Kingsgate
Consolidated Limited

ABN 42 000 837 472

27 August 2007

96 Pages (including this page)

Manager, Company Announcements
Australian Stock Exchange Limited

Dear Sir,

PRELIMINARY FINAL ASX APPENDIX 4E REPORT
FOR THE YEAR ENDED 30 JUNE 2007

We enclose herewith the following documents:

- Preliminary Final ASX Appendix 4E Report for the year ended 30 June 2007; and
- Directors Report and Financial Statements for the year ended 30 June 2007.

Yours faithfully
KINGSGATE CONSOLIDATED LIMITED

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KINGSGATE CONSOLIDATED LIMITED
ABN 42 000 837 472

ASX CODE: KCN

PRELIMINARY FINAL ASX 4E REPORT

FOR THE YEAR ENDED 30 JUNE 2007

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

Appendix 4E
Preliminary Final Report
For the Financial Year Ended 30 June 2007

Results for Announcement to the market

				$'000
Revenue from ordinary activities	Down	29%	to	52,600
Profit/(loss) from ordinary activities after tax attributable to members	N/A	N/A	to	(12,590)
Net profit/(loss) for the period attributable to members	N/A	N/A	to	(12,590)

Dividends/distribution	Amount per security	Franked amount per security
Final dividend - current reporting period - previous reporting period	 **nil** 5.0 ¢	 **nil** nil
Interim dividend - current reporting period - previous reporting period	 **nil** 5.0 ¢	 **nil** nil

Record date for determining entitlements to the final dividend of 5.0 cents per share

N/A

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or any other item of importance not previously releases to the market:

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

Current Reporting Period:	**Year ended 30 June 2007**
Previous Corresponding Reporting Period	Year ended 30 June 2006

Review of operations

The Directors of Kingsgate Consolidated Limited today announced a net loss after tax of $12.6 million for the year ended 30 June 2007.

Dividends

No dividends were declared with respect to the year end 30 June 2007.

Dividend payments during the financial year end June 2007 include a final dividend of 5 cents per share relating to the financial year ended 30 June 2006.

Finance

The net loss after tax was $12.6 million and represents a reduction of $29.3 million on the profit of $16.7 million achieved in the previous year.

Operational performance was significantly below the previous year mainly due to the treatment of lower grade ore resulting from constraints on the availability of higher grade ore caused by the ongoing delay to the grant of the Chatree North Mining Leases. In addition, $3.5 million of exploration expenditure in South America was expensed during the year.

Total revenue was $21.5 million below the previous year. Revenue was constrained by low gold production and sales and the delivery of gold into the Company's final out-of-the-money hedge positions.

Operating cash outflow was $19.9 million. Net investing cash flows for property, plant, equipment and exploration were $13.6 million. The cash outflows were financed by a share placement of $10.5 million to Thai investors and net borrowings of $21.2 million.

As of the end of June 2007, the Company had credit facilities of US$18 million (A$21.2 million) drawn to A$20 million. In July 2007, the Company restructured its credit facilities and now has facilities of US$28 million repayable in January 2008 or, upon the grant of the Chatree North Mining Leases, one year from the date of the grant.

Operations

Total production at the Chatree Mine for the year was 85,994 ounces of gold and 290,897 ounces of silver at a cash cost of US$440 per ounce of gold. The US$ cash cost per tonne of ore processed only increased some 9% over the previous year despite a significant strengthening of the Thai Baht, which is the underlying cost currency for the Chatree Mine, and higher consumables prices. The relatively high cash cost per ounce compared to the previous year (US$206 per ounce) is due to the low grade of the mill feed. The availability of high grade ore has been significantly constrained due to the ongoing delay to the grant of the Chatree North Mining Leases. Without the Chatree North Mining Leases, the relatively high strip ratio Chatree ore cannot be blended to produce a reasonably uniform gold grade and mining cost per ounce. In order to maintain mill throughput at capacity levels the remaining Chatree ore has been blended with low grade stockpiles, producing an average mill feed grade for the year of only 1.2 grams of gold per tonne of ore compared to 2.4 grams per tonne in the previous year.

Mill throughput for the year was 2.41 million tonnes, a 20% improvement over the previous year. From

The Chatree Mine continued its excellent safety performance, without a single Lost Time Incident which, according to publicly available data, makes the Chatree Mine the safest gold mine in the world.

During the year Chatree Mine built on its enviable environmental record with again no reportable incidents. There have been no reportable environmental incidents during the entire life of the mine.

Chatree Mine actively underpins world's best practise for mine safety and environmental management through its programme of being accredited with appropriate international standards. Chatree Mine maintains accreditation for ISO 9001 (Quality), ISO 14001 (Environment), OHSAS 18001 (Health and Safety), TLS 8001:2003 (Thai Labour), SA8000 (Social Accountability), GRI (Global Reporting Initiatives) and is a foundation member of the International Cyanide Management Code.

Exploration

The delay to the grant of the Chatree North Mining Leases has curtailed the Company's exploration programme and drilling to further develop the Chatree North area. Exploration for reserve and resource development has been consequently limited to Chatree.

The Company continues to focus on regional exploration in Thailand. During the year 51 exploration licenses were granted in the Phichit and Phitsanulok provinces with a further 50 exploration licenses in the Phetchabun province awaiting with the Thai Minister of Industry for final approval. An additional four exploration licences in Phitchit province and two exploration licences in Phetchabun province were also applied for during the year.

During the year the Company wound back exploration activity on its South American tenements and is only incurring expenditure necessary to maintain the tenements.

Exploration is about to commence on the Company's exploration licence near Cloncurry, Queensland. The licence was recently granted following previous exploration by the Company through 1988 to 1994.

Mining Leases

An Environmental Impact Assessment of the Chatree North Mining Leases was formally approved by Thai Government authorities on 11 April 2007. This is a key milestone event in the mining lease grant process.

The process for the grant of the Chatree North Mining Leases is reaching its conclusion. The grant of the Chatree North Mining Leases initially involves approvals from the Phitchit and Phetchabun provincial departments of the Forestry Commission and Department of Primary Industry and Mining prior to a final review and approval of the mining lease applications by the Thai Ministry of Industry. The provincial approval process is complex but is currently well advanced with some provincial approvals already despatched to the Ministry of Industry.

Business Development

The evaluation of the Chatree North Expansion Project is continuing.

The entire metallurgical and treatment process has been under continuous review with Ausenco prior to completion of the final detailed design of the expanded treatment plant. This review has resulted in a change to the design of the expanded processing plant that will deliver a more streamlined, simplified processing route, which is virtually the same as the current process, with the addition of large leach-only tanks followed by carbon-in-pulp tanks.

These process improvements have meant that the Merrill Crowe circuit considered in the initial design is no longer required. Significantly, silver recoveries will remain at similar levels of around 65%-70% as with the Merrill Crowe technology.

This streamlined circuit will significantly reduce any completion risk, as is it virtually identical to the current plant. Operating costs should also be lower than what was previously planned due to reduced cyanide consumption.

High silver values which are expected in parts of the A Pit will be stockpiled and blended with lower silver grades to maintain a constant feed grade.

Most of this additional material will be sourced from the Q Pits, to the north of A Pit. The Q Pits have been re-assessed and will be providing high grade gold ore feed early in the development of Chatree North.

The adjustment to the plant's flow sheet has delayed the final EPC contract with Ausenco, which will be subject to the final grant of the new mining leases at Chatree North. A final contract capital cost is planned to be available during the September quarter 2007. This cost will take into account the recent strength of the Thai Baht and the Australian dollar versus the US dollar.

The planned plant expansion to deliver a production rate of 5 MTPA ore treated is still scheduled for completion in the December quarter 2008, although this will be dependent on the timing of the grant of the Chatree North Mining Leases.

In order to protect the expansion completion timetable the critical lead time items (grinding mills) have been ordered with a A$3.8 million deposit paid in June 2007.

In November 2006 the Company fulfilled its Thai ownership obligations for its subsidiary, Akara Mining Limited, through the issue of new shares to Thai interests, Empire Asia Co Ltd.

At the time of the initial approval for the Chatree Mine development, the Company was granted a five year exemption from the requirement for Akara Mining to be majority Thai owned. The exemption expired on 27 November 2006.

In meeting the ownership obligation, Akara Mining issued non-transferrable preference shares that resulted in Empire Asia having a 52% ownership of Akara Mining in accordance with Thai corporate law. The transaction allowed the Company to maintain its existing economic interests and management control in Akara Mining.

The Company sold its strategic interest in Goldstar Resource NL in December 2007 at a profit of $9.4 million. The Company maintain an 18.5% holding in Andean Resources Limited. The Company shareholdings in Andean have been diluted from 22.4% during the year due to two private placements by Andean in which Kingsgate was not offered a stake. Kingsgate remains the largest shareholder in Andean and continues to review its options in managing this investment.

Outlook

The Directors are confident that once the Chatree North Mining Leases are granted, the Company will return to its previous low cost status within the gold industry. The Company is now unhedged and can take full account of improved gold prices and is in a position to reasonably quickly double its production capability.

INCOME STATEMENT
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	2006 $'000
Revenue from continuing operations	3	52,600	74,143
Other income	4	9,857	-
Changes in inventories of finished goods and work in progress		(1,031)	(522)
Direct costs of mining and processing		(48,768)	(40,266)
Employee benefits expense		(8,160)	(8,053)
Depreciation and amortisation expenses	5	(8,446)	(7,805)
Finance costs	5	(2,642)	(854)
Exploration expensed		(3,846)	(2,853)
Foreign exchange gains / (losses)	5	(271)	205
Gain / (loss) on derivative financial instruments		867	7,056
Other expenses from ordinary activities		(5,865)	(4,389)
Profit/(Loss) before income tax		(15,705)	16,662
Income tax benefit	6	3,115	-
Profit/(Loss) for the year		(12,590)	16,662
Net Profit/(Loss) attributable to members of Kingsgate Consolidated Limited		(12,590)	16,662

	Cents	Cents
Basic earnings per share	(17.3)	19.3
Diluted earnings per share	(17.3)	19.3

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

BALANCE SHEET
As at 30 June 2007

	Notes	Consolidated 2007 $'000	2006 $'000
CURRENT ASSETS			
Cash and cash equivalents		5,148	10,391
Trade and other receivable		3,825	1,398
Inventories		5,137	6,656
Other assets		4,794	2,751
TOTAL CURRENT ASSETS		18,904	21,196
NON-CURRENT ASSETS			
Receivables		-	-
Available-for-sale financial assets		60,693	20,385
Mine property, plant and equipment		141,932	122,922
Deferred tax assets		-	-
Other assets		3,457	94
TOTAL NON-CURRENT ASSETS		206,082	143,401
TOTAL ASSETS		224,986	164,597
CURRENT LIABILITIES			
Payables		6,707	7,992
Provisions		-	390
Derivative financial instruments		-	23,138
Borrowings		20,000	-
TOTAL CURRENT LIABILITIES		26,707	31,520
NON-CURRENT LIABILITIES			
Provisions		4,999	5,020
Derivative financial instruments		-	49
Borrowings		1,220	-
Deferred tax liabilities		7,826	-
TOTAL NON-CURRENT LIABILITIES		14,045	5,069
TOTAL LIABILITIES		40,752	36,589
NET ASSETS		184,234	128,008
EQUITY			
Parent entity interest			
Contributed equity	10	111,576	92,091
Reserves	11	30,216	(23,629)
Retained profits	12	42,442	59,546
TOTAL EQUITY		184,234	128,008

