2013 Annual Report

Kingsgate
Consolidated Limited

ABN 42 000 837 472

Kingsgate is a highly successful gold mining, development and exploration company with two operating gold mines and two advanced development projects. Shareholders can look forward to the benefits of this strong operating and development platform, where Kingsgate aims to build value though operating, earnings and dividend growth for the benefit of all stakeholders.

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Chairman's Review

The Board of Kingsgate is determined to re-establish the path to building shareholder wealth via profits and dividends...

Ross Smyth-Kirk
Director

The past twelve months has been another challenging year for the resources industry with weakening commodity prices and a cost structure that more reflected boom times. The gold price drifted lower during the year until April when it underwent a major fall of around US$200 per ounce and then continued to weaken through to late June when it bottomed at a 34 month low at around US$1,200 per ounce. Subsequently, there has been a small recovery in the gold price that has been helped by a weakening Australian dollar to improve the position of Australian based gold producers. Kingsgate is one of many resource companies whose earnings and share price performance has been affected by the weakening gold price and the downturn in the global industry.

Kingsgate had a mixed year of transition in 2013 with the completion and final permitting of the major expansion at Chatree in Thailand but also undergoing a major restructure at the Challenger mining operations, caused by the lower gold price and ongoing price volatility. In the weak and uncertain metal price environment, Kingsgate moved quickly to reduce all non-essential expenditure on its operations and on the development projects. Additionally, the Board and senior management have participated in the cost reduction initiatives through the implementation of a 10 percent cut to Directors fees, and an effective 20 percent cut to senior management remuneration.

The lower metal prices and industry cost pressures had a negative impact on the underlying earnings of the Group of $17.2 million and also contributed to non-cash impairments to the carrying value of a number of Group assets, particularly assets relating to the Challenger Gold Operations. The impairments were the major contributor to the after tax loss of $323.7 million for the year.

With lower earnings and the current uncertainty and volatility in the metal markets the Board decided not to pay a final dividend. Note that your Company did pay an interim dividend of 5 cents per share following the first half of the financial year.

Chatree had a strong year producing 133,681 ounces of gold. The good production performance was achieved despite some operational hurdles with slower than anticipated Government approvals to allow full utilisation of the expanded plant. The Chatree mine lease area is also surrounded by highly prospective exploration ground that is currently under application. Any discoveries within these application areas should substantially extend the mine life at Chatree.

Challenger gold production of 66,216 ounces was 24 percent lower than last year due to additional dilution and depletion at Challenger Deeps and a shortfall in planned development. Following the fall in the gold price, a strategic review of Challenger was implemented that has resulted in a new mine plan to focus primarily on the higher grade Challenger West orebody. The new mine plan will be implemented during the first three months of the 2014 financial year.

The development projects continued to advance during the year. At Nueva Esperanza, the feasibility work shifted to focus on identifying the lowest cost and lowest power consumption development alternatives. This included reviewing a heap leach process option with on-site power generation. Further work is expected to be completed in the current financial year. At Bowdens, the feasibility work has confirmed the optimum process route. Completion of the technical feasibility study including mine planning, infrastructure and metallurgy, and lodging of the Environmental Impact Statement ("EIS") are scheduled for 2014.

The Board of Kingsgate is determined to re-establish the path to building shareholder wealth via profits and dividends despite a difficult external environment. Shareholders can look forward to a steady performance from Chatree and a turn-around at Challenger coupled with the completion of feasibility studies at the two major development projects over the coming year.

I would also like to thank our Chief Executive Officer and Managing Director, Gavin Thomas, Kingsgate management and all of the Kingsgate, Akara and Challenger personnel and the project teams for their part in delivering the operational performance during what was a difficult year for your Company.

Managing Director and CEO's Report

Kingsgate had a solid year with gold production of 199,897 ounces at a total cash cost of US$888 per ounce (including royalties).

Chatree had a strong year following receipt of the final approvals for the expansion plant and the combined plant has been operating at a steady rate of 6.2 million tonnes per annum, 24% above nameplate capacity.

Challenger had a difficult year and was severely impacted by an unplanned dilution and depletion at Challenger Deeps, that when coupled with the lower gold price and ongoing metal price uncertainty, led to a major restructure of mining at Challenger to focus primarily on the higher grade Challenger West orebody.

Kingsgate management and staff continue to work towards realising the operational potential of the Company's two gold mines and to complete the feasibility studies currently underway at Nueva Esperanza and Bowdens.

Operations

Chatree

Chatree continued as Kingsgate's primary production asset throughout the year, producing 133,681 ounces of gold and 1,000,569 ounces of silver. The strong production performance was achieved despite some operational hurdles with slower than anticipated Government approvals to allow full utilisation of the expanded plant.

The delay of 63 days in approval of Plant #2 Metallurgical License and lower than expected availability of some of the mining contractors' major mining equipment negatively impacted production. However, near surface higher grades in Q Prospect mitigated these difficulties resulting in a strong final quarter for the year.

Total mill throughput for the year was 5.7 million tonnes, 11.4% higher than 2012, despite the impact of the 63 day delay during which the new plant was not operating.

The overall plant availability of 98.1% was slightly lower than the previous year's 98.4%. The expanded plant is operating around 24% above the annual "nameplate" throughput rate at 6.2 million tonnes per annum and this is expected to continue.

Total cash costs for the year were US$767 per ounce (US$620 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was $US147 per ounce of gold.

Chatree continues to demonstrate world's best practice for safety and the environment with no lost time incidents ("LTI") or reportable environmental incidents occurring at Chatree during the year.

Challenger

The Challenger Mine had a difficult year and produced 66,216 ounces of gold at a total cash cost of US$1,135/oz. The grade of the processed ore was 3.91 grams per tonne, which was lower than expected due to a shortfall in ore supply from the mine that was supplemented by low grade ore from stockpiles. Higher dilution in stopes at the base of the mine (Challenger Deeps) and depletion on those levels, due to the additional displacement of the ore horizons following the identification of the '215 Shear', contributed to the lower than expected production from the lower levels. A shortfall in underground development also limited access to ore sources.

Development and mining commenced at the higher grade Challenger West orebody during the year but was insufficient to offset the shortfall from Challenger Deeps.

The transition to the new mine plan, focussing primarily on the higher grade Challenger West orebody, will take around three months before the cost and operational benefits start to be realised. These changes are complemented by the changeover to a new mining contractor who commenced operations on 1 August 2013.

Chatree's Total mill throughput for the year was 5.7 million tonnes, 11.4% higher than 2012...

Gavin Thomas
Managing Director and CEO

continued

Development Projects

Bowdens

The Bowdens Project continued to advance during the year with field programs supporting the ongoing feasibility and environmental studies. Sterilisation drilling and additional metallurgical sampling were undertaken with the resource evaluation drilling completed in October 2012.

During 2013, the process design and engineering work for the Definitive Feasibility Study ("DFS") progressed to a point where the draft study was close to completion as at 30 June 2013. The study encompassed detailed process design based on using the most recent metallurgical test results, capital and operating cost estimates, project water and power supply, infrastructure requirements and mine optimisation.

The preparation for lodgement of an Environmental Impact Statement ("EIS") to the NSW Department of Planning continues. It is envisaged that the EIS will be completed and lodged in 2014. Data for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels are collected routinely. Further investigations of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken.

With the fall in metal prices in late 2013, work and expenditure on the DFS and EIS have been phased to coordinate and synchronise the timing of the two programs with completion and lodgement now not expected before mid-2014.

Nueva Esperanza

The Nueva Esperanza Project was advanced during the year with the completion of a draft feasibility study. This study included a decision to mine the Arqueros and Teterita portions of Nueva Esperanza. The study demonstrated that open pit mining at two million tonnes per year and processing by milling and agitation leaching in cyanide was technically feasible, although high capital and power costs negatively impacted project economic returns.

As a consequence, feasibility work has transitioned to assess a lower capital cost and lower power requirement options, namely the potential for heap leach processing. Metallurgical testwork recently completed demonstrated that processing of mineralisation from all three deposits by heap leaching has the potential to be technically and economically feasible and as a consequence may become the preferred alternative for development.

Environmental approval for the original Arqueros Project was granted in July 2013.

Financials

Kingsgate made an after tax loss of $323.7 million for the full year to 30 June 2013 compared to an after tax profit of $75.0 million for the previous corresponding year. The result for the year reflected an impairment of $311.9 million pre-tax ($291.3 million post-tax) against the Challenger Mine and associated assets and an impairment of $20.4 million against greenfield exploration projects in Australia and Thailand.

Financial Summary	2013 $000	2012 $000
Total sales revenue	329,282	357,372
EBITDA before significant items	115,845	168,583
(Loss) / profit before tax	(339,615)	91,277
Income tax benefit / (expense)	15,889	(16,271)
(Loss) / profit after income after tax	(323,726)	75,006
Dividend declared (¢/share)	5	20

Exploration

With the approvals of the Special Prospecting Licence ("SPL") applications in Thailand still awaiting the Minister of Industry's consent, exploration attention over the past 12 months has focused on new exploration opportunities and Mineral Resource enhancement targets within the Mining Leases. This exploration formed part of a strategic exploration program within the mining leases at Chatree that commenced in late 2012. The program has successfully defined several new areas of mineralisation within the Mining Lease, most notably at Q and A North Prospects, and has also upgraded several larger areas of Inferred Resources to the Measured and Indicated Mineral Resource category.

Looking Ahead

Over the current financial year and beyond, Kingsgate remains focused on optimising production within an uncertain metal price environment, continuing to build resources and reserves and advancing the development project pipeline of Nueva Esperanza and Bowdens. These initiatives are designed to grow earnings per share for the benefit of all shareholders.

In late September, Kingsgate's Thai subsidiary, Akara Resources Public Company Limited ("Akara") has submitted its listing application and draft Prospectus to the Thai Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) for an initial public offering of its shares on the SET.

The SEC and SET will review the draft Prospectus in the coming months in order to approve the listing of Akara. The decision to list Akara will depend on market conditions and other factors at the time of approval.

Group gold production for the full year to 30 June 2014 is expected to be in the range of 190,000 to 210,000 ounces. This includes 120,000 to 130,000 ounces from Chatree and 70,000 to 80,000 ounces from Challenger.

Ten Year Summary

for the year ended 30 June 2013

	2013	2012	2011	2010	2009
PRODUCTION – Chatree	AIFRS	AIFRS	AIFRS	AIFRS	AIFRS
Ore mined ('000 bank cubic metres)	2,709	1,947	2,352	2,699	1,674
Waste mined ('000 bank cubic metres)	3,521	6,259	6,128	6,432	4,069
Waste to ore ratio	1.3	3.2	2.6	2.4	2.4
Ore mined ('000 tonnes)	7,051	4,986	5,301	6,583	3,874
Ore treated ('000 tonnes)	5,699	5,116	2,533	2,705	1,878
Head grade – Gold grams/tonne	0.9	0.9	1.1	1.7	1.7
Head grade – Silver grams/tonne	11.9	11.6	15.7	14.9	15.8
Gold recovery (%)	79.9%	84.4%	87.2%	90.4%	91.2%
Gold poured (ounces)	133,681	121,372	76,248	132,628	93,002
Silver poured (ounces)	1,000,569	918,314	549,699	549,522	293,472
PRODUCTION – Challenger			(5 months)		
Ore mined ('000 tonnes)	502	607	232		
Ore treated ('000 tonnes)	557	645	289		
Head grade – Gold grams/tonne	3.9	4.6	4.3		
Gold recovery (%)	94.5%	92.4%	92.2%		
Gold poured (ounces)	66,216	87,388	36,886		
Silver poured (ounces)	3,466	4,971	2,581		
PROFIT & LOSS (A$'000)					
Sales revenue	329,282	357,372	172,356	175,480	113,015
Operating expenses	(195,064)	(171,505)	(86,147)	(74,305)	(65,599)
Administration expenses	(15,515)	(12,737)	(11,304)	(3,615)	(4,595)
Other (expenses)/income	(23,693)	(6,398)	(28,424)	618	3,509
EBITDA	95,010	166,732	46,481	98,178	46,330
Impairment losses	(332,808)	–	–	–	–
Depreciation & amortisation	(85,595)	(67,553)	(27,772)	(14,004)	(11,575)
EBIT	(323,393)	99,179	18,709	84,174	34,755
Net finance (costs)/income	(16,222)	(7,902)	(922)	(1,823)	(1,698)
Profit/(loss) before income tax	(339,615)	91,277	17,787	82,351	33,057
Income tax (expense)/benefit	15,889	(16,271)	3,092	(9,285)	(535)
Net profit/(loss) after income tax	(323,726)	75,006	20,879	73,066	32,522
Non–controlling interests	–	153	269	–	–
Net profit attributable to owners of Kingsgate Consolidated Limited	(323,726)	75,159	21,148	73,066	32,522
BALANCE SHEET (A$'000)					
Current assets – cash	32,987	90,623	35,864	49,098	29,680
Current assets – other	109,575	103,433	70,280	54,203	27,848
Non–current assets	627,426	854,403	688,919	265,774	217,445
Total assets	769,988	1,048,459	795,063	369,075	274,973
Total borrowings	199,758	157,544	99,896	11,064	2,144
Other liabilities	96,270	115,102	88,243	41,968	27,789
Total liabilities	296,028	272,646	188,139	53,032	29,933
Shareholders' equity	473,960	775,813	606,924	316,043	245,040
Non–controlling interests	–	–	7,109	–	–
Equity attributable to equity holders of Kingsgate Consolidated Limited	473,960	775,813	599,815	316,043	245,040
OTHER INFORMATION					
Average realised gold price on physical deliveries (US$/ounce)	1,588	1,663	1,386	1,091	904
Cash cost (US$/ounce)	888	720	638	335	400
Total cost (US$/ounce)	1,308	1,028	813	408	487
Operating cash flow (A$'000)	85,020	165,247	34,026	46,468	18,058
Dividends paid (Cash & DRP) (A$'000)	22,739	22,025	33,647	29,082	–
Number of issued shares ('000) – Ordinary	152,192	151,264	135,275	99,996	96,136
Basic earnings per share (A$ Cents)	(213.3)	52.5	18.7	75.2	34.9
Dividends per share (A$ Cents)	5.0	20.0	15.0	35.0	15.0

2008	2007	2006	2005	2004
AIFRS	AIFRS	AIFRS	AIFRS	AGAAP
375	546	734	588	801
2,507	4,390	5,121	4,915	4,444
6.7	8.0	7.0	8.4	5.5
977	1,523	1,951	1,521	1,946
2,474	2,405	2,000	1,829	1,671
1.1	1.2	2.4	2.4	3.1
6.8	9.2	14.5	13.0	15.0
88.4%	90.0%	90.1%	90.8%	91.2%
74,137	85,994	140,071	126,550	149,979
232,039	290,897	459,702	353,275	395,346

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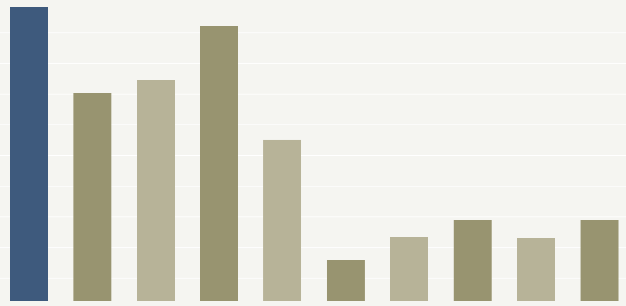
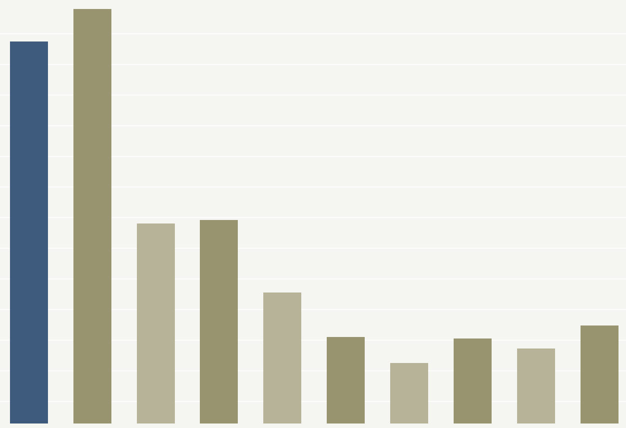
Ore mined ('000 tonnes) ▼



Ore mined ('000 tonnes) ▼

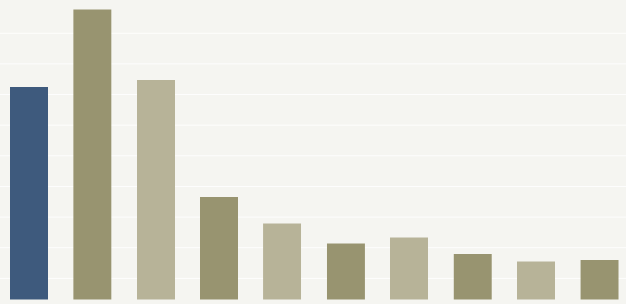
Sales revenue ▼

74,285	52,044	72,782	64,299	84,410
(55,743)	(64,908)	(47,761)	(47,366)	(34,343)
(4,065)	(2,264)	(1,158)	(1,404)	(1,019)
46,653	10,413	1,361	2,471	2,370
61,130	(4,715)	25,224	18,000	51,418
–	–	–	–	–
(9,284)	(8,446)	(7,805)	(8,720)	(11,323)
51,846	(13,161)	17,419	9,280	40,095
(3,974)	(2,544)	(757)	(889)	(2,416)
47,872	(15,705)	16,662	8,391	37,679
(11,675)	3,115	–	–	–
36,197	(12,590)	16,662	8,391	37,679
–	–	–	–	–
36,197	(12,590)	16,662	8,391	37,679



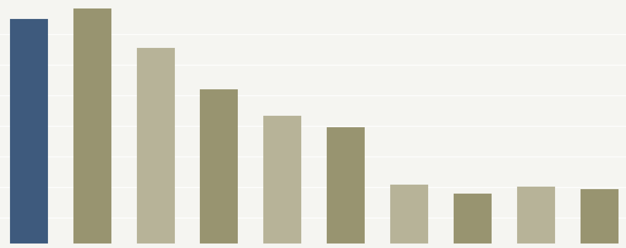
Total assets ▼

40,226	5,148	10,391	32,119	59,696
16,397	13,756	10,805	12,162	14,162
146,626	206,082	143,401	91,727	69,555
203,249	224,986	164,597	136,008	143,413
1,599	21,220	–	–	–
20,637	19,532	36,589	14,779	8,367
22,236	40,752	36,589	14,779	8,367
181,013	184,234	128,008	121,229	135,046
–	–	–	–	–
181,013	184,234	128,008	121,229	135,046



Average realised gold price on physical deliveries ▼

824	417	355	401	385
457	440	206	212	135
556	524	247	262	189
18,657	(19,888)	21,889	22,184	49,294
–	4,513	8,669	11,973	17,631
92,680	92,680	88,592	85,949	85,329
51.7	(17.3)	19.3	9.8	45.5
–	–	10.0	7.0	22.0



Finance Report

Summary

Kingsgate has recorded the following financial performance for the year to 30 June 2013:

- Revenue of $329.3 million.
- EBITDA (before significant items) of $115.8 million.
- Profit before tax and significant items of $17.2 million.
- Loss after tax and significant items of $323.7 million. This includes a net tax benefit of $20.6 million, relating to the Challenger Gold Operations ("Challenger") impairment.
- Non-cash asset impairments and other significant items of $356.8 million pre-tax, with $311.9 million principally relating to Challenger ($291.3 million post-tax).
- No final dividend has been declared. An interim dividend of 5 cents per share was declared for the half year to 31 December 2012.

Earnings

The lower realised gold price of US$1,588 per ounce (2012: US$1,663 per ounce), lower gold sales of 195,948 ounces (2012: 204,145 ounces) and industry wide cost pressures had a negative impact on the underlying earnings of the Group.

The lower gold price and changes to mine operating plans also resulted in a major impairment to the carrying value of a number of Group assets, particularly the Challenger Mine. The impairments were the major contributor to the after tax loss of $323.7 million for the year.

The fall in gold sales reflected a 24% decrease in production at Challenger compared to the prior year due to lower grade and volume of ore mined. The lower production at Challenger was offset by a 10% increase in gold production at the Chatree Gold Mine ("Chatree"), reflecting increased throughput from the expanded Chatree processing plant and higher grade ore mined.

Cost of sales

Cost of sales before depreciation increased by 14% to $195.1 million compared to last year and largely reflects increased throughput and production from Chatree due to the first full year of operation of Plant #2. The total unit cash costs for Chatree for the year were US$767/oz (US$620/oz excluding royalties), up from US$618/oz in 2012. The total unit cash costs for Challenger for the year were US$1,135/oz (2012: US$862/oz), with the increase mainly due to the lower throughput and lower production from the Challenger Mine. On a unit cost basis, total cash costs for the Group were US$888/oz, up from US$720/oz last year.

Depreciation and amortisation

The increase in depreciation and amortisation to $85.6 million (2012: $67.6 million) reflects amortisation of the higher capitalised development costs at the Challenger Mine, depreciation of Plant #2 at Chatree and commencement of amortising the capital cost of the Chatree Tailings Storage Facility #2.

Impairment and write-downs

Following a strategic review of Challenger, a new mine plan focussing mainly on the Challenger West orebody was implemented effective 1 July 2013.

Based on the revised plan Challenger is expected to generate positive cash flows though, as a result of this plan together with the continuing low gold price environment, the estimated future cash flows no longer supported the full recovery of the carrying value. For this reason, the Group has recorded a pre-tax impairment charge of $311.9 million ($291.3 million post tax) related to the carrying value of the property, plant and equipment and mine properties at Challenger so that the carrying value reflects recoverable value.

A review of the carrying value of all regional greenfield exploration projects was also conducted which resulted in the write down of $6.1 million, primarily against the Barton West Mineral Sands project in South Australia and the write down of $14.3 million against the carrying value of exploration projects in Thailand that fall outside the Chatree Mine area of influence.

The impairment and write-downs are non-cash items and therefore have no impact on the Company's cash position. The written down asset values do not create any concern with regard to conditions around the Company's debt facilities.

Finance costs

Finance costs increased to $18.8 million (2012: $9.4 million). Finance costs comprise interest on borrowings the Group has in place, unwinding of discount on provisions as required by Accounting Standards and amortisation of borrowings set-up costs. The main contributor to the increase in finance costs was accelerated amortisation of borrowing costs required due to debt restructures undertaken during the year and planned for the next financial year. Borrowing costs relating to the previous finance facilities were expensed in full prior to new facilities being put in place.

Income Tax

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

a) an eight year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;

b) a further five years half tax holiday following a) above; and

c) other benefits.

The start of the promotion period was 27 November 2001.

Akara also received on 18 June 2010 a BOI promotion for the Chatree Plant #2. Based on annual production limit from the new processing plant of 185,200 ounces of gold and 1,080,400 ounces of silver, Akara is entitled to:

a) an eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;

b) 25% investment allowance on the capital cost of certain assets of the new processing plant; and

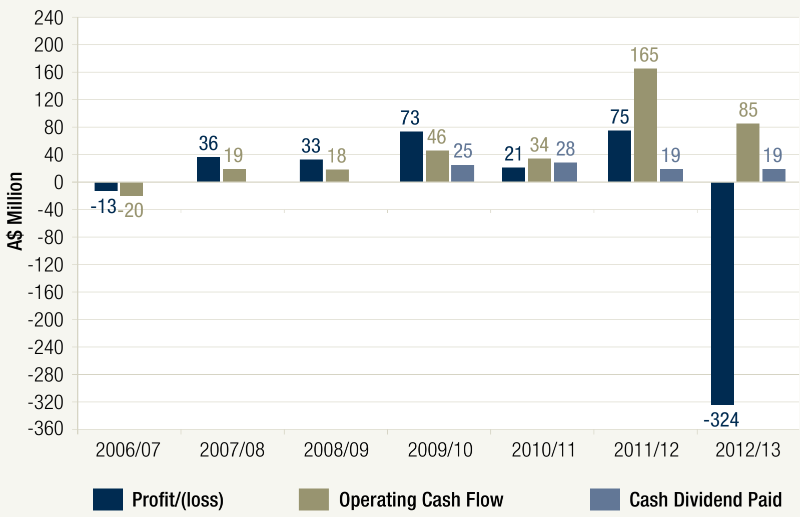
c) other benefits.

