sustainable development encompassed in Enduring Value are:

1. **Implement and maintain ethical business practices and sound systems of corporate governance.**
2. **Integrate sustainable development considerations within the corporate decision-making process.**
3. **Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.**
4. **Implement risk management strategies based on valid data and sound science.**
5. **Seek continual improvement of our health and safety performance.**
6. **Seek continual improvement of our environmental performance.**
7. **Contribute to conservation of biodiversity and integrated approaches to land use planning.**
8. **Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.**
9. **Contribute to the social, economic and institutional development of the communities in which we operate.**
10. **Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.**

Specifically, signatories to Enduring Value commit to:

- Progressive implementation of the International Council on Mining and Metals (ICMM) principles and elements (listed above).
- Public reporting at a site level annually with reporting metrics self selected from the Global Reporting Initiative (GRI) or self-developed.
- Assessment of systems used to manage operational risks.

Kingsgate is implementing the principles of ICMM as outlined in this report, assessing internally and externally risks and opportunities at the Chatree site and publicly reporting its progress (using appropriate metrics) through this sustainability report.

Figure 1: Code for Environmental Management – Audit Results (% Score)

Environmental Responsibility



Community Relationships



Integration



Minimising Impacts



Product Stewardship



Environmental Performance



Communication



Overall score



2005
2004
2003

Additionally, in 2005 Kingsgate voluntarily carried out an external audit of its performance according to the old Code in order to determine its progress in continuous improvement. Chatree continued to show an improvement in scores in several Code principles and its overall performance was rated well above the average for all companies reporting under the Code in 2003 (the last published result). The results are summarised in Figure 1.

Kingsgate achieved an overall score of 74% in 2005 compared with 69% in 2004 and an average score of 56% for companies reporting under the Code in 2003. We consider this to be a very good result with continuous improvement evident from the first survey in 2003.

Global Reporting Initiative (GRI)

Enduring Value is aligned with the principles of the Global Reporting Initiative and signatories are required to report against a number of GRI indices. Table 1 lists those indices against which members are advised to report and references them to the relevant sections of this report.

Committed to industry best practice for sustainable development.



Table 1: Global Reporting Initiative (GRI) indices

GRI Indices	Description	Report Reference
EN 3	Direct energy use segmented by source	Our Environment – Air, energy use & greenhouse
EN 5	Total water use	Our Environment – Water use and efficiency
EN 22	Total recycling and reuse of water	Our Environment – Water use and efficiency
EN 12	Significant discharges to water by type	N/A
EN 10	Air emissions by type	Our Environment – Air, Energy use & greenhouse
EN 8	Greenhouse gas emissions – CO ₂	Our Environment – Air, Energy use & greenhouse
EN 13	Significant spills	Our Environment – Incidents and compliance
EN 14	Significant environmental impacts	Our Environment – Land
EN 27	Objectives, programs and targets – closure	Our Environment – Management
SO 1	Policies to manage impacts on local communities etc	Our Social Contribution Our Environment

Kingsgate and Sustainability

continued

New energy saving initiatives will serve to minimise greenhouse emissions.



Sustainability and mining

Kingsgate seeks to ensure that its mining and exploration activities are consistent with and integrate two key aspects of sustainable development:

- That our development meets the needs of the present generation without compromising the ability of future generations to meet their own needs (1987 UN sponsored Brundtland Commission 'Our Common Future') and
- That our development generates benefits from a finite resource that are sustainable beyond the life of the mine.

Since operations began in 2001 we have attempted to measure our ongoing success on the basis of the three pillars of sustainability – economic achievement, environmental performance and social contribution. Last year we added a fourth pillar of sustainability – governance.

We have developed a site sustainability policy, introduced sustainability objectives into employee and operational performance targets, developed specific policies for energy conservation, introduced new energy saving initiatives to minimise greenhouse gas emissions and reviewed our corporate governance practices.

We are beginning to align our social and economic contributions with local and national objectives. The Chatree operation is having a direct beneficial impact on local community employment, infrastructure, education and similar services, and we have upgraded employee capacity through training, skills and knowledge transfer but we still need to do this in a more structured way. We need to align our objectives and programs even more with local community, provincial and national government objectives.

To this end, we have commissioned a number of studies into determining how best to structure our social and economic programs, how to measure our contribution and how to align them with other regional and national initiatives. Although we have not yet committed to specific programs, we have identified potential partners whose objectives are aligned with our own, who understand Thailand and the challenges associated with rural poverty and inadequate local employment, and who are committed to improving the quality of life in rural areas.

We aim to work with these organisations to enable villagers to acquire the skills and resources to sustain income generating activities in their own communities.

Already we are helping to achieve the aims of some of these groups by providing employment in rural areas and thus reducing

migration to already overcrowded cities, transferring business skills to villagers and encouraging flow-on business opportunities.

Last year we published our *Sustainability Framework* in this report which helps guide us in these activities and we are continuing to refine the model and evolve our programs with the assistance of our Thai hosts at a regional and national level. Under the theme of "Success Together" we aim to create sustainable growth for our employees, the region, Thailand and our shareholders. This report is structured so as to outline our progress in these areas and not on the more usual financial performance found in annual reports.

Although it is early days we will continue to implement our local programs for the benefit of local communities, contribute to national priorities and seek to gain high societal value from our mining projects.

Governance

Kingsgate is committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance practices was completed in 2003 and some changes were made as a result of this review and other recent governance developments.

Further details of the company's corporate governance and related policies are contained in the 2005 Annual Report and on the Kingsgate website (www.kingsgate.com.au).



Our Environment

Chatree has adopted a long-term strategic approach to risk management.

Environmental Management

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 licences, 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.

The relationship between the various components of the EMS and EMP is best

illustrated in the following chart (Figure 2). The chart illustrates the dynamic nature of environmental management at Chatree through a continuous process of planning, implementation, review and improvement.

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 risks and opportunities are identified in areas such as operations, regulations and licensing, human resources, commercial, community relations, health and related activities (All Business Risks).