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	$'000	$'000
Total equity at the beginning of the financial year	128,008	121,229
Adjustment on adoption of AASB 132 and AASB 139:		
Retained profits	-	(3,109)
Reserves	-	(24,475)
Restated total equity at the beginning of the financial year	128,008	93,645
Changes in fair value of available-for-sale financial assets, net of tax	25,613	(955)
Changes in fair value of cash flow hedges, net of tax	22,320	(2,360)
Exchange differences on translation of foreign operations	4,591	12,873
Net income recognised directly in equity	53,845	10,213
Profit/(Loss) for the year	(12,590)	16,662
Total recognised income and expense for the year	39,934	26,220
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	19,484	17,425
Employee share options	1,321	655
Shares bought back on-market and cancelled, inclusive of transaction costs	-	(1,268)
Dividends paid	(4,513)	(8,669)
	16,292	8,143
Total equity at the end of the financial year	184,234	128,008

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

CASH FLOW STATEMENTS
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		52,044	73,308
Payments to suppliers and employees (inclusive of goods and services tax)		(70,022)	(51,579)
Interest received		386	798
Finance costs		(2,296)	(638)
Dividends received		-	-
NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES	13	(19,888)	21,889
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration acquisitions *		(4,982)	(10,152)
Loans to controlled entities		-	-
Payment for mine properties*		(14,440)	(14,983)
Payments for property, plant and equipment*		(8,339)	(5,376)
Payments for investments		-	(5,724)
Proceeds from the sale of available for sale financial assets		14,133	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(13,628)	(36,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings, net of transaction costs		34,220	-
Repayment of borrowings		(13,000)	-
Proceeds from issue of shares		10,530	536
Payments for shares bought back		-	(1,259)
Share issue and buy-back transaction costs		-	(9)
Dividends paid		(3,744)	(7,434)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		28,006	(8,166)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,510)	(22,512)
Cash at the beginning of the financial year		10,391	32,119
Effects of exchange rate changes on cash and cash equivalents		267	784
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		5,148	10,391

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2007

1 Basis of preparation

This report has been prepared in accordance with Appendix 4E of the Australian Stock Exchange Listing Rules and is based on AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views. This financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007. The accounting policies adopted are consistent with those of the previous year.

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

2. Statement about the audit status

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

		Consolidated	
		2007	2006
		$'000	$'000
3.	**REVENUE**		
	Revenue from continuing operations		
	Sales revenue		
	Gold sales	47,263	67,224
	Silver sales	4,781	5,558
	Services	-	- -
	Other revenue		
	Interest	386	798
	Dividends	-	- -
	Other revenue	170	563
	Revenue from continuing operations	52,600	74,143
4.	**OTHER INCOME**		
	Net gain on sale of available-for-sale assets	9,857	-
5.	**EXPENSES**		
	Cost of sales	60,278	43,941
	Foreign exchange (gains) / losses	(271)	205
	Finance costs		
	Interest and finance charges paid/payable	2,296	541
	Rehabilitation provision discount adjustment	98	97
	Amortisation of deferred borrowing costs	248	216
	Finance costs expensed	2,642	854

Write down of raw materials and stores	391	-
Rental expense relating to operating leases	2,117	2,112
Depreciation and amortisation *		
Mine properties	6,656	4,953
Mine buildings, plant and equipment	1,623	2,716
Non-mining property, plant and equipment	653	321
Depreciation capitalised	(486)	(185)
Total depreciation and amortisation	8,446	7,805

* From 1 January 2007 depreciation calculated based on the units of production method was revised for the conversion of resources to estimated recoverable reserves. The impact for the current year is a decrease in depreciation expense by $577,000 and in future years $22 per oz. The change in accounting estimate was adopted to ensure that the depreciation charges reflected management's best estimate of the useful life of assets.

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2007

6. INCOME TAX

	Consolidated	
	2007	2006
	$'000	$'000
(a) Income tax expense		
Current tax	17	-
Deferred tax	1,471	-
Adjustment for current tax of prior periods	(4,603)	-
Income tax benefit	(3,115)	-
Deferred income tax (revenue) expense included in income tax expenses comprises:		
Decrease (increase) in deferred tax assets	799	-
Increase (decrease) in deferred tax assets	672	-
	1,471	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/ (Loss) from continuing operations before income tax	(15,705)	16,662
Tax at Australian tax rate of 30%	(4,712)	4,999
Tax effect of amounts which are not deductible in calculating taxable income:		
Notional management fees	354	-
Non taxable dividends	(2,553)	-
Share based remuneration	193	-
	(2,006)	-
Tax exempt profits - Thailand	8,206	(5,342)
Adjustments for current tax of prior periods	-	
Previously unrecognised tax losses used to reduce deferred tax expense	(4,726)	-
Previously unrecognised tax losses now recouped to reduce current tax expense	123	-
Current year tax loss not brought to account	-	343
Income tax benefit	(3,115)	-
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly into equity	10,567	-

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2007

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

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

(a) an 8 year full corporate tax holiday commencing at first gold pour on metal sales;
(b) a further 5 year half tax holiday following (a) above (at a 15% tax rate); and
(c) other benefits.

The start of the promotion period was 27 November 2001.

Tax losses

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

(a) the Akara derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
(b) the Akara continues to comply with the conditions for deductibility imposed by tax legislation;
(c) no changes in tax legislation adversely affect the Akara in realising the benefit from the deductions for the losses.

Tax consolidation legislation

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

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

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

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 8).

NOTES TO THE PRELIMINARY FINAL REPORT (continued)
For the year ended 30 June 2007

7. Controlled entities acquired or disposed of:

Suan Sak Patana Limited was acquired on 23 May 2007.

8. Details of aggregate share of profits/losses of Associated and Joint Venture entities.

There are no associates or joint venture entities associated with the Consolidated Entity.

9. Segmental Information

Primary reporting - Business segments
The Group operates exclusively in one business segment of gold mining and exploration.

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

	Consolidated	
	2007	2006
	$'000	$'000
Sales to external customers:		
Asia Pacific	52,600	72,782
Other revenue:		
Asia Pacific	9,857	1,361
	62,457	74,143
Segment Results:		
Profit before tax	(12,056)	
Asia Pacific	(9,521)	19,437
South America	(3,649)	(2,775)
	(15,705)	16,662
Income tax		
Asia Pacific	3,115	-
South America	-	-
	3,115	-
Profit after tax		
Asia Pacific	(8,941)	19,437
South America	(3,649)	(2,775)
Profit/(Loss) for the year	(12,590)	16,662
Segment Assets:		
Asia Pacific	228,820	162,992
South America	173	1,605
	228,993	164,597
Capital Expenditure:		
Asia Pacific	25,247	34,774
South America	-	1,461
	25,247	36,235

10. CONTRIBUTED EQUITY

	Parent entity		Parent entity	
	2007	2006	**2007**	2006
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares fully paid	92,680,392	88,591,541	111,576	92,091

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$'000**
1 July 2006	Opening balance	85,948,771	75,934
27 September 2005	Dividend reinvestment plan	139,912	437
11 January 2006	Exercise of options – Employee	90,000	
	Proceeds received		379
	Transfer from share-based payment reserve	40,000	19
28 April 2006	Exercise of options – Employee		
	Proceeds received		157
	Transfer from share-based payment reserve		19
28 April 2006	Dividend reinvestment plan	129,998	798
July 2005 to December 2005	Shares bought back on-market and cancelled	(376,167)	(1,268)
20 March to 30 June 2006	Andean Takeover Offer	2,619,027	15,616
30 June 2006	Closing balance	88,591,541	92,091
20 March to 30 June 2006	Andean Takeover Offer	1,667,951	8,186
3 October 2006	Dividend reinvestment plan	170,900	769
20 June 2007	Share placement to Thai interests	2,250,000	10,530
30 June 2007	Closing balance	92,680,392	111,576

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

11. RESERVES AND RETAINED PROFITS

		Consolidated	
		2007	2006
		$'000	$'000
(a)	**Reserves**		
	Foreign currency translation reserve	6,960	2,369
	General reserve	1,026	1,026
	Available-for-sale investment revaluation reserve	24,658	(955)
	Hedging reserve	(4,515)	(26,835)
	Share-based payment reserve	2,087	766
		30,216	(23,629)
	Movements:		
	Foreign currency translation reserve		
	At the beginning of the financial year	2,369	(10,504)
	Net exchange differences on translation of foreign controlled entities	4,591	12,873
	At the end of the financial year	6,960	2,369
	General reserve		
	At the beginning of the financial year	1,026	1,026
	At the end of the financial year	1,026	1,026
	Available-for-sale investment revaluation reserve		
	At the beginning of the financial year	(955)	-
	Transfer to net profit – gross	(9,857)	
	Revaluation	46,037	(955)
	Deferred tax (note 18)	(10,567)	-
	At the end of the financial year	24,658	(955)
	Hedging reserve		
	At the beginning of the financial year	(26,835)	-
	Adjustment on adoption of AASB 132 and AASB 139 (Note 17)	-	(24,475)
	Revaluation	-	(9,416)
	Transferred to the income statement	22,320	7,056
	At the end of the financial year	(4,515)	(26,835)
	Share-based payment reserve		
	At the beginning of the financial year	766	111
	Option expense	1,321	694
	Transfer to share capital (Options exercised)	-	(39)
	At the end of the financial year	2,087	766

Foreign currency translation reserve

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

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

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

Hedging reserve
The hedging reserve is used to record unrealised gains and losses on effective hedging instruments.. All hedge commitments were extinguish as at 30 June 2007. Losses in respect of effective hedges which were terminated prior to their maturity and the original transaction is still expected to occur have been deferred until such time as the transaction occurs. The deferred losses will be realised over the next 2 financial year and they will have no cash impact.