The taxable loss from the Australian operations has not been recognised as a deferred tax asset though has been added to the Group's brought forward tax losses, leaving a balance of $212 million of taxable losses (unrecognised tax asset of $63 million) to be carried forward to future years.

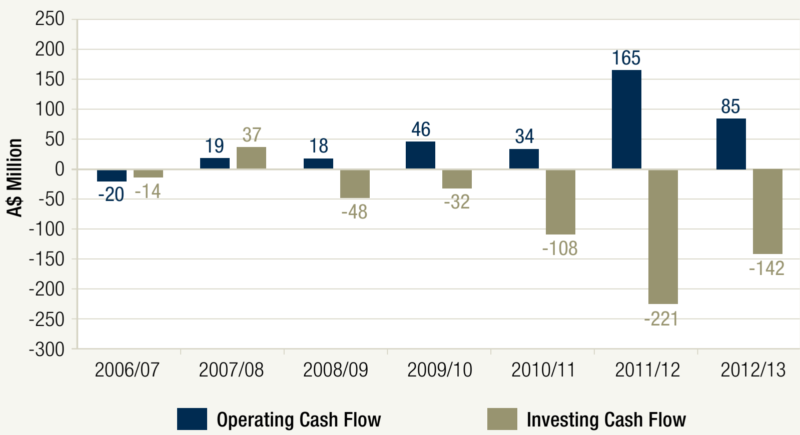
Cash Flow

Net operating cash inflow was $85.0 million. Investing cash outflow for property, plant, equipment and exploration, evaluation and development was $133.7 million. Net cash outflows from financing activities was $1.7 million, including a net drawdown (net of transaction costs) of $36.7 million of the multi-currency and syndicated loan facilities following a loan restructure by the Group's Thai subsidiary, Akara, net repayment (net of transaction costs) of $20.0 million corporate loan facility, and $19.4 million dividends paid during the year. Income tax paid increased to $15.6 million due primarily to the timing of tax payments in Thailand with a significant amount of the prior year's tax charge being paid this year in addition to payment of the current year's tax charge.

Operating Profit and Cash Flow



Operating and Investing Cash Flow



Financing Arrangements

Corporate loan facility

Kingsgate has a three year secured loan facility with Investec which was amended during the year. The amended facility has a limit of $40 million (30 June 2012: $50 million), of which $20 million has been drawn down as at 30 June 2013 (30 June 2012: $40 million).

Convertible loan facility

Kingsgate has a five year A$35 million convertible loan facility with Investec entered into in a prior period to provide funding for the Bowdens acquisition. Kingsgate has the option to make a prepayment against the facility with an issue of Kingsgate shares.

Restructure of corporate loan and convertible loan facilities

As indicated previously in the Preliminary Final report, at balance date it was the Group's intention to restructure and amalgamate these facilities in the next financial year. This relates to the potential for completion of the Initial Public Offering ("IPO") of Akara on the Stock Exchange of Thailand and the updated mine plan for Challenger. Any restructure would optimise the Group's anticipated balance sheet liquidity and operational cash flows. Accordingly, the Group classified the total amount drawn down under these facilities of $55 million as a current liability at 30 June 2013.

Subsequent to the end of the financial year, the Group received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40 million. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25 million Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO, although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5 million to be repaid during the 2014 financial year and the balance of $10 million repaid during the 2015 financial year.

Convertible revolving credit facility

The Group also has a three year $25 million Convertible Revolving Credit Facility available. As at the date of this report the facility is undrawn. Under the terms of this facility, Kingsgate has the option of repaying any funds drawn down under the facility through either cash or by issuing ordinary shares. It is intended that this facility will be utilised during the 2014 financial year for corporate and working capital purposes. It is the current intention of the company to repay any cash drawdown under the facility by the issuance of fully paid ordinary shares which would rank parri pasu with all existing ordinary shares, although this position will be reviewed at the appropriate time. The number of shares has not yet been determined and they will be issued at a 2.5% discount to VWAP over a period by reference to the draw down date. Shareholder approval is not required.

Multi-currency and syndicated loan facilities

Kingsgate's Thai operating subsidiary, Akara, established a six year amortising multi-currency loan facility equivalent to US$125 million (fully drawn as at period end) and an additional Thai Baht denominated working capital facility equivalent to US$15 million (undrawn as at year end) during the period. The proceeds from these borrowings were used to fully repay the outstanding balance on the US$100 million Baht denominated syndicated loan facility in existence at the beginning of the period as well as to repay part of the corporate loan facility noted above.

Financial Position

Shareholders' equity at 30 June 2013 was $474 million (2012: $776 million). The decrease of $302 million reflects the year's loss together with dividends paid.

Dividends

No final dividend has been declared for the year ended 30 June 2013.

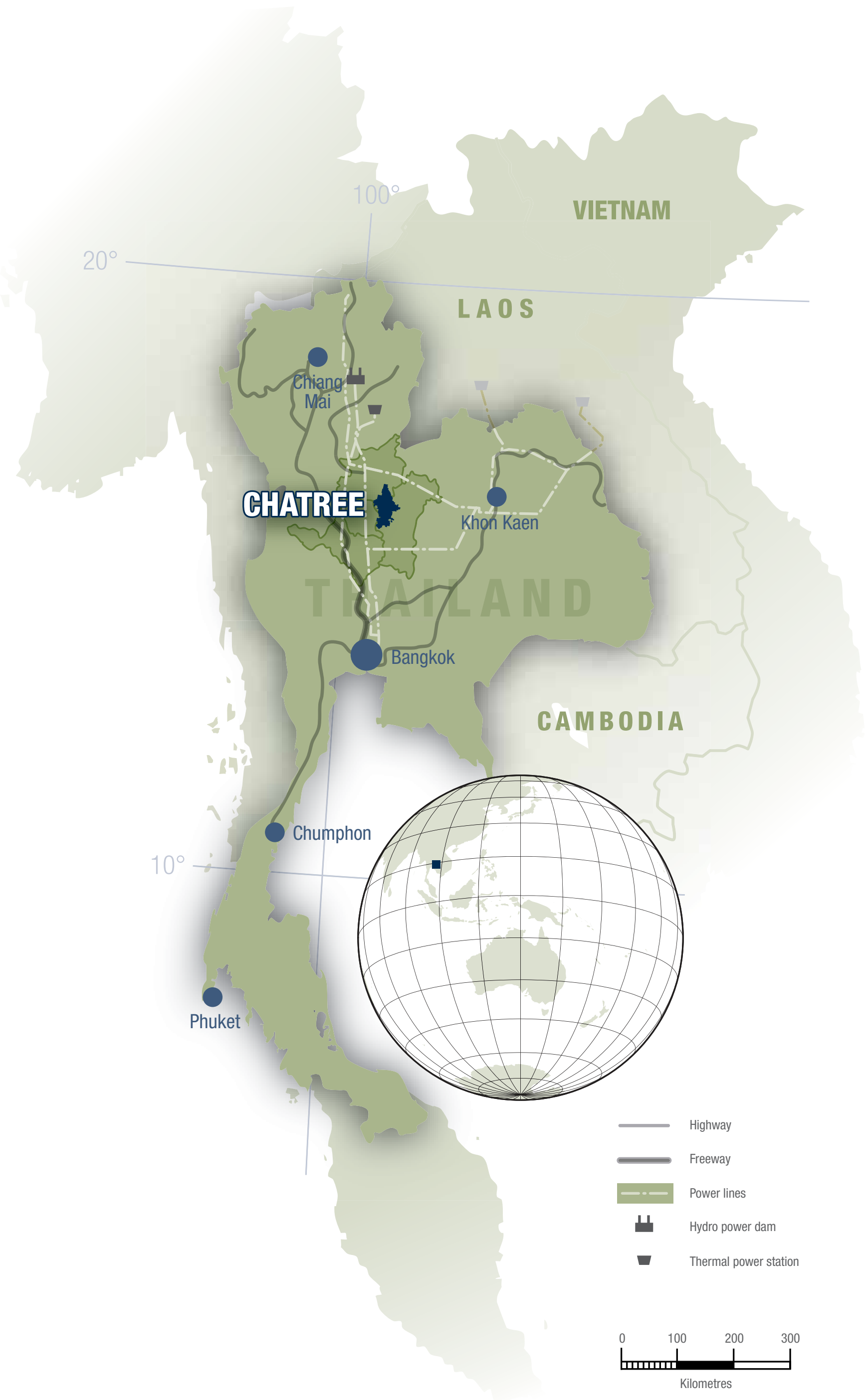
An interim dividend declared for the half-year ended 31 December 2012 of 5 cents per fully paid share was paid on 12 April 2013.

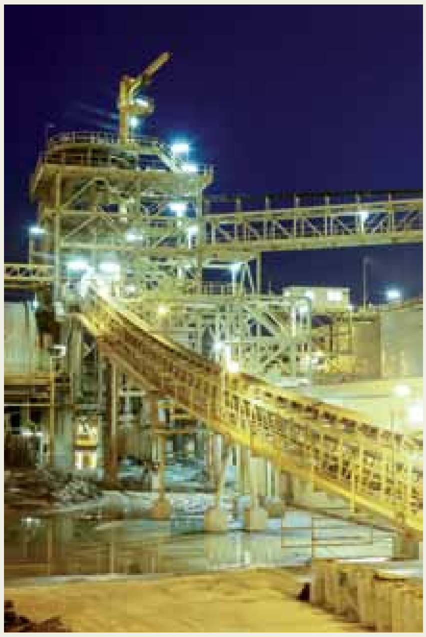
A final dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share was paid on 1 October 2012.

Company Activities

for the year ended 30 June 2013

Operations Report





Chatree Gold Mine

Thailand

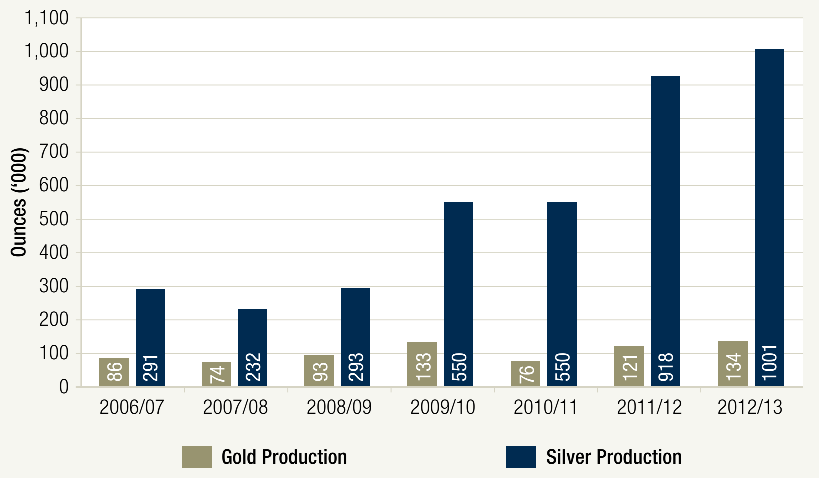
Summary

Chatree continued as Kingsgate's primary production asset throughout the year, producing 133,681 ounces of gold and over 1,000,569 ounces of silver. The strong production performance was achieved despite some operational difficulties with slower than anticipated Government approvals to allow full utilisation of the expanded plant.

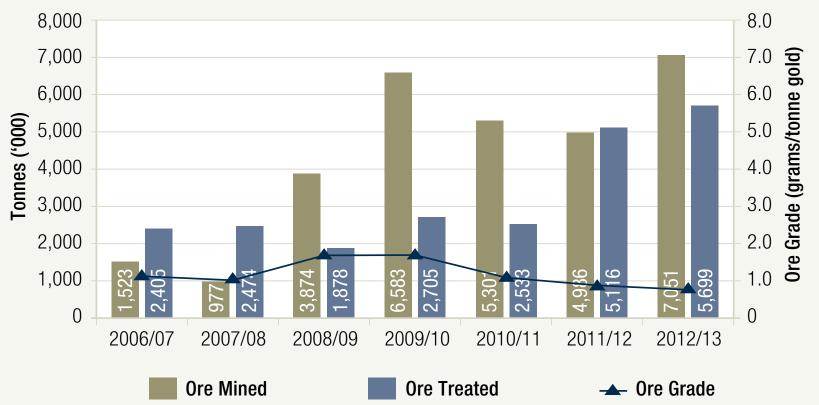
The delay of 63 days in approval of our Metallurgical License negatively impacted on our production targets which were also compounded by the Mining Contractor's poor equipment availability. Near surface higher grades in Q Prospect mitigated these difficulties resulting in a strong final quarter for the year.

Chatree continues to demonstrate world's best practice for safety. The mine has now operated for 23.6 million man hours (10.5 years) without a lost time injury ("LTI").

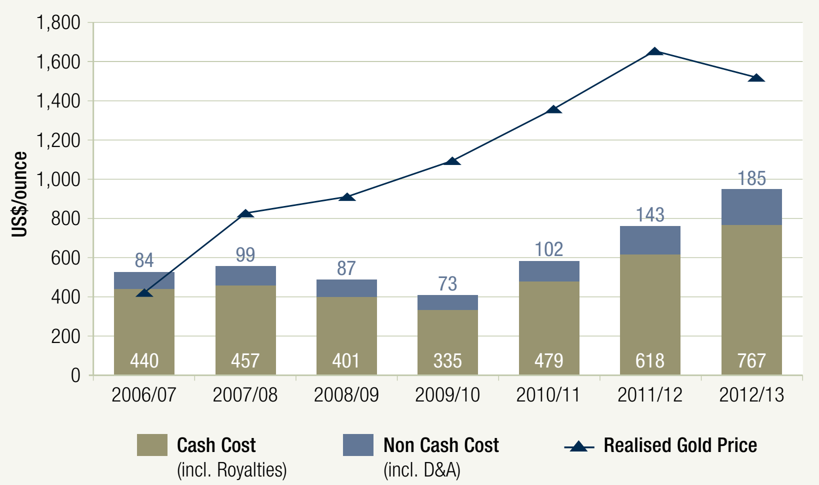
Chatree – Production



Chatree – Ore Mined and Treated



Chatree – Cash Costs and Total Costs



Production and Costs

Production for the year was 133,681 ounces of gold and 1,000,569 ounces of silver.

Total mill throughput of 5.7 million tonnes was 11.4% higher than 2012 despite the 63 days that the new plant was shut down during the process for the granting of its Metallurgical License. The overall plant availability was 98.1%.

Total cash costs for the year were $US767 per ounce ($US620 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was $US147 per ounce of gold. Total production costs after depreciation and amortisation were $US952 per ounce of gold produced.

At year end, 9.7 million tonnes of ore was stockpiled with an average contained gold grade of 0.57 grams per tonne (g/t) representing 178,086 ounces of gold.

Operational Performance

During the year 7.1 million tonnes of ore was mined, with a waste-to-ore strip ratio of 2.09:1. The average grade of mined ore was 0.72 g/t gold and 8.56 g/t silver.

Additional ore was generated by revising the mining sequence in A Pit Stage 2 and accessing near surface high grade oxide ore tonnes from Q Prospect.

Total volume of material mined at Chatree for the year was 8.4 million Bank Cubic Metres ("BCM") including 2.7 million BCM of ore.

An additional 566,000 BCM of laterite and clay material was excavated and used for the construction of the second lift of second tailings storage facility (TSF#2).

Some 1.3 million loose cubic metres (LCM) of ore was relocated from the Marginal Grade Stockpiles to the primary crusher to supplement ore from the mining pits.

Two areas were mined during the year:

- A Pit, where 8.3 million BCM of material was mined (2.7 million BCM of ore) at a stripping ratio of 2.09:1 waste to ore; and
- Q Prospect where 298 thousand BCM of material was mined (143 thousand BCM of ore) at a stripping ratio of 1.1:1 waste to ore.

The mechanical reliability and hence availability of the major fleet items has been below expectations over the last few years.

continued

For the 12 months to June 2013, the availability of the RH90 fleet has been at 80%, with the RH40 fleet at 78%. The target availabilities for these fleets are 88% and 85% respectively. Availability of the haul trucks was 85% versus a target of 90% for the 777D fleet. A commitment has been undertaken by the contractor to address the under performance.

Approximately 2.5 days of production were lost due to rainfall during the year. Total rainfall for the year was 1.3 metres which is in line with the long term average.

Mining operations continued on a 24 hour per day basis throughout the year, with the exception of the development of Q prospect.

Due to the proximity of Q prospect to the community and the local roads, development began in March 2013 on a 5 day week basis on day shift only. In April this was extended to 7 days per week on day shift only.

Upon completion of mining of the C North Cutback, it was backfilled to allow the reinstatement of Highway 1301 as well as to improve access for waste rock haulage to TSF#2. The reinstatement of the section of Highway 1301 that passes through the C North area is still pending final approval from the Department of Highways in Bangkok and Phitchit.

The engineered fill for the second lift of TSF#2 was constructed from November 2012 to May 2013. This will provide an additional 10.4 million tonnes of storage capacity. Waste rock from A Pit is being continuously sent to TSF#2 at a rate of approximately 7,000 BCM per day for the construction of the downstream embankment.

During the year, a number of cost saving initiatives were identified and implemented. The initiatives included trials using reduced explosive powder factors and changing from blasting 6 metre benches to 9 metre benches, with subsequent savings in bulk explosive and drilling costs. Work was also undertaken to validate increasing the size of the grade control drilling pattern, without decreasing the accuracy of grade estimation. This has resulted in a significant saving in grade control drilling costs.

As part of the budget/life of mine planning cycle, opportunities for improving project value were identified through the fine tuning of pit designs and sequencing of push backs within each of the pits. This involved running optimisations on individual ore bodies and targeting areas of high value within the pit shells.

To test the robustness of the life of mine plan, various scenarios were investigated at varying gold prices. The result of this work highlighted that A Pit was still very robust.

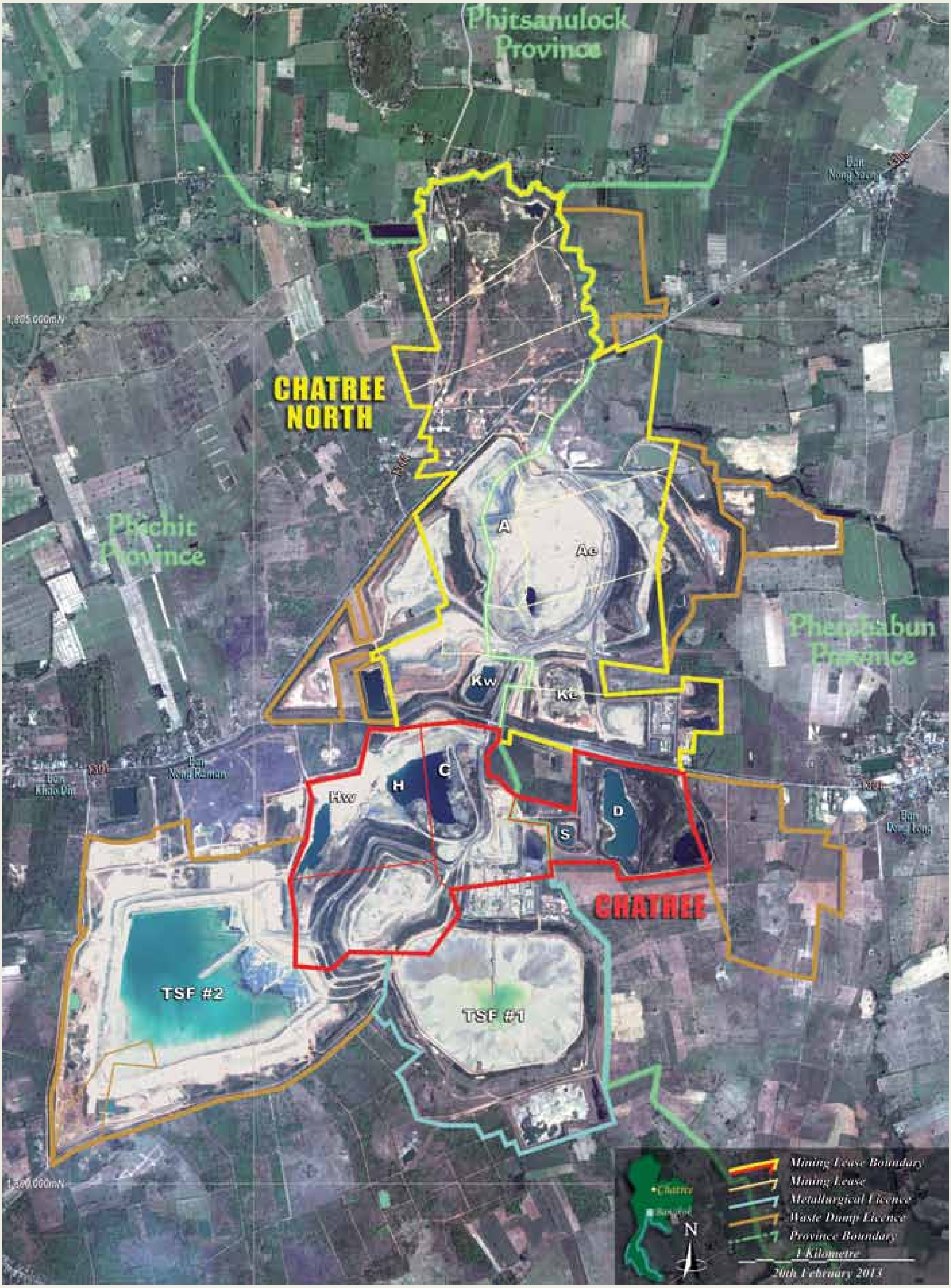
The new plant, Chatree North, continued to operate in commissioning and optimisation mode from the start of July 2012 until its completion at the middle of August. The Plant was shut down for a total of 63 days while undertaking a drawn-out process for the granting of a Metallurgical License. The Plant resumed operation in October and quickly exceeded design processing capacity with throughput of 3.47 million tonnes per annum (Mtpa) or 28% above the design rate of 2.7 Mtpa. The Plant performed extremely well

Physicals		2012/13	2011/12	% Change
Waste mined	bcm	5,649,614	6,258,662	-44%
Ore mined	bcm	2,708,634	1,947,275	39%
Waste:ore ratio		2.09*	3.2*	-35%
Ore mined	tonnes	7,051,488	4,986,173	41%
Ore treated	tonnes	5,699,014	5,115,720	11%
Head grade (gold)	Au g/t	0.9	0.9	0%
Head grade (silver)	Ag g/t	11.9	11.6	2.6%
Gold recovery	%	79.9	84.4	-5.3%
Gold poured	ounces	133,681	121,372	10%
Silver poured	ounces	1,000,569	918,314	9.3%

** After waste capitalised to TSF*

Cost Category	2012/13 $US/oz Gold Produced	2011/12 $US/oz Gold Produced	% Change
Cash operating cost	620	460	35%
By product credit**	(180)	(210)	-14%
Depreciation / amortisation	185	143	29%
Total production cost	952	761	25%

*** Net of silver royalties*


Phitsanulock Province
CHATREE NORTH
Phichit Province
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CHATREE
TSF #2
TSF #1
Mining Lease Boundary
Mining Lease
Metallurgical Licence
Waste Dump Licence
Province Boundary
1 Kilometre
20th February 2013
N

continued

with an availability of 98.2%. Works continued throughout the year to eliminate processing bottlenecks and maximise recoveries with the conversion of the Leach/Carbon-In-Pulp circuit to straight Carbon-In-Leach.

The older Plant #1 continues to perform very well with an availability of 98.3% despite the replacement of a mill trunnion bearing, the first after 12 years of operation. Plant #1 achieved record processing throughputs after the installation of a second set of cyclones and cyclone feed pump upgrade. The original design was 2.3 Mtpa and it is currently operating at 2.9 Mtpa or 25% above design.

The combined plants are currently operating at 27% above design. A study was completed during the year that has identified the next best expansion opportunities with minimum capital expenditure. These opportunities are being assessed with plant upgrades aimed to continue to increase throughput into the future.

Safety

Chatree achieved an enviable 10.5 year period representing 23.6 million man hours of operations and construction activity without a lost time injury. Management continues to be grateful to all of our employees and contractors for the attention to safety and care for each other - and without whom this notable achievement would not be possible.

In recognition of this achievement, and of our safety standards and emergency response preparedness, Chatree Mine received the 'Thailand National Occupational Health and Safety Award 2013' on July 03, 2013 and also received the 'Thai Zero Accident Gold Award 2013'.