An assessment of risks and opportunities associated with various departmental

activities is regularly carried out and ratings are assigned to these risks. The ratings are determined by considering contributing factors, potential consequences, control strengths and weaknesses and various reduction strategies are proposed. This approach has resulted in the total number of risks being reduced from a high of 108 in September 2003 to 57 in March 2005. (See Figure 3)

Figure 3: Total Risks

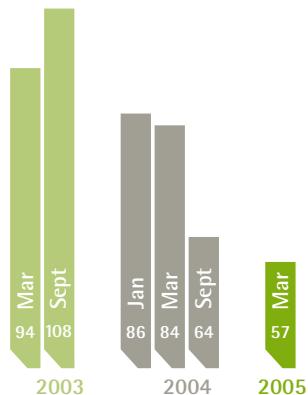


Figure 2: Schematic representation of environmental management at Chatree.



Our Environment

continued

More rigorous management of the waste rock dumps was reinstated.

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 Table 2.

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.

2005 Audit results

Audit recommendations are used to set targets for the following year and where necessary to make adjustments to the environmental management program. The 2005 audit confirmed the mine is operating in compliance with its statutory lease and licence requirements.

Major recommendations from the 2004 audit were reviewed in the 2005 audit and the following changes were noted:

- The EMS and EMP were revised to include the full scope and intent of Chatree's community programs, enhanced procedures for inspecting oil-water separators and procedures for identifying and investigating anomalous monitoring results.
- Waste rock disposal was optimised by using mined voids for storage of rock waste. The Mars pit was backfilled with waste rock and planning is underway to backfill other pits when they become available.
- More rigorous management of the waste rock dumps was reinstated, particularly the early identification and storage of potentially acid forming material.
- The Exploration Environmental Management Plan (XMP) was revised

following the 2004 audit to orient access tracks along the contour wherever possible and to properly dispose of pyritic drill cuttings.

- Incident reports were modified to allow for additional detail and comments.

Major findings and recommendations from the 2005 audit include:

- A single set of names should be used for water storage facilities and monitoring locations. Different names are currently in use. Consistent nomenclature will eliminate possible errors in storage, monitoring and assessment of compliance.
- New vegetation trials should be established for tailings material following the proposed lift to the Tailing Storage Facility which will inundate the existing trial plot. The new trial plot should be located away from the existing TSF and tailings material transported to the site by truck.
- The Exploration Environmental Management Plan should be revised to provide provisions for sealing flowing water bores in the event that artesian water is intersected during exploration activities.
- Staffing levels in the Community Department should be reviewed in line with current and proposed community programs.

Table 2: Environmental Audit Program for the Chatree gold mine

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 licence conditions, applicable laws in Thailand and the Chatree gold mine Environmental Policy	Independent Australian environmental consultant	Annual
Minerals Council of Australia	Compliance with the Australian Mineral Industry's 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

Chatree and Exploration are reviewing all the audit recommendations and moving quickly to implement most of the major recommendations.

Mining Lease applications and Statutory Requirements

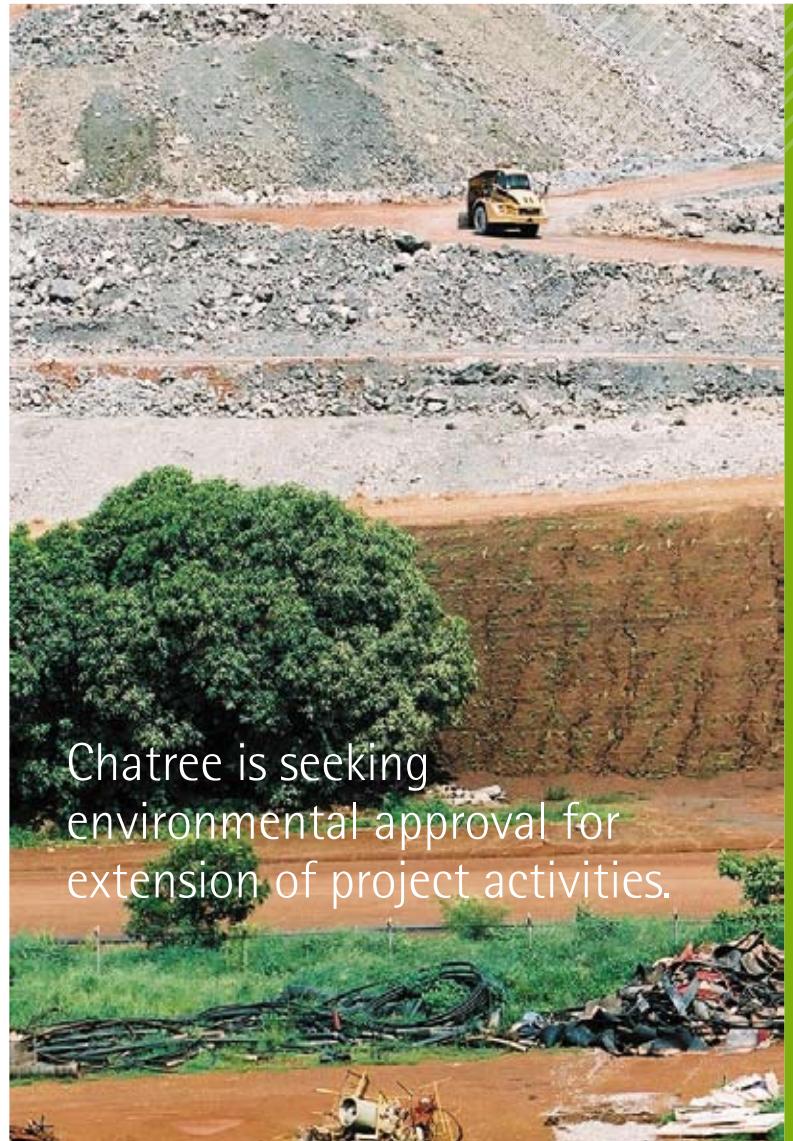
Kingsgate has been carrying out extensive exploration around the Chatree mine site for more than two years and has expended more than US\$14 million. The work has confirmed the prospectivity of the region and substantially increased gold resources.

The company has applied for an additional Mining Lease at **North Chatree** covering these resources and permitting is well advanced. The new Mining Lease covers a much larger area than the existing lease and incorporates exploration prospects previously identified under the successful exploration programs. Chatree is seeking environmental approval for extension of project activities into these areas during 2005.