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

12. Retained profits

Movements in retained profits were as follows:	**Consolidated**	
	2007	2006
	$'000	$'000
Retained profits at the beginning of the financial year	59,546	54,662
Adjustment on adoption of AASB 132 and AASB 139 (Note 17)	-	(3,109)
Net profit attributable to members of Kingsgate Consolidated Limited	(12,590)	16,662
Dividends provided for or paid (Note 23)	(4,513)	(8,669)
Retained profits at the end of the financial year	42,442	59,546

13. Net tangible asset backing

	2007	2006
Net tangible asset backing per ordinary shares; $/ per share	1.99	1.44

12. Dividends

Details of dividends/distributions declares or paid during or subsequent to the year ended 30 June 2007 are as follows:

Record date	Payment Date7	Type	Amount per security in cents	Total dividend $'000	Franked amount per security in cents	Foreign sourced dividend amount per security
3 September 2003	1 October 2003	Final	12.5	9,125	Nil	12.5
19 March 2004	2 April 2004	Interim	10.0	8,506	Nil	10.0
10 September 2004	15 October 2004	Final	12.0	10,251	Nil	12.0
9 March 2005	17 March 2005	Interim	2.0	1,722	Nil	2.0
9 September 2005	27 September 2005	Final	5.0	4,286	Nil	5.0
21 April 2006	28 April 2006	Interim	5.0	4,383	Nil	5.0
21 September 2006	3 October 2006	Final	5.0	4,513	Nil	5.0

13. Cash flow information

Reconciliation of profits/ loss for the year to the net operating cash flows

	Consolidated	
	2007	2006
	$ 000	$ 000
Profit (loss) for the year after related income tax expense	(12,590)	16,662
Depreciation and amortisation	8,446	7,805
Share-based payments	1,321	694
Net (gain) loss on sale of available for sale financial assets	(9,864)	-
Write off of exploration cost capitalised	3,854	
Non cash finance expense	346	216
Write off of inventories	391	-
Loss/(gains) on derivative financial instruments	(867)	(7,056)
Net exchange differences	(173)	(193)
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	(1,078)	-
(Increase) decrease in debtors	(1,349)	2,602
(Increase) decrease in inventories	1,519	(310)
(Increase) decrease in future income tax benefit	(4,007)	
(Increase) decrease in other operating assets	(5,406)	(935)
Increase (decrease) in creditors	(1,285)	1,906
Increase (decrease) in provisions	(411)	498
Increase (decrease) in deferred tax liabilities	1,265	-
Net cash inflow (outflow) from operating activities	(19,888)	21,889

14. Events occurring after the reporting date

Borrowing Facility

On 30 July 2007 the Company restructured its credit facilities solely with Investec Bank (Australia) Limited increasing its overall credit facilities from US$18,000,000 to US$28,000,000.

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares.

The credit facility is repayable on 31 January 2008 or in the event the Chatree North mining leases are granted prior to that date, 12 months from the date of the grant of the leases.

15. Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
Basic earnings per share	(17.3)	19.3
Diluted earnings per share	(17.3)	19.3
	$'000	$'000
Net profit/(loss) used to calculate basic and diluted earnings per share	(15,705)	16,662
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	90,606,728	86,292,943
Adjustment for calculation of diluted earnings per share:		
Options	148,117	132,444
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	90,754,845	86,425,387

Options

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

KINGSGATE CONSOLIDATED LIMITED

Directors' Report and Financial Statements

For the Year Ended 30 June 2007

DIRECTORS' REPORT
30 June 2007

Your Directors present their report on the Group consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

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
Peter McAleer

Principal activities

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

Dividends

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

	2007	2006
	$'000	$'000
Final 2006 unfranked dividend of 5 cents per share (2005 - 5 cents) paid on 3 October 2006.	**4,513**	4,286
No interim dividend was declared for 2007 (2006 - 5 cents paid).	**-**	4,383
Total dividend payment	**4,513**	8,669

Review of operations and results

The table below shows the Group's performance over the last 5 years. Net profit in the first 2 years was favourably impacted by high grades and a low strip ratio. The loss for the year is a result of the treatment of low grade ore as access to higher grade ore contained in Chatree North area was not available due to the continued delay in the grant of the Chatree North Mining Leases by the Thai permitting authorities. The Environmental Impact Assessment for the Chatree North Mining leases was approved in April 2007 which is a major milestone in the lease granting process. Following the grant of the Chatree North Mining Leases access to higher grade ore is likely to return the company to profitability. The Group has made a major commitment to exploration in Thailand.

	2007	**2006**	**2005**	**2004**	**2003**
	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP
Net Profit/(Loss) After Tax ($'000)	(12,590)	16,662	8,391	37,679	47,323
Dividends Paid (Cash & DRP) ($'000)	4,513	8,669	11,973	17,631	19,927
Share Price 30 June ($)	5.55	5.14	2.84	3.51	2.94
Basic earnings per share (Cents)	(17.3)	19.3	9.8	45.5	65.4
Diluted earnings per share (Cents)	(17.3)	19.3	9.8	45.5	65.3

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

Significant change in the state of affairs
During the financial year the Group sold its 19.64% holding in Goldstar Resources NL and increased its stake in Andean Resources Limited to 18.53%. There were no other significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Matters subsequent to the end of the financial year

On 30 July 2007 the Company restructured its credit facilities solely with Investec Bank (Australia) Limited increasing its overall credit facilities from US$18,000,000 to US$28,000,000.

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares.

The credit facility is repayable on 31 January 2008 or in the event the Chatree North Mining Leases are granted prior to that date, 12 months from the date of the grant of the leases.

Except for the above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:
The Group's operations in future financial years, or
The results of those operations in future financial years, or
The Group's state of affairs in future financial years.

Likely developments and expected results of operations

The likely developments of the Group in the subsequent financial year include the continuation of mining operations at the Chatree Gold Mine, securing the Chatree North Mining Leases, a continuation of the expanded exploration program both near mine site and regionally within identified mineralised areas, and further increases in Mineral Resources and Ore Reserves.

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

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Argentina, Chile and Peru. For the year ended 30 June 2007, the Group has operated within all environmental laws and there were no known contraventions at the date of this report.

Directors' attendance at meetings (1 July 2006 to 30 June 2007)

	Appointed	Independent	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings Held			17	2	1	2
Meetings Attended:						
Ross Smyth-Kirk	1994	Yes	17	2	1	2
John Falconer	1995	Yes	17	2	1	2
Peter McAleer	2000	Yes	17	2	1	2

During the financial year, 17 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 2 Remuneration Committee meetings were held. The table above shows information on Board members and their attendance (including attendance by telecommunication) during the year.

Information on directors

Ross Smyth-Kirk, B Com, CPA, F FIN Age: 60

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 27 years in Australia and the UK. Ross is currently Chairman of the Australian Jockey Club.

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

John Falconer, FCA, F FIN Age: 59

John Falconer is a 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.

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

Former directorship in the last 3 years: Taragon Property Fund

Peter McAleer, B Com (Hons), B L (Kings Inns – Dublin – Ireland) Age: 64

Peter McAleer is Chairman of Latin Gold Limited and a Director of Kenmare Resources Plc (Ireland). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Tesoro (Chile) and Kalahari Diamonds Resources PLC (England).
Responsibilities: Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Former directorship in the last 3 years: Kalahari Diamond Resources Ltd

Remuneration report

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share based compensation

E Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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

The main objective of the Group's executive reward 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 Group 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 including:

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

Alignment to 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. 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.

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

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

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

Benefits
Executives may receive benefits including car allowances and car parking.

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

Kingsgate Consolidated Employee Option Plan
Information on the Kingsgate Consolidated Option Plan is set out on page 11.

B Details of remuneration (audited)

Amounts of remuneration
Details of the remuneration of each Director of Kingsgate Consolidated Limited and each of the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company and Group who received the highest remuneration, including their personally-related entities, for the year ended 30 June 2007 are set out in the following tables.

The key management personnel of Kingsgate Consolidated Limited includes the directors (see page 2) above and the following executive officers, who are also the 4 highest paid executives of the entity:

- Gavin Thomas
- Peter Warren
- Stephen Promnitz
- Arthur Ellis

The key management personnel of the Group are the directors of Kingsgate Consolidated Limited (see page 2 above), the chief executive officer and those executives that report directly to the chief executive officer. This includes the 5 group executives who received the highest remuneration for the year ended 30 June 2007. The executives are:

- Gavin Thomas
- Peter Warren
- Stephen Promnitz
- Phil MacIntyre
- Ron James

All elements of remuneration are not directly related to performance.

Key management personnel of Kingsgate Consolidated Limited

2007	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	120,000	-	1,454	10,800	-	-	132,254
John Falconer	60,000	-	-	5,400	-	-	65,400
Peter McAleer *	60,000	-	-	-	-	-	60,000
Total	240,000	-	1,454	16,200	-	-	257,654

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

2007	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Other key management personnel							
Gavin Thomas	464,000	-	7,813	36,000	-	177,250	685,063
Stephen Promnitz	344,037	-	-	30,963	-	93,427	468,427
Peter Warren	230,000	-	9,584	100,000	-	345,913	685,497
Arthur Ellis	198,541	-	1,259	13,200	-	-	213,000
Total	1,236,578	-	18,656	180,163	-	616,590	2,051,987

Key management personnel of the Group

2007	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	120,000	-	1,454	10,800	-	-	132,254
John Falconer	60,000	-	-	5,400	-	-	65,400
Peter McAleer *	60,000	-	-	-	-	-	60,000
Total	240,000	-	1,454	16,200	-	-	257,654

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

2007	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Other key management personnel							
Gavin Thomas	464,000	-	7,813	36,000	-	177,250	685,063
Stephen Promnitz	344,037	-	-	30,963	-	93,427	468,427
Peter Warren	230,000	-	9,584	100,000	-	345,913	685,497
Phil MacIntyre	498,874	-	13,499	-	-	32,848	545,221
Ron James	338,010	-	6,835	-	-	34,652	379,497
Total	1,874,921	-	37,731	166,963	-	684,090	2,763,705

2006	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Non-executive directors							
Ross Smyth-Kirk	120,000	-	1,158	10,800	-	-	131,958
John Falconer	60,000	-	-	5,400	-	-	65,400
Peter McAleer *	60,000	-	-	-	-	-	60,000
Total	240,000	-	1,158	16,200	-	-	257,358

* Consulting fees of $60,000 (2005 - $60,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and Director.

2006	Short-term benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Other key management personnel							
Gavin Thomas	464,000	-	5,519	36,000	-	359,737	865,256
Stephen Promnitz	294,343	-	-	24,083	-	178,954	497,380
Surapol Udompornwirat ^	140,325	35,081	3,689	10,047	-	-	189,142
Phil MacIntyre	404,495	42,468	11,596	-	-	114,717	573,276
Ron James	276,255	29,164	8,418	-	-	41,028	354,865
Arthur Ellis	158,397	20,000	-	12,139	-	-	190,536
Total	1,737,815	126,713	29,222	82,269	-	694,436	2,670,455

^ Surapol Udompornwirat resigned 30 June 2006.

C Service agreements (audited)

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

Gavin Thomas - Chief Executive Officer

- Term of agreement – 3 years ending 1 April 2008.
- Base salary, inclusive of superannuation, as at 30 June 2007 of $500,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Stephen Promnitz - Corporate Development Manager

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2007 of $375,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

Peter Warren - Chief Financial Officer/Company Secretary

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2007 of $330,000 to be reviewed annually by the Remuneration Committee.
- No termination or bonus payments.

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

- Term of agreement – 3 years ending 16 July 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $327,036 (net of tax) to be reviewed annually by the remuneration committee.