During the year the operation and the Sydney office undertook a major incident exercise to test the sites management and rescue teams' ability to respond as well as to test the Kingsgate corporate Crisis Management Plan.

CHATREE EXPLORATION

Chatree Geologist examining drill core

With the approvals of the Special Prospecting Licence ("SPL") applications still awaiting the Minister of Industry's consent, exploration attention over the past 12 months has focused on new exploration opportunities and Mineral Resource enhancement targets within the Chatree Mining Leases. This exploration formed part of a strategic exploration program within the mining leases that commenced in late 2012 and was designed to investigate a number of specific areas that had the potential to upgrade both Mineral Resources and ore reserves at Chatree and included:

- Upgrading Inferred Resources for optimal long term mine planning;
- Targeting extensions to currently known areas of mineralisation; and
- Exploring deeper higher grade structures that may have the potential to extend the pit deeper or potential for underground mining.

Highlights from this drilling program were most notable at A Prospect and Q Prospect.

Exploration drilling within the Mining Lease north of A Pit identified a new area of broad high grade gold mineralisation confirming the continuation of the A East Structure north of the existing resource.

Significant results from these two holes include:

- 07559DD – 49.4 m @ 4.3 g/t Au from 227 m (including 29.8 m @ 6.25 g/t Au from 246 m); and
- 07575RD – 35.8 m @ 5.3 g/t Au from 235 m (including 3 m @ 45.30 Au g/t from 255 m).

At Q Prospect, immediately to the north of A Pit, exploration drilling encountered broad high grade gold mineralisation at surface that was not identified in previous campaigns. Significant results include:

- 4715RC – 24.0 m @ 5.6 g/t Au from surface (including 8 m @ 11.3 g/t Au from 14 m);
- 4718RC – 34.0 m @ 1.7 g/t Au from surface;
- 4720RC – 26.0 m @ 0.9 g/t Au from surface;
- 4636DD – 7.4 m @ 5.5 g/t Au from 219 m; and
- 4732RC – 21.0 m @ 2.2 g/t Au from 111 m.

The success from this discovery of near surface gold mineralisation at Q Prospect allowed for commencement of mining activities in the area which has in turn had a positive impact on the Chatree operations in the latter half of the year.

Guided by this exploration strategy, drilling activity has successfully defined several new areas of mineralisation within the Mining Lease, most notably at Q and A North Prospects, and has also upgraded several larger areas of Inferred Resources to the Measured and Indicated Mineral Resource category. This activity sees an additional 30,300 metres of reverse circulation and diamond drilling included into the estimation of a new Mineral Resource and Ore Reserve at Chatree.

As at the end of April 2013, the Mineral Resource estimate at Chatree using 0.30 g/t cut-off grade totals 4.03 million ounces of gold and 32.8 million ounces silver in 188.3 million tonnes of rock. The upgraded resource, including depletion from production to the end of April 2013, represents an increase of 356,000 ounces of gold and 2,162,000 ounces of silver when compared to the June 2012 Mineral Resource estimate for Chatree at the same cut-off grade.

With the sharp fall in the gold price during April 2013, exploration drilling focus shifted to near surface oxide gold targets within the mining lease. Discovery of additional oxide gold mineralisation would have immediate benefits to the operation. Longer term exploration targets were temporarily suspended whilst the drilling focused on shorter term oxide targets in the early part of the new year.

continued

CHATREE SUSTAINABILITY

Chatree adheres to Kingsgate's Sustainability Policy, a copy of which may be obtained from the Company's website www.kingsgate.com.au. The primary aim is to manage the Chatree asset ethically, so the people of Thailand and the Company prosper together, enjoying safe, fair and rewarding working relationships and a healthy living environment.

The following sustainability section is a summary of a separate detailed document termed 'The 2013 Akara Resources Public Company Limited Sustainability Report', which is published in both English and Thai language.

Community

Chatree Gold Mine is located 280 kilometres north of Bangkok on the provincial border between Phichit and Phetchabun provinces. The many villages around Chatree still lead a predominantly agrarian lifestyle, with rice growing as the main activity. It is important, therefore, that Chatree is a good corporate citizen for our immediate neighbours and in Thailand generally. Chatree has as a primary goal to minimise the impact of mining operations to those living and working nearby. We seek to achieve this through regular meetings and consultation with local government and village groups and through assisting the community in times of need.

Community Funds

Corporate social responsibility at Chatree is a continual commitment by our business to behave ethically and contribute to economic development in the local area improving the quality of life of our workforce and their families as well as the local communities in which we operate. There are four funds which have been established. These are made up of an EIA Fund for any environmental impact, an Or Bor Tor Fund (sub-district Fund), a Village Fund and an Akara for Communities Fund. Committees have been formed to manage each fund which is made up of government officials, village leaders, and employees from Chatree to ensure transparency and diligent project management.

Employees

Chatree has been free of lost time injuries for the tenth year in a row. This exemplary safety record would be difficult to achieve without management support. It is however, the employees and contractors who have made a safe workplace a reality by ensuring a safe environment for themselves and their workmates. Chatree employees and contractors have excelled in this regard and Kingsgate congratulates and thanks them for their sustained efforts.

The Chatree workforce totalled 1,326 at the end of the financial year comprising 381 Akara employees, 740 with our mining contractor LotusHall and 4 expatriates. Turnover for Akara permanent employees during the financial year was 5.9%.

Chatree has received its fourth Welfare and Relations Award from the Department of Labour Protection and Welfare, as well as the Ministry of Labour and Best Employer Award from Aon Hewitt and Sasin University in 2012. Chatree has also maintained its certificate of TLS/SA8000 since 2009.

Our business is really all about people. As a first rate workforce is essential to our success, we continue to ensure we have the right people in the right role doing the right work at the right time. Akara Mining Limited offers comprehensive training in relevant safety and job-related areas to all our people. We also assist our employees to obtain tertiary education qualifications. Thus far, 33 employees have been sponsored for Masters level degrees, 10 employees for Bachelor level degrees and eight employees for Diploma Certificates.

Water

While rainfall can occur year round, it is generally concentrated in the annual monsoon. The responsible management of water is therefore of utmost importance to Chatree Mine and to the surrounding area. Chatree operates on a nil-release basis, and all rain water on the mine lease is harvested with no water leaving the site. This requires continuous management of usage, quality and storage. A total of 32 surface water and 72 groundwater quality sampling sites have been established, all of which are regularly monitored and sampled. To date, no results from any of these sites have caused concern.

To gauge any potential drawdown impact on local groundwater, the mine regularly monitors 80 water table measuring stations, located on the mine site and in surrounding villages. Water levels rise and fall seasonally but no long term adverse trends have been identified.

A total of 2,454,585 tonnes of water was used to process 5,699,014 tonnes of ore during the financial year. Water usage was reduced onsite via recycling of water from the Tailings Storage Facility via the decant water return system. The excess recycled water is stored in a number of the historic mining pits for re-use in the process plant.

Environmental Audit

In December 2012 the eleventh annual Tailings Storage Facility Audit was undertaken. Knight Piésold found that the tailings facility continues to be operated at best practice and that the Processing Department demonstrates a good understanding of the facility. Concern was expressed about the steepness of two access ramps which have since been remediated.

In February 2013, Environ Australia Pty Ltd undertook the eleventh 'whole of site' environmental audit of the Chatree Mine. The audit is designed to assess compliance with conditions in the Mining Leases, corporate commitments made in the current Environmental Impact Assessment, adherence to board environmental policy, observance of the Australian Minerals Industry *Code for Environmental Management and Enduring Value* and our environmental performance overall. The audit concluded that, the operations of the Chatree Gold Project comply with applicable statutory requirements as well as voluntary environmental commitments made by Akara Mining Limited. The audit also indicates that the project operations are being carried out in accordance with the requirements of the Australian Minerals Industry Code for Environmental Management, and that the responsibilities of Kingsgate, as a Code signatory, are being addressed.

Rehabilitation

No contaminated land issues arose during the period. The rehabilitation program is ongoing with areas contoured and planted as soon as is practicable. Trials of various species are undertaken to ensure the optimal results for each location. Many species of trees and grass have been sown successfully across the site. Some 26.2 hectares were rehabilitated last year and 14.2 hectares of rehabilitation is planned for the present year.

Cyanide Management

Chatree continues to meet all requirements of the International Cyanide *Code for Gold Mining Operations*. The Code mandates strict protocols for the manufacture, transport, storage and use of cyanide. As part of the plant expansion, the operation will move to the use of solid cyanide delivered and dispensed from sealed containers (ISOtainers). This system improves the safety of transportation and usage. The cyanide code audit will be done in late 2013 to certify the new processing plant and re-certify the old processing plant.

Readings of discharge to the tailings storage facility are taken every 60 minutes. Of the 8,760 readings taken during the year, a total of 99% showed the discharge of cyanide did not exceed the 20 mg/L CN_{TOT} standard. The highest monthly reading obtained was 12.0 mg/L CN_{TOT} with an annual average of 8.4 mg/L CN_{TOT}.

Birds continue to nest and breed near the tailings storage facility, confirming that our cyanide discharge presents no environmental hazard. Ongoing cyanide destruction is also assisted by numerous introduced micro-organisms which are able to degrade free cyanide to carbon dioxide and ammonia.

Dust Management

Chatree's aim is to produce minimal dust and noise and thereby reduce neighbouring concerns by maintaining all mine roadways in good order through regular gravel sheeting and watering. Effective noise bunds have been developed around operations. In some circumstances, operations have been restricted to daylight hours. Dust monitoring stations have been established in nine surrounding villages. All results from the regular monitoring and sampling program have been within required quality standards.

Incident Reporting

There were 66 environmental events during the year. All were minor and there were no reportable incidents.

continued

Challenger Gold Mine

South Australia

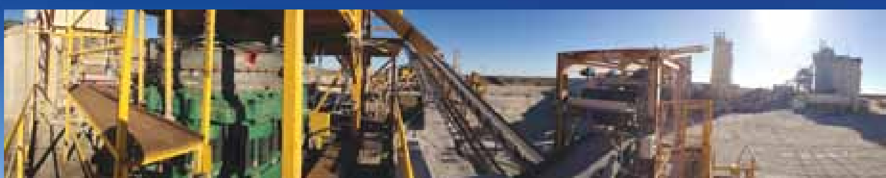
Summary

The Challenger Mine produced 66,216 ounces of gold for the year with an average milled grade of 3.91 grams per tonne (g/t), and a total cash cost of $1,107 per ounce. The grade was low due to a shortfall in ore supply from the mine that was supplemented by low grade ore from stockpiles. Higher dilution in stopes at the base of the mine and depletion on those levels due to the additional displacement of the ore horizons following the identification of the '215 Shear', contributed to the lower than expected production from the lower levels. A shortfall in underground development also limited access to ore sources.

Development and mining commenced at the higher grade Challenger West orebody during the year but was insufficient to offset the shortfall from the base of the mine.

Because of the poor ore recovery from the bottom of the mine and the drop in the gold price, a strategic review of the mine operation was carried out. This resulted in a new plan that focuses on the higher grade Challenger West as the main ore supply.

Ongoing improvements in site communications continued with the installation of a dedicated microwave link to the site. This greatly improves



business communications and also allows our employees to communicate with their families from the accommodation village.

Mine production for the year totalled 502,034 tonnes of ore at a reconciled grade of 4.17 g/t for 67,307 ounces.

The M2 shoot ore source supplied 44% of total ore production at an average grade of 3.7 g/t. The M1 supplied 14% at 3.93 g/t and Challenger West was 32% at 5.68 g/t.

Developing the high grade Challenger West shoot has continued to be the primary focus for the past and future 12 months whilst finishing M1 / M2 lodes at the base of the mine on the 155 and 135 levels.

The year to date adjusted cash operating costs were $1,107 per ounce of gold. Total site operating cash costs were $67.5 million. Total cash expenditure including operating, capital and exploration was $140 million.

Capitalised expenditure for the mine was $57.5 million which included the main decline, level accesses, cross cuts, ventilation accesses, stockpile bays, and diamond drill drives along with electrical and dewatering stations.

A total of $6.3 million was spent on numerous sustaining capital projects including a communications upgrade, excavator, various mill upgrades, and airstrip and access road upgrades.

The mining contract with Leighton Contractors Pty Ltd ended in 2013. Following a tendering process, the new mining contract was awarded to Byrnecut Australia Pty Ltd, with the new mining contract commencing on 1 August 2013.

Physicals		2012/13	2011/12	% Change
Ore mined	tonnes	502,288	606,659	-17%
Ore treated	tonnes	556,631	644,629	-14%
Head grade (gold)	Au g/t	3.91	4.6	-15%
Gold recovery	%	94.5	92.4	2%
Gold poured	ounces	66,216	87,388	-24%

Cost Category	2012/13 $US/oz Gold Produced	2011/12 $US/oz Gold Produced
Total cash cost	1,135	864
By product credit*	(2)	(2)
Depreciation / amortisation – operating	695	535
Total production cost	2,030	1,397

* *Net of silver royalties*

Operational Performance

Significant geological milestones at Challenger for the year include the identification of the '215 Shear', confirmation of M2 lode mineralisation below the '215' Shear, and continued development on the high grade Challenger West lode.

Development of the 215 level highlighted a moderate angle ductile brecciated zone dipping to the north west (termed the 215 Shear). This structure, rather than the '79' Fault, has resulted in the offset in the lode system below the 215 level and this has been confirmed in re-examination of the drill core. Mining on various levels above and below the structure revealed it bisected the 79 Fault in a very similar position to where the lodes were truncated on a number of levels, and hence its significance wasn't recognised for some time. Due to the orientation and moderate dip of the 215 Shear, the lodes were offset more than previously expected, and the immediate levels beneath, abutting the feature, had greatly reduced stope size.

Development to test Challenger West orebody has been highly successful on the 790 and 810 levels, showing that the structure, while narrow and poddy, has good continuity along its strike length. Additional development on the 890, 870 and 650 levels has highlighted the structural variability of the lode down plunge. Considerable drilling has been undertaken to better define the Challenger West shoot and add to the resource.

continued

Mine production for the year totalled 502,034 tonnes of ore at a reconciled grade of 4.17 g/t comprising 356,009 tonnes at 5.26 g/t of high grade ore and 146,025 tonnes @1.52 g/t of low grade ore.

The main M2 Lode provided 44% of mined ounces with 13% of ounces mined from M1. Compared to the previous financial year, M2 contributed a lower percentage of the total ounces mined due to increased contributions from the Challenger West. Challenger West Lode, which was mined for the first time in 2012, contributed an encouraging 32% of the total ounces.

Ore production from the Main M2 and M1 lodes during the year was strongly impacted by the 215 Shear due to its foreshortening of the lodes in advance of the predicted '79' fault. This resulted in less ore above the '79' fault.

Development

The current decline and mining front of the M1/M2 orebodies has continued below the 215 Shear, with the establishment of the 205, 195, 175, 155 and 135 levels.

Stoping has been initiated on the 205, 195 and 175 levels where ground conditions in the stopes have led to greater than planned dilution. Poor ground conditions were noted in the levels just above the 215 Shear and are thought to be associated with the shear rather than with the depth of the mine. In an effort to control the dilution, stope dimensions, pillar placement and cable bolting is being trialled. A combination of these ground control methods has resulted in a degree of success in reducing the dilution.

The mine schedule continued with a combined focus of development and stoping on two separate work areas being the high grade shoot at Challenger West on the 790, 810, 890 and 870 levels, and the mining of high grade ore pods below the 215 Shear on M1 and M2.

A total of 6,799 metres of development was achieved for the year (exclusive of exploration).

The Challenger West orebody has proven to have the highest grade in the mine and the potential to extend from the surface to the base of the current mine. Current diamond drilling is targeting the upper and lower ore zones. Challenger West is the primary target for the next nine months to continue stoping and prove up the identified ore lodes for the future of the Challenger underground. Significant development has set up two means of egress, flow through vent and stoping in the past 12 months. Challenger West will form the foundation of future mining activities at Challenger into the foreseeable future.

Occupational Health and Safety

In April 2013, Kingsgate was saddened to report that an employee was fatally injured off site while returning home from the Challenger Gold Mine. It's important to reflect for a moment to acknowledge the important contribution this individual made to his place of work but to also recognise the loss this person's family suffers. Kingsgate is fully cognisant of the valuable contribution and dedication shown by this individual and will strive to ensure that his legacy is respectfully remembered.

During 2013 there were four incidents resulting in lost time injuries, three restricted work injuries, and six medically treated injuries, an overall reduction of 48 percent on the previous year's 25 recordable injuries. Total injuries reported have also decreased by 15 percent.

There were no air medical evacuations during the year.

The services provided by the OH & S team at Challenger include on-site emergency and clinical medical services for work related or private injuries, illness and counselling support services.

Health programs delivered on site include health assessments and lifestyle promotional programs. The Health Centre has continued with the remote health care clinic in conjunction with the Royal Flying Doctor Service. This program has provided advice to assist personnel in managing private medical conditions and other health related topics.

The site Emergency Management Team was involved in a large-scale exercise during the year that tested the team's training and allowed the opportunity to review the site emergency management plan.

CHALLENGER EXPLORATION

Exploration expenditure totalled $8.8 million during the year comprising $1.8 million of resource development and exploration costs delineating targets outside of the reserve and $7.0 million on underground mining of lodes outside of the reserve. The majority of the mining exploration costs occurred in the first quarter and included portions of 240 and 205 Aminus 2 and 670 Challenger West before they were upgraded to the reserve.

South East Zone (SEZ)

The SEZ structure was evaluated from the 1100 level with three flat fans targeting 1080–1120 mRL, as well as the 940, 280, 240 and 175 levels. A number of significant intersections were returned but overall the strike length of continuous high grade zones appeared limited.

Resource Development

Underground diamond drilling was employed as the main medium for Resource Development of the various Challenger lodes. The Challenger West lode was a focus, as well as the ongoing evaluation of the M1 and M2 shoot systems beneath the 215 Shear.

M2 Shoot System below the 215 Shear

With the new mining fronts established below the 215 Shear, development drilling of the M1–M2 lodes on a level by level basis was facilitated. This revealed a number of significant intersections in both lodes as well as continuity of overall shoot geometry.

Challenger West

The Challenger West Shoot continued to be a focus of development and resource development drilling, and was targeted with programs from the 800 level (targeting 770 mRL), 670 level (targeting 690–540 mRL), 640 level (targeting 500–450 mRL), and 215 level (targeting 170–50 mRL). In addition, the deepest intersection to date of 0.5 metres @ 59.7 g/t was returned from 119 mRL. Overall, delineation of the lode and extension has been successful to date, but targeting and representative challenges remain due to its narrow and poddy nature.

Aminus Corridor

An intersection of 1.4 metres @ 15.0 g/t with associated visible gold was returned in the Aminus corridor as part of Challenger West resource drilling. This lies to the south of Challenger West OD1 and therefore a large distance along strike of Aminus 2. Whilst isolated, it demonstrates the potential along multiple positions within the Challenger structural domains.

continued

CHALLENGER SUSTAINABILITY

Employees

The Challenger workforce totalled 272 at the end of the financial year comprising 100 Kingsgate personnel (employees and casual contractors to fill vacancies); and 172 contractors. Contractors on site include: Leighton with 154 personnel providing mining services; Sodexo, 12 personnel providing catering and cleaning services; Powerwest, 2 personnel for power supply services; and AWG, 4 personnel for air leg and rise mining services.

Turnover for Challenger permanent employees during the financial year was 23%, with 23 terminations and 22 new starters. New employees recruited on a casual basis with a view to permanency accounted for 19 positions.

During the year Kingsgate have rebuilt the Challenger management team improving the depth of mining engineering experience. The new management, combined with targeted training has brought about a cultural change with the emphasis now being on proper planning, appropriate contractor management, accountability. To encourage staff retention, there was a focus on improving the site facilities with an upgrade to the mining office as well as site communications to allow employees to communicate with their families while on site.

Community

The remoteness of Challenger mine – 310 kilometres by road from the nearest town at Coober Pedy – reduces the capacity for local involvement with surrounding communities. Challenger continued to support its nearest communities with local sponsorships including:

- The Umoona Community Council;
- Glendambo Pastoralists Ball;
- The Royal Flying Doctor Service; and
- The Coober Pedy Football Club.

Challenger is located within the Commonwealth Government, Woomera Prohibitive Area (WPA). The Department of Defence (DOD) continues to utilise the area for rocket testing and other commercial activities. In the last 10 years DOD have not impacted on mine operations.

Challenger Mine has fostered strong relations with the University of Adelaide over the past nine years. Each year selected students from the Schools of Geology and Mining Engineering undertake field trips to Challenger, where they experience a very detailed and hands-on introduction to mining. Kingsgate offers academic Bursaries and Prizes to students in both disciplines.

Environment

Full details of all environmental monitoring reports and a detailed review of all environmental issues are contained within the 2013 Mining and Rehabilitation Compliance Report (MARCR). The MARCR can be downloaded from DMITRE's website www.minerals.dmitre.sa.gov.au and can be found using the search word "Challenger".

Water usage

A supplementary groundwater extraction bore (Gusher 3) was commissioned at Challenger to increase the supply of potable water made available to the accommodation camp. A third reverse osmosis plant was also commissioned to accommodate the increase in volume of water that needs to be filtered for potable use.

A total of 436,175 tonnes of water was used to process 556,631 tonnes of ore during the financial year with a ratio of 0.78 tonnes of water to one tonne of ore. Water usage was reduced onsite via recycling of supernatant water from Tailings Storage Facility (TSF) 2 via the decant water return system.

Water Quality

The Annual Groundwater Review Report indicated that analysis of groundwater samples collected from the mine site groundwater monitoring network are generally below the relevant guideline, and in many instances near or below the Limit of Reporting (LOR).

Concentrations of CNWAD (cyanide weak acid dissociable metals) analysed from groundwater samples collected from monitoring bores surrounding the tailings storage facility (TSF) suggest the natural attenuation of cyanide is occurring and containment measures in place for process water and tailings slurry are performing as designed.

Incident Reporting

Challenger's online incident reporting system was upgraded from Skytrust to QHSE Data Manager during the 2012/13 financial year. The updated reporting commitments approved in March 2012 have lead to an increase in the number of reported incidents during 2012 and 2013. A total of three environmental incidents were reported to government regulators in the 2012/13 financial year with the incidents assessed as low to moderate risk. All incidents were investigated and were closed out before the end of the financial year.

Environmental Audit

An independent environmental compliance audit was undertaken by specialist consultants Outback Ecology in March, 2013. The compliance report was submitted to DMITRE as part of the annual MARCR in April, 2013. The compliance audit identified action tasks which have now been completed.

Cyanide Management

At Challenger tailings are stored in an integrated waste landform (IWL). This is essentially the same as a traditional tailings storage facility but is built to blend into the waste dumps. Groundwater monitoring bores located around the Integrated Waste Landform (IWL) were sampled quarterly in line with Challenger's approved Program for Environment Protection and Rehabilitation. The supernatant pool water was well managed throughout the year with the cyanide concentration remaining below the adopted guideline limit of 0.5 milligrams per litre (mg/L), within the TSF. To date cyanide groundwater quality has remained below the revised reporting limit of 0.08 mg/L.

Rehabilitation

Ecosystem Function Analysis (EFA) was conducted on five previously established monitoring sites and two new monitoring sites at Challenger in August 2012. Natural Acacia and Chenopod sites located within the mining lease were monitored and compared with the eastern and western Integrated Waste Landform (IWL) monitoring sites.

Some progressive rehabilitation was undertaken throughout the 2012-2013 financial year. More than half of TSF1 has been capped with fresh waste rock and will continue into the next reporting period. A decision has not yet been made if TSF1 will be raised any further as per approvals, however fresh rock capping will remain until this is determined.

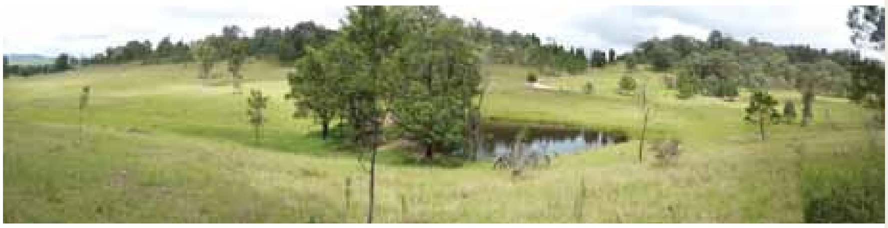
Fresh waste rock armouring of the crest bund around the western and eastern landforms has commenced. The eastern crest bund was armoured with 0.5 metres of fresh rock. This crest armouring is proposed to continue into the next reporting period with topsoil added and seeded with local province seed.