The main statutory environmental requirements regulating the Chatree Project are the conditions attached to the original Mining Lease. However, following refinements to the operation made after submission of the EIA, and subsequent expansions, aspects of the project differ from the details provided in the EIA.

A document detailing all these changes was prepared by Akara's environmental staff and submitted to the Office of Natural Resources, Environmental Policy and Planning (ONEPP). These changes were subsequently approved.

As a result of the expanded exploration programs in 2004/05, there has been an increase in land acquisition activities to the north and south of the mining lease and associated applications for new exploration areas and mining leases. As a consequence, the work-loads of Akara staff involved in government relations, personnel, community relations, land access, land acquisition and community development, have increased substantially. A review of staffing levels in these areas is currently underway.



Chatree is seeking environmental approval for extension of project activities.



Our Environment

continued

Chatree reuses and recycles water to promote water efficiency.

Water

Water use and ecoefficiency

The Chatree gold mine obtains its water from surface runoff storage ponds, from open pit dewatering and from water bores that intersect underground water sources. To promote water efficiency and conservation, Chatree re-uses and recycles water wherever possible.

The primary consumer of water is the ore processing plant. Approximately three-quarters of the water used for processing is recycled from the Tailings Storage Facility (TSF) and on-site storage dams. Make-up water is pumped from local groundwater bores which dewater the pit areas ahead of mining.

Protecting water quality

To protect the quality of surface and underground water in the vicinity of the mine, Chatree employs world best practice in the treatment, handling and storage of tailings residue. The quality of surface and underground water is monitored to ensure the quality of water exiting the site is not significantly degraded.

The objectives of Chatree's water quality monitoring program are to:

- Assess the potential impact that mining activity may have on the local and regional surface water system
- Provide interpretable data on the quality of water both on and leaving the site
- Ensure that the quality of surface water and groundwater exiting the site are not significantly degraded
- Ensure that the quality of surface water and groundwater remaining on the site after mining is of an acceptable standard.

Surface water

Surface water quality is monitored at 10 potential impact sites located around the open pits and plant site.

Monitoring results in 2005 showed that the pH at most of the potential impact sites was in compliance with Thai Standards for Surface Water and Drinking Water and the Drinking Water Standards listed in the Australia and New Zealand Environment and Conservation Council (ANZECC) Guidelines for Fresh and Marine Waters (2000).

Some sites showed reduced pH readings during the wet season due to runoff from areas containing sulphides such as waste rock dumps and pit walls. These waters are contained on the project site at all times and the water quality at these locations has not affected surface water or groundwater quality off the project site.

Groundwater

To measure the impact that mining activity may have on the local and regional groundwater system, monitoring of a series of groundwater piezometers is carried out both within the mining lease and regionally to measure water level and chemical changes in the hydrogeological regime.

Each monitoring location consists of a shallow and a deep hole, the former terminating in the perched laterite horizon and/or clayey sand unit and the deeper hole drilled below the anticipated water level. The locations are based on the natural direction of groundwater flow and activity/facility immediate up-gradient of that point. Groundwater from these points is collected and analysed by appropriately registered laboratories for periodic review.

A total of 17 bores are monitored weekly for pH and conductivity levels, and quarterly for anions, cations, metals and cyanide.

Regional groundwater monitoring results show that fluctuations have occurred for some parameters but the change has generally been consistent across all sampling sites and concentrations of all parameters are within prescribed groundwater standards. Elevated iron and manganese levels were found at most sampling sites,

which suggests a regional trend rather than a result of activities conducted at the mine.

Groundwater level monitoring data indicates that groundwater level rises during the wet season and falls in the dry season. No complaints concerning falling groundwater levels were received in 2005.

Tailings Storage Facility (TSF)

The TSF and treatment process at Chatree is designed and constructed according to the highest international standards. A detailed description of this process was provided in the 2003 report.

Management of the TSF has proceeded in accordance with the original design and associated operating instructions, as confirmed by the most recent independent audit carried out by the design consultant Knight Piésold in December 2004. The audit confirmed that the freeboard has remained well within requirements and, based on the results of the monitoring programs, all components of the TSF are operating as intended and in full compliance with Thai legislation.

Exploration carried out since commencement of the Chatree Project has resulted in the delineation of substantial increases in reserves, which will extend the life of the Project. As a consequence, the capacity of the TSF, as originally designed, is insufficient to accommodate the tailings that will be generated. A study was undertaken to evaluate alternatives for providing the additional tailings storage capacity. Alternatives considered included:

- A new separate TSF on land controlled by Akara to the west of the mining lease
- A new TSF cell adjoining the existing TSF to the south
- Raising the level of the existing TSF embankment, mainly using the 'downstream construction' approach.

The study found that raising the existing TSF was the preferred alternative, based on environmental and cost considerations.

Using the existing facility will minimise the project 'footprint' and enable large quantities of waste rock to be incorporated in the TSF embankment. In 2005, ONEPP approved this change to the Project. The new embankment raise or 'lift' is currently being constructed in accordance with the approved design.

Tailings Storage Facility Cover Trial

The expansion of the TSF to accommodate increased tailings material will result in the inundation of the existing vegetation trial plot. The trial plot is investigating the feasibility of establishing vegetation directly on tailings material without the need for additional capping or top soil cover. Results of the trial to date have been positive indicating that vegetation can be established without the need for additional top soil. However, additional investigations are required over a longer term to confirm survival of the vegetation.

Chatree is planning to establish a new trial site to provide this data. In order to minimise the footprint and avoid possible contamination, the new site will be located within the existing water management system, will be lined with an impermeable barrier and will be monitored to check water quality emanating from the site.



Chatree employs world best practice in the treatment, handling and storage of tailings residue.



Our Environment

continued

Chatree prepared a Property Management Plan for the overall site in 2005.

Land

Incidents and compliance

Chatree holds all necessary licenses, permits and agreements to operate under the Thailand jurisdiction. The mine has operated in compliance with all its licence conditions and there were no major risks to the environment during the year.

Environmental incident reporting is used by Chatree as a tool for learning and ensuring that action is taken to prevent impacts and recurrence. The protocol for incident reporting is included in the environmental induction program undertaken by all staff and contractors prior to working at the mine.