Ron James - General Manager, Exploration and Resource Development

- Term of agreement –Renewable on an annual basis at the discretion of the Board of Directors.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $227,599 (net of tax) to be reviewed annually by the remuneration committee.

Arthur Ellis - Group Financial Controller

- Term of agreement – No fixed term.
- Base salary, inclusive of superannuation, as at 30 June 2007 of $213,000 to be reviewed annually by the remuneration committee.

D Share based compensation (audited)

Options

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

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

a) the exercise period for the options is three years from the date the options are granted.
b) each option will entitle the holder to subscribe for one ordinary share of the Company and the exercise price for each option will be 10% above the average closing sale price of the Company's ordinary fully paid shares on the Australian Stock Exchange over the five trading days preceding the day on which options are issued (but in any event not less than 20 cents).
c) options are granted under the plan to eligible employees and contractors for no consideration.
d) options granted under the plan carry no dividend or voting rights.
e) set out below are summaries of options granted under the plans.

Full details of the Employee Option Plan are disclosed in the Share Option Plan rules which were approved by shareholders in November 2001, a copy of which can be obtained from the Company. No options have been issued by the Company from this plan in the current year.

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
29 January 2004	29 January 2007	$3.93	$0.49	29 January 2005
31 March 2005	1 April 2010	$2.69	$0.36	1 April 2005
7 July 2005	1 July 2010	$4.00	$0.39 $0.43 $0.47	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$5.00	$0.25 $0.29 $0.33	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$6.00	$0.17 $0.21 $0.24	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
7 July 2005	1 July 2010	$7.00	$0.11 $0.15 $0.18	36% on 1 July 2006, 36% on 1 July 2007 and 28% on 1 July 2008
26 October 2005	26 October 2010	$3.00	$1.52	26 October 2005
26 October 2005	26 October 2010	$4.00	$1.15 $1.24	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	26 October 2010	$5.00	$0.85 $0.94	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	26 October 2010	$6.00	$0.63 $0.72	50% on 1 November 2006 and 50% on 1 November 2007
26 October 2005	1 August 2010	$3.25	$1.44 $1.51 $1.58	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$4.00	$1.12 $1.21 $1.29	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$5.00	$0.80 $0.90 $0.99	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$6.00	$0.58 $0.68 $0.77	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
26 October 2005	1 August 2010	$7.00	$0.43 $0.52 $0.61	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
7 July 2006	1 July 2011	$5.50	$1.60 $1.73 $1.84	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$6.00	$1.46 $1.59 $1.71	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$7.00	$1.22 $1.36 $1.48	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009
7 July 2006	1 July 2011	$8.00	$1.22 $1.36 $1.48	33% on 1 July 2007, 33% on 1 July 2008 and 34% on 1 July 2009

Details of options over ordinary shares in the company provided as remuneration to each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Kingsgate Consolidated Limited. Further information on the options is set out in note 25 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
Other key management personnel of the Group				
Gavin Thomas	-	2,500,000	900,000	-
Stephen Promnitz	-	400,000	200,000	-
Peter Warren	400,000	-	-	-
Phil MacIntyre	-	150,000	50,000	50,000
Ron James	-	90,000	45,000	-

Fair value of options granted

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

The model inputs for options granted during the year ended 30 June 2007 included:

(a) Options are granted for no consideration.
(b) Expected price volatility of the Company's shares: 47% (2006 - 40%)
(c) Expected dividend yield: 1.95% (2006- 4.4%)
(d) Risk-free interest rate: 5.87% (2006 - 5.2%)

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

Shares provided on exercise of remuneration options

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

Name	Number of ordinary shares issued on exercise of options during the year	
Directors of Kingsgate Consolidated Limited	2007	2006
Ross Smyth-Kirk	-	-
John Falconer	-	-
Peter McAleer	-	-
Other key management personnel of the Group		
Gavin Thomas	-	-
Peter Warren	-	-
Stephen Promnitz	-	-
Niall Lenahan	-	90,000
Surapol Udompornwirat	-	40,000
Phil MacIntyre	-	-
Ron James	-	-
Arthur Ellis	-	-

E Additional information (unaudited)

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

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

Details of remuneration: cash bonus and options

For each cash bonus and grant of options included in the tables on pages 7 to 10 and 12 to 15 the percentage of the available bonus or grant that was paid or that was vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest over a 2 or 3 year period and will vest if the executive remains an employee of the company on the vesting date and the options will vest immediately if the executive's employment is terminated as a result of a change in control of the company. No options will vest if the above conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined assuming the share price on the date the options are exercised will not exceed $2.82 for the options issued in July 2005, $4.00 for the options issued in October 2005 and $5.12 for the option issued in July 2006.

	Cash bonus		Options					
Name	Paid %	Forfeited %	Year Granted	Vested %	Forfeited %	Financial years in which the options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Gavin Thomas	nil	nil	2006	36	-	2008	nil	221,400
						2009	nil	196,000
			2005	100	-	-		-
Stephen Promnitz	nil	nil	2006	50	-	2008	nil	80,313
						2009	nil	89,062
Peter Warren	nil	nil	2007	-	-	2008	nil	177,001
						2009	nil	195,168
						2010	nil	210,998
Phil MacIntyre	nil	nil	2006	67	-	2008	nil	41,500
Ron James	nil	nil	2006	50	-	2008	nil	43,500

Share Based compensation: Options

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

Name	Grant date	Options granted prior years	Options granted during the year	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B to D
Gavin Thomas	7 July 2005	2,560,000	-	25.9	602,800	-	-	602,800
Stephen Promnitz	26 Oct 2005	400,000	-	19.9	311,250	-	-	311,250
Peter Warren	7 July 2006	-	400,000	50.5	583,166	-	-	583,166
Phil MacIntyre	26 Oct 2005	150,000	-	6.0	154,500	-	-	154,500
Ron James	26 Oct 2005	90,000	-	9.1	82,950	-	-	82,950

A= The percentage of the value of remuneration consisting of options, based on the value at grant date.
B= The value at grant date calculated in accordance with AASB 2 Share Based Payment 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 employee options

As at the date of this report, there were 3,600,000 unissued ordinary shares under option 3,600,000 at the reporting date). Refer to note 25 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares issued on the exercise of options

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

No further shares have been issued since 30 June 2007 and no amounts are unpaid on any of the shares.

Interest in shares and options of the Company

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

Name	Ordinary shares	Options over ordinary shares
Directors of Kingsgate Consolidated Limited		
Ross Smyth-Kirk	4,586,271	-
John Falconer	191,275	-
Peter McAleer	380,000	-
Key management personnel of the Group		
Gavin Thomas	703,921	2,560,000
Stephen Promnitz	-	400,000
Peter Warren	10,000	400,000
Phil MacIntyre	145,000	150,000
Ron James	-	90,000
Arthur Ellis	24,310	-

Insurance of officers

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

Directors' interest in contracts

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

Non-audit services

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

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

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 *APES 110 Code of Ethics for Professional Statement F1*, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

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	
	2007	2006
	$	$
1. Audit services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports and other work under the *Corporations Act 2001*	318,150	215,480
Related practices of PricewaterhouseCoopers Australian Firm	86,509	86,111
Total remuneration for audit services	**404,659**	**301,591**
2. Non audit services		
Audit-related services		
PricewaterhouseCoopers Australian Firm		
Workers compensation review	3,000	3,500
Accounting advice services	47,907	82,550
Andean bidders statement review	28,000	90,000
Total remuneration for audit–related services	78,907	176,050
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	75,600	44,075
Related practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	42,728	-
Total remuneration for tax related services	118,328	44,075
Total remuneration for non-audit services	**197,235**	**220,125**

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

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

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

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

Ross Smyth-Kirk
Director

John Falconer
Director

Sydney
27 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
27 August 2007

INCOME STATEMENT
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Revenue from continuing operations	3	52,600	74,143	8,090	14,974
Other income	4	9,857	-	9,381	-
Changes in inventories of finished goods and work in progress		(1,031)	(522)	-	-
Direct costs of mining and processing		(48,768)	(40,266)	-	-
Employee benefits expense		(8,160)	(8,053)	(2,562)	(2,636)
Depreciation and amortisation expenses	5	(8,446)	(7,805)	(52)	(50)
Finance costs	5	(2,642)	(854)	(2,466)	(801)
Exploration expensed		(3,846)	(2,853)	-	-
Foreign exchange gains / (losses)	5	(271)	205	-	-
Gain / (loss) on derivative financial instruments		867	7,056	-	-
Other expenses from ordinary activities		(5,865)	(4,389)	(4,471)	(3,339)
Profit/(Loss) before income tax		(15,705)	16,662	7,920	8,148
Income tax benefit	6	3,115	-	4,042	-
Profit/(Loss) for the year		(12,590)	16,662	11,962	8,148
Net Profit/(Loss) attributable to members of Kingsgate Consolidated Limited		(12,590)	16,662	11,962	8,148

		Cents	Cents
Basic earnings per share	33	(17.3)	19.3
Diluted earnings per share	33	(17.3)	19.3

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

BALANCE SHEET
As at 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	7	5,148	10,391	2,314	1,907
Trade and other receivables	8	3,825	1,398	43	6
Inventories	9	5,137	6,656	-	-
Other assets	10	4,794	2,751	1,157	415
TOTAL CURRENT ASSETS		18,904	21,196	3,514	2,328
NON-CURRENT ASSETS					
Receivables	8	-	-	133,312	87,661
Available-for-sale financial assets	11	60,693	20,385	-	6,832
Mine property, plant and equipment	12	141,932	122,922	92	115
Deferred tax assets	13, 18	-	-	3,906	-
Other assets	10	3,457	94	1,126	94
TOTAL NON-CURRENT ASSETS		206,082	143,401	138,436	94,702
TOTAL ASSETS		224,986	164,597	141,950	97,030
CURRENT LIABILITIES					
Payables	15	6,707	7,992	581	1,168
Provisions	16	-	390	-	-
Derivative financial instruments	17	-	23,138	-	-
Borrowings	14	20,000	-	20,000	-
TOTAL CURRENT LIABILITIES		26,707	31,520	20,581	1,168
NON-CURRENT LIABILITIES					
Provisions	16	4,999	5,020	225	117
Derivative financial instruments	17	-	49	-	-
Borrowings	14	1,220	-	-	-
Deferred tax liabilities	13, 18	7,826	-	-	-
TOTAL NON-CURRENT LIABILITIES		14,045	5,069	225	117
TOTAL LIABILITIES		40,752	36,589	20,806	1,285
NET ASSETS		184,234	128,008	121,144	95,745
EQUITY					
Parent entity interest					
Contributed equity	19	111,576	92,091	111,576	92,091
Reserves	20	30,216	(23,629)	2,087	3,622
Retained profits	20	42,442	59,546	7,481	32
TOTAL EQUITY		184,234	128,008	121,144	95,745