Previously disturbed areas around production bore four CPW04 were lightly ripped; contoured and seeded with local province seed. Disturbed areas around other production and gusher bores were lightly ripped and then contoured by a grader for future seeding.

Dust Monitoring

The triennial noise and hygiene survey was conducted in 2012 and comments on dust survey results. All respirable dust results were below the set exposure standards for atmospheric contaminates. Higher than limit inhalable dust results were recorded from the lab technician and crusher operator, who wear a P2 dust musk as personal protective equipment to reduce the limit of dust inhaled. Underground dust results were all below the recommended limits.

Projects Report



Bowdens Silver Project

NSW, Australia

Summary

Kingsgate Bowdens Pty Limited holds four Exploration Licences ("ELs") located in the Lue/Rylstone area of central western NSW. EL 5920 is divided into two separate areas, one containing the Bowdens Project, is adjacent to the village of Lue and the second to the west of the town of Rylstone.

Silver mineralisation was discovered at Bowdens in the mid 1980s. Programs of geophysical and geochemical exploration had also been undertaken. During 2012 Kingsgate completed 124 drill holes for 13,527 metres as a part of resource definition program. The new resource estimate comprising a total of 567 drill holes for 63,088 metres was completed in November 2012.

During the year a comprehensive metallurgical testwork program was completed as a part of a Definitive Feasibility Study (DFS).

Geology

The Bowdens Silver Project is situated on the north-eastern margin of the Lachlan Fold Belt. Bowdens is hosted by flat-lying Early Permian Rylstone Volcanics. The Rylstone Volcanics are partially overlain by a sequence of marine sediments of the Sydney Basin (Shoalhaven Group). The Rylstone Volcanics range from 10 to 200 metres thick and are dominated by silica rich volcanically derived rocks.

The silver mineralisation occurs as flat-lying to moderately dipping zones of disseminations and silicic fracture-filling and is closely associated with sulphides of iron, arsenic, lead and zinc. High grade silver mineralisation is also hosted in steeply-dipping fracture zones which host banded sulphide veins.

Resource

MPR Geological Consultants Pty Ltd (MPR) has estimated Mineral Resources for the Bowdens silver lead zinc deposit and reviewed the quality of sampling and assaying for Kingsgate's 2012 drilling.

Estimated resources include silver, lead and zinc grades and are reported above silver equivalent cut off grades. The silver equivalence formula is based on commodity prices and recoveries provided by Kingsgate, which give the following function.

Ag equivalent (g/t) = Ag (g/t) + 27.5 x Pb (%) + 22.8 x Zn (%)

The study database comprises 567 RAB, aircore, Reverse Circulation hammer (RC), and diamond drill holes completed by Kingsgate and previous explorers since 1989 for a combined 63,088 metres of drilling.

A JORC-compliant resource estimate was completed in October 2012 and the current total measured, indicated and inferred resource (at a 30 grams per tonne silver equivalent (AgEq) lower cut-off grade) is 182 million ounces of AgEq.

Feasibility Study

During 2013, the process design and engineering work for the Definitive Feasibility Study (DFS) progressed to a point where the draft study was close to completion as at 30 June 2013. The study encompassed detailed process design based on using the most recent metallurgical test results, capital and operating cost estimates, project water and power supply, infrastructure requirements and mine optimisation.

A specialist water supply and engineering firm was engaged to determine the project options for supply, ground and surface water management. Separate specialist consulting firms were engaged to prepare the design and costing of the tailings storage facility and power supply for the Bowdens project.

A geo-technical drilling program was largely completed and the results utilised in determining preliminary mine design and costing for an open pit mine for Bowdens including pit wall angles for the mine optimisation.

A geo-metallurgical test program was completed using core samples prepared from the major lithology types at the Bowdens silver project. The geo-metallurgical programme was successful in providing important information related to the physical characteristics and flotation recovery of mineralisation from the dominant lithology types. This included providing confirmation of milling circuit parameters and overall improved metallurgical recovery.

Testing of the long term geochemical stability of the ore and waste for potentially acid forming properties is ongoing, with initial weathering columns nearing completion. The geochemical characterisation results will form an important input to the Environmental Impact Statement (EIS).

EIS, Community and Project Approval Process

Kingsgate submitted an application for the Director General's Requirements (DGRs) in December 2012. Following a planning focus meeting with various NSW government departments and agencies in February 2013, the DGR's were issued in late February 2013. The DGR document combines the elements of the conceptual project development plan (CPDP) and sets out environmental assessment requirements for the proposed project development.

The preparation for lodgement of an Environmental Impact Statement (EIS) to the NSW Department of Planning ("Planning") continues. It is envisaged that the EIS will be completed and lodged in 2014. Data for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels are collected routinely. Further investigations of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken on site.

There have been no serious safety incidents reported to date. At the end of June there were over 600 days Lost Time Injury free since Kingsgate exploration and pre-development activities began on site.

Environmental, regulatory and NSW Government approvals remain the key determinants to the timing of project development at Bowdens. Of particular note were two recent NSW Land and Environment Court decisions relating to the overturning of existing mining approvals that will require extra diligence and consideration as the Bowdens Project moves forward. Community relations was undertaken throughout the year utilising a variety of techniques including: letters, telephone calls, attendance at trade shows, industry presentations, site tours, Community Liaison Group meetings, governmental meetings and two open days.

The open days were highly successful in engaging with the community with more than 200 local people providing feedback on a range of topics. Sentiment capture and management remains an important aspect for the project as part of the ongoing community relations program, and a full time Community and Government Relations Manager has been engaged on that basis.

continued

Nueva Esperanza Project

Chile

Summary

The Nueva Esperanza Project is 100% owned by Kingsgate since February 2012. Nueva Esperanza is located in the Maricunga Gold Belt near Copiapó, a regional mining centre in Northern Chile. The silver-rich mineralisation is hosted by the Esperanza high-sulphidation epithermal alteration system associated with the Cerros Bravos volcanic complex.

The project consists of three well-defined mineralised deposits and a number of undeveloped exploration targets. The main deposits are Arqueros, Chimberos and Teterita. Arqueros was previously mined on a limited scale by underground methods and Chimberos was exploited as an open pit mine, delivering about 40 million ounces of silver in 1998/99. All three deposits currently have a combined Mineral Resources of about 93 million ounces of silver equivalent or 1.6 million ounces of gold equivalent (EQ60)[1].

A feasibility study for a decision to mine the Arqueros portion of Nueva Esperanza was completed in late 2012, demonstrating that open pit mining at two million tonnes per year and processing by milling and agitation leaching in cyanide was technically feasible. Work remained to integrate the Teterita and Chimberos deposits into the project, as well as to test lower cost options for processing. Continued metallurgical testwork has shown that mineralisation from all three deposits by heap leaching is technically and economically feasible and the preferred alternative for development.

Environmental approvals to commence construction and mining at Nueva Esperanza were granted in July 2013 for the original Arqueros project. Work is underway to modify and update the environmental assessment to incorporate the heap leach process.

1 Equivalence is based on gold/silver price ratio of 60. Gold equivalence = gold content plus (silver content *divided* by 60), whereas Silver equivalent silver content plus (gold content multiplied by 60).

Geology

The silver and gold mineralisation is hosted within tertiary-aged volcanic units at Arqueros and Teterita, and in Paleozoic sediments at Chimberos. The alteration and mineralisation are all Miocene in age and associated with the Cerros Bravos paleovolcano.

Mineralisation comprises two main components. Silver-rich horizontal units termed 'mantos' (Spanish for blanket) and a series of near-vertical, cross-cutting gold-rich structures. The mantos silver mineralisation is hosted by vuggy silica within dacitic lapilli tuff. Mantos occurs at Arqueros and Teterita where the mineralising process has replaced horizontal porous tuffs. At Chimberos, silver mineralisation is hosted in vuggy silica hydrothermal breccia superimposed on folded Paleozoic sediments.

The vertical gold-rich mineralisation, also characterised by vuggy silica, is well-developed at Arqueros. It has been interpreted as feeders for mineralising fluids. Nonetheless, this style of mineralisation has not yet been observed at Teterita and is poorly preserved at Chimberos.

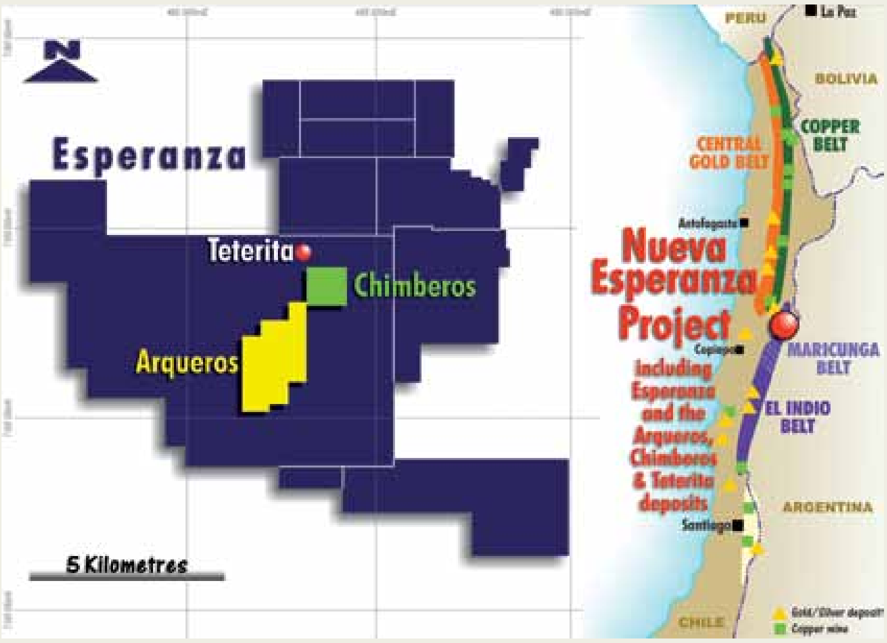
Resource

Kingsgate has updated the project resource base to incorporate the recent drilling on the Chimberos project and using the current gold/silver ratio of 60 (previously 45) for its gold equivalent (AuEq60) and silver equivalent (AgEq60) calculations.The combined Measured, Indicated and Inferred mineral resource for the Nueva Esperanza Project is based on resource block modelling of Arqueros, Chimberos and Teterita, and has been estimated at a cut-off grade of 0.5 grams per tonne (g/t), gold equivalent (AuEq60) to be 28.9 million tonnes at 0.27 g/t gold and 84 g/t silver.

This represents about 250,000 ounces of gold and 78.5 million ounces of silver.

The Measured, Indicated and Inferred resource may be expressed in gold or silver equivalent ounces as:

- Gold equivalent ounces (AuEQ60): 1.6 million ounces at 1.7 g/t gold equivalent; and
- Silver equivalent ounces (AgEQ60): 93.5 million ounces at 100 g/t silver equivalent.



Feasibility Study

A Definitive Feasibility Study commenced on the project at the end of May 2011 with the focus on Arqueros, and open pit mining of that deposit with processing by traditional mill and agitation leaching in cyanide. Subsequent acquisition of the Teterita and Chimberos deposits resulted in an expansion of the feasibility study to incorporate their resources.

In late 2012, a decision was taken to examine lower cost options for processing using heap leaching. With major engineering already done, technical studies focussed on metallurgical testwork and heap leach design. It has been established that the mineralisation from the three deposits can be processed by HPGR (High Pressure Grinding Rolls) crushing and heap leaching with silver and gold recoveries of the order of 70% to 75% for silver and 65% to 70% for gold. The project development plan is now focussed on a 3 million tonne per annum heap leach operation with an initial mine life of over 6 years. Annualised production levels (post ramp-up) are estimated at 6.0–8.0 million ounces of silver and 18,000–22,000 ounces of gold, at an indicative start-up capital cost between US$130–150 million (inclusive of 25% contingency).

These project parameters are based on preliminary results only and are insufficient to provide assurance as to the economic development of the project at this stage and these parameters may also change following completion of the Definitive Feasibility Study.

With the technical and economical feasibility of heap leaching being established, the project will now move into the final feasibility and design stage with results expected to be available during the March quarter 2014.

The environmental permitting process for the original Arqueros project has been completed, with approval to commence construction and mining granted by the Chilean authorities. A modification of the environmental assessment is being prepared to have the approvals modified for heap leaching and on-site power generation.

Extensive community consultation has been undertaken with positive outcomes, and relationships with indigenous rural and urban communities remain a priority.

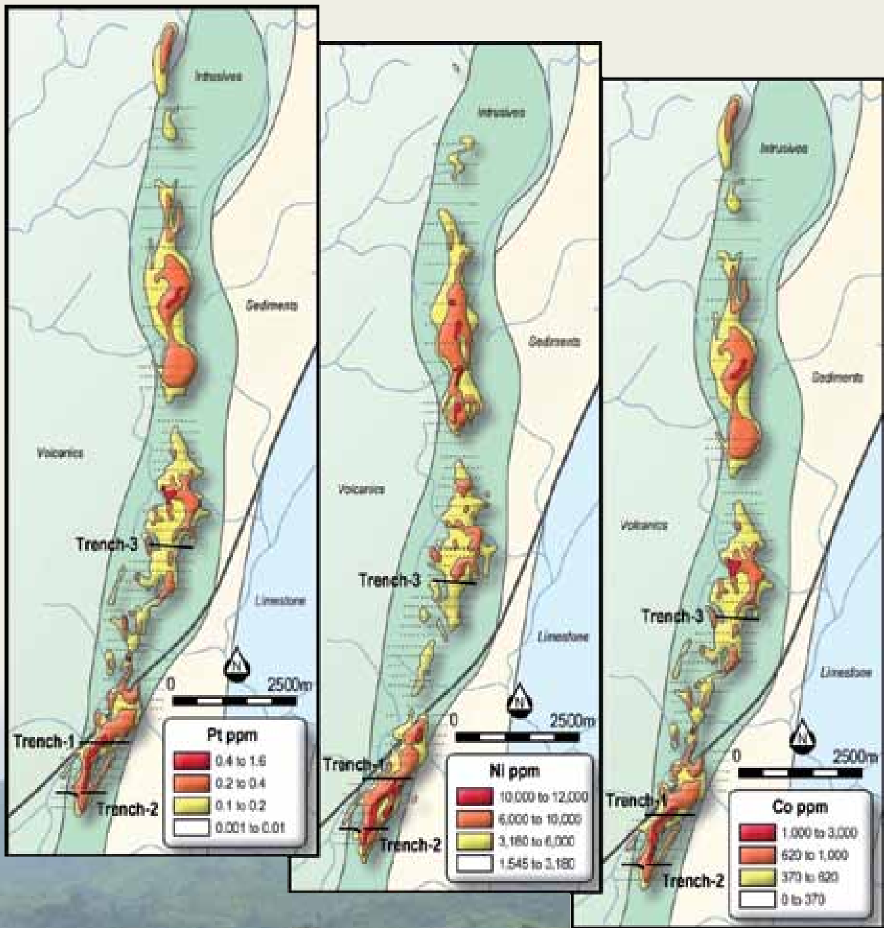
Exploration Report

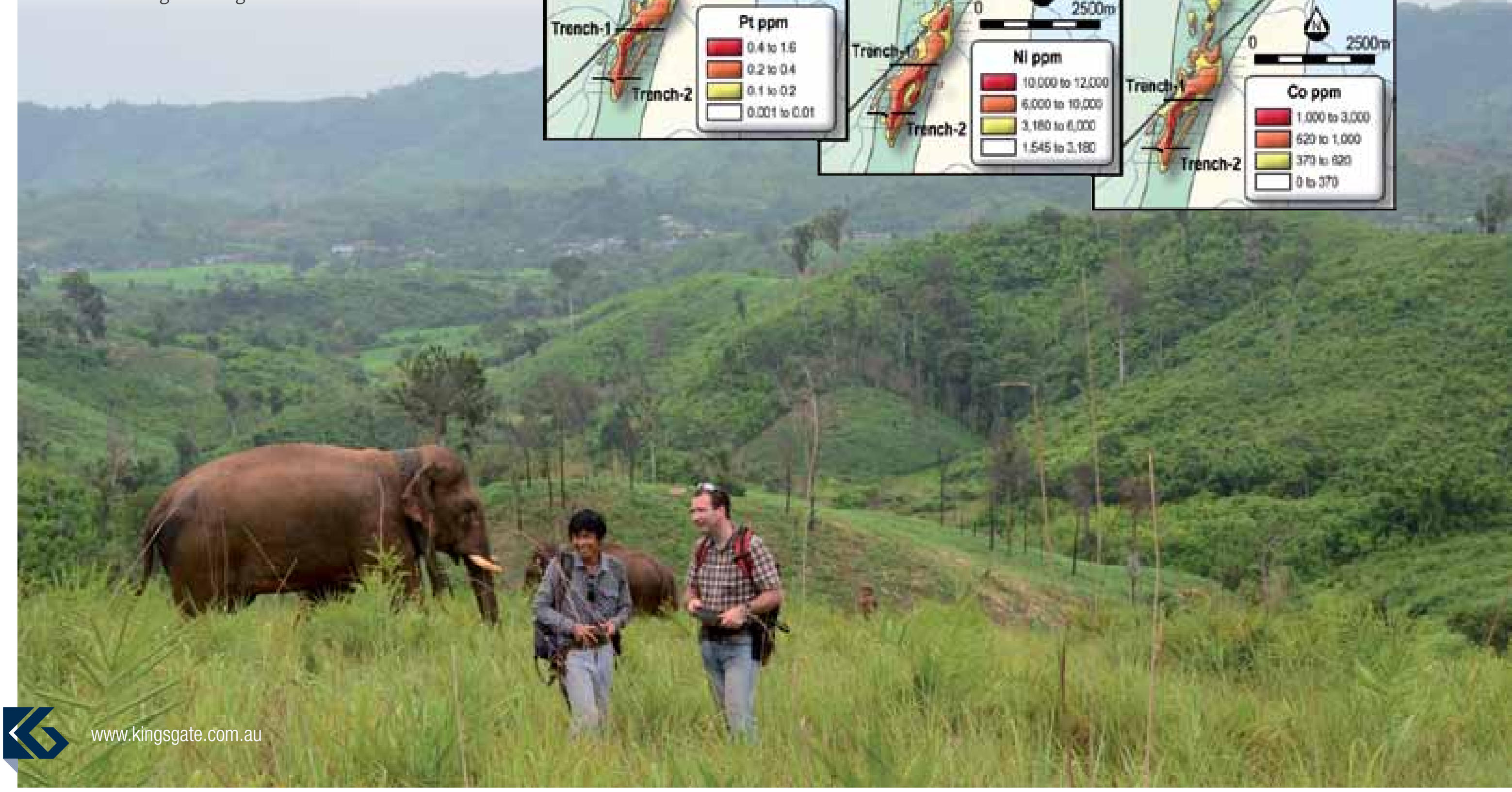
Summary

Kingsgate has a portfolio of exploration tenements and applications in Thailand, Chile and Lao PDR. Following the sale of exploration tenements to Caravel Minerals, exploration in Australia is currently only conducted in the vicinity of the Challenger Mine in South Australia and the Bowdens Silver Project in New South Wales.

Kingsgate's South East Asian exploration team continued their exploration activities on Thailand and surrounding countries. Strategically the team has turned the majority of their attention to projects which have the capacity to add value to the Company through exploration drilling subsequent resource expansion. These projects include the granted Mining Leases at Chatree and the granted Sayabouly Concession in the Lao PDR.

Outside of these active areas, the South East Asian exploration team continues to review new opportunities throughout Thailand, Laos and their neighbouring countries.

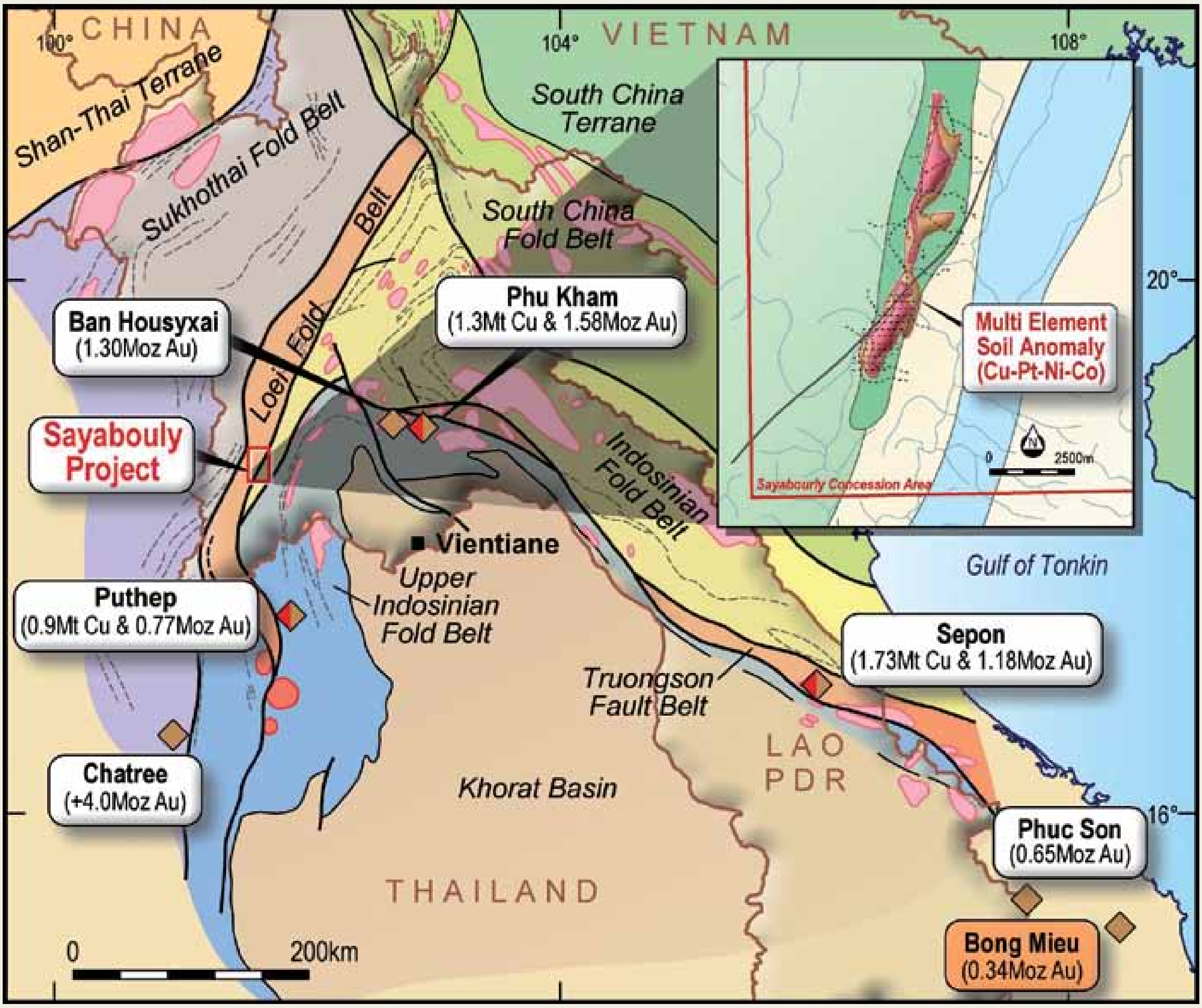




Sayabouly Project – Lao PDR

With the grant of the prospecting and exploration permit in early 2012, exploration activity focused on the definition of an extensive copper (Cu), platinum (Pt), chromium (Cr), nickel (Ni) stream sediment anomaly within the permit area. Surface geochemistry and mapping has defined an extensive multi-element soil anomaly over 16 kilometres in length and 700 metres width with peak values of 829ppm copper (Cu), 1.05% nickel (Ni), 1.54 ppm platinum (Pt), and 0.27% cobalt (Co) and 0.57 ppm palladium (Pd).