Operating personnel continue to incorporate improvements to equipment and procedures to reduce the risk of spills. Particularly stringent measures apply to those parts of the plant where cyanide is stored or used.

There were two Level 1 (low severity) incidents during the year. Both related to minor leakages, one from a drum and one from a hose during repairs to drilling equipment. In both cases procedures were initiated to prevent a recurrence.

Complaints

Chatree maintains a complaints register in which the nature of any public complaint, the response and the outcome are recorded. In 2005 two complaints were received:

■ The first related to noise vibration from blasting in D-Pit and fly rock landing in a corn field. Blast pattern design was reviewed to protect against a recurrence and the landowner was compensated for crop damage.

- A landowner complained about water inadequacy, dust, noise and odour from mine operations. Environmental monitoring data showed no abnormal readings and the issues were discussed at length with the landowner and local government officers.

Waste rock

Waste rock from the Chatree open pits is stored in conventional waste rock dumps within the mine lease. Waste rock emplacement is designed to ensure that it is geotechnically and erosionally stable in the long term.

The potential for Acid Rock Drainage (ARD) is being managed by the encapsulation of Potentially Acid Forming (PAF) materials in clay, and burial beneath material with no net acid forming potential (Non Acid Forming - NAF). The amount of NAF material is more than adequate to encapsulate any PAF encountered.

In 2005 the pit areas and waste rock dumps continued to expand as mining progressed and they now occupy most of the mining lease area. This, along with the identification of new ore reserves, is imposing constraints on the operation. However, strategies are being implemented to accommodate the increased quantities of waste rock by enlarging the emplacement area and also by back-filling smaller, mined-out pits (Mars pit).

The waste rock dump extent, dumping sequence and quantities of NAF and PAF were reviewed in July 2004. As a consequence, the main dump is expected to advance to the west and north-west with a completed extension of the NAF wrap.

Wherever possible, the emplacements are progressively revegetated as areas become available. Trials to establish the most suitable vegetation species are continuing on a new waste emplacement to the north of the Tawan pit in an area unlikely to be required for other purposes (For further details see the **Rehabilitation** section following).

The performance of waste rock management strategies are regularly reviewed and the potential impacts of waste rock are monitored as part of the extensive water quality monitoring program at the site.

In 2005 a total of 12.1 million tonnes of waste rock was placed on the surface waste dumps.

Property management

As a result of successful exploration activity to the north, west and south of the existing mining lease, additional property has been acquired in these areas. Although there is no mining activity on these areas at present, Chatree will move quickly to develop new resources once mining leases are granted and approvals received. At that time, management of these properties will pass to Chatree and management practices will be implemented to maintain the agricultural value of the land. In preparation for this, Chatree prepared a Property Management Plan for the overall site in 2005.



Table 3: Environmental Incidents

Environmental incidents are classified into five levels at the mine:

Category	Definition	2005	2004
Level 1	Low severity	2	2
Level 2	Minor severity (one-off occurrence)	0	0
Level 3	Minor severity (repeated occurrence)	0	0
Level 4	Medium occurrence (effects can be reversed)	0	0
Level 5	High severity	0	0

Rehabilitation

Chatree strives to minimise its environmental impacts and limits ground disturbance to the minimum necessary to conduct its operations.

It is Chatree's policy to progressively rehabilitate disturbed ground as it becomes available. Rehabilitation progress for the year is summarised in Table 4.

Considerable research is underway into various rehabilitation options as part of the development of the draft closure plan for the mine. Presently, land use options are being tested to determine possible final land use types, which will ultimately be presented to local stakeholders for their input.

As part of this process, waste rock dump (WRD) trials were undertaken on a purpose built waste rock emplacement, where both capping design and vegetation cover type were tested. The trial was used to assess the suitability of blue clay as a capping layer and revegetation of the tree and no-tree zones on the WRD.

The WRD trials provided valuable information on establishment of various plant species. In 2005 vigorous growth occurred during its second wet season resulting in 100% ground cover over most of the dump.

Unfortunately the trials have been discontinued as the site is currently being encroached by the main Tawan WRD following extensions to the Tawan pit. A new trial WRD has been constructed to the north of the Tawan pit in an area unlikely to be required for other purposes. Planting of the new plot will commence in the forthcoming wet season and instrumentation will be installed to monitor moisture profiles within the dump.

Trials to establish the most suitable vegetation species are continuing...



Table 4: Summary of Rehabilitation Activities

Location	Area (m ²)	Density (vegetation/100 m ²)	Type of Rehabilitation
CH-Waste rock dump slope	18,087	Full area	Planted Vetiver grass
D-Waste rock dump slope	26,330	Full area	Planted Vetiver grass

Note: The data included in this table relates to the 2004 calendar year.

Our Environment

continued

In 2005 approximately 85% of wastes were re-used or recycled.

Closure Planning

The Preliminary Mine Closure Plan developed in 2004 was completed in 2005. The Plan details potential land use options for the various disturbance areas on the mine site and includes the feasibility of the land use options, rehabilitation of waste rock dump (WRD) focusing on tree and no-tree zones, and rehabilitation of the TSF.

Preliminary rehabilitation costings were incorporated in the Plan. The most significant unknown in estimating these costs was whether a soil cover would be required for the TSF. Trials to date indicate that vegetation can be established directly on tailings without any added soil cover. However, further studies are required to confirm these findings over the longer term.

Chatree has made cost provisions for environmental management at the site including mine closure and environmental monitoring after mining has finished. The amount accrued is based on ounces of gold produced and this was increased in 2005 following completion of the Preliminary Mine Closure Plan. Final closure costs will be determined by extensions to existing pits, development of new pits as mineral resources are discovered and rehabilitation of associated mining and treatment wastes.

Waste management and recycling

Chatree gold mine is located in a part of Thailand where extensive recycling facilities are not readily accessible. This has created the challenge of developing a waste management program that is sustainable for the life of the mine, while not impacting on local aesthetics and infrastructure.

Chatree's waste management and recycling program is based on a tiered strategy of:

- Waste segregation – all wastes generated are segregated into groups to facilitate re-use and/or recycling.
- Recyclable materials are re-used on-site where possible.
- Recyclable materials not used on-site are sold to recycling contractors for collection.