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Total equity at the beginning of the financial year		128,008	121,229	95,745	76,598
Adjustment on adoption of AASB 132 and AASB 139:					
Retained profits	20	-	(3,109)	-	-
Reserves	20	-	(24,475)	-	-
Restated total equity at the beginning of the financial year		128,008	93,645	95,745	76,598
Changes in fair value of available-for-sale financial assets, net of tax	20	25,613	(955)	(2,856)	2,856
Changes in fair value of cash flow hedges, net of tax	20	22,320	(2,360)	-	-
Exchange differences on translation of foreign operations	20	4,591	12,873	-	-
Net income recognised directly in equity		52,524	9,558	(2,856)	2,856
Profit/(Loss) for the year		(12,590)	16,662	11,962	8,148
Total recognised income and expense for the year		39,934	26,220	9,106	11,004
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	19	19,484	17,425	19,485	17,425
Employee share options	20	1,321	655	1,321	655
Shares bought back on-market and cancelled, inclusive of transaction costs	19	-	(1,268)	-	(1,268)
Dividends paid	23	(4,513)	(8,669)	(4,513)	(8,669)
		16,292	8,143	16,293	8,143
Total equity at the end of the financial year		184,234	128,008	121,144	95,745

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

CASH FLOW STATEMENTS
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		52,044	73,308	600	665
Payments to suppliers and employees (inclusive of goods and services tax)		(70,022)	(51,579)	(8,225)	(4,763)
Interest received		386	798	290	663
Finance costs		(2,296)	(638)	(2,088)	(801)
Dividends received		-	-	7,200	13,550
NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES	26	(19,888)	21,889	(2,223)	9,314
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration acquisitions *		(4,982)	(10,152)	-	-
Loans to controlled entities		-	-	(37,465)	(20,508)
Payment for mine properties*		(14,440)	(14,983)	-	-
Payments for property, plant and equipment*		(8,339)	(5,376)	(29)	(93)
Payments for investments		-	(5,724)	-	(3,977)
Proceeds from the sale of available for sale financial assets		14,133	-	13,337	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(13,628)	(36,235)	(24,157)	(24,578)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings, net of transaction costs		34,220	-	33,000	
Repayment of borrowings		(13,000)	-	(13,000)	-
Proceeds from issue of shares		10,530	536	10,530	536
Payments for shares bought back		-	(1,259)	-	(1,259)
Share issue and buy-back transaction costs		-	(9)	-	(9)
Dividends paid		(3,744)	(7,434)	(3,744)	(7,434)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		28,006	(8,166)	26,786	(8,166)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,510)	(22,512)	406	(23,430)
Cash at the beginning of the financial year		10,391	32,119	1,907	25,336
Effects of exchange rate changes on cash and cash equivalents		267	784	1	1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		5,148	10,391	2,314	1,907

* The comparatives have been reclassified in line with the changes in presentation in 2007.

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

The financial report of Kingsgate Consolidated Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of directors on 27 August 2007.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

As at 30 June 2007 the consolidated entity had net current liabilities of $7,803,000 (2006: $10,324,000). The consolidated entity incurred a cash outflows from operating activities for the year ended 30 June 2007 of $19,888,000 (2006: an inflow of $21,889,000) and a net loss of $(12,590,000) (2006:profit of $16,662,000).

The adverse results recorded in this financial year are largely due to the mining and processing of low grade of ore from Chatree South and the delivery of gold into out of the money hedges. These hedges have been fully delivered into as at 30 June 2007. From that date, the consolidated entity is selling gold and silver at the current spot prices which are currently much higher than previous hedge prices.

The consolidated entity has access to financing facilities that are disclosed in Note 14. The future cash position is actively managed by the consolidated entity and it is noted that consistent with the accounting policy of the Group, available for sale financial assets amounting to $60,693,000 at year end are classified as non-current assets as there is no current intention to sell this investment within 12 months of the balance date. The Chatree North mining lease applications are well advanced and the grant of the new leases will allow the mine to resume full production with a significant increased in head grade and cash flows.

The directors are of the opinion that the above provides reasonable grounds to believe that the Company and the consolidated entity will be able to pay their debts as and when they fall due. This Financial Report has been prepared on a going concern basis.

Compliance with IFRS
Australian Accounting Standards include AIFRS, Compliance with AIFRS ensure that the consolidated financial statements and notes of Kingsgate Consolidated Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB *132 Financial Instruments: Presentation and Disclosure.*

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kingsgate Consolidated Limited ("Company" or "Parent Entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Kingsgate Consolidated Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

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

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

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

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

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

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue represents the net proceeds receivable from the customer, profit or loss on effective gold derivatives.

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

(f) Income tax

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

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

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

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

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

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

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Acquisitions of assets

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

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

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

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables from gold and silver sales are due for settlement no more than 3 days from the date of recognition. Other receivables are due for settlement no more than 90 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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

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

(n) Derivatives

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the

derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

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

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

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

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) Property, plant and equipment

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

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

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

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

The expected useful lives are as follows:

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

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

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

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

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

(q) Exploration and Evaluation Expenditure

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

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

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(r) Mine Properties

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

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

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

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

(s) Trade and other payables

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(u) Borrowing costs

Loan establishment costs are capitalised and written off over the life of the loan. Other borrowing costs are expensed.

(v) Provisions

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

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

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

(w) Restoration and Rehabilitation Provision

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

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

(x) Employee benefits

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

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

(iii) Retirement benefit obligations
Contributions to defined contribution funds are recognised as an expense as they become payable.

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

Shares options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under Kingsgate Employees and Contractors Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

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

(y) Contributed equity

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

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

(z) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(aa) Earnings per share

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

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(ab) Goods and Services Tax

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

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

Cashflows are presented on a gross basis. The GST component of the cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flow.

(ac) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB-I 10 Interim Financial Reporting and Impairment AASB-I 10 applies to annual reporting periods beginning on or after 1 November 2006. It prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply AASB-I 10 from 1 July 2007 but it is not expected to have any impact on the Group's financial statements.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007.

AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32 Financial Instruments: Disclosure and Presentation. It is applicable to all reporting entities. The amendment to AASB 101 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of AASB 7 and the amendment to AASB 101 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of AASB 101. The Group will apply the standards from annual reporting periods beginning 1 July 2007.

Revised AASB 101 Presentation of Financial Statements A revised AASB 101 was issued in October 2006 and is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standard early. Application of the revised standard will not affect any of the amounts recognised in the financial statements, but will remove some of the disclosures currently required, including the disclosure about economic dependencies.

AASB-I 11 AASB 2 - Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary’s financial statements for share-based payment arrangements involving equity instruments of the parent. The Group will apply AASB-I 11 from 1 July 2007, but it is not expected to have any impact on the Group's financial statements.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

AASB 2007-4 Amendments to Australian Accounting Standards arising from ED151 and Other Amendments AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements. In particular, Australian entities are now permitted to use the proportionate consolidation method for interests in joint venture entities and the indirect method for presenting cash flow statements, to recognise government grants of non-monetary assets at nominal amounts and to present assets and expenses net of related government grants. Furthermore, some intermediate parent entities may no longer have to prepare consolidated financial reports. The Group will adopt the amendments arising from 2007-4 for the financial year ending 30 June 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove some of the disclosures that are currently required.

(ae) Rounding of amounts

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

2. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

(ii) Derivative financial instruments
The Group uses an external consultant to estimate the fair value of its commodity contracts based on well established option pricing models and market conditions existing at the balance sheet date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have a significant impact on the fair valuation attributed to these contracts. When these assumptions change or become known in the future, such differences will impact asset carrying values and the hedging reserve in the period in which they change or become known. The related carrying amounts are disclosed in Notes 17 and 30.

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

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

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

		Consolidated		Parent entity	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
3.	**REVENUE**				
	Revenue from continuing operations				
	Sales revenue				
	Gold sales	47,263	67,224	-	-
	Silver sales	4,781	5,558	-	-
	Services	- -	-	600	600
	Other revenue				
	Interest	386	798	290	759
	Dividends	- -	-	7,200	13,550
	Other revenue	170	563	-	65
	Revenue from continuing operations	52,600	74,143	8,090	14,974
4.	**OTHER INCOME**				
	Net gain on sale of available-for-sale assets	9,857	-	9,381	-
5.	**EXPENSES**				
	Cost of sales	60,278	43,941	-	-
	Foreign exchange (gains) / losses	(271)	205	-	-
	Finance costs				
	Interest and finance charges paid/payable	2,296	541	2,088	585
	Rehabilitation provision discount adjustment	98	97	-	-
	Amortisation of deferred borrowing costs	248	216	378	216
	Finance costs expensed	2,642	854	2,466	801
	Write down of raw materials and stores	391	-	-	-
	Rental expense relating to operating leases	2,117	2,112	179	154
	Depreciation and amortisation *				
	Mine properties	6,656	4,953	-	-
	Mine buildings, plant and equipment	1,623	2,716	-	-
	Non-mining property, plant and equipment	653	321	52	50
	Depreciation capitalised	(486)	(185)	-	-
	Total depreciation and amortisation	8,446	7,805	52	50

* From 1 January 2007 depreciation calculated based on the units of production method was revised for the conversion of resources to estimated recoverable reserves. The impact for the current year is a decrease in depreciation expense by $577,000 and in future years $22 per oz. The change in accounting estimate was adopted to ensure that the depreciation charges reflected management's best estimate of the useful life of assets.

6. INCOME TAX

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	17	-	-	-
Deferred tax	1,471	-	762	-
Adjustment for current tax of prior periods	(4,603)	-	(4,804)	-
Income tax benefit	(3,115)	-	(4,042)	-
Deferred income tax (revenue) expense included in income tax expenses comprises:				
Decrease (increase) in deferred tax assets	799	-	728	-
Increase (decrease) in deferred tax assets	672	-	34	-
	1,471	-	762	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/ (Loss) from continuing operations before income tax	(15,705)	16,662	7,915	8,148
Tax at Australian tax rate of 30%	(4,712)	4,999	2,374	2,444
Tax effect of amounts which are not deductible in calculating taxable income:				
Notional management fees	354	-	354	-
Non taxable dividends	(2,553)	-	(2,159)	(4,065)
Share based remuneration	193	-	193	-
	(2,006)	-	(1,612)	(1,621)
Tax exempt profits - Thailand	8,206	(5,342)	-	-
Adjustments for current tax of prior periods	-		-	-
Prior year tax losses recognised in the financial year previously not recognised	(4,603)	-	(4,804))	-
Current year tax loss not brought to account	-	343	-	1,621
Income tax benefit	(3,115)	-	(4,042)	-
Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly into equity	10,567	-	-	-

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

Subject to meeting BOI conditions and based on a production of 178,416 ounces of gold and 583,733 ounces of silver per year, Akara Mining Limited's Chatree Gold Mine is entitled to:
(a) an 8 year full corporate tax holiday commencing at first gold pour on metal sales;
(b) a further 5 year half tax holiday following (a) above (at a 15% tax rate); and
(c) other benefits.

The start of the promotion period was 27 November 2001.

Tax losses

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

(a) the Akara derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
(b) the Akara continues to comply with the conditions for deductibility imposed by tax legislation;
(c) no changes in tax legislation adversely affect the Akara in realising the benefit from the deductions for the losses.