The style of mineralisation is thought to be similar to Cu, Platinum Group Element deposits such as the Great Dyke (Zimbabwe) Deposits. Three broad spaced trenches were completed with another two trenched partially completed up until the commencement of the wet season with results 2.0m @ 1.73 ppm Pt and a broad zone nickel mineralisation including 51 m (853–904 m) @ 0.96% Ni. In addition to this prospect, several gold occurrences are beginning to take shape and recent high grade rockchip samples (96.0 g/t Au, 82.7 g/t Au, 53.3 g/t Au, 44.7 g/t Au, 30.0 g/t Au and 18.8 g/t Au) in several adjacent creeks appear to be defining a gold target that will also require drilling at the end of the wet season.



continued

Ore Reserves and Mineral Resources

as at 30 June 2013

Challenger and Chatree* Ore Reserves

			Grade						Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Lead** (%)	**Zinc** (%)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Challenger	Proved	0.25	5.52	–	–	–	5.52	315	0.04	–	0.04	2.5
	Probable	0.22	8.30	–	–	–	8.30	473	0.06	–	0.06	3.3
	Total	**0.47**	**6.82**	**–**	**–**	**–**	**6.82**	**389**	**0.10**	**–**	**0.10**	**5.9**
Chatree	Proved	54.7	0.82	8.1	–	–	0.90	94.2	1.44	14.17	1.58	166
	Probable	14.8	0.78	6.0	–	–	0.84	87.9	0.37	2.86	0.40	41.8
	Total	**69.5**	**0.81**	**7.6**	**–**	**–**	**0.88**	**92.9**	**1.82**	**17.04**	**1.98**	**208**
Total Ore Reserves		**70.0**	**0.85**	**7.6**	**–**	**–**	**0.92**	**94.9**	**1.92**	**17.0**	**2.08**	**213**

Challenger and Chatree* Mineral Resources (inclusive of Ore Reserves)

			Grade						Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Lead** (%)	**Zinc** (%)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Challenger	Measured	0.44	8.97	–	–	–	9.0	511	0.13	–	0.13	7.2
	Indicated	1.04	10.6	–	–	–	10.6	604	0.35	–	0.35	20.2
	Inferred	0.68	12.1	–	–	–	12.1	690	0.26	–	0.26	15.1
	Total	**2.16**	**10.7**	**–**	**–**	**–**	**10.7**	**612**	**0.75**	**–**	**0.75**	**42.5**
Chatree	Measured	92.8	0.72	6.60	–	–	0.78	82.2	2.15	19.7	2.34	245
	Indicated	49.8	0.64	4.69	–	–	0.68	71.9	1.02	7.5	1.10	115
	Inferred	45.7	0.58	3.81	–	–	0.62	64.7	0.85	5.6	0.91	95.1
	Total	**188.3**	**0.66**	**5.42**	**–**	**–**	**0.72**	**75.2**	**4.03**	**32.8**	**4.34**	**455**
Total Mineral Resources		**190.5**	**0.78**	**5.36**	**–**	**–**	**0.83**	**81.3**	**4.77**	**32.8**	**5.08**	**498**

Nueva Esperanza and Bowdens Mineral Resources

			Grade						Contained Metal			
Source	**Category**	**Tonnes** (Million)	**Gold** (g/t)	**Silver** (g/t)	**Lead** (%)	**Zinc** (%)	**Au Equiv** (g/t)	**Ag Equiv** (g/t)	**Gold** (M oz)	**Silver** (M oz)	**Au Equiv** (M oz)	**Ag Equiv** (M oz)
Nueva Esperanza	Measured	1.5	0.01	101	–	–	1.69	102	0.00	4.9	0.08	4.9
	Indicated	21.3	0.28	88	–	–	1.75	105	0.19	60.3	1.20	71.8
	Inferred	6.1	0.3	68	–	–	1.43	86	0.06	13.3	0.28	16.9
	Total	**28.9**	**0.27**	**84**	**–**	**–**	**1.68**	**101**	**0.25**	**78.5**	**1.56**	**93.5**
Bowdens	Measured	23.6	–	56.6	0.31	0.41	1.64	74.5	–	43.0	1.25	57.0
	Indicated	28.4	–	48.0	0.27	0.36	1.40	63.6	–	43.8	1.28	58.0
	Inferred	36.0	–	41.0	0.30	0.40	1.27	58.0	–	47.5	1.47	68.0
	Total	**88.0**	**–**	**47.4**	**0.29**	**0.39**	**1.41**	**64.4**	**–**	**134.1**	**4.00**	**182**
Total Mineral Resources		**116.9**	**0.07**	**57**	**–**	**–**	**1.48**	**73**	**0.25**	**213**	**5.56**	**276**

Group Total Mineral Resources		**307.4**	**–**	**–**	**–**	**–**	**–**	**–**	**5.02**	**246**	**10.64**	**774**

** Chatree data as at 30 April 2013*

Detailed individual Mineral Resources and Ore Reserve reports for each project are available on the company website.

Notes to the Ore Reserves and Mineral Resources Table:

Some rounding of figures may cause numbers to not add correctly.

(1) Nueva Esperanza equivalent factors:

- *Silver equivalent: AgEq (g/t) = Ag (g/t) + Au(g/t) x 60;*
- *Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t) / 60;*
- *Calculated from prices of US$1,380/oz Au and US$21.50/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate, and metallurgical recoveries of 85% Au and 78% Ag estimated from test work by Kingsgate and Laguna.*

(2) Bowdens equivalent factors:

- *Silver equivalent: AgEq (g/t) = Ag (g/t) + 22.4 x Pb (%) + 25.5 x Zn (%);*
- *Gold equivalent: AuEq (g/t) = AgEq (g/t) /45;*
- *Calculated from prices of US$28/oz Ag, US$1250/oz Au, US$2200/t Pb, US$2200/t Zn and metallurgical recoveries of 81% Ag, 73% Pb, and 83% Zn estimated from test work by Silver Standard, and assuming consistent metallurgical recoveries for gold and silver of 81%.*

(3) Chatree equivalent factors:

- *Chatree gold equivalent: AuEq/t = Au (g/t) + Ag (g/t) /105;*
- *Silver equivalent: AgEq g/t = Au (g/t) x 105 + Ag g/t;*
- *Calculated from prices of US$1480/oz Au and US$26/oz Ag and metallurgical recoveries of 80.5% Au and 43.6% silver based on metallurgical testwork and plant performance.*

(4) Challenger equivalent factors:

- *Silver equivalent: AgEq/t = Au (g/t) x 57;*
- *Calculated from prices of US$1480/oz Au and US$26/oz Ag and consistent metallurgical recoveries for gold and silver.*

(5) Cut-off grade for Chatree is 0.35g/t Au; Nueva Esperanza is 0.5g/t AuEq; Bowdens is 30g/t AgEq. For Challenger it is 1.5 Au g/t for open cut resources, and 5.0 g/t for undeground resources.

(6) It is the Company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.

Competent Persons Statement

In this report, information concerning Thailand operations relates to Exploration Results, Mineral Resources and Ore Reserve estimates and is based on and fairly represents information compiled by the following Competent Persons: Ron James, Brendan Bradley, Kevin Woodward and Suphanit Suphananthi who are employees of the Kingsgate Group – all except Brendan Bradley are members of The Australasian Institute of Mining and Metallurgy. Brendan Bradley is a member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code, 2012 edition) and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the public reporting of these statements and the inclusion of the material in the form and context in which it appears.

In this report, the information concerning Challenger operations that relates to Exploration Results, Mineral Resources and Ore Reserves estimates is based on and fairly represents information compiled by Stuart Hampton and Luke Phelps who are full-time employees of the Kingsgate Group. Both are members of The Australasian Institute of Mining and Metallurgy. These persons have sufficient experience that is relevant to the mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Stuart Hampton and Luke Phelps consent to the inclusion in the report of the matters based on their information in the form in which it appears.

The information in this report that relates to Bowdens Mineral Resource estimation is based on and fairly represents work completed by Jonathon Abbott who is a full-time employee of MPR Geological Consultants and a member of the Australasian Institute of Geoscientists, and Ron James, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Abbott and Mr James have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott and Mr James consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Nueva Esperanza Mineral Resource estimation is based on and fairly represents work completed by Jonathon Abbott, Ron James and Maria Muñoz. These people qualify as Competent Persons as defined in the 'Australasian Code for Reporting of Exploration Results and Mineral Resources'(the JORC Code, 2012 edition) and possess relevant experience in relation to the mineralisation being reported herein as 'Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott, Mr James and Ms Muñoz consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Corporate Governance Statement

Corporate Governance Practices

This statement provides an outline of the main corporate governance policies and practices that the Company had in place during the financial year.

The Board places considerable importance on high standards of ethical behaviour, governance and accountability. The Board is committed to ensuring its corporate governance policies adhere, as much as is practicable, to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board has recognised the need for the continual development of the Company's corporate governance policies and practices, particularly in view of the Australian Securities Exchange Corporate Governance Principles and Recommendations with 2010 Amendments.

Roles and Responsibilities of the Board

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder funds.

The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- providing leadership of the Company within a framework of prudent and effective controls which enable risks to be assessed and managed;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- setting the Company's direction, strategies and financial objectives;
- ensuring compliance with regulatory and ethical standards;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- appointing, terminating and reviewing the performance of the Managing Director;
- ratifying the appointment and the termination of senior executives;
- monitoring senior executives' performance and implementation of strategy; and
- ensuring appropriate resources are available to senior executives.

Responsibility for the day-to-day management of the Company is delegated to the Managing Director and the senior executives.

In carrying out its duties the Board meets formally at least nine times per year. Additional meetings are held to address specific issues or are held as the need arises. Directors also participate in meetings of various Board committees. In the financial year ending 30 June 2013, the Board met eleven times and there were four Committee meetings.

Composition of the Board

The Board may, in accordance with the Company's constitution, be comprised of a minimum of three and a maximum of ten Directors.

The roles of the Non-Executive Chairman and the Managing Director / Chief Executive Officer are exercised by different individuals.

During the 2013 financial year there were five Directors. Details of the Directors who held office during the 2013 financial year, including their qualifications, experience and the period for which each Director has held office are set out on page 48 of this Report.

At each Annual General Meeting of the Company, one third of the Directors (or the number nearest one-third) must retire from office. In addition any other Director who has held office (without re-election) for three years or more must also retire from office. The Directors to retire at any Annual General Meeting must be those who have been in office the longest since their last election. The retirement of Directors who were elected on the same day, must be determined by lot (unless they agree otherwise between themselves). A retiring Director is eligible for re-election.

A Director appointed to fill a casual vacancy or as an addition to the existing Directors will hold office until the next Annual General Meeting at which he or she may be re-elected.

The Managing Director is not subject to retirement by rotation and along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

Director Independence

The Board considers that independence from management and non-alignment with other interests or relationships with the Company is essential for impartial decision making and effective governance.

Directors are deemed to be independent if they are independent of management and have no material business or other relationship with the Company that could materially impede their objectivity or the exercise of independent judgement or materially influence their ability to act in the best interests of the Company.

For the 2013 financial year, four of the Company's five Directors (including the Non-Executive Chairman) were considered by the Board to be independent throughout the year. Those Directors were Mr Ross Smyth-Kirk, Mr Peter McAleer, Mr Craig Carracher and Mr Peter Alexander.

In assessing independence, the Board has regard to whether any Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the above mentioned adviser / consultant;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company other than as a Director.

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

Appointment of Directors

Nominations of new Directors, recommended by the Nomination Committee, are considered by the full Board.

The Nomination Committee employs external consultants to access a wide base of potential Directors, considering their range of skills and experience required in light of the:

- current composition of the Board;
- need for independence;
- the Company's Diversity Policy;
- strategic direction and progress of the Company; and
- nature of the Company's business.

The Board assesses nominated Directors against a range of criteria including experience, professional expertise, personal qualities, potential conflicts of interest and their capacity to commit themselves to the Board's activities.

Performance Review of the Board and Senior Executives

Each year the Board receives reports from management detailing interactions with and outlining the expressed views of the Company's shareholders. The Nomination Committee is responsible for evaluation of the Board, its committees and its key executives.

Performance evaluations of the Board, its committees, the individual Directors and key executives were undertaken in the 2013 financial year in accordance with the above processes.

The Managing Director undertakes an annual review of the performance of each Senior Executive against individual tasks and objectives.

Independent Professional Advice

Directors are able to access members of the management team at any time to request relevant information.

It is also Board policy that Directors may seek independent advice at the Company's expense.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board has established three committees to consider certain issues and functions. These committees are as follows:

- Audit Committee;
- Remuneration Committee; and
- Nomination Committee.

Each committee operates under its own charter.

Audit Committee

The members of the Audit Committee as at the date of this Report are:

- Mr Craig Carracher (Chairman of Audit Committee);
- Mr Ross Smyth-Kirk; and
- Mr Peter McAleer.

The Committee has appropriate financial expertise. All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

The Audit Committee's role is to assist the Board to fulfil its responsibilities associated with the Company's accounts, its external financial reporting, its internal control structure, risk management systems and audit function. The primary functions of the Audit Committee are to:

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

In fulfilling its responsibilities, the Audit Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information.

The Audit Committee met twice during the 2013 financial year.

The Audit Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Auditor Independence and Engagement

The charter adopted by the Audit Committee confirms its role in assisting the Board in respect of the appointment, compensation, retention and oversight of the Company's external auditors. The external auditors are required to confirm that they have maintained their independence in accordance with the *Corporations Act 2001* (Cth) and the rules of professional accounting bodies.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested when deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

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

continued

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

PricewaterhouseCoopers was appointed as external auditor of the Company for the 2013 financial year.

Risk Oversight and Management

The Board, through the Audit Committee, is responsible for ensuring that there are adequate policies in place in relation to risk management, compliance and internal control systems.

Kingsgate has a systematic and structured risk oversight and management program that involves a detailed analysis of material risks to the business and operates at various levels underpinned by specific systems and procedures.

Risk monitoring, managing, mitigating and reporting is conducted regularly and includes the following:

- regular internal management reporting;
- reporting at Board and Committee meetings by relevant managers;
- site visits by the Board and senior management;
- internal and external audits; and
- training, procedural manuals and meetings.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the solvency declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Oversight and Management Policy is published in the 'Corporate Governance' section of the Company's website.

Remuneration Committee

The members of the Remuneration Committee as at the date of this Report are:

- Mr Ross Smyth-Kirk (Chairman of Remuneration Committee);
- Mr Peter McAleer;
- Mr Craig Carracher; and
- Mr Peter Alexander.

The Remuneration Committee's role is to oversee the Company's remuneration and compensation plans.

To ensure that the review of remuneration practices and strategies on which decision making is based is objective and well founded, the Remuneration Committee engages external remuneration consultants.

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

- ensuring shareholder and employee interests are aligned;
- ensuring the Company is able to attract, develop and retain talented employees;
- recommending to the Board, with the Managing Director, an appropriate executive remuneration policy;
- determining the remuneration of Directors;
- having regard to the Company's Diversity Policy, including issues relating to remuneration by gender;
- reviewing and approving the remuneration of those reporting directly to the Managing Director and other senior executives, as appropriate; and
- reviewing all equity based plans for approval by the Board.

The Remuneration Committee operates in accordance with the Company's Remuneration Policy. The policy is designed so that it motivates senior executives to pursue the long-term growth and success of the Company and demonstrates a clear relationship between senior executives' performance and remuneration.

The Remuneration Committee met one time during the 2013 financial year.

The Remuneration Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Nomination Committee

The members of the Nomination Committee as at the date of this Report are:

- Mr Ross Smyth-Kirk (Chairman of Nomination Committee);
- Mr Peter McAleer; and
- Mr Craig Carracher.

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

- assessing the skills required on the Board;
- reviewing the structure, size and composition of the Board;
- from time to time assessing the extent to which the required skills are represented on the Board and ensuring an appropriate succession planning is in place;
- establishing processes for the review of the performance of individual Directors and the Board as a whole, its committees and key executives; and
- establishing processes for the identification of suitable candidates for appointment to the Board.

To ensure that the Board has an appropriate mix of skills and experience, the Nomination Committee will consider men and women from diverse backgrounds for Board membership who have demonstrated high levels of integrity and performance in improving shareholder returns, and who can apply such skills and experience to the benefit of the Company.

The Nomination Committee met once during the 2013 financial year.

The Nomination Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

Ethical Standards and Code of Conduct

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour.

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

The core values of the Code of Conduct are:

- honesty and integrity;
- fairness and respect; and
- trust and openness.

The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.

The Code of Conduct is published in the 'Corporate Governance' section of the Company's website.

Diversity

The Company has a policy to improve the diversity of its workforce over time by identifying women and individuals from under-represented backgrounds for recruitment, and by rewarding and promoting employees on the basis of performance.

However, at this stage of its development, the Company has a small Board of Directors, and a small management team which is geographically dispersed and because of the industry in which the Company operates, the Board does not consider it to be practicable to set measurable objectives to achieve greater gender diversity at this time.

In addition, the Board acknowledges the benefits of seeking to improve gender diversity at all levels in the Company over time and will keep this issue under review.

The Company aims to foster continuous improvement in the area of diversity; building on achievement realised through the implementation of historical diversity initiatives, by applying principles successfully used at our leading operation in this area, to other parts of the business.

Our flagship 'Chatree' Mine in Thailand boasts the enviable statistic of having equal representation by women on the senior management team. Recruitment, training and promotion principles employed at Chatree are currently being applied to our 'Challenger' Mine in Australia, where we currently have 14% representation of women across the senior management and professional categories and to other parts of the business.

There is currently no representation by women on our Board of Directors. Whilst this is in part reflective of the relatively small size of the Board and stage of development of key elements of the business, it forms part of an overall business review process to consider the issue of gender diversity at this level and will be the subject of ongoing review.

The Company considers that it will benefit from its ongoing commitment to promote a diverse workforce with treatment of employees and future employees on the basis of merit, abilities and potential, regardless of gender, colour, ethnic or national origin, race, disability, age, sexual orientation, gender reassignment, socio-economic background, religious or political belief, non / trade union membership, family circumstances or other irrelevant distinction.

The Company has set various criteria and procedures in order to support equality and diversity in the workforce and applies these principles to:

- Provide fair access to workplace opportunities and benefits, including internal promotion, leadership development, flexible work practices and fair and comparable wages;
- Attracting and retaining a skilled and diverse workforce;
- Creating an inclusive workplace culture where discriminatory behaviour is unacceptable; and
- Providing an effective grievance mechanism for employees.

Current Proportion of Women Employees

Board	0.0%
Senior Executives	0.0%
Senior Managers	1.8%
Managers	1.0%
Professionals	8.6%
Non-professionals	6.4%
Total Workforce	**17.8%**

Share Trading Policy

In the interests of shareholder confidence and compliance with insider trading laws, the Company has formal policies governing the trading of the Company's securities by Directors, officers and employees. Details of Directors' shareholdings are disclosed in the Directors' Report.

The policy prohibits Directors and employees from engaging in short-term trading of any of the Company's securities and buying or selling the Company's securities if they possess unpublished, price-sensitive information.

Directors and senior management may buy or sell Company securities in the four week period following significant announcements by the Company, including the release of the quarterly report, half-yearly results, the preliminary annual results and the lodgement of the Company's Annual Report (subject to the prohibition of dealing in the Company's securities if they possess unpublished price sensitive information).

Directors and senior management must also receive approval from the Chairman before buying or selling Company securities.

The Company's Share Trading Policy is available in the 'Corporate Governance' section of the Company's website.

Communication with Shareholders and Continuous Disclosure

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth).

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All releases are posted on the Company's website and released to the ASX in a timely manner.

The Company has practices in place throughout the year governing who may authorise and make disclosures and the method by which the market is to be informed of any price sensitive information.

The Company Secretary is responsible for communications with the ASX and ensuring that the Company meets its continuous disclosure obligations.

The Company's Continuous Disclosure is available in the 'Corporate Governance' section of the Company's website.

Annual General Meeting

All shareholders are encouraged to attend and participate in the Company's Annual General Meeting. Shareholders may attend in person or send a proxy as their representative.

The Company's external auditor is routinely invited to and attends the Annual General Meeting in order to respond to questions raised by shareholders relating to the content and conduct of the audit and accounting policies adopted by the Company in relation to the preparation of the financial statements.

Corporate Governance Disclosure

The Company's governance policies and procedures comply in all substantial respects with the Australian Securities Exchange Corporate Governance Principles and Recommendations with 2010 Amendments. The following table compares the ASX Recommendations and the Company's corporate governance policies and practices.

continued

1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	√
1.2	Companies should disclose the process for evaluating the performance of senior executives.	√
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√
2.1	A majority of the Board should be independent Directors.	√
2.2	The Chair should be an independent Director.	√
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	√
2.4	The Board should establish a Nomination Committee.	√
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	√
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: › the practices necessary to maintain confidence in the Company's integrity; › the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and › the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	√ *
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	*
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	√
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√
4.1	The Board should establish an Audit Committee.	√
4.2	The Audit Committee should be structured so that it: › consists only of Non-Executive Directors; › consists of a majority of independent Directors; › is chaired by an independent Chair, who is not Chair of the Board; and › has at least three members.	√
4.3	The Audit Committee should have a formal charter.	√
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	√
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	√
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	√
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	√
8.1	The Board should establish a Remuneration Committee.	√
8.2	The Remuneration Committee should be structured so that it: › consists of a majority of independent Directors; › is chaired by an independent Chair; and › has at least three members.	√
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	√
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√

* *As the Company, at this stage of its development, has a small Board of Directors, and a small management team which is geographically dispersed and because of the industry in which the Company operates, the Board does not consider it to be practicable to set measurable objectives to achieve greater gender diversity at this time. However, the Board acknowledges the benefits of seeking to improve gender diversity at all levels in the Company over time and will continue to keep this issue under review.*

Senior Management

Kingsgate's executives have a comprehensive range of skills and experience including mine development and operations, exploration, finance and administration. They are supported by highly qualified specialists, whose backgrounds cover the full scope of mining resources activities.

Senior members of Kingsgate's management team are:

Gavin Thomas

BSc (Geology), FAusIMM

Managing Director and Chief Executive Officer

Gavin Thomas was appointed Chief Executive Officer of Kingsgate in 2004 and joined the Kingsgate Board on 16th November 2007. Gavin has had a successful career in developing mining companies from the exploration phase into mid-tier gold or copper producers. He has over 42 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. Amongst Gavin's credits is the discovery of "Lihir" in Papua New Guinea, one of the largest gold deposits in the world. In particular, he has extensive experience in Thailand and South America.

Duane Woodbury

BEc (Hons)

Chief Financial Officer

Duane Woodbury was appointed Chief Financial Officer of Kingsgate on 1 September 2011. Duane has a BEc (Hons) Degree and has worked in various financial, accounting and advisory roles during his career in a number of locations, including London, New York and Singapore. He has been assisting Kingsgate in its business development initiatives since August 2007 and brings over 20 years of experience in financial markets and corporate finance transactions, principally with the Macquarie Group.

Tim Benfield

Dip CSM (mining), MBA, MAusIMM

Chief Operating Officer

Tim Benfield joined Kingsgate in February 2012 as Chief Operating Officer. Tim is a mining engineer with over 21 years underground and open pit experience in the mining industry in both operational and corporate roles. He has operational and project development experience in Australia, Africa and Saudi Arabia. This includes 10 years with Barrick Gold of Australia where he provided support to four operating mines and two development projects. Tim was most recently General Manager of the Pajingo Gold mine in Queensland for Evolution Mining Limited.

Ross Coyle

BA, FCPA, FCIS

General Manager Finance and Administration Company Secretary

Ross Coyle joined Kingsgate in March 2011 following the Company's acquisition of Dominion Mining Limited and was with the Dominion group for over 25 years. He is a qualified accountant and has over 30 years experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Company Secretary in September 2011.

Joel Forwood

Bsc (Hons) FFin

General Manager Corporate and Markets

Joel Forwood joined Kingsgate in November 2010 and has over 27 years experience in the resource and investment industries covering investor relations, funds management and exploration. For over 12 years, he has been leading investor relations at a number of listed companies, most recently for Lihir Gold Limited. Prior to this he was a fund manager with Queensland Investment Corporation (QIC) following his early career in mineral exploration with BHP and corporate development with RGC.