- Remaining wastes are placed into a small scale, on-site land-fill.

In 2005 approximately 85% of wastes were re-used or recycled. During the year the incinerator was removed and replaced by a system whereby oily wastes are removed from site by an authorised waste recycling, treatment and disposal contractor.

Air

Energy use and greenhouse gas emissions

Kingsgate strives to minimise environmental impacts and uses the best available technologies to promote energy efficiency and minimise greenhouse gas emissions.

In 2004 Chatree introduced a specific Energy Conservation Policy for all employees and contractors working on site. The policy encourages employees to explore opportunities for energy saving and commits Chatree to establishing benchmarks, monitoring progress and introducing new initiatives for saving energy.

In 2005 new initiatives included:

- Formation of a 'Power Smart Committee' with members selected from each area of the operation including the mining

contractor, Lotus Hall. The Committee meets monthly to discuss energy saving ideas, evaluate new initiatives and prioritise/cost favourable initiatives.

- Presentation on 'Energy Management' to all Akara and Lotus Hall employees.
- Promoted energy conservation through a 'Power Save' sticker design contest.
- Endorsed support of Thai Government's comprehensive Energy Saving Program to all employees.

Emissions to air are produced from electricity use and the consumption of diesel fuel from mining operations. The major consumer of electricity is the processing plant, with minor amounts associated with various administrative activities.

Energy use and greenhouse emissions are shown in Table 6. Greenhouse emissions are calculated using Australian protocols (Australian Greenhouse Office, Factors and Methods Workbook, 2003).

In 2005 greenhouse gas emissions increased by 24% due to an expansion of the processing plant with consequent higher ore throughput and electricity use. Higher diesel fuel usage also contributed to the increase

Table 5: Recycled Solid Wastes

Material	2005	2004	Explanation of major variations
Scrap steel (kg)	7,235	2,846	Govt approval received to sell more scrap
Mill drums (No)	583	374	Second mill now in operation
Plastic (kg)	3,619	1,932	Larger workforce & improved waste separation
Aluminium cans (kg)	–	4	Catering contractors now collect and recycle
Paper (kg)	34,338	7,311	Increased explosives use – mainly expl packaging
Used tyres (No)	28	47	–

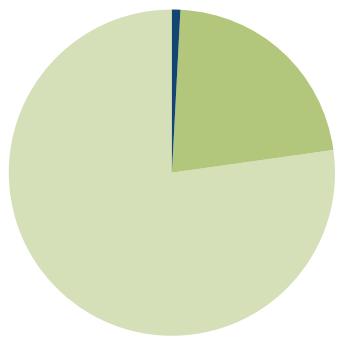
Note: The data included in this table relates to the 2004 and 2003 calendar years.

Table 6: CO₂ Emissions

CO ₂ Emissions (tonnes)	2005	2004	2003	2002
From power generation	66,668	55,969	42,271	30,022
From mobile equipment	19,041	13,158	6,126	3,820
From LPG	786	856	814*	174*
From explosives	373	184	77	N/A
Total	86,868	70,167	49,288	34,016

*Adjusted from 2003 report

Figure 4: Contributors to CO₂ Emissions for Chatree 2005 (%)



LPG
Fuel Burning
Electricity

resulting from longer haul distances as the pits deepened and the strip ratios increased.

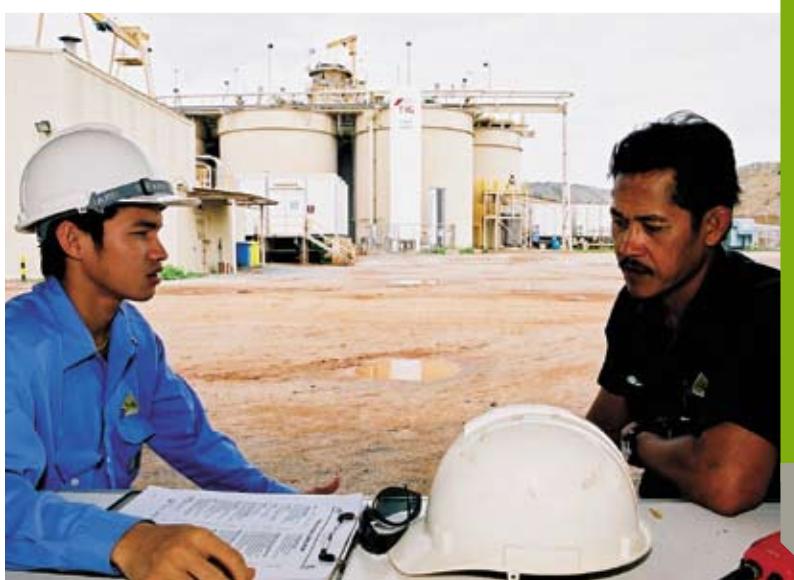
Despite the introduction of energy saving measures, overall energy usage and emissions will continue to increase in the future in line with planned and potentially new expansions to mining and processing facilities.

Sulphur dioxide and nitric oxide emissions are not reported separately as Chatree's ore is metallurgically simple and does not require roasting, and hence emissions of these substances are quite low. The mine also derives its power from the national grid.

Air quality and dust monitoring

An extensive monitoring program is undertaken at Chatree to ensure that all aspects of the operation are carried out to the highest environmental standards. Monitoring within and adjacent to the mine covers noise, vibration, air quality and climate. The sampling stations for air quality monitoring are located at five villages surrounding the mine site.

The monitoring results show that, as expected, air quality varies with the seasons with particulate matter increasing in the dry season and reducing in the wet season. The overall monitoring results indicate that air quality management strategies implemented at Chatree are appropriate.



Our Social Contribution

Training programs have been enormously successful.

People

As at 30 June 2005, the Chatree operation employed 243 people, 96% of whom are Thai nationals. An additional 465 long term 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.

The contractor workforce increased by 72% in 2005 largely as a result of the addition of a third shift to provide a three shift, 24 hours per day, 7 days per week continuous mining operation. This was necessary to accommodate higher strip ratios and expanded mill throughput. Additional contractors were also employed for the office expansion, exploration sample building, expanded workshop and construction of the TSF lift.