Tax consolidation legislation

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

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

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

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 8).

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	2,124	1,362	1,351	139
Deposits at call	3,024	9,029	963	1,768
	5,148	10,391	2,314	1,907

Cash at bank and on hand
These are non-interest bearing.

Deposits at call
The deposits at call are bearing floating interest rates between 0.15% - 5.95% (2006 - 1% - 5.6%) and they may be accessed daily.

8. RECEIVABLES

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current				
Trade receivable	1,078	-	-	-
Other debtors	2,747	1,398	43	6
	3,825	1,398	43	6
Non-current				
Loans to controlled entities (Note 22)	- -	-	133,312	87,661

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

9. INVENTORIES

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Raw materials and stores – at cost	3,879	4,281	- -	-
Provision for obsolescence	(723)	(637)	- -	-
Work in progress – at net realisable value	1,981	3,012	- -	-
	5,137	6,656	- -	-

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
10. OTHER ASSETS				
Current				
Deposit for land	1,229	-	-	-
Other deposits	1,269	1,820	46	46
Loan establishment fees	742	-	741	-
Prepayments	940	931	365	369
Deferred stripping costs	614	-	-	-
	4,794	2,751	1,152	415
Non-current				
Deferred borrowing costs	663	630	1,276	630
Accumulated amortisation	-	(536)	(150)	(536)
Restricted cash deposits	2,794	-	-	-
	3,457	94	1,126	94

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Equity securities				
At the beginning of the financial year	20,385	-	6,832	-
Additions	8,406	21,340	-	3,977
Disposals	(14,134)	-	(13,357)	-
Revaluation	46,036	(955)	6,525	2,855
At the end of the financial year	60,693	20,385	-	6,832

At 30 June 2007, the available-for-sale financial asset consists of the investment in the ordinary shares of Andean Resources Limited (ASX: AND). (At 30 June 2006, the available-for-sale financial assets were Andean and Goldstar Resources NL (ASX: GDR)). The fair values of the shares are based on the closing share price at the financial year end.

12. MINE PROPERTY, PLANT AND EQUIPMENT

Consolidated	Exploration and evaluation $'000	Mine properties $'000	Mine buildings, plant and equipment $'000	Non-mining plant and equipment $'000	Total $'000
At 1 July 2005					
Cost	13,232	62,661	45,447	1,536	122,876
Accumulated depreciation and amortisation	-	(16,804)	(17,588)	(407)	(34,799)
Net book amount	13,232	45,857	27,859	1,129	88,077
Year ended 30 June 2006					
Opening net book amount	13,232	45,857	27,859	1,129	88,077
Additions	10,152	14,841	5,376	327	30,696
Disposals	-	-	(7)	(2)	(9)
Depreciation and amortisation expense	-	(4,953)	(2,716)	(321)	(7,990)
Foreign currency exchange differences	2,194	6,258	3,582	114	12,148
Closing net book amount	25,578	62,003	34,094	1,247	122,922
At 30 June 2006					
Cost	25,578	86,141	56,724	2,032	170,455
Accumulated depreciation and amortisation	-	(24,138)	(22,630)	(785)	(47,533)
Net book amount	25,578	62,003	34,094	1,247	122,922

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

* Exploration includes land held for exploration purposes. Mine Properties includes land for both Chatree North and South. The comparatives included land interests for exploration and Mine Properties and these have been reclassified.

Parent entity	Non-mining plant and equipment $'000	Total $'000
At 1 July 2005		
Cost	145	145
Accumulated depreciation	(69)	(69)
Net book amount	76	76
Year ended 30 June 2006		
Opening net book amount	76	76
Additions	93	93
Disposals	(4)	(4)
Depreciation expense	(50)	(50)
Closing net book amount	115	115
At 30 June 2006		
Cost	233	233
Accumulated depreciation	(118)	(118)
Net book amount	115	115

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

Certain values in 2005 and 2006 have been restated to be conform with the layout for 2007.

13. DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Tax losses	3,752	-	3,752	-
Employee benefits	67	-	67	-
Accruals	116	-	116	-
Unrealised exchange losses	72	-	-	-
Total deferred tax assets	4,007	-	3,935	-
Deferred tax assets to be recovered within 12 months	116	-	116	-
Deferred tax assets to be recovered after more than 12 months	3,891	-	3,819	-
	4,007		3,935	

	Tax losses	Employee benefits	Accruals	Unrealised exchange losses	Total
	$'000	$'000	$'000	$'000	$'000
Movements – Consolidated					
At 30 June 2006	-	-	-	-	-
Charged (credited) to the income statement	3,752	67	116	72	4,007
At 30 June 2007	3,691	67	116	72	4,007
Movements – Parent					
At 30 June 2006	-	-	-	-	-
Charged (credited) to the income statement	3,752	67	116	-	3,935
Charged directly to equity	-	-	-	-	-
At 30 June 2007	3,752	67	116	-	3,935

14. BORROWINGS

As at 30 June 2007, the credit facilities were drawn to A$20,000,000.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
CURRENT LIABILITIES – BORROWINGS				
Secured				
Revolving credit facility	20,000	-	20,000	-
NON-CURRENT LIABILITIES – BORROWINGS				
Secured				
Preference shares in controlled entity	1,220	-	-	-
Total secured liabilities				
The total secured liabilities (current and non-current) are as follows:				
Revolving Credit Facility	20,000	-	20,000	-
Preference shares in controlled entity	1,220	-	-	-
Total secured liabilities	21,220	-	20,000	-

Revolving credit facilities
As at 30 June 2007, the Company had US$8,000,000 in revolving credit facilities with two banks. The facilities expire on 10 December 2007. The facilities are secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares.

The Company has a further US$10,000,000 revolving credit facility with second ranking security. The credit facility is repayable on 9 December 2007 or in the event the Chatree North mining leases are granted prior to that date, 12 months from the date of the grant of the leases.

Interest on all facilities is charged at commercial rates based on LIBOR on drawn balances and contain facility fees payable based on a percentage of the facility limit. The average interest rate for the year on the facility is 8.8%.

Subsequent to year end, the Company restructured its credit facilities with a single bank and increased the overall limit to US$28 million (see note 27).

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
NON-CURRENT LIABILITIES – BORROWINGS				
Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Revolving credit facility	21,209	21,915	21,209	21,915
	21,209	21,915	21,209	21,915
Unused at balance date				
Revolving credit facility	1,209	21,915	1,209	21,915
	1,209	21,915	1,209	21,915
15. PAYABLES				
Current				
Trade creditors	6,707	7,992	581	1,168
16. PROVISIONS				
Current				
Customs provision	-	390	-	-
	-	390	-	-
			-	-
Non-current				
Restoration and rehabilitation (note 1(w))	3,509	3,292	-	-
Employee benefits (1(x) and 22)	342	889	225	117
Employee benefits severance	1,148	839	-	-
	4,999	5,020	225	117
Movements in provision				
Movements in each class of provision during the financial year other than employee benefits, are set out below:				
Restoration and rehabilitation				
At the beginning of the financial year	3,292	2,842	-	-
Provision discount adjustment	98	97	-	-
Foreign currency exchange differences	119	353	-	-
At the end of the financial year	3,509	3,292	-	-

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
17. DERIVATIVE FINANCIAL INSTRUMENTS				
Current				
Commodity contracts	-	23,138	-	-
Non-current				
Commodity contracts	-	49	-	-

Transition to AASB132 and AASB139

The Group has taken the exemption under AASB 1 to apply AASB 132 Financial Instruments: Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. At the date of transition to these standards of 1 July 2005 commodity contracts were recognised at fair value which resulted in an increase in liabilities of $27,584,000. $24,475,00 was recorded in the hedging reserve, representing the effective portion of the commodity contracts that are designated and qualify as cash flow hedges, $3,109,000 was recorded in retained earnings for the ineffective portion of these commodity contracts.

Instruments used by the Group

The Group was party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in commodity price fluctuations. This was in accordance with the Group's financial risk management policies. All commitments were extinguished as at 30 June 2007. Details of put options commodity contracts and risk management policies are available in note 30.

18. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:				
Loan establishment fee	(29)		(29)	-
Unrealised exchange gains	(1,237)	-	-	-
Unrealised profit on available for sale assets	(10,567)	-	-	-
Total deferred tax liabilities	(11,833)	-	(29)	-
Deferred tax liabilities to be recovered within 12 months	-	-	-	-
Deferred tax liabilities to recovered after 12 months	(11,833)	-	(29)	-
	(11,833)	-	(29)	-

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

19. CONTRIBUTED EQUITY

	Parent entity		Parent entity	
	2007	2006	**2007**	2006
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares fully paid	92,680,392	88,591,541	111,576	92,091

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of Shares	$'000
1 July 2006	Opening balance		85,948,771	75,934
27 September 2005	Dividend reinvestment plan	(d)	139,912	437
11 January 2006	Exercise of options – Employee	(e)	90,000	
	Proceeds received			379
	Transfer from share-based payment reserve		40,000	19
28 April 2006	Exercise of options – Employee	(e)		
	Proceeds received			157
	Transfer from share-based payment reserve			19
28 April 2006	Dividend reinvestment plan	(f)	129,998	798
July 2005 to December 2005	Shares bought back on-market and cancelled	(g)	(376,167)	(1,268)
20 March to 30 June 2006	Andean Takeover Offer	(h)	2,619,027	15,616
30 June 2006	Closing balance		88,591,541	92,091
20 March to 30 June 2006	Andean Takeover Offer	(i)	1,667,951	8,186
3 October 2006	Dividend reinvestment plan	(j)	170,900	769
20 June 2007	Share placement to Thai interests	(k)	2,250,000	10,530
30 June 2007	Closing balance		92,680,392	111,576

(c) Ordinary shares

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

(d) Dividend reinvestment plan

139,912 fully paid ordinary shares were issued as part of the interim dividend under the Company's Dividend Reinvestment Plan at $3.12 each.

(e) Employees and contractors option plan

Information relating to the Kingsgate Employees and Contractors Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year is set out in note 25.

(f) Dividend reinvestment plan

129,998 fully paid ordinary shares were issued as part of the interim dividend under the Company's Dividend Reinvestment Plan at $6.14 each.

(g) Share Buy Back

During the financial year ended 30 June 2006 the Company purchased and cancelled 376,167 ordinary shares representing 0.4 % of ordinary share capital. The shares were acquired at an average price of $3.35 per share, with prices ranging from $2.79 to $4.07. Share buy-back transaction costs amounted to $8,829. The on-market buyback remains in effect at the date of this report.

(h) Andean Takeover Offer

Kingsgate offered Andean shareholders 1 Kingsgate ordinary share for every 15 Andean shares held. This resulted in Kingsgate issuing 2,619,027 shares at an average of $5.96 per share.

(i) Andean Takeover Offer

Kingsgate offered Andean shareholders 1 Kingsgate ordinary share for every 15 Andean shares held. This resulted in Kingsgate issuing 1,667,951 shares at an average of $4.90 per share.