Ronald James

BSc (Geology), MAusIMM, MAIG

General Manager Exploration and Resource Development

Ron James has 30 years of experience in exploration and mining at management level inclusive of setting up gold mines and exploration projects from their earliest stages through to development and sustainability. Before joining Kingsgate, he was Chief Mine Geologist at the Gold Ridge Mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. Ron is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments and has a strong focus on maximising returns from ore bodies through optimum waste and ore classification as well as increasing reserves from near-mine resource development.

continued

Brett Dunstone

Dip. Catering and Hotel Management – William Angliss College, B.Bus. Victoria University (part complete)

General Manager – Human Resources

Brett Dunstone joined Kingsgate in December 2012 and has over 25 years experience in senior human resource management roles across a diverse industry portfolio. Brett was formerly head of Human Resources for Crown Casino, Melbourne, the Myer group, key Village Roadshow entities and head of Employee Relations for the Coles Myer group. Brett has experience in supporting both large and emerging resource company development projects locally and overseas (BHP Billiton, Woodside, Equinox Minerals and Chalice Gold).

Michael Monaghan

Dip Eng (Mining) Dip Business MAusIMM MAICD SME

Chief Operating Officer and General Manager – Akara Resources PCL

Mike Monaghan joined Kingsgate as the General Manager of Chatree Gold Mine in October 2012. He is a mining engineer with 28 years of management experience in both underground and open cut opeartions across a number of commodities as well as commissioning, mine management, turnaround management and environmental and safety compliance in Australia, Africa and Europe. Mike was most recently Mining Manager at Geita Gold mine in Tanzania for AngloGold Ashanti Limited. Prior to that he held General Manager and Mining Manager positions at Etruscan Resources Youga Gold Mine in Burkina Faso and Red back Mining's Chirano Gold Mine in Ghana.

Pakorn Sukhum

BSc (Hons) University of London, UK
MBA Sasin Graduate Institute of Business Administration Thailand

Chief Executive Officer – Akara Resources PCL

Pakorn Sukhum joined the management team of Akara Resources PCL as Chief Executive Officer at the end of 2009. He brings to Akara over 24 years of industrial commercial managerial experience in various industries such as metallurgy, chemicals and ceramics in international and domestic markets of Thailand, having held senior management positions in both Thai and Multinational joint venture companies such as Basell Poyolefins, Bayer AG as well as Padeang Industry of Thailand. His major contributions and responsibilities have ranged from project management, commercial marketing and sales to business development.

Directors' Report

for the year ended 30 June 2013

Directors' Report

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 2013.

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
- Peter Alexander Non-Executive Director
- Craig Carracher Non-Executive Director
- Peter McAleer Non-Executive Director
- Gavin Thomas Executive Director

Principal activities

The principal activities of Kingsgate Consolidated Limited are mining and mineral exploration in Australia, South East Asia and South America.

Dividends

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

	2013 $'000	2012 $'000
Final dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share paid on 1 October 2012	**15,148**	6,829
Interim dividend declared for the year ended 30 June 2013 of 5 cents per fully paid share paid on 12 April 2013	**7,591**	15,196
Total dividends	**22,739**	22,025

Review of operations and results

Operational performance

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

Group gold production was 199,897 ounces, a decrease of 4% on the previous corresponding year. The contribution from Chatree was 133,681 ounces with 66,216 ounces from Challenger.

Chatree gold production was 10% higher than the previous corresponding period as a result of an increase in throughput from the expanded Chatree process plant and access to higher grade oxide ore from Q Prospect.

Challenger gold production was 24% lower than the previous corresponding year given additional dilution and depletion at Challenger Deeps and a shortfall in planned development. This resulted in lower ore tonnes from the mine that was supplemented by low grade stockpiled ore. Following the fall in the gold price a strategic review of Challenger was implemented that has resulted in a new mine plan to focus primarily on the higher grade Challenger West orebody. The new mine plan will be implemented during the first three months of the 2014 financial year.

A lower gold price and industry wide cost pressures had a negative impact on the underlying earnings of the Group which contributed to a major impairment to the carrying value of a number of Group assets, particularly assets relating to the Challenger Gold Operations. Impairments totalling $332,808,000 were the major contributor to the after tax loss of $323,726,000 for the year.

The development projects continued to advance during the year. At Nueva Esperanza, the feasibility work shifted to focus on identifying the lowest cost and lowest power consumption development alternatives. This included reviewing a heap leach process option with on-site power generation. Further work is expected to be completed in the December quarter 2013. At Bowdens, the feasibility work has confirmed the optimum process route. Completion of the technical feasibility study including mine planning, infrastructure and metallurgy, and lodging of the Environmental Impact Statement ("EIS") are scheduled for 2014.

During the year Kingsgate sold its exploration assets in Western Australia and Queensland through the sale of shares in its subsidiary company, Quadrio Resources Limited, to Caravel Minerals Limited ("Caravel"), an Australian company listed on the ASX. (Kingsgate received a 35.54% interest in Caravel and 20,000,000 unlisted options to acquire Caravel shares exercisable at 10 cents on or before three years from the date of issue. Kingsgate's holding was reduced to 27.04% following a rights issue by Caravel post year-end).

Chatree

Chatree continued as Kingsgate's primary production asset throughout the year, producing 133,681 ounces of gold and 1,000,569 ounces of silver. The strong production performance was achieved despite some operational hurdles with slower than anticipated Government approvals, to allow full utilisation of the expanded plant.

The delay of 63 days in approval of the Plant #2 Metallurgical License and lower than expected availability of some of the mining contractor's major mining equipment negatively impacted the production targets. However, near surface higher grades in Q Prospect mitigated these difficulties resulting in a strong final quarter for the year.

Total mill throughput for the year was 5.7 million tonnes, 11.4% higher than 2012, despite the impact of the 63 day delay during which Plant #2 was not operating. The overall plant availability of 98.1% was slightly lower than the previous year's 98.4%. The expanded plant is operating around 24% above the annual "nameplate" throughput rate at 6.2 million tonnes per annum and this is expected to continue.

Total cash costs for the year were US$767 per ounce (US$620 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was $US147 per ounce of gold. Total production costs after depreciation and amortisation were US$952 per ounce of gold produced.

At year end, 9.7 million tonnes of ore was stockpiled with an average contained gold grade of 0.57 g/t representing 178,086 ounces of gold.

Challenger

The Challenger Mine produced 66,216 ounces of gold for the year with an average milled grade of 3.91 g/t and a total cash cost of US$1,135/oz. The grade was lower than expected due to a shortfall in ore supply from the mine that was supplemented by low grade ore from stockpiles. Higher dilution in stopes at the base of the mine (Challenger Deeps) and depletion on those levels due to the additional displacement of the ore horizons following the identification of the "215 Shear", contributed to the lower than expected production from the lower levels. A shortfall in underground development also limited access to ore sources.

Development and mining commenced at the higher grade Challenger West orebody during the year but was insufficient to offset the shortfall from Challenger Deeps.

With the completion of the current mining contract scheduled for the end of July 2013, a tender was completed and a new upgraded contract was awarded to Byrnecut which commenced on 1 August 2013.

Following the fall in the gold price a strategic review of the Challenger Mine was completed. This resulted in the decision to implement a new mine plan to focus primarily on the higher grade Challenger West orebody. This plan will be implemented over the first quarter of the 2014 financial year.

Nueva Esperanza Silver / Gold Project

The Nueva Esperanza Silver / Gold Project advanced during the year with an initial scoping study for a decision to mine the Arqueros and Teterita portions of Nueva Esperanza completed in late 2012. The study demonstrated that open pit mining at two million tonnes per year and processing by milling and agitation leaching in cyanide was technically feasible although high capital and power costs negatively impacted project economic returns.

As a consequence, feasibility work has transitioned to assess a lower capital cost and lower power requirement option, namely the potential for heap leach processing. Recently completed metallurgical testwork demonstrated that processing of mineralisation from all three deposits by heap leaching has the potential to be technically and economically feasible and, as a consequence, may become the preferred alternative for development.

Environmental approval for the original Arqueros Project was granted in July 2013.

Bowdens Silver Project

The Bowdens Project continued to advance during the year with field programs supporting the feasibility and environmental studies ongoing. Sterilisation drilling and additional metallurgical sampling were undertaken with the resource evaluation drilling completed in October 2012.

During 2013, the process design and engineering work for the Definitive Feasibility Study ("DFS") progressed to a point where the study was close to draft completion as at 30 June 2013. The study encompassed detailed process design based on using the most recent metallurgical test results, capital and operating cost estimates, project water and power supply, infrastructure requirements and mine optimisation.

The preparation for lodgement of an EIS to the NSW Department of Planning continues. It is envisaged that the EIS will be completed and lodged in 2014. Data for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels are collected routinely. Further investigations of cultural heritage, social-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken.

With the fall in metal prices in late 2013, work and expenditure on the DFS and EIS have been phased to coordinate the two programs with completion and submission now not expected before mid-2014.

Exploration

The Group has a portfolio of exploration tenements and applications in Thailand, Chile and Lao PDR. Following the sale of exploration tenements to Caravel (refer below), exploration in Australia is currently only conducted in the vicinity of the Challenger Mine in South Australia and the Bowdens Silver Project in New South Wales.

Sale of Exploration Assets

On 28 March 2013, the Group sold its exploration assets in Western Australia and Queensland through the sale of shares in its subsidiary company, Quadrio Resources Limited, to Caravel Minerals Limited ("Caravel"), an Australian company listed on the ASX.

Kingsgate received 135,000,000 fully paid ordinary shares in the issued capital of Caravel and 20,000,000 unlisted options to acquire Caravel shares exercisable at 10 cents on or before three years from the date of issue. Subsequent to the sale, Kingsgate became the largest shareholder in Caravel with 35.54% held at 30 June 2013. Kingsgate's holding in Caravel reduced to 27.04% post 30 June 2013 following a rights issue by Caravel that Kingsgate did not participate in.

continued

Financial results

Kingsgate made an after tax loss of $323.7 million for the full year to 30 June 2013 compared to an after tax profit of $75.0 million for the previous corresponding year. The result for the year reflected an impairment of $311.9 million pre-tax ($291.3 million post-tax) against the Challenger Mine and associated assets and an impairment of $20.4 million against greenfield exploration projects in Australia and Thailand.

	2013	2012	2011	2010	2009
Net (loss) / profit after tax ($'000)	**(323,726)**	75,006	20,879	73,066	32,522
Dividends paid (Cash and DRP) ($'000)	**22,739**	22,026	33,647	29,082	–
Share price 30 June ($)	**1.27**	4.85	8.00	9.47	6.70
Basic (loss) / earnings per share (Cents)	**(213.3)**	52.5	18.7	75.2	34.9
Diluted (loss) / earnings per share (Cents)	**(213.3)**	52.5	18.6	74.5	34.9

EBITDA before significant items

Before pre-tax significant items, the pre-tax profit of the Group was $17.2 million. Pre-tax significant items are detailed below.

EBITDA before significant items was $115.8 million down from $168.6 million in the previous year.

Consolidated	2013 $'000	2012 $'000
(Loss) / Profit before tax	**(339,615)**	91,277
Significant items (pre-tax)		
Foreign exchange (gain) / loss	**745**	(1,268)
Dominion acquisition costs	–	964
Write off of capitalised borrowing fees	**5,722**	–
Change in fair value of undesignated gold contracts held for trading	**(1,414)**	425
Change in fair value of available-for-sale financial assets	**855**	260
Share of loss in associate	**1,353**	–
Loss on sale of exploration assets (Quadrio Resources Limited)	**16,709**	–
Impairment Challenger Gold Project	**311,850**	–
Impairment of capitalised exploration	**20,421**	–
Impairment of associate	**537**	–
Profit before tax and significant items	**17,163**	91,658
Finance costs	**13,087**	9,372
Depreciation and amortisation	**85,595**	67,553
EBITDA before significant items	**115,845**	168,583

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

Revenue

Total revenue for the Group for the year was $329,282,000 down 8% from the previous year. Gold revenue decreased by 8% to $302,996,000 and silver revenue decreased by 5% to $26,286,000.

The decrease in gold revenue reflects a lower gold price and a decrease in gold production from Challenger partially offset by an increase in gold production from the Chatree Mine.

The average US$ gold price received was US$1,588 (2012: US$1,663). The decrease in silver revenue reflects a lower silver price received of US$28/oz (2012: US$32/oz).

Costs

The overall increase in cost of sales to $195,064,000 including royalties and before depreciation and amortisation largely reflects increased throughput and production from the Chatree Mine due to the expanded Chatree process plant. On a unit cost basis, total cash costs for the Group were US$888/oz up from $US720/oz in the previous year. The total unit cash costs for Challenger for the year were US$1,135/oz (2012: US$862/oz), with the increase mainly due to lower throughput and production from the Challenger Mine. The total unit cash costs for Chatree for the year were US$767/oz up from US$618/oz in 2012.

Impairment of assets

Following a strategic review of the Challenger Gold Operations a new mine plan focussing mainly on the Challenger West orebody was implemented effective 1 July 2013.

As a result of the new mine plan together with the continuing low gold price environment, an assessment was conducted as at 30 June 2013 of the carrying value of the Challenger Gold Operations and associated assets. This assessment resulted in a pre-tax impairment of $311,850,000 ($291,259,000 post-tax).

A review of the carrying value of all regional greenfield exploration projects was also conducted which resulted in the write down of $6,141,000 primarily against the Barton West Mineral Sands project in South Australia and the write down of $14,280,000 against the carrying value of exploration projects in Thailand that fall outside the Chatree Mine area of influence.

Depreciation and amortisation

The increase in depreciation and amortisation to $85,595,000 reflects amortisation of the higher capitalised development costs at the Challenger Mine, depreciation of the second plant at Chatree and commencement of amortising the capital cost of the Chatree Tailings Storage Facility #2.

Exploration

Exploration expense was $675,000 and relates to exploration licences in Chile that were relinquished or disposed of during the year.

Cash flow

Operating cash inflow was $85,020,000. Net investing cash outflow was $142,425,000. Net cash outflows from financing activities was $1,691,000, including a drawdown (net of transaction costs) of $36,700,000 of the multi-currency and syndicated loan facilities following a loan restructure by Kingsgate's Thai subsidiary Akara Resources Public Company Limited ("Akara"), net repayment (net of transaction costs) of $20,000,000 of the corporate loan facility, and $19,409,000 dividends paid during the year.

Material business risks

The Group uses a range of assumptions and forecasts in determining estimates of production and financial performance. There is uncertainty associated with these assumptions that could result in actual performance differing from expected outcomes.

The material business risks that may have an impact on the operating and financial prospects of the Group are:

Revenue

Revenue, and hence operating margins, are exposed to fluctuations including currency in the gold price and to a degree in the silver price. Management continually monitors operating margins and responds to changes to commodity prices as necessary to address this risk, including reviewing mine plans and entering into forward gold sale contracts.

Changes in the gold and silver price also impact assessments of the feasibility of exploration and the Group's two development projects, Nueva Esperanza and Bowdens.

Mineral reserves and resources

Ore reserves and mineral resources are estimates. These estimates are substantially based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted and, as a consequence, there is a risk that any part or all of mineral resources will not be converted into reserves.

Market price fluctuations of gold and silver, as well as increased production and capital costs, may render ore reserves unprofitable to develop at a particular site for periods of time.

Replacement of depleted reserves

The Group aims to continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions.

As a result, there is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base may decline if reserves are mined without adequate replacement and as a consequence the Group may not be able to sustain production beyond the current mine lives, based on current production rates.

Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and unplanned equipment failures. These risks and hazards could result in significant costs or delays that could have a material adverse impact on the Group's financial performance and position.

The Group maintains insurance to cover some of these risks and hazards at levels that are believed to be appropriate for the circumstances surrounding each identified risk, however there remains the possibility that the level of insurance may not provide sufficient coverage for losses related to specific loss events.

continued

Production and cost estimates

The Group prepares estimates of future production, cash costs and capital costs of production for each operation though there is a risk that such estimates will not be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on future cash flows, profitability, results of operations and financial position.

Environmental, health and safety regulations

The Group's mining and processing operations and exploration activities are subject to extensive laws and regulations. Delays in obtaining or failure to obtain government permits and approvals may adversely affect operations, including the ability to continue operations.

Community relations

The Group has established community relations functions that have developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities.

A failure to appropriately manage local community stakeholder expectations may lead to disruptions in production and exploration activities.

Risk management

The Group manage the risks listed above, and other day-to-day risks, through an established management framework. The Group has policies in place to manage risk in the areas of health and safety, environment and equal employment opportunity.

Management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

Finance

Corporate loan and convertible loan facilities

The Group has a three year secured loan facility with a limit of A$40,000,000 (30 June 2012: A$50,000,000), of which A$20,000,000 has been drawn down as at 30 June 2013 (30 June 2012: A$40,000,000).

The Group also has a five year A$35,000,000 convertible loan facility entered into in a prior period to provide funding for the Bowdens acquisition. Kingsgate has the option to make a prepayment against the facility with an issue of Kingsgate shares.

As indicated previously in the Preliminary Final report, at balance date it was the Group's intention to restructure and amalgamate these facilities in the next financial year. This relates to the potential for completion of the Initial Public Offering ("IPO") of Akara on the Stock Exchange of Thailand and the updated mine plan for Challenger. Any restructure would optimise the Group's anticipated balance sheet liquidity and operational cash flows. Accordingly, the Group classified the total amount drawn down under these facilities of $55,000,000 as a current liability at 30 June 2013. In addition as a result of the intended restructure, $3,900,000 of previously capitalised borrowing costs relating to the convertible loan and corporate loan facilities has been expensed at year end.

Subsequent to the end of the financial year, the Group has received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40,000,000. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25,000,000 Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5,000,000 to be repaid during the 2014 financial year and the balance of $10,000,000 repaid during the 2015 financial year.

Convertible revolving credit facility

The Group also has a three year $25,000,000 Convertible Revolving Credit Facility available. At the date of this report the facility is undrawn. Under the terms of this facility, Kingsgate has the option of repaying any funds drawn down under the facility through either cash or by issuing ordinary shares. It is intended that this facility will be utilised during the 2014 financial year for corporate and working capital purposes. It is the current intention of the Company to repay any cash drawdown under the facility by the issuance of fully paid ordinary shares which would rank parri pasu with all existing ordinary shares, although this position will be reviewed at the appropriate time. The number of shares has not yet been determined and they will be issued at a 2.5% discount to VWAP over a period by reference to the draw down date. Shareholder approval is not required.

Multi-currency and syndicated loan facilities

Kingsgate's Thai operating subsidiary, Akara, established a six year amortising multi-currency loan facility equivalent to US$125,000,000 (fully drawn as at year end) and an additional Thai Baht denominated working capital facility equivalent to US$15,000,000 (undrawn as at year end) during the period. The proceeds from these borrowings were used to fully repay the outstanding balance on the US$100,000,000 Baht denominated syndicated loan facility in existence at the beginning of the year as well as to repay part of the corporate loan facility noted above. Finance costs include the write off of the balance of capitalised borrowing fees of $1,800,000 following the Akara refinancing.

Significant change in the state of affairs

There were no 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

Kingsgate has received from its lender a credit approved term sheet (subject to formal documentation) for the restructure of the existing corporate loan facility which is drawn to $20,000,000 and the existing convertible loan facility which is drawn to $35,000,000.

Subsequent to the end of the financial year, the Group has received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40,000,000. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25,000,000 Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5,000,000 to be repaid during the 2014 financial year and the balance of $10,000,000 repaid during the 2015 financial year.

Subsequent to year-end the Group forward sold 50,000 ounces of gold over a 12 month period at an average price of A$1,435 per ounce to manage Australian gold price risk associated with forecast production from the Challenger Mine.

Kingsgate's Thai subsidiary, Akara Resources Public Company Limited ("Akara") has submitted its listing application and draft Prospectus to the Thai Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) for an initial public offering of its shares on the SET.

The SEC and SET will review the draft Prospectus in the coming months in order to approve the listing of Akara. The decision to list Akara will depend on market conditions and other factors at the time of approval.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The outlook for the Group in fiscal year 2014 is for gold production to be in the range of 190,000 to 210,000 ounces. At the Chatree Mine in Thailand, the expanded plant will result in gold production of between 120,000 to 130,000 ounces and at the Challenger Mine in South Australia, following the implementation of the new mine plan, production for the year is expected to be in the range of 70,000 ounces to 80,000 ounces of gold.

Significant progress has been made at Nueva Esperanza in Chile. The feasibility work shifted to focus on identifying a lower cost and power consumption development alternative. This included assessing a heap leach process option and on-site power generation. Further work is expected to be undertaken in the December quarter 2013.

The DFS for the Bowdens Silver Project in New South Wales is currently expected to be completed during the 2014 financial year and, in addition, it is also currently anticipated an EIS will be lodged shortly thereafter.

Environmental regulation

The Group is subject to environmental regulation in respect to its gold mining operations and exploration activities in Australia, Thailand, Argentina, Chile, Peru and PDR Laos. For the year ended 30 June 2013, the Group has operated within all environmental laws.

Directors' meetings

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
R Smyth-Kirk	11	11	2	2	1	1	1	1
P Alexander	11	10	-	-	-	-	1	1
C Carracher	11	11	2	2	1	1	1	1
P McAleer	11	11	2	2	1	1	1	1
G Thomas	11	11	–	–	–	–	–	–

A: Number of meetings held while in office
B: Meetings attended

continued

Information on Directors

Ross Smyth-Kirk
B Com, CPA, F Fin

Chairman – Non-Executive

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 has been a Director of a number of companies over the past 33 years in Australia and the UK. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited and retired in May 2013 as a Director of Argent Minerals Limited.

Responsibilities:

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

Peter McAleer
B Com (Hons), B L (Kings Inn – Dublin, Ireland)

Non-Executive Director

Peter McAleer was until the end of May 2013 the Senior Independent Director and Chairman of the Audit Committee of Kenmare Resources PLC (Ireland). He is now a member of the Advisory Panel to the Board of Kenmare. Previously, he was Chairman of Latin Gold Limited, Director and Chief Executive Officer of Equatorial Mining Limited and was a Director of Minera El Tesoro (Chile).

Responsibilities:

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

Craig Carracher
LLB (Sydney), BCL (Oxford)

Non-Executive Director

Craig Carracher graduated from Sydney University Law School with an LLB (First Class Honours) (1991) and the University Medal and also graduated on a Commonwealth Scholarship with a BCL Law Degree from Magdalen College, Oxford University (First Class Honours) (1993). He has considerable commercial experience in Asia and was managing partner of an international law firm based in Thailand for many years. Mr Carracher has held numerous directorships of listed and private groups throughout Asia. He was previously Group General Counsel with Consolidated Press Holdings Limited, Managing Director of Asian private equity firm Arctic Capital based in Hong Kong, Special Advisor to the Chairman of the Australian Securities and Investment Commission and Associate to the former Chief Justice of the Supreme Court of New South Wales. Mr Carracher is Managing Director of Telopea Capital Partners, an Asia-focussed private equity group based in Sydney. Mr Carracher is also a Non-Executive Director of ASX listed Sunland Group Limited.

Responsibilities:

Chairman of the Audit Committee, member of the Nomination and Remuneration Committees.

Peter Alexander
Ass. Appl. Geol

Non-Executive Director

Peter Alexander has had 40 years experience in the Australian and off-shore mining and exploration industry. He was Managing Director of Dominion Mining Limited for 10 years prior to his retirement in January 2008. Mr Alexander was appointed a Non-Executive Director of Dominion Mining Limited in February 2008 and resigned on 21 February 2011. Mr Alexander is Chairman of the ASX listed company Doray Minerals Limited, a Director of ASX listed companies Fortunis Resources Limited and Caravel Minerals Limited.

Responsibilities:

Member of the Remuneration Committee.

Gavin Thomas
BSc FAusIMM

Managing Director

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and / or copper production entities. He has over 42 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe. Amongst other things he was credited with the discovery of the Lihir gold deposit in Papua New Guinea, one of the largest gold deposits in the world. In particular he has extensive experience in Thailand, south-west Pacific and South America. Mr Thomas was previously Chairman of the TSX listed company Mercator Minerals and Chairman of the formerly ASX listed company Laguna Resources NL.

Responsibilities:

Managing Director and Chief Executive Officer.

Company Secretary

Ross Coyle
BA, FCPA, FCIS

Before joining Kingsgate Consolidated Limited Mr Coyle was Company Secretary of Dominion Mining Limited.

Remuneration Report

Dear Shareholder

I am pleased to present our Remuneration Report for 2013.