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.

Akara, like all resource companies operating in the global market, experienced higher raw material costs and a tightening labour market in 2005. Despite this, Chatree's labour turnover rate increased only slightly from 4.6% to 5.4% in 2005. The company has a policy to improve the quality of life for women workers who comprise approximately 16% of the workforce.

Although low by general industry standards, the number of women employed is relatively high for the mining industry.

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.

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

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. All employees are re-induced on an annual basis and undergo further training in relation to their specific occupations.

Chatree has developed a strong safety culture since it commenced construction in November 2000 and has worked more than five million hours with only one lost time injury up to 30 June 2005. 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). The mine has consistently achieved an injury rate in the lowest quartile of international safety statistics.

In recognition of Chatree's achievements in the area of health and safety, the operation was awarded the *'Best Occupational Health Safety and Work Environment Award 2004'* for Phichit Province.

Occupational health

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

Specific testing is carried out on employees working in certain sections of the operation including blood analysis for gold room and laboratory personnel, and radiation monitoring for some plant operators.

Chatree is continuing a range of 'Fitness for Work' programs for employees including random drug and alcohol testing which is carried out on all permanent and contractor employees.

Emergency response and the local community
Kingsgate, through 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 Team trains regularly in a range of emergency procedures including fire fighting, first aid/CPR, casualty transfers, and emergency response to chemical spills.

Table 7: Safety Performance

	2005	2004	2003	2002
Lost time injuries	0	0	1	0
Total recordable injuries	2	3	1	2
Total injuries	10	16	25	21
LTIFR*	0	0	1.1	0
TRIFR*	1.3	2.2	1.1	1.8
TIFR*	6.4	11.8	26.3	18.4

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

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

*per million hours worked

The skills developed within the Emergency Response Team are made available to the local communities through co-ordination with the appropriate provincial authorities. Six members of the Team have been registered as Public Rescuers with the Phichit Province Public Rescue Service.

Public Rescuers are civilian volunteers that help the public in emergency situations such as flood, fire, road accidents or other risks. The Public Rescuers are known locally as OPPR Officers (Or Por Por Ror Officers) and are available as a valuable resource within the local community.

Training and development

Since commencing operations, 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 operational performance of the mine. Performance in all aspects of the operation has been comparable with 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 and emergency response. Specific courses are provided in *Cross Cultural Management, Assertiveness and Accountability, Performance Management and Team Building*.

Chatree has an Educational Assistance Program which encourages employees to take job-related courses thus developing their skills and potential for promotion, and improving their productivity. Chatree is currently sponsoring eight employees for a Master of Business Administration, one for a Master of Computer Science and one for a Doctorate in Geology.



Our Social Contribution

Consultants were engaged to advise best practice in community development.

Community

Chatree management encourages participation in local community events and supports a wide range of community and cultural activities. In 2005 these included:

- Songkran Festival which celebrates the traditional Thai New Year.
- Loi Krathong Festival which has been observed for more than 700 years as a thanksgiving to water spirits.
- Monk Leave – it is a Thai tradition that a young man spends a period of time in the monkhood generally on turning 20 or after completing his studies or before marriage.
- National Children's Day through donations to schoolchildren from 25 local schools.
- Mother's Day and Father's Day during which Chatree provides support to adults and elderly people.

Community development

Chatree's activities contribute to a wide range of stakeholders' 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.

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.

In 2005 Chatree spent 5,405,000 Baht (\$A170,000) on a range of community activities (see Table 8).

In addition to the above activities, Chatree also supported a water supply system to Ban Khao Din (\$A62,000) (see Community Infrastructure below) following a similar project last year.

Chatree's direct contribution to community, social and infrastructure development since start-up exceeds \$A480,000. The sustainability initiatives supported by these funds are shown in Figure 5.

Community infrastructure – reliable water supplies

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. Most villages do not have access to dependable supplies of clean water which is mainly obtained from surface run-off storage ponds or water bores, and resultant water quality is variable.

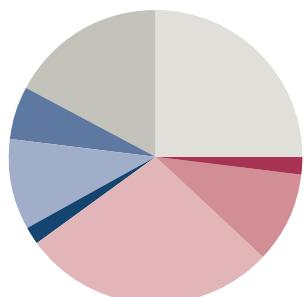
Following a similar initiative last year, Kingsgate has funded the installation of a water storage tank and pumping system for the village of Ban Khao Din to the west of the mine. The company continues to install water filtering and cooling machines at schools in the vicinity of the mine.

Table 8: Community Development Expenditure (2005)

	Baht	\$A
Education	901,311	28,361
Sport	308,246	9,699
Local government	1,326,615	41,744
Custom and culture	1,994,592	62,762
Community access (roads in villages)	0	0
Religion	783,145	24,643
Public Health	91,000	2,863
Total	5,404,909	170,072

(1\$A= 31.78 Baht)

Figure 5: Community Development Expenditure since start-up (\$A483,000).



Water supply and agriculture	25%
Road and transport infrastructure	2%
Local govt and capacity building	10%
Community welfare and culture	28%
Health	2%
Education	10%
Sports and youth	6%
Religion	17%
Total	100%



Capacity building

The Chatree project contributes to capacity building at a number of levels including skilled labour, technician and professional levels at the mine, in local communities through the company's social programs and also at the government level through interaction with various levels of government. Local villagers in particular have learned new knowledge and skills from the Chatree operation and this helps improve not just their income and quality of life but also local economies.

Since starting, the number of Thai geologists has increased fourfold and their expertise is being utilised in identifying new opportunities and evaluating potential projects in Peru and Chile in South America.

Aligning with local development priorities

It is important that new community development activities are well-researched and culturally appropriate for Thailand. In 2004-5, two consultants were engaged to analyse and advise on how best practice community development activities may be implemented at Akara in a way which is suited to the local community. Research included interviews with key Thai personnel, community and provincial leaders.

Current regional development goals at the provincial level were examined and Thai best practice examples of community development explored. Key Thai personnel undertook a site visit to a leading Thai resources company renowned for its community development initiatives and initial meetings have been held with Thai community development specialist organisations regarding collaboration in this area.