(j) Dividend reinvestment plan

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

(k) Share placement to Thai interests

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

20 RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Foreign currency translation reserve	6,960	2,369	-	-
General reserve	1,026	1,026	-	-
Available-for-sale investment revaluation reserve	24,658	(955)	-	2,856
Hedging reserve	(4,515)	(26,835)	-	-
Share-based payment reserve	2,087	766	2,087	766
	30,216	(23,629)	2,087	3,622
Movements:				
Foreign currency translation reserve				
At the beginning of the financial year	2,369	(10,504)	-	-
Net exchange differences on translation of foreign controlled entities	4,591	12,873	-	-
At the end of the financial year	6,960	2,369	-	-
General reserve				
At the beginning of the financial year	1,026	1,026	-	-
At the end of the financial year	1,026	1,026	-	-
Available-for-sale investment revaluation reserve				
At the beginning of the financial year	(955)	-	2,856	-
Transfer to net profit – gross	(9,857)		(9,381)	-
Revaluation	46,037	(955)	6,525	2,856
Deferred tax (note 18)	(10,567)	-	-	-
At the end of the financial year	24,658	(955)	-	2,856
Hedging reserve				
At the beginning of the financial year	(26,835)	-	-	-
Adjustment on adoption of AASB 132 and AASB 139 (Note 17)	-	(24,475)	-	-
Revaluation	-	(9,416)	-	-
Transferred to the income statement	22,320	7,056	-	-
At the end of the financial year	(4,515)	(26,835)	-	-
Share-based payment reserve				
At the beginning of the financial year	766	111	766	111
Option expense	1,321	694	1,321	694
Transfer to share capital (Options exercised)	-	(39)	-	(39)
At the end of the financial year	2,087	766	2,087	766

Foreign currency translation reserve

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

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

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

Hedging reserve
The hedging reserve is used to record unrealised gains and losses on effective hedging instruments, as described in note 1(n). All hedge commitments were extinguish as at 30 June 2007. Losses in respect of effective hedges which were terminated prior to their maturity and the original transaction is still expected to occur have been deferred until such time as the transaction occurs. The deferred losses will be realised over the next 2 financial years and they will have no cash impact.

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

(b) Retained profits

Movements in retained profits were as follows:	**Consolidated**		**Parent entity**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Retained profits at the beginning of the financial year	59,546	54,662	32	553
Adjustment on adoption of AASB 132 and AASB 139 (Note 17)	-	(3,109)	-	-
Net profit attributable to members of Kingsgate Consolidated Limited	(12,590)	16,662	11,962	8,148
Dividends provided for or paid (Note 23)	(4,513)	(8,669)	(4,513)	(8,669)
Retained profits at the end of the financial year	42,442	59,546	7,481	32

21. COMMITMENTS FOR EXPENDITURE

Capital commitments

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within 1 year	13,126	460	294	-

Land commitments

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

Within 1 year	2,584	-	-	-

Exploration commitments

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

Not later than one year	755	-	-	-
Later than one year but not later than 5 years	7,997	-	-	-
	8,752	-	-	-

Operating leases

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within 1 year	372	1,566	261	163
Later than 1 year but not later than 5 years	376	7,600	108	191
Later than 5 years	5	4	-	-
	753	9,170	369	354
Remuneration commitments				
Within 1 year	450	1,222	450	500
Later than 1 year but not later than 5 years	-	375	-	375
	450	1,597	450	875

22. INVESTMENTS IN CONTROLLED ENTITIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding		Parent entity cost	
			2007	2006	**2007**	2006
			%	%	**$**	$
Issara Mining Limited	Thailand	Ordinary	100	100	-	-
Richaphum Limited	Thailand	Ordinary	100	100	-	-
Naka Udsahakum Limited	Thailand	Ordinary	100	100	-	-
Akara Mining Limited	Thailand	Ordinary	100	100	-	-
Suan Sak Patana Limited	Thailand	Ordinary	100	-	-	-
Kingsgate Capital Pty Limited	Australia	Ordinary	100	100	1	1
Kingsgate South America Pty Ltd	Australia	Ordinary	100	100	1	1
Minera Kingsgate Limitada	Chile	Ordinary	100	100	2	2
Kingsgate Peru SRL	Peru	Ordinary	100	100	274	274
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	100	-	200	-

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

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

23. DIVIDENDS

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Final 2006 unfranked dividend of 5 cents per share (2005 - 5 cents paid) paid on 3 October 2006	4,513	4,286	4,513	4,286
No interim dividend was declared for 2007 (2006 - 5 cents paid)	-	4,383	-	4,383
	4,513	8,669	4,513	8,669
Paid in cash	3,744	7,434	3,744	7,434
Satisfied by issue of shares	769	1,235	769	1,235
	4,513	8,669	4,513	8,669

The Groups franking credit balance at 30 June 2007 is Nil (2006: Nil)

24. RELATED PARTIES

Transactions with related parties

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loans advanced - Non current	45,176,665	43,492,673	-	-
Interest received	1,595,703	1,511,290	-	-
Rentals paid	1,935,151	1,957,870	-	-

Interest is charged on the loans advanced at the rate of 4% per annum (2006 - 4%). Rentals relate to land used by the Group for gold mining and exploration.

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

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

Transactions between Kingsgate Consolidated Limited and controlled entities during the years ended 30 June 2007 and 30 June 2006 consisted of loans advanced by and assignment of liabilities to Kingsgate Consolidated Limited. The loans do not bear interest. Management fees of $600,000 (2006 - $600,000) were received from Akara Mining Limited during the year.

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Non-current receivables				
Wholly owned subsidiaries (note 8)	-	-	133,176	87,661

During the year the parent entity advanced $45,515,000 (2006 - $31,477,977) to controlled entities.

Controlling entities
The ultimate parent entity in the wholly-owned group is Kingsgate Consolidated Limited.

25. EMPLOYEE BENEFITS AND SHARE BASED PAYMENTS

Employee benefit and related on-costs liabilities

Provision for employee benefits	- current	342	889	-	-
	- non current	1,148	-	225	117

Provision has been made for annual leave and Thai severance pay.

Employee numbers

Average number of employees during the financial year	386	294	7	8

Superannuation
The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employees' wages and salaries.

Kingsgate Employees and Contractors Option Plan

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

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

a) the exercise period for the options is three years from the date the options are granted.
b) each option will entitle the holder to subscribe for one ordinary share of the Company and the exercise price for each option will be 10% above the average closing sale price of the Company's ordinary fully paid shares on the Australian Stock Exchange over the five trading days preceding the day on which options are issued (but in any event not less than 20 cents).
c) options are granted under the plan to eligible employees and contractors for no consideration.
d) options granted under the plan carry no dividend or voting rights.
e) set out below are summaries of options granted under the plans.

Full details of the Employee Option Plan are disclosed in the Share Option Plan rules which were approved by shareholders in November 2001, a copy of which can be obtained from the Company. No options have been issued from this plan for the year ended 30 June 2007 (2006 Nil).

Consolidated and parent entity – 2007

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

Consolidated and parent entity - 2006

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Expired during year	Balance end of year	Exercisable end of year
11 July 2002	11 July 2005	$2.66	17,000	-	-	17,000	-	-
5 Feb 2003	5 Feb 2006	$4.44	50,000	-	50,000	-	-	-
3 Nov 2003	28 Aug 2006	$4.16	40,000	-	-	40,000	-	-
29 Jan 2004	29 Jan 2007	$3.93	180,000	-	80,000	40,000	60,000	60,000
Total			287,000	-	130,000	97,000	60,000	60,000
Weighted average exercise price			3.98	-	4.13	3.80	3.93	3.93

Kingsgate Executive Option Plan

The terms of the options issued pursuant to the plan are as follows:
(a) each option will entitle the holder to subscribe for one ordinary share of the Company.
(b) options are granted under the plan for no consideration.
(c) options granted under the plan carry no dividend or voting rights.
(d) set out below are summaries of options granted under the plans

Consolidated and parent entity - 2007

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

The share price at the grant date was $5.12 at 7 July 2006.
Valuation of options at grant date are disclosed in Note 31.

Consolidated and parent entity - 2006

Grant date	Expiry date	Exercise price	Balance start of year	Granted during year	Exercised during year	Balance end of year	Exercisable end of year
31 Mar 2005	1 Apr 2010	$2.69	60,000	-	-	60,000	60,000
7 July 2005	1 July 2010	$4.00	-	500,000	-	500,000	-
7 July 2005	1 July 2010	$5.00	-	500,000	-	500,000	-
7 July 2005	1 July 2010	$6.00	-	500,000	-	500,000	-
7 July 2005	1 July 2010	$7.00	-	1,000,000	-	1,000,000	-
26 Oct 2005	26 Oct 2010	$3.00	-	50,000	-	50,000	50,000
26 Oct 2005	26 Oct 2010	$4.00	-	30,000	-	30,000	-
26 Oct 2005	26 Oct 2010	$5.00	-	80,000	-	80,000	-
26 Oct 2005	26 Oct 2010	$6.00	-	80,000	-	80,000	-
26 Oct 2005	1 Aug 2010	$3.25	-	25,000	-	25,000	-
26 Oct 2005	1 Aug 2010	$4.00	-	50,000	-	50,000	-
26 Oct 2005	1 Aug 2010	$5.00	-	100,000	-	100,000	-
26 Oct 2005	1 Aug 2010	$6.00	-	100,000	-	100,000	-
26 Oct 2005	1 Aug 2010	$7.00	-	125,000	-	125,000	-
Total			60,000	3,140,000	-	3,200,000	110,000
Weighted average exercise price			2.69	5.70	-	5.65	2.83

The share prices at the grant dates were $2.82 at 7 July 2005 and $4.03 at 26 October 2005.

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.1 years (2006 – 4.0 years).

Fair value of options granted

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

The model inputs for options granted during the year ended 30 June 2007 included:

(a) Options are granted for no consideration.
(b) Expected price volatility of the Company's shares: 47% (2006 - 40%)
(c) Expected dividend yield: 1.95% (2006 – 4.4%)
(d) Risk-free interest rate: 5.87% (2006 - 5.2%)

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

Expense arising from share-based payment transactions

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

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Options issued to executive	645	694	645	694

Share based payments – non employee related

On 24 April 2007, the parent entity issued 1,126,000 options to Investec Bank (Australia) Limited as part of a financing package. Each option entitles the holder to acquire 1 ordinary share at a strike price of $4.55. The options expire 2 years from the date of issue.