As you would be aware, at last year's Annual General Meeting ("AGM") 30% of the votes cast in respect of the resolution to adopt the 2012 Remuneration Report voted 'against' the resolution. As this was greater than the 25% threshold under the executive remuneration legislation, we received what is referred to as a 'first strike.' Our formal response to issues raised by shareholders at the AGM with respect to the 2012 Remuneration Report is set out on page 50 of this Report.

Voting at AGMs is not compulsory and results of the 2012 AGM reflected this with only 59% of issued shares that were eligible to vote on the resolution to adopt the Remuneration Report doing so, meaning the 'against' vote represented 18% of eligible issued shares.

While we believe our remuneration practices are sound and demonstrate a clear link between executive and shareholder returns, we have taken the first strike seriously and have undertaken an extensive review of the remuneration principles for Key Management Personnel.

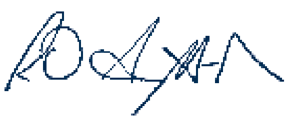
The changes that the Board have implemented as a result of this review include:

- A structural review of the Company resulting in the appointment in December 2012 of a senior human resources specialist as a direct report to the Managing Director and Executive Committee member;
- Fees / base salary packages for Directors and Key Management Personnel were frozen from 1 July 2012;
- Directors and Key Management Personnel have agreed to a 10% reduction in fees and remuneration;
- The Managing Director and Key Management Personnel agreed to not accept any of their entitled Short Term Incentive ("STI") equivalent to a minimum of 10% of their base salary for the 2013 financial year;
- A revised Performance Management System, including 'at risk' remuneration, has been introduced at all levels in corporate and site based operations including at risk remuneration for Key Management Personnel in the form of short term and long term incentive programs described in detail in this report; and
- A broadening of the remuneration benchmarking processes for Directors and Key Management Personnel.

Further details on each of the changes outlined above are provided in specific sections of this Remuneration Report. We believe that these changes will be welcomed by our shareholders.

We will continue to review our remuneration polices and framework in consideration of a changing industry environment and your feedback.

Thank you for your interest in this report.



Ross Smyth-Kirk
Chairman
Remuneration Committee

continued

Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel. Key Management Personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and members of the Executive Management group.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and senior staff are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

During the year the Company introduced a STI Plan that is based on Key Management Personnel individual performance measures and a Long-Term Incentive ("LTI") Executive Rights Plan that provides performance-based remuneration to members of management through the issue of Deferred Rights and Performance Rights vesting over a period of three years. These new plans are discussed in further detail later in this report.

Voting and comments made at the Company's 2012 AGM

The table below provides a summary of the Board's action and / or comments in response to concerns raised by shareholders at the 2012 AGM in relation to remuneration.

Remuneration Policy

The Remuneration Policy has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards (refer to chart – Remuneration Reward Mix on the following page).

Remuneration Governance

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and senior executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration levels of Executive Directors and other Key Management Personnel;
- the executive remuneration framework and operation of the incentive plan; and
- key performance indicators and performance hurdles for the executive team.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration Consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

Concern	Action or Comment
Key issues raised were: › the granting of deferred rights; › definition of what compromises 'fixed pay'; and › a lack of understanding of the TSR Alpha™ concept recommended as the LTI performance assessment process.	The Company has benchmarked the issuing of LTIs to the Managing Director and other Key Management Personnel against all companies of comparable market position as part of a broader remuneration comparison using AON Hewitt / McDonald, a review of survey data from the Egan and Associates "The KMP Report" and validation from Godfrey's Remuneration Group. The findings confirm the level of remuneration, inclusive of performance rights, to be comparable to similarly experienced Managing Directors and other Key Management Personnel with companies of comparable market positioning within the industry. The Company has sought to discuss key elements contained in the Remuneration Report with shareholders, shareholder representative groups and proxy advisory groups. Further details regarding the TSR Alpha™ benchmarking methodology are included in the LTI section of this Report. Deferred rights for the Managing Director were transitional with eligibility for performance rights only in the future. Details of the STI and LTI Plans are provided later in this Report.

The Remuneration Committee engaged the services of the Godfrey Remuneration Group Pty Ltd during 2012 to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design and standards. These recommendations covered the remuneration treatment of the Group's Non-Executive Directors and Key Management Personnel.

Under the terms of the engagement, the Godfrey Remuneration Group Pty Ltd provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $76,520 in financial year 2012 for these services. The Company did not pay Godfrey Remuneration Group Pty Ltd any further fees this financial year in relation to other services.

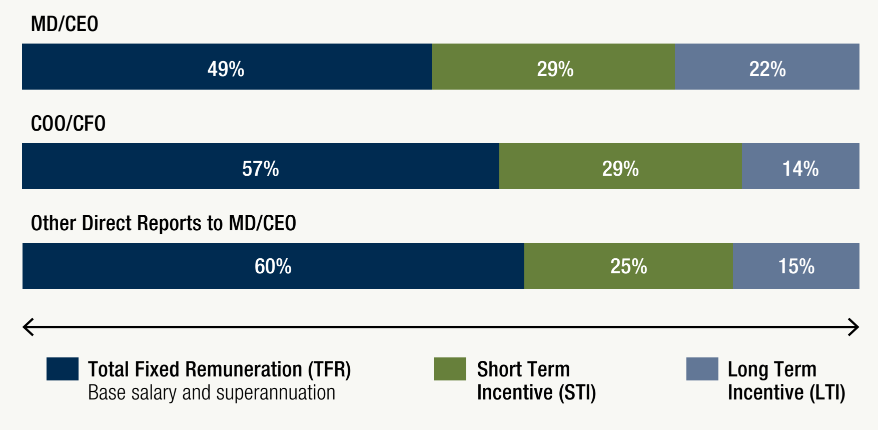
The Godfrey Remuneration Group Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Group's Key Management Personnel.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- The Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- Any remuneration recommendations by the Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the Group's Key Management Personnel.

Remuneration Reward Mix (based on the achievement of STI / LTI targets)



Executive director and key management personnel remuneration

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

- fixed remuneration including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Executive Rights Plan.

Reward Mix

The above chart represents the remuneration reward mix for the various Key Management Personnel based on achievement of all stretch targets.

Fixed remuneration

Total fixed remuneration ("TFR") is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits, at the executive's discretion.

Executives are offered a competitive base pay. 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.

In addition to using the AON Hewitt / McDonald Survey (resources industry) Remuneration Report as an annual benchmarking tool and the Egan and Associates 'The KMP Report'; external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. The 5th Edition of Egan and Associates 'The KMP Report' (August 2013) shows overall Non-Executive Directors' remuneration for Kingsgate to be below the average for ASX 101 – 200 peer group companies. Significantly, average Non-Executive Directors fee increases of 8.7% for the ASX 101 – 200 and 6.5% for the ASX 201 – 300 groups over the period compares to no increase in fees for Kingsgate Non – Executive Directors.

The Board annually reviews and determines the fixed remuneration for the CEO / Managing Director. The CEO / Managing Director does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO / Managing Director's approval.

There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements.

continued

The following summarises the performance of the Group over the last five years:

	2009	2010	2011	2012	2013
Revenue ('000s)	113,015	175,480	172,356	357,372	**329,282**
Net profit / (loss) after income tax ('000s)	32,522	73,066	20,879	75,006	**(323,726)**
Share price at year end ($ / share)	6.70	9.47	8.00	4.85	**1.265**
Dividends paid (cent / share)	15.0	35.0	15.0	20.0	**5.0**
KMP short term employee benefits	3,882	2,943	4,459	4,456	**4,671**

Short-Term Incentives

Effective from 1 July 2012, the Group implemented an STI Plan. The objectives of the STI Plan are to link the remuneration of certain executives to their performance and the performance of the Group. The Board set key performance measures and indicators for individual executives on an annual basis that reinforce the Group's business plan and targets for the year.

Key features of the STI Plan are outlined in the following table.

Overview of the STI Plan

What is the STI plan and who participates?	The STI Plan is a potential annual reward for eligible executive key management personnel for achievement of predetermined individual key performance indicators (KPIs) aligned to the achievement of business objectives for the assessment period (financial year commencing 1 July).
How much can the executives earn under the STI Plan?	**Threshold** – Represents the minimum acceptable level of performance that needs to be achieved before any Individual Award would be payable in relation to that Performance Measure. Managing Director / CEO – up to 15% of TFR, COO & CFO – up to 12.5% of TFR, Other Key Management Personnel – up to 10% of TFR. **Target** – Represents a challenging but achievable level of performance relative to past and otherwise expected achievements. It will normally be the budget level for financial and other quantitative performance objectives. Managing Director / CEO – up to 30% of TFR, COO & CFO – up to 25% of TFR, Other Key Management Personnel – up to 20% of TFR. **Stretch (Maximum)** – Represents a clearly outstanding level of performance which is evident to all as a very high level of achievement. Managing Director / CEO – up to 60% of TFR, COO & CFO – up to 50% of TFR, Other Key Management Personnel – up to 40% of TFR. *(TFR - Total Fixed Remuneration)*
What are the performance conditions?	For Key Management Personnel between 70% – 80% of potential STI weighting (dependent upon role) is assessed against specific predetermined KPIs by role with 20% – 30% being based on company performance indicators.
How are performance targets set and assessed?	Individual performance targets are set by the identification of key achievements required by role in order to meet business objectives determined for the upcoming assessment period in advance. The criteria for Key Management Personnel are recommended by the Managing Director/CEO for sign off by the Remuneration Committee and in the case of the Managing Director/CEO, are recommended by the Chairman by sign off by the Remuneration Committee. The relative achievement at the end of the financial period is determined by the above authorities with final sign off by the Remuneration Committee after confirmation of financial results and individual/company performance against established criteria. The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the committee receives detailed reports on performance from management which are verified by independent remuneration consultants if required. The committee has the discretion to adjust STIs in light of unexpected or unintended circumstances.
How is the STI delivered?	STIs are paid in cash after the conclusion of the assessment period and confirmation of financial results/individual performance and subject to tax in accordance with prevailing Australian tax laws.
What happens in the event of cessation of employment?	Unvested rights are forfeited on dismissal for cause. In all other termination circumstances any unvested rights granted in the year of the cessation of employment are forfeited in the proportion that the remainder of the year bears to a full year. Unvested rights that are not forfeited are retained by the participant and are subsequently tested for vesting at the end of the vesting period.

Long-term incentives

Effective from 1 July 2012, the Group implemented an LTI Plan, also referred to as the Executive Rights Plan. The objectives of the LTI Plan are to retain key executives and to align an at-risk component of certain executives' remuneration with shareholder returns.

Key features of the LTI Plan are outlined in the table as follows:

Overview of the LTI Plan

What is the LTI Plan and who participates?	In general, executives can be granted Kingsgate Consolidated Limited rights each year, although an award of rights does not confer any entitlement to receive any subsequent awards. In awarding rights the Board takes into account such matters as the position of the eligible person, the role they play in the Company, their current level of fixed remuneration, the nature of the terms of employment and the contribution they make to the Group. Currently only members of the Executive Management group and key site based operational senior management are eligible to participate in the LTI plan.
How much can the executives earn under the LTI Plan?	Managing Director / CEO – up to 45% of TFR as Performance Rights. COO / CFO / Executive Management – up to 12.5% of TFR as Deferred Rights and additionally, up to 12.5% of TFR as Performance Rights.
What is awarded under the LTI Plan?	Two types of rights are offered under the LTI Plan: Deferred Rights and Performance Rights.
Is there a cost to participate?	The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee and approved by the Board.
What are the performance and vesting conditions?	Deferred Rights - vesting is time based. Performance Rights – refer to Vesting Schedule for Performance Rights below.
What is the performance / vesting period?	Deferred Rights are subject to three year vesting periods. There are no performance conditions attached to the Deferred Rights. Performance Rights are subject to a three year performance measurement period from 1 July in the year when the grant occurs.
How does the LTI vest?	Performance Rights vest subject to the achievement of a hurdle based on total shareholder return. Further information on the vesting scale is below.
Is the LTI subject to retesting?	There is no retesting of either the Deferred Rights or Performance Rights.
Who assesses performance?	Performance is assessed against a TSR Alpha™ measure prescribed in the Vesting Schedule for Performance Rights below. The Remuneration Committee signs off performance assessment based on recommendations by the Managing Director/CEO with advice from Godfrey Remuneration Group Pty Ltd in terms of TSR Alpha™ relative performance.
How is the LTI delivered?	On vesting the first $1,000 value of each of the Deferred Rights and Performance Rights awards is paid in cash, e.g. if both Deferred and Performance Rights vested at the same time then the participant would receive two x $1,000 with the remaining value of the award received as shares in the Company as per below. Number of shares = (number of vested rights x share price on vesting date – $2,000) ÷ share price on vesting date.
What happens in the event of bonus shares, rights issues or other capital reconstructions?	If between the grant date and the date of conversion of vested rights into cash and restricted shares there are bonus shares, rights issues or other capital reconstructions that affect the value of Kingsgate Consolidated shares, the Board may subject to the ASX Listing Rules make adjustments to the number of Rights and / or the vesting entitlements to ensure that holders of rights are neither advantaged or disadvantaged by those changes.
Takeover or Scheme of Arrangement?	Unvested rights vest in the proportion that the share price has increased since the beginning of the vesting period. All vested rights need to be exercised within three months of the takeover.
What happens in the event of cessation of employment?	Unvested rights are forfeited on dismissal for cause. In all other termination circumstances any unvested rights granted in the year of the cessation of employment are forfeited in the proportion that the remainder of the year bears to a full year. Unvested rights that are not forfeited are retained by the participant and are subsequently tested for vesting at the end of the vesting period.

continued

Vesting schedule for Performance Rights

The Performance Rights are subject to a hurdle that is derived for the three year vesting period using the external performance measuring metric, TSR Alpha™.

Total Shareholder Return measures the percentage return received by a shareholder from investing in a company's shares over a period of time. Broadly, it is share price growth plus dividends over the period. TSR Alpha™ takes into account market movement over the vesting period and the additional return (risk premium) that shareholders expect from the share market performance over the vesting period. In essence it measures whether shareholders have received a return over the period that is consistent with their expectations (TSR Alpha™ of zero) or more or less.

The adjacent diagram provides an overview of TSR Alpha™ performance and vesting.

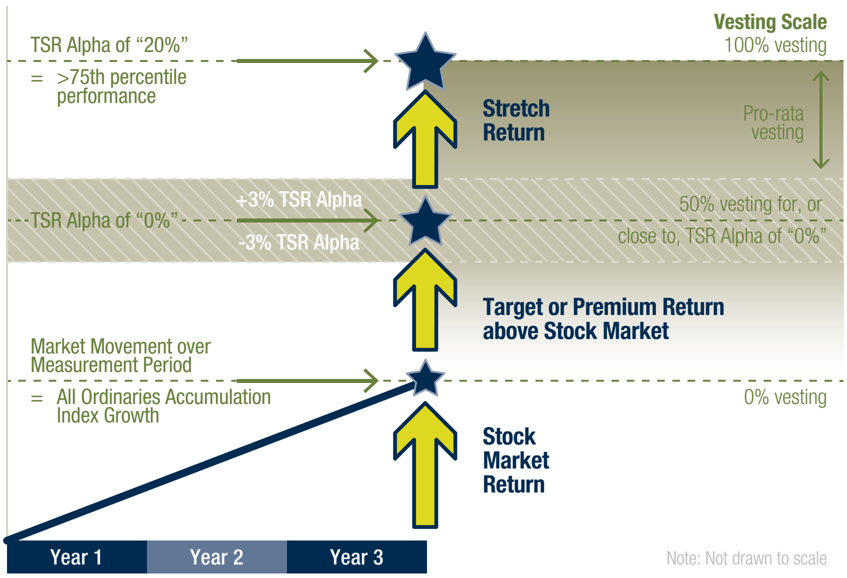
The Board chose this performance measure because:

- it focuses on performance from an investor's perspective;
- it takes into account both market movements over the vesting period and the excess return that an investor expects to receive by investing in the underlying security;
- it has a focus on consistency of over-performance and under-performance relative to market; and
- it provides a genuine market relevant long term measurement.

TSR Alpha™ can measure the return to shareholders in excess of expectation at the end of the measurement period (retrospectively) and equals the difference between 'TSR Delivered' and the 'TSR Required' by investors to preserve value of investment over a given period.

It quantifies actual wealth created as a result of earnings on market value investment at the beginning of each period and creates a clear picture of the company's consistency in performance in terms of creating shareholder wealth. Performance vesting criteria for the measurement period are based on the accompanying TSR Alpha™ vesting scale:

Overview of TSR Alpha Vesting Scale - Rising Market & Beta > 1



NOTE: Approximately 50% of companies will have TSR Alpha's of "0" or higher and 50% will have TSR Alpha's of less than "0". Thus TSR Alpha is akin to 50th percentile performance.

Performance Level	Kingsgate's TSR Alpha™ over the Measurement Period	Vesting
Below Target	TSR Alpha™ < -3%	0%
Target	TSR Alpha™ -3% to +3%	50%
Between Target and Stretch	TSR Alpha™ >+3% and < +20%	Pro-rata
Stretch	TSR Alpha™ ≥+20%	100%

The Board believes this Vesting Schedule is appropriate because it does not reward under-performance but creates an ongoing incentive to perform between target and stretch measures.

Kingsgate TSR Alpha™ performance

Where the TSR Alpha™ is 0%, or close to it, the Company has delivered returns that are consistent with shareholder expectations, whereas if the TSR Alpha™ is positive then the performance is in excess of shareholder expectations. However, if the TSR Alpha™ is negative, then shareholder expectations have not been met. Approximately, 50% of companies achieve TSR Alpha™ of ≥"0" which means that it is akin to 50th percentile performance and +20% TSR Alpha™ will be exceeded by less than 25% of companies meaning that it is in excess of 75th percentile performance.

The Board will commission an independent expert to review the operation of all remuneration instruments including TSR Alpha™ prior to the conclusion of the 2014 financial year.

Previous LTI Plan

The previous LTI Plan involved awarding participants options over shares. This Plan ceased prior to 1 July 2012 and no options over ordinary shares in the Company were provided as remuneration to the KMP of the parent entity and Group during the current or previous year. There are no options currently on issue that were issued under this Plan.

Directors and Key Management Personnel details

Except where noted, the named persons held their current positions for the whole of the year and up to the date of this report.

Non-Executive Directors

Ross Smyth-Kirk	Non-Executive Chairman
Peter McAleer	Non-Executive Director
Craig Carracher	Non-Executive Director
Peter Alexander	Non-Executive Director

Executive Director

Gavin Thomas	Managing Director and Chief Executive Officer

Senior Executives

Duane Woodbury	Chief Financial Officer
Tim Benfield	Chief Operating Officer
Ron James	General Manager Exploration and Resource Development
Ross Coyle	General Manager Finance and Administration and Company Secretary
Joel Forwood	General Manager Corporate and Markets
Brett Dunstone	General Manager Human Resources (commenced 4 December 2012)
Phil MacIntyre	Chief Operating Officer – Akara Mining Limited (retired 30 June 2013)

Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Executive Director and Senior Executives are summarised below.

Name	Term of Agreement	Fixed Annual Remuneration including Superannuation		Notice Period by Executive	Notice Period by the Company
		2013	2012		
Gavin Thomas	Open	$1,080,000	$1,080,000	3 months	12 months
Duane Woodbury	Open	$500,000	$500,000	3 months	6 months
Tim Benfield	Open	$500,000	$500,000	3 months	6 months
Ron James	Open	$400,000	$400,000	3 months	6 months
Ross Coyle	Open	$390,000	$390,000	3 months	6 months
Joel Forwood	Open	$330,000	$330,000	3 months	6 months
Brett Dunstone[1]	Open	$307,000	$307,000	3 months	6 months
Phil MacIntyre[2]	n/a	[3]C$696,800	[3]C$696,800	n/a	n/a

1 *Commenced 4 December 2012*
2 *Retired 30 June 2013*
3 *Canadian dollars*

Fixed annual remuneration, inclusive of the required superannuation contribution amount, is reviewed annually by the Board following the end of the financial year. The amounts set out above are the Executives' total fixed remuneration as at 30 June 2013.

continued

In the event of the completion of a takeover (relevant interest exceeds 50%) the executive will receive a lump sum gross payment equal to between six to 12 months of the Total Remuneration Package (all executives are entitled to 12 months except Ross Coyle, Joel Forwood and Ron James who are entitled to six months). If within six months after the completion of the takeover the executive elects to terminate his employment or his employment is terminated by the Company the executive will not be entitled to any notice of termination or payment in lieu of notice.

Non-Executive Directors Fees

Non-Executive Directors, including the Chairman, are paid fixed fees for their services to the Group plus statutory superannuation contributions the Company is required by law to make on behalf of Non-Executive Directors. Those fees are inclusive of any salary-sacrificed contribution to superannuation that Non-Executive Directors wish to make.

The level of Non-Executive Directors fees is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Board may also seek the advice of independent remuneration consultants, including survey data, to ensure Non-Executive Directors' fees and payments are consistent with the current market.

Non-Executive Directors' base fees inclusive of committee membership but not including statutory superannuation are outlined below.

	2013 $	2012 $
Chairman	**160,000**	160,000
Directors	**300,000**	300,000
	460,000	460,000

The aggregate remuneration of Non-Executive Directors is set by shareholders in general meeting in accordance with the Constitution of the Company, with individual Non-Executive Directors remuneration determined by the Board within the aggregate total. The aggregate amount of Non-Executive Directors' fees approved by shareholders on 13 November 2008 is $1,000,000.

Non-Executive Directors do not receive any additional fees for serving on committees.

There are no retirement allowances for Non-Executive Directors.

Additional Statutory Disclosures

Details of remuneration

Details of the nature and amount of each major element of the remuneration of the Directors and the Group executive managers are set out in the following tables.

Year Ended 30 June 2013	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits[1] $	Super-annuation $	Amortised value of rights[2] (Accounting Expense) $	Total $
Non-Executive Directors						
Ross Smyth-Kirk	160,000	–	12,258	14,400	–	186,658
Peter McAleer[3]	100,000	–	–	–	–	100,000
Craig Carracher	90,500	–	–	18,500	–	109,000
Peter Alexander	100,000	–	–	9,000	–	109,000
Sub-total Non-Executive Directors Compensation	**450,500**	**–**	**12,258**	**41,900**	**–**	**504,658**
Executive Director						
Gavin Thomas	1,055,000	–	68,587	25,000	410,974	1,559,561
Other Key Management Personnel						
Duane Woodbury	475,000	–	6,157	26,398	136,367	643,922
Tim Benfield	483,524	–	–	16,476	21,029	521,029
Ron James	400,000	–	2,478	–	109,093	511,571
Ross Coyle	365,000	–	13,189	25,000	106,366	509,555
Joel Forwood	305,000	–	11,928	25,000	38,132	380,060
Brett Dunstone	168,355	–	43,591	9,611	–	221,557
Phil MacIntyre	781,245	–	29,205	–	–	810,450
Sub-total Executive Director and other Key Management Personnel Compensation	**4,033,124**	**–**	**175,135**	**127,485**	**821,961**	**5,157,705**
TOTAL	**4,483,624**	**–**	**187,393**	**169,385**	**821,961**	**5,662,363**

1 *Non-monetary benefits relate to car parking, travel, life insurance, relocation, and accommodation allowance provided by the Company. Relocation and accommodation allowance is applicable to interstate recruitment of relevant personnel.*

2 *Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. This is the first year rights were issued. This is an accounting expense and does not reflect the value to the executive of rights that vested in the financial year. Refer to the table on page 60 for the value of rights that have vested.*

3 *Consulting Fees of $100,000 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*

continued

Details of remuneration continued

Year Ended 30 June 2012	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits[3] $	Super-annuation $	Amortised value of rights (Accounting Expense) $	Total $
Non-Executive Directors						
Ross Smyth-Kirk	160,000	–	2,041	14,400	–	176,441
Peter McAleer[1]	100,000	–	–	–	–	100,000
Craig Carracher	100,000	–	–	9,000	–	109,000
Peter Alexander	100,000	–	–	9,000	–	109,000
Sub-total Non-Executive Directors Compensation	**460,000**	**–**	**2,041**	**32,400**	**–**	**494,441**
Executive Director						
Gavin Thomas	1,030,000	[4]240,000	56,768	50,000	–	1,376,768
Other Key Management Personnel						
Duane Woodbury	484,220	–	4,695	16,967	–	505,882
Tim Benfield[2]	201,758	–	–	6,575	–	208,333
Phil MacIntyre	831,979	44,522	9,881	–	–	886,382
Ron James	400,000	–	–	–	–	400,000
Ross Coyle	332,500	–	36,200	50,000	–	418,700
Joel Forwood	290,220	15,000	16,387	39,780	–	361,387
Sub-total Executive Director and other Key Management Personnel Compensation	**3,570,677**	**299,522**	**123,931**	**163,322**	**–**	**4,157,452**
TOTAL	**4,030,677**	**299,522**	**125,972**	**195,722**	**–**	**4,651,893**

1 Consulting fees of $100,000 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.

2 Commenced employment February 2012.

3 Non-monetary benefits relate to car parking, travel, life insurance and relocation allowance provided by the Company. Relocation and accommodation allowance is applicable to interstate recruitment of relevant personnel.