The CEO and Chairman of the Board of Kingsgate met with Senator Mechai Viravaidya, a prominent Thai community development advocate to discuss sustainable community development activities in Thailand. Recommendations are currently being reviewed.



Chatree spent \$A170,000 on a range of community activities.



Our Economic Contribution

Over 80% of the mine's warehouse items are sourced from Thailand.



Economic contribution

Chatree is located in a relatively infertile region of Thailand, east of the Nan River on the border of the provinces of Phichit and Phetchabun. Most people in the Chatree vicinity are farmers in an area that provides few other employment opportunities. The farmers are relatively poor and their children are often forced to seek employment away from home in Bangkok and other larger towns. The Chatree operation offers alternative employment opportunities and regional economic advancement, and it helps reduce migration to urban areas. The mine directly employs 243 people and provides indirect employment for more than 465 in contract services.

Kingsgate believes that mining developments should result in the sharing of benefits for all stakeholders. While contributing to the Thai

economy through goods, services, taxes etc, Kingsgate also seeks to promote economic independence in local communities and to assist small business.

Most opportunities are contracts with the company on mine related services but Chatree's long term aim is to diversify local enterprises beyond mining activities. Where the potential exists, we encourage and support improvements in the subsistence economy. To this end we are seeking potential partners whose objectives are aligned with our own, who understand Thailand and the problems associated with rural poverty and inadequate local employment, and who are committed to improving the quality of life in rural areas.

To promote these aims Chatree has, since commencing operations, proactively sourced more of its goods and services from Thailand in preference to importing them from Australia and other countries. The company promotes a '**Buy Thai**' policy. More than 80% of the mine's warehouse items are sourced from Thailand.

The company has supported the local ceramics industry by purchasing fire assay crucibles and, in another project to establish income generating opportunities, encouraged and supported local villagers to grow vetiver sprouts in 2005. Vetiver grass is used widely around the mine for rehabilitation activities. The grass helps bind the soil and resists erosion, and is used extensively on waste rock dump slopes.



Chatree now buys vetiver sprouts from local villagers creating income of more than Baht 500,000 for the local community.

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

In 2005, Chatree spent \$US35.68 million on goods and services of which 22% was spent in local provinces and a further 65% in the rest of Thailand. In addition, \$US1.50 million was paid in royalties and \$US0.5 million in taxes and duties.

Figure 6: Expenditure by region (\$USM)

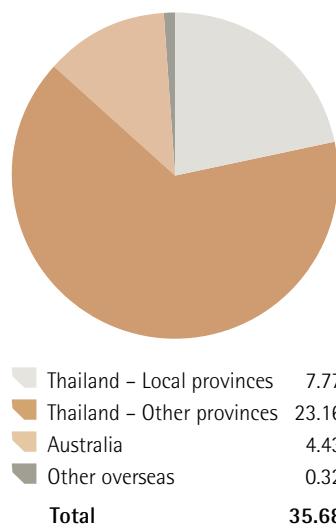


Table 9: Workforce in 2005

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

96% of employees are Thai nationals.

Thai employees benefit through:

- Knowledge transfer
- Technology transfer
- Training and localisation programs



Heightened exploration activity led to a substantial increase in resources.

Business Performance

Operations

The Chatree mine overcame some operational challenges during the year to finish strongly at year end. Operational highlights included:

- Gold production of 126,550 ounces, achieved at a cash cost of \$US212 per ounce.
- Increased mining rates to meet higher waste stripping requirements.
- Lower plant throughput due to harder ore.
- Heightened exploration activity leading to substantial increases in resources.
- Vigorous permitting activity for new mining and exploration leases.
- Excellent safety and environmental performance.

Corporate

Table 10: Value added and distribution for Kingsgate (\$USM)

Economic Value Added	Value Distribution
Gold and silver sales	48.8
Interest income	1.5
	Wages and salaries*
	1.5
	Royalties and duties*
	28.6
	Payments to suppliers*
	Reinvestment in Thailand
	- Community investment
	0.1
	- Plant and equipment
	3.3
	- Exploration and evaluation
	25.6
	Debt service/interest
	0.7
	Dividends paid to shareholders
	9.0
	Cash utilised
	(23.0)
Value Added	50.3
Value Distribution	50.3

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

The Future

Kingsgate – a long-term partner in Thailand's development.

Mine Life and Exploration

Chatree continues to look for opportunities to add value to the business. The mine's future depends on discovering more gold resources and exploration activity has been stepped up with excellent results. To date Kingsgate has spent \$US24 million on exploration and is planning to spend a further \$US11 million in 2005/06.

Kingsgate believes the geology of Central Thailand is highly prospective for major occurrences of gold and copper. We now hold more than 1,500 sq kilometres of prospective ground and have introduced the most advanced exploration techniques to our programs. We are continuing both near-mine exploration drilling and also regional exploration programs in Central Thailand.

In 2005 exploration continued to focus on developing resources and reserves near the Chatree mine area. The company's expanded exploration program achieved continuing success and raised the total ore reserves to more than 1.5 million ounces of gold as at 30 June 2005. Mineral Resources have increased even more beneficially, gaining more than 60% to total 3.0 million ounces of gold. New discoveries have been made at various locations north and south of the existing operation, confirming mineralisation over approximately 10 kilometres in strike length.



Our short term objective is to convert these discoveries to mineral resources and ore reserves, and then undertake a commensurate re-evaluation of the project scale as the size of the project continues to increase. Scope to significantly increase the plant capacity is being evaluated in light of the exploration potential of the area.

The company has applied for additional mining leases at North Chatree and permitting is well advanced. The new mining leases cover a much larger area than the existing lease and incorporate exploration prospects previously identified. Chatree anticipates achieving all regulatory approvals for extension of project activities into these areas during 2005.

The mine life is conservatively estimated at approximately nine years. This is likely to be revised following the large increase in reserves/resources and the current project review. We believe our exploration efforts will continue to expand reserves and resources and, in time, extend this mine life considerably.

Kingsgate is well-positioned to progress its strategy for profitable growth. The outlook for next year is positive and 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.