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$ 000	$ 000	$ 000	$ 000
Profit (loss) for the year	(12,590)	16,662	11,962	8,148
Depreciation and amortisation	8,446	7,805	52	50
Share-based payments	1,321	694	1,321	694
Net (gain) loss on sale of available for sale financial assets	(9,864)	-	(9,381)	-
Write off of exploration cost capitalised	3,854		-	-
Non cash finance expense	346	216	378	216
Write off of inventories	391	-	-	-
Loss/(gains) on derivative financial instruments	(867)	(7,056)	-	-
Net exchange differences	(173)	(193)	(359)	(579)
Change in operating assets and liabilities				
(Increase) decrease in trade debtors	(1,078)	-	-	-
(Increase) decrease in debtors	(1,349)	2,602	(37)	102
(Increase) decrease in inventories	1,519	(310)	-	-
(Increase) decrease in future income tax benefit	(4,007)		(3,935)	
(Increase) decrease in other operating assets	(5,406)	(935)	(1,774)	(62)
Increase (decrease) in creditors	(1,285)	1,906	(587)	824
Increase (decrease) in provisions	(411)	498	108	(79)
Increase (decrease) in deferred tax liabilities	1,265	-	29	-
Net cash inflow (outflow) from operating activities	(19,888)	21,889	(2,223)	9,314

27. EVENTS OCCURRING AFTER REPORTING DATE

Borrowing Facility

On 30 July 2007 the Company restructured its credit facilities solely with Investec Bank (Australia) Limited increasing its overall credit facilities from US$18,000,000 to US$28,000,000.

The facility is secured by a first ranking charge over the Group's Australian assets and a share mortgage of Akara Mining Limited shares.

The credit facility is repayable on 31 January 2008 or in the event the Chatree North mining leases are granted prior to that date, 12 months from the date of the grant of the leases.

28. CONTINGENT LIABILITIES

The parent entity and Group had contingent liabilities at 30 June 2007 in respect of:

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

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

29. SEGMENT INFORMATION

Primary reporting - Business segments
The Group operates exclusively in one business segment of gold mining and exploration.

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

	Consolidated	
	2007	2006
	$'000	$'000
Sales to external customers:		
Asia Pacific	52,600	72,782
Other revenue:		
Asia Pacific	9,857	1,361
	62,457	74,143
Segment Results:		
Profit before tax	(12,056)	
Asia Pacific	(9,521)	19,437
South America	(3,649)	(2,775)
	(15,705)	16,662
Income tax		
Asia Pacific	3,115	-
South America	-	-
	3,115	-
Profit after tax		
Asia Pacific	(8,941)	19,437
South America	(3,649)	(2,775)
Profit/(Loss) for the year	(12,590)	16,662
Segment Assets:		
Asia Pacific	228,820	162,992
South America	173	1,605
	228,993	164,597
Capital Expenditure:		
Asia Pacific	25,247	34,774
South America	-	1,461
	25,247	36,235

30. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk Management

The Groups activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program was to deliver into out of the money call options so that the Group will have exposure to the gold spot price. In June 2007, the call options were fully delivered. The remaining commodities contracts are put options as indicated below:

(a) Market risk

(i) Price Risk

The Group's major commodity price exposure is to the price of gold. At 30 June 2007, Kingsgate Consolidated Limited and certain of its controlled entities had the commodities put options contracts:

Maturity	**Quantity hedged**		**Average price**	
	2007	2006	**2007**	2006
	Ounces	Ounces	**A$/oz**	A$/oz
Put options bought (A$):				
Within 1 year	14,000	31,500	570	570
1 to 2 years	-	14,000	-	570
2 to 3 years	-	-	-	-

Maturity	**Quantity hedged**		**Average price**	
	2007	2006	**2007**	2006
	Ounces	Ounces	**US$/oz**	US$/oz
Put options bought (US$):				
Within 1 year	22,500	73,500	330	306
1 to 2 years	-	22,500	-	330
2 to 3 years	-	-	-	-
Call options sold (US$):				
Within 1 year	-	58,500	-	317
1 to 2 years	-	280	-	360
2 to 3 years	-	-	-	-

The mark to market relating from these commodity contracts at 30 June 2007 were nil.
The A$ and US$ puts have been designated as effective cash flow hedges.
The Group uses an external consultant to estimate the fair value of its commodity contracts based on well established option pricing models and market conditions existing at the balance sheet date.

(ii) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group operates internationally and is exposed to foreign exchange risks. This includes significant assets held in Thai Baht and sales made in US dollars.

Movements in foreign currencies are monitored by the Group and the Board has set limits on foreign currency hedging. At 30 June 2007 the Group had not entered into any foreign currency hedging contracts.

(b) Credit risk

The Group has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Interest rate risk

The Group exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates.

			Fixed interest maturing in:				
	Notes	**Floating interest rate $'000**	**1 year or less $'000**	**1 to 2 years $'000**	**More than 2 years $'000**	**Non-interest bearing $'000**	**Total $'000**
2007							
Financial assets							
Cash	7	3,024	-	-	-	2,124	5,148
Restricted cash	10	-	-	-	2,794	-	2,794
Other deposits	10	1,269	-	-	-	-	1,269
Available for sale financial assets	11	-	-	-	-	60,693	60,693
Trade receivables		-	-	-	-	1,078	1,078
Other receivables	8	-	-	-	-	2,747	2,747
		4,293	-	-	2,794	66,642	73,723
Weighted average interest rate		3.1%			3.2%		
Financial liabilities							
Payables	15	-	-	-	-	6,707	6,707
Borrowings	14	20,000	-	-	1,220	-	21,220
			-	-			
		20,000			1,220	6,707	27,927
Weighted average interest rate		8.8%			12%		
Net financial assets (liabilities)		(15,707)	-	-	1,574	59,935	45,802

	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 2 years $'000	More than 2 years $'000	Non-interest bearing $'000	Total $'000
2006							
Financial assets							
Cash	7	9,029	-	-	-	1,362	10,391
Other deposits	10	1,820	-	-	-	-	1,820
Available for sale financial assets		-	-	-	-	20,385	20,385
Other receivables	8	-	-	-	-	1,398	1,398
		10,849	-	-	-	23,145	33,994
Weighted average interest rate		3.9%					
Financial liabilities							
Payables	15	-	-	-	-	7,992	7,992
Net financial assets (liabilities)		10,849	-	-	-	15,153	26,002

(d) Liquidity risk

The Group constantly monitors liquidity requirements and liquidity management is carried out under policies approved by the Board.

(e) Fair values

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2007		2006	
	Carrying amount $'000	**Net fair value $'000**	Carrying amount $'000	Net fair value $'000
Financial assets				
Cash	5,148	5,148	10,391	10,391
Trade Receivables	1,078	1,078	-	-
Receivables	2,747	2,747	1,398	1,398
Available-for-sale financial assets	60,693	60,693	20,385	20,385
	69,666	69,666	32,174	32,174
Financial liabilities				
Payables	6,707	6,707	7,992	7,992
Derivative financial instruments	-	-	23,187	23,187
Borrowings	21,220	21,220	-	-
	27,927	27,927	31,179	31,179

NOTE 31. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Chairman – Non-Executive
Ross Smyth-Kirk

Non-Executive Directors
John Falconer
Peter McAleer

(b) Other Key Management Personnel

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

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

All of the above persons were also key management personnel during the year ended 30 June 2007.

(c) Key management personnel compensation

	Consolidated		**Parent entity**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	1,912,652	1,893,750	1,255,234	1,173,962
Post-employment benefits	166,963	82,269	180,163	286,922
Share-based payments	684,090	694,436	616,590	538,691

The company has taken advantage of the relief provided by Corporations Regulations CR2M .6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 11.

(d) Equity instrument disclosures relating to key management personnel

i) Share holdings

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

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

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Kingsgate Consolidated Limited ordinary shares				
Ross Smyth-Kirk	4,252,380	-	333,891	4,586,271
John Falconer	147,095	-	42,196	189,291
Peter McAleer	380,000	-	-	380,000
Key management personnel of the Group ordinary shares				
Gavin Thomas	14,741	-	689,180	703,921
Niall Lenahan	6,706	90,000	(96,706)	-
Surapol Udompornwirat	-	40,000	(40,000)	-
Phil MacIntyre	95,000	-	-	95,000
Ron James	-	-	-	-
Arthur Ellis	31,200	-	(6,328)	24,872

* The amount paid per ordinary share by Niall Lenahan was an average of $4.21 and Surapol Udompornwirat $3.93 on the exercise of their options at the date of exercise.

(ii) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 11 to 13.

(iii) Option holdings

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

Key Management Personnel

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

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

2006 Name	Balance at the start of the year	Granted/ (Expired) during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Gavin Thomas	60,000	2,500,000	-	-	2,560,000	60,000
Stephen Promnitz	-	400,000	-	-	400,000	25,000
Peter Warren	-	-	-	-	-	-
Niall Lenahan	90,000	-	90,000	-	-	-
Marcus Tomkinson	80,000	(80,000)	-	-	-	-
Surapol Udompornwirat	40,000	-	40,000	-	-	-
Phil MacIntyre	40,000	150,000	-	-	190,000	90,000
Ron James	-	90,000	-	-	90,000	-
Arthur Ellis	20,000	-	-	-	20,000	20,000

Insurance

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

32. REMUNERATION OF AUDITORS

	Consolidated	
	2007	2006
	$	$
1. Audit services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports and other work under the *Corporations Act 2001*	318,150	215,480
Related practices of PricewaterhouseCoopers Australian Firm	86,509	86,111
Total remuneration for audit services	**404,659**	**301,591**
2. Non audit services		
Audit-related services		
PricewaterhouseCoopers Australian Firm		
Workers compensation review	3,000	3,500
AIFRS accounting services	47,907	82,550
Andean bidders statement review	28,000	90,000
Total remuneration for audit–related services	78,907	176,050
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	75,600	44,075
Related practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	42,728	-
Total remuneration for tax related services	118,328	44,075
Total remuneration for non-audit services	**197,235**	**220,125**

33. EARNINGS PER SHARE

	Consolidated	
	2007	2006
	Cents	Cents
Basic earnings per share	(17.3)	19.3
Diluted earnings per share	(17.3)	19.3
	$'000	**$'000**
Net profit/(loss) used to calculate basic and diluted earnings per share	(15,705)	16,662
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	90,606,728	86,292,943
Adjustment for calculation of diluted earnings per share:		
Options	148,117	132,444
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	90,754,845	86,425,387

Options

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

34. NON CASH INVESTING AND FINANCING ACTIVITES

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Acquisition of Available for Sale Financial Assets	8,186	15,616	-	-

The parent entity issued 1 fully paid ordinary share for every 15 Andean Resources Limited shares. Refer to Note 2 for further information.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 2 to 68:

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

(b) give a true and fair view of the Company's and Group's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act for the financial year ended 30 June 2007.

In the Directors' opinion:

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

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

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

DATED at SYDNEY this 27 August 2007
On behalf of the Board

Ross Smyth-Kirk
Director

John Falconer
Director

PRICEWATERHOUSECOOPERS

Auditor's responsibility

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

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

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

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

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

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

Independence

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

Auditor's opinion on the financial report

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

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Independent auditor's report

to the members of Kingsgate Consolidated Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Kingsgate Consolidated Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Kingsgate Consolidated Limited. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosure*, under the heading "remuneration report" in pages 4 to 15 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

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

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 4 to 15 of the directors' report comply with Accounting Standard AASB 124.

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Marc Upcroft
Partner

Sydney
27 August 2007