Conceptual sustainability models and benefits for Thailand

Kingsgate's knowledge and experience has grown rapidly through its involvement in Thailand. Aligned with its commitment to sustainable growth, Kingsgate is exploring new models for future development and is discussing these with the Board of Investment and other relevant Thai authorities.

Looking forward, Kingsgate anticipates further opportunities to support the initiatives of its Thai hosts in the Provinces of Phichit and Phetchabun. Kingsgate's objective is to become a fully integrated member of the regional community by aligning its community relations programs with local development priorities.

Kingsgate also acknowledges government efforts to decentralise decision making and to strengthen the domestic economy at the grassroots level whilst welcoming foreign investment. Kingsgate believes the continuing development of Chatree helps achieve these objectives and looks forward to being a long term partner in the development of Thailand.

Sustainability Objectives and Targets

Objective	Target for 2005	2005 Performance against Target	Target for 2006
Environment and Safety			
Review Environmental Management System	Update with recommendations of the independent audit.	EMS reviewed and updated	Update with recommendations of the independent audit
Chatree Environmental Management System (EMS) – ISO 14001	Maintain certification through continuous improvement.	Achieved	Maintain certification through continuous improvement
Safety Management System (SMS) – OHSAS 18001	Maintain certification through continuous improvement.	Achieved	Maintain certification through continuous improvement
No people hurt at work	Zero lost time injuries	Achieved. No lost time injuries	Zero lost time injuries
Optimise final land use and rehab of waste rock dumps (WRD)	Carry out WRD trials to determine best cover	Good growth achieved. WRD encroached by expansion of dump	Establish new trial WRD away from existing and proposed mining areas
Optimise final land use and rehab of Tailing Storage Facility (TSF)	Carry out TSF trials to determine best cover	Good growth achieved. TSF encroached by expansion of facility	Establish new trial TSF away from existing facility
Develop final land use model for stakeholders	–	–	Commission conceptual 'fly over' model
Social and Economic Benefits			
Integrate sustainability into employee activities and local communities	Incorporate sustainability into employee job descriptions and activities	Completed	Integrate sustainability initiatives with local and regional planning
Formalise and improve community relations activities	Prepare a Community Relations plan and introduce to employees Improve reliability of water supply	Completed Installed water supply tank at Ban Khao Din	Continue implementation Assist in building new schools in Ban Dong Long and Ban Khao Din
Communication			
Public Environmental Reporting	Publish second Public Sustainability Report during October 2004	Achieved and distributed to all stakeholders including shareholders	Produce third Public Sustainability Report by October 2005
Improve communications in local communities	Continue to improve and implement new initiatives Carry out community survey in 2005	Some new initiatives introduced. Community survey deferred – Not achieved	Carry out employee survey in 2006 Carry out community survey in 2006
Operations			
Achieve operational production and cost targets	Produce >150,000 oz of gold at <\$US165/oz	Produced 126,550 oz at \$US212/oz. Lower grade ore and high strip	Produce >145,000 oz at <\$US220/oz
Optimise plant and throughput rates	Achieve throughput rate of 1.8Mtpa following expansion	Throughput of 1.8Mtpa achieved	Review and approve study to expand plant throughput
Enhance mine life	Increase reserves and resources	Increased reserves by 562,000 oz	Increase reserves and resources

Tables and Data

Table 1: Land Management

Land	Area (ha)	
Mining Leases	292	
Rehabilitation (ha)	2005	Project to Date
Area of land disturbed	0	292.0
Area of land rehabilitated	20	45.2
Area of land available for rehabilitation	1.9	1.9

Table 2: Energy Use and Greenhouse Emissions

Energy Use	2005	2004	2003	2002
Electrical power (MWh)	63,433	53,253	40,220	28,565
Diesel fuel – mobile sources (litres)	7,078,571	4,891,487	2,277,107	1,419,673
LPG / Propane (tonnes)	271	295	281	60
Explosives (tonnes)	2,276	1,123	472	N/A
CO2 Emissions (tonnes)	2005	2004	2003	2002
From power generation	66,668	55,969	42,271	30,022
From mobile equipment	19,041	13,158	6,126	3,820
From LPG	786	856	814*	174*
From explosives	373	184	77	N/A
Total	86,868	70,167	49,288	34,016

*Adjusted from 2003 report

Table 3: Assurance programs

Assurance Program	Type	Business Aspect	Internal or Ext verified (I or E)
AMI Code for Env Management	Audit	Environment	E
Env Licence Compliance	Review	Statutory	I
Tailings Management System	Audit	Waste management	E
ISO 9001	Audit	Quality assurance	I & E
ISO 14001	Audit	Environment	I & E
OHSAS 18001	Audit	Occupational Health & Safety	I & E

Table 4: Environmental Incidents

Category	Definition	2005	2004	2003	2002
Level 1	Low severity	2	2	3	0
Level 2	Minor severity (one-off occurrence)	0	0	0	0
Level 3	Minor severity (repeated occurrence)	0	0	0	0
Level 4	Medium occurrence (effects can be reversed)	0	0	0	0
Level 5	High severity	0	0	0	0

Table 5: Material Inputs and Outputs

Inputs	Outputs
Water (ML)	Water (ML)
Raw water 704	Discharge to surface waters from non-process sources 0
Recycled water 2,299	
Total water 3,003	
	Landfill (m³)
	Landfill 500
Energy Use	CO ₂ Emissions (tonnes)
Grid demand (MWh) 63,433	From electricity generation 66,668
Diesel fuel – mobile sources (litres) 7,078,571	From mobile sources 19,041
LPG (tonnes) 271	From LPG 786
Explosives (tonnes) 2,276	From explosives 373
	Total 86,868
Ore	
Tonnes 1,828,876	
Chemicals (tonnes)	Products & Waste (tonnes)
Cyanide 674	Gold (ounces) 126,550
Hydrochloric acid 136	Silver (ounces) 353,275
Lime 2,877	Milled tailings 1,828,876
Carbon 30	Waste rock to surface dumps 12,110,000



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The following are available on request:

Code of Business Conduct
Sustainability Policy
Environmental Policy
Safety Policy
Annual Report
Sustainability Report
Quarterly reports

Kingsgate website: To access electronic versions of this and other
Kingsgate reports, please visit Kingsgate's website at www.kingsgate.com.au