4 Paid in 2012 but refers to the results of the 2011 financial year.

Share Rights Held by Key Management Personnel

Details of each grant of share rights included in the Key Management Personnel remuneration tables on previous pages are noted in the following tables.

The percentage of rights grants to Key Management Personnel on issue that have vested and the percentage that was forfeited because the person did not meet the service or performance criteria is set out below:

	Share Rights					
Name	Financial year granted	Number granted	Vested %	Vested number	Forfeited %	Financial year that rights may vest
G Thomas						
Deferred	2013	52,181	100	52,181	–	2013
Deferred	2013	53,901	–	–	–	2014
Performance	2013	222,955	–	–	–	2015
D Woodbury						
Deferred	2013	13,298	100	13,298	–	2013
Deferred	2013	13,736	–	–	–	2014
Deferred	2013	14,204	–	–	–	2015
Performance	2013	28,409	–	–	–	2015
T Benfield						
Deferred	2013	14,204	–	–	–	2015
Performance	2013	28,409	–	–	–	2015
R James						
Deferred	2013	10,638	100	10,638	–	2013
Deferred	2013	10,989	–	–	–	2014
Deferred	2013	11,364	–	–	–	2015
Performance	2013	22,728	–	–	–	2015
R Coyle						
Deferred	2013	10,372	100	10,372	–	2013
Deferred	2013	10,714	–	–	–	2014
Deferred	2013	11,080	–	–	–	2015
Performance	2013	22,159	–	–	–	2015
J Forwood						
Deferred	2013	9,066	–	–	–	2014
Deferred	2013	9,375	–	–	–	2015
Performance	2013	18,750	–	–	–	2015

continued

Value of share rights

Name	Share Rights						
	Financial year that rights may vest	Number granted	Fair value per right at grant date[5] $	Total fair value at grant date[5] $	Maximum value yet to vest[2] $	Value at vesting date[3] $	Value at lapse date[4] $
G Thomas							
Deferred	2013	52,181	4.73	246,815	–	66,009	–
Deferred	2014	53,901	4.38	236,087	147,554	–	–
Performance	2015	222,955	1.92	428,074	352,447	–	–
D Woodbury							
Deferred	2013	13,298	5.91	78,590	–	16,822	–
Deferred	2014	13,736	5.57	76,511	47,819	–	–
Deferred	2015	14,204	5.17	73,438	60,464	–	–
Performance	2015	28,409	3.21	91,193	75,082	–	–
T Benfield							
Deferred	2015	14,204	5.17	73,438	60,464	–	–
Performance	2015	28,409	3.21	91,193	83,138	–	–
R James							
Deferred	2013	10,638	5.91	62,872	–	13,457	–
Deferred	2014	10,989	5.57	61,209	38,255	–	–
Deferred	2015	11,364	5.17	58,750	48,371	–	–
Performance	2015	22,728	3.21	72,955	60,066	–	–
R Coyle							
Deferred	2013	10,372	5.91	61,301	–	13,121	–
Deferred	2014	10,714	5.57	56,679	37,299	–	–
Deferred	2015	11,080	5.17	57,281	47,162	–	–
Performance	2015	22,159	3.21	71,131	58,564	–	–
J Forwood							
Deferred	2014	9,066	5.57	50,497	31,561	–	–
Deferred	2015	9,375	5.17	48,469	39,906	–	–
Performance	2015	18,750	3.21	60,188	49,554	–	–

1 *The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the Key Management Personnel fails to meet a vesting condition.*

2 *The maximum value of the share rights yet to vest has been determined as the fair value of the rights at the grant date that is yet to be expensed.*

3 *The value at vesting date (30 June 2013) is the number of rights vesting multiplied by the Company's share price on the vesting date. As rights convert to ordinary shares on the vesting date, this date is also the exercise date. No payment by the holder of the right is required on vesting of the right.*

4 *The value at lapse date is the number of rights lapsing multiplied by the Company's share price at the close of business on that day. No rights lapsed on the 2013 financial year.*

5 *The fair value of the performance rights was estimated using Monte Carlo simulation, taking into account the terms and conditions upon which the awards were granted (refer to Note 24 of the Financial Statements).*

Share options issued under the previous LTI Plan

No shares were issued during the year on the exercise of options. All options held by Key Management Personnel at the beginning of the year issued under this plan expired during the year and no further options have been issued. These options vested in a prior period hence there was no impact on Key Management Personnel remuneration for the year.

End of Remuneration Report

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year are detailed in Note 30: Auditors Remuneration. The Directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in Note 30: Auditors Remuneration to the financial statements do not compromise the external auditor's independence, based on the Auditor's representations and advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 62.

Rounding of amounts

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

Auditors

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

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

Ross Smyth-Kirk
Director

Sydney
23 September 2013

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2013, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers
23 September 2013

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Financial Statements

for the year ended 30 June 2013

Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Sales revenue	5a	**329,282**	357,372
Cost of sales	5b	**(280,452)**	(238,825)
Gross profit		**48,830**	118,547
Exploration expenses		**(675)**	(1,933)
Corporate and administration expenses	5c	**(21,152)**	(19,304)
Other income and expenses	5d	**(15,490)**	1,565
Foreign exchange (loss) / gain		**(745)**	1,268
Business acquisition costs		**–**	(964)
Share of loss in associate	14	**(1,353)**	–
Impairment losses – Challenger Gold Project	5e	**(311,850)**	–
Impairment losses – exploration assets	5e	**(20,421)**	–
Impairment of investment in associate	5e	**(537)**	–
(Loss) / profit before finance costs and income tax		**(323,393)**	99,179
Finance income		**2,587**	1,469
Finance costs	5f	**(18,809)**	(9,371)
Net finance costs		**(16,222)**	(7,902)
(Loss) / profit before income tax		**(339,615)**	91,277
Income tax benefit / (expense)	6	**15,889**	(16,271)
(Loss) / profit after income tax		**(323,726)**	75,006
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations (net of tax)		**40,455**	2,305
Change in fair value of available-for-sale financial assets (net of tax)		**(91)**	(700)
Total other comprehensive income for the year, net of tax		**40,364**	1,605
Total comprehensive (loss) / income for the year		**(283,362)**	76,611
(Loss) / profit attributable to:			
Owners of Kingsgate Consolidated Limited		**(323,726)**	75,159
Non-controlling interests		**–**	(153)
(Loss) / profit after tax for the year		**(323,726)**	75,006
Total comprehensive (loss) / income attributable to:			
Owners of Kingsgate Consolidated Limited		**(283,362)**	76,764
Non-controlling interests		**–**	(153)
Total comprehensive (loss) / income for the year		**(283,362)**	76,611

Earnings per share		Cents	Cents
Basic (loss) / earnings per share	31	**(213.3)**	52.5
Diluted (loss) / earnings per share	31	**(213.3)**	52.5

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**32,987**	90,623
Receivables	8	**9,431**	12,226
Inventories	9	**62,032**	56,079
Other assets	10	**38,112**	35,128
Total current assets		**142,562**	194,056
Non-current assets			
Restricted cash	7	**5,474**	–
Inventories	9	**44,731**	30,314
Available-for-sale financial assets	11	**767**	1,751
Investment in associate	14	**1,485**	–
Property, plant and equipment	12	**190,231**	239,237
Exploration, evaluation and development	13	**336,546**	545,032
Other assets	10	**37,797**	27,858
Deferred tax assets	6g	**10,395**	10,211
Total non-current assets		**627,426**	854,403
TOTAL ASSETS		**769,988**	1,048,459
LIABILITIES			
Current liabilities			
Payables	15	**41,185**	42,597
Borrowings	16	**84,101**	35,697
Derivatives held for trading		**1,271**	2,685
Current tax liabilities		**272**	11,655
Provisions	17	**3,797**	2,993
Total current liabilities		**130,626**	95,627
Non-current liabilities			
Payables	15	**5,921**	6,681
Borrowings	16	**115,657**	121,847
Deferred tax liabilities	6g	**10,228**	29,110
Provisions	17	**33,596**	19,381
Total non-current liabilities		**165,402**	177,019
TOTAL LIABILITIES		**296,028**	272,646
NET ASSETS		**473,960**	775,813
EQUITY			
Contributed equity	18	**605,504**	599,618
Reserves	19a	**18,319**	(20,407)
(Accumulated losses) / Retained profits	19b	**(149,863)**	196,602
Capital and reserves attributable to equity holders of Kingsgate Consolidated Limited		**473,960**	775,813
Non-controlling interests		**–**	–
TOTAL EQUITY		**473,960**	775,813

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2013

	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011		**482,874**	**(26,528)**	**143,468**	**599,814**	**7,109**	**606,923**
(Loss) / profit after income tax		–	–	75,159	75,159	–	75,159
Total other comprehensive income for the year		–	1,605	–	1,605	–	1,605
Total comprehensive income for the year	**19b**	**–**	**1,605**	**75,159**	**76,764**	**–**	**76,764**
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	18	2,068	–	–	2,068	–	2,068
Institutional share placement	18	70,000	–	–	70,000	–	70,000
Issue of ordinary shares related to Bowdens acquisition of subsidiaries and assets	18	30,000	–	–	30,000	–	30,000
Issue of ordinary shares as part consideration for the settlement of a legal dispute	18	3,024	–	–	3,024	–	3,024
Issue of ordinary shares related to loan facility repayment	18	11,652	–	–	11,652	–	11,652
Dividends provided for or paid	22	–	–	(22,025)	(22,025)	–	(22,025)
Movement in share-based payment reserve	19a	–	8,919	–	8,919	–	8,919
Total transactions with owners		**116,744**	**8,919**	**(22,025)**	**103,638**	**–**	**103,638**
Total contribution by and distribution to owners of Kingsgate Consolidated Limited		**599,618**	**(16,004)**	**196,602**	**780,216**	**7,109**	**787,325**
Acquisition of non-controlling interests		–	(4,403)	–	(4,403)	(7,109)	(11,512)
Balance at 30 June 2012		**599,618**	**(20,407)**	**196,602**	**775,813**	**–**	**775,813**

	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2012		**599,618**	**(20,407)**	**196,602**	**775,813**	**–**	**775,813**
(Loss) / Profit after income tax		–	–	(323,726)	(323,726)	–	(323,726)
Total other comprehensive income for the year		–	40,364	–	40,364	–	40,364
Total comprehensive income for the year	19b	**–**	**40,364**	**(323,726)**	**(283,362)**	**–**	**(283,362)**
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	18	4,374	–	–	4,374	–	4,374
Issue of ordinary shares as part consideration for the settlement of a legal dispute	18	1,512	–	–	1,512	–	1,512
Dividends provided for or paid	22	–	–	(22,739)	(22,739)	–	(22,739)
Movement in share-based payment reserve	19a	–	(1,638)	–	(1,638)	–	(1,638)
Total transactions with owners		**5,886**	**(1,638)**	**(22,739)**	**(18,491)**	**–**	**(18,491)**
Balance at 30 June 2013		**605,504**	**18,319**	**(149,863)**	**473,960**	**–**	**473,960**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (net of goods and services tax)		**332,624**	361,754
Payments to suppliers and employees (net of goods and services tax)		**(224,500)**	(182,759)
Interest received		**2,587**	1,394
Finance costs paid		**(10,120)**	(8,431)
Income tax paid		**(15,571)**	(6,711)
Net cash inflow from operating activities	25	**85,020**	165,247
Cash flows from investing activities			
Payments for property, plant and equipment		**(7,035)**	(92,343)
Payments for exploration, evaluation and development		**(122,722)**	(75,054)
Payments for acquisition of Bowdens Silver Project		**–**	(41,000)
Cash acquired on acquisition of subsidiaries, net of cash paid		**–**	136
Interest capitalised to expansion and development projects		**(3,948)**	(6,939)
Deposits and debt service reserve account		**(8,612)**	(2,470)
Payments for other assets		**(108)**	(3,526)
Net cash outflow from investing activities		**(142,425)**	(221,196)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		**133,968**	96,627
Repayment of borrowings		**(116,250)**	(26,622)
Proceeds from the issue of shares		**–**	70,792
Payments for acquisition of non-controlling interests		**–**	(11,359)
Dividends paid		**(19,409)**	(18,933)
Net cash (outflow) / inflow from financing activities		**(1,691)**	110,505
Net (decrease) / increase in cash held		**(59,096)**	54,556
Cash at the beginning of the year		**90,623**	35,864
Effects of exchange rates on cash and cash equivalents		**1,460**	203
Cash at the end of the year	7	**32,987**	90,623

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2013

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the "Company") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of Directors on 23 September 2013.

Kingsgate is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code KCN. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

1. BASIS OF PREPARATION

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit or loss.

Functional and presentation currency

The financial statements of the Group 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 the Company's functional currency and presentation currency.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, or in certain cases, the nearest dollar.

Critical accounting estimates

The preparation of financial statements 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 3.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

a. Principles of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred does not include amounts related to the settlement of a pre-existing relationship. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The non-controlling interest in the acquiree is based on the fair value of the acquiree's net identifiable assets. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

The acquisition of an asset or group of assets that is not a business is accounted for by allocating the cost of the transaction to the net identifiable assets and liabilities acquired based on their fair values.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

b. Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of the Group entities at exchange rates on 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 profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intra-group balances are in substance part of the Group's net investment. Where as a result of a change in circumstances, a previously designated intra-group balance is intended to be settled in the foreseeable future, the intra-group balance is no longer regarded as part of net investment. The exchange differences for such balance previously taken directly to the foreign currency translation reserves are recognised in the profit or loss.

(ii) Foreign operations

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:

- the assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the year-end exchange rate;
- the income and expenses of foreign operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

c. Revenue

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

Gold and silver sales

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

d. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is Kingsgate Consolidated Limited.

Current tax expense or benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the "stand alone taxpayer" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax assets or liabilities and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidation group, are recognised as amounts receivable or payable to other entities in the tax-consolidation group in conjunction with any tax funding agreement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Tax funding and sharing agreements

The members of the tax-consolidation group have entered into a funding agreement that sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to or from the head entity equal to the current tax liability or asset assumed by the head entity and any deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable or payable in the separate financial statements of the members of the tax-consolidation group equal in amount to the tax liability or asset assumed. The intra-group receivables or payables are at call.

continued

The head entity recognises the assumed current tax amounts as current tax liabilities or assets, adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities or assets are equivalent to the tax balances generated by external transactions entered into by the tax-consolidation group.

The amounts receivable or 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 members of the tax-consolidation group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

e. Leases

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

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

f. Impairment of assets

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

g. 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

h. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments more than 60 days overdue are considered indicators that the trade and other receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

i. Inventories

Raw materials and stores, work in progress and finished goods, including gold bullion, are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to whether the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the reporting date it is included within non-current assets. Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays, and truck counts.

j. Non-derivative financial assets

Classification and recognition

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Financial assets at fair value through profit or loss are financial assets held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Attributable transaction costs are recognised in the profit or loss when incurred. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

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

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Available-for-sale financial assets

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

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity net of attributable tax. When an asset is derecognised the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Impairment

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

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

k. Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. The Group does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the profit or loss.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

l. 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.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation

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.

Impairment

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 2f).

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

continued

m. Deferred stripping costs

Stripping costs represent mining costs of waste materials. Stripping costs incurred by the Group prior to production in relation to accessing recoverable reserves are carried forward as part of 'Mine properties' when future economic benefits are established, otherwise such expenditure is expensed as part of the cost of production.

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

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

Deferred stripping costs (pre-production) are included under 'Mine properties'.

The Group also defers stripping costs incurred during production where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in waste costs over the life of a pit, and the effect is material.

The amount of stripping costs deferred is based on the ratio ("Ratio") obtained by dividing the amount of waste mined by the ore mined. Waste costs incurred in the period are deferred to the extent that the current period Ratio exceeds the life of the pit Ratio. Such deferred costs are then charged to profit or loss to the extent that in subsequent periods the current period Ratio falls short of the life of the pit Ratio. The life of pit Ratio is based on ore reserves of the pit.

The life of pit waste-to-ore ratio is a function of the pit design(s) and therefore changes to that design will generally result in changes to the Ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of the pit Ratio even if they do not affect the pit design(s). Changes to the life of the pit Ratio are accounted for prospectively.

Deferred stripping costs incurred during the production stage of operations are included in 'Other assets'.

n. Deferred mining services costs

Provisions to the group of mining services by its contractor do not systematically align with the billing made by the contractor employed for these services. When there is a material difference between the provisions of the mining services and the amount paid for these services, a portion of the billing is deferred on the statement of financial position. These amounts are subsequently recognised in the profit or loss. Mining services are recognised in the profit or loss on a systematic basis based on bank cubic metres mined by the contractor.

o. Exploration, evaluation and feasibility expenditure

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; or
- 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. The carrying value of exploration and evaluation assets is assessed in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's impairment policy (Note 2f).

Feasibility expenditure

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest and capitalised as incurred.

At the commencement of production, all past exploration, evaluation and feasibility expenditure in respect of an area of interest that has been capitalised is transferred to mine properties where it is amortised over the life of the area of interest to which it relates on a unit-of-production basis.

p. 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 units-of-production method with separate calculations being made for each area of interest. The units-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.

q. Investment in associates

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. The Group recognises its share of any changes and discloses this, when applicable, in the statement of changes of equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is included in the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

r. Trade and other payables

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

s. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

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

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

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

t. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalised represents the borrowing costs specific to those borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

u. Provisions

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

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

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

v. Restoration and rehabilitation provision

The estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset as at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a units-of-production basis.

The corresponding provision, of an amount equivalent to the restoration asset created, is reviewed at the end of each reporting period. The provision is measured at the best estimate of the present value amount required to settle the present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using national government bond rates at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation.

The unwinding of the effect of discounting on the rehabilitation provision is included within finance costs in the statement of comprehensive income.

Costs incurred that relate to an existing condition caused by past operations, but do not have a future economic benefit are expensed as incurred.

w. Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions for employee benefits 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 sick leave are recognised when the leave is taken and are 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. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms

continued

w. Employee benefits continued

to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Cash bonuses

Cash bonuses are expensed in the statement of comprehensive income at reporting date.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Directors or employees and the obligation can be estimated reliably.

(iv) Retirement benefit obligations

Contributions to defined contribution superannuation plans are recognised as an expense in the statement of comprehensive income as they become payable.

(v) Share-based payment transactions

The Group provides benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The fair value of these equity settled transactions 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.

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 the 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.

Upon the exercise of the equity settled reward, the related balance of the share-based payments reserve is transferred to share capital.

x. Dividends

Dividends are recognised as a liability in the period in which they are declared.

y. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

z. Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction, net of tax from the proceeds.

aa. Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

bb. Operating segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 4.

cc. New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The Group did not adopt any new or revised accounting standards, amendments or interpretations from 1 July 2012 which had an effect on the financial position or performance of the Group.

(ii) New accounting standards and interpretations not yet adopted

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2015). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.
- AASB 10 *Consolidated Financial Statements* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 10 establishes a new control model which broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting

rights may give control. The standard is applicable to the Group from 1 July 2013. Based on investments held by the Group as at 30 June 2013, the standard is not expected to have a significant impact.

- AASB 12 *Disclosure of Interests in Other Entities* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The standard is applicable to the Group from 1 July 2013. Based on interests held by the Group as at 30 June 2013, the standard is not expected to have a significant impact.
- AASB 13 *Fair Value Measurement* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group does not expect any material impact on adoption of the standard.
- AASB 119 *Employee Benefits* (effective for annual reporting periods commencing on or after 1 January 2013). The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual reporting periods commencing on or after 1 January 2013). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Company will adapt IFRIC 20 from 1 July 2013. Based on the current mine plans this IFRIC is not expected to have a significant impact.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013). AASB 2011-4 makes amendments to remove individual key management personnel disclosure requirements from AASB 124.
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from 1 July 2013). ASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (effective from 1 July 2014). AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

dd. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kingsgate.

Share-based payments

The issue by the Company of equity instruments to extinguish liabilities of a subsidiary undertaking in the Group is treated as a capital contribution to that subsidiary undertaking.

3. Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that could materially affect the financial position and results are discussed below:

(i) Mineral resources and ore reserves estimates

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in reported ore reserves may affect the Group's financial position and results, including asset carrying value, depreciation and amortisation expenses using units-of-production method, provision for restoration and rehabilitation and stripping costs if the stripping ratios are revised.

(ii) 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 2o). 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 13.

(iii) Deferred mining expenditure

The Group defers mining costs incurred during the production stage of its operations. Changes in an individual mine's design will generally result in changes to the life of mine waste to contained gold ounce (life of mine) ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine ratio even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

continued

(iv) Impairment of assets

The Group assesses each cash-generating unit half-yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 2f. These assumptions require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining capital requirements, mineral resources and reserves and operating performance (including the magnitude and time of related cash flows). For details of impairment assessment for the current year, refer to Note 5j.

(v) 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 include change in mineral resources and reserves estimates, changes in technology, commodity price changes and changes in interest rates.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see Note 17). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

(vi) Units-of-production method of depreciation

The Group applies the units-of-production method for depreciation and amortisation of its mine properties, mine buildings, plant and equipment. 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. 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.

(vii) Share-based payments

The Group measures share-based payments at fair value at the grant date. The fair value is determined by an external valuer using a Monte Carlo simulation model or other valuation technique appropriate for the instrument being valued.

(viii) Deferred tax balances

Deferred tax assets in respect of tax losses for the Kingsgate tax-consolidation group (Note 6) are not recognised in the financial statements as management considers that it is currently not probable that future taxable profits will be available to utilise those tax losses. Management reviews on a regular basis the future profitability of the entities included in the tax-consolidation group to consider if tax losses should be recognised and to ensure that any tax losses recognised will be utilised.

Deferred tax balances for temporary differences in respect of Akara Mining Limited are measured based on their expected rate of reversal which is different for the two Royal Thai Board of Investment ("BOI") activities (Note 6).

(ix) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(x) Capitalisation of borrowing costs to exploration, evaluation and development

The Group's funding of Bowdens Silver Project included borrowings of $35,000,000. In applying the Group's accounting policy on borrowing costs (see Note 2s), the Bowdens Silver Project is considered to be a qualifying asset as defined in AASB 123. As such finance costs in relation to these borrowings have been capitalised as part of the Bowdens Silver Project.

4. Segment information

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

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

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

2013	Operations		Development		Exploration	Corporate	Total Group
	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	$'000	$'000	$'000
External sales revenue	226,759	102,523	–	–	–	–	329,282
Other revenue	166	513	–	–	51	–	730
Total segment revenue	**226,925**	**103,036**	**–**	**–**	**51**	**–**	**330,012**
Segment EBITDA	93,593	16,656	(234)	(3,070)	(298)	(11,637)	95,010
Impairment	–	(311,850)	–	–	(20,421)	(537)	(332,808)
Depreciation and amortisation	(26,962)	(58,474)	(18)	(32)	–	(109)	(85,595)
Profit / (loss) before finance cost and income tax	**66,631**	**(353,668)**	**(252)**	**(3,102)**	**(20,719)**	**(12,283)**	**(323,393)**
Finance income	2,103	153	6	–	10	315	2,587
Finance costs	(10,716)	(141)	(6)	(1,258)	–	(6,688)	(18,809)
Net finance costs	**(8,613)**	**12**	**–**	**(1,258)**	**10**	**(6,373)**	**(16,222)**
Profit / (loss) before tax	**58,018**	**(353,656)**	**(252)**	**(4,360)**	**(20,709)**	**(18,656)**	**(339,615)**
Other segment information							
Segment assets	540,422	42,892	106,564	63,378	4,618	12,114	769,988
Segment liabilities	(205,089)	(29,077)	(1,346)	(5,734)	(1,331)	(53,451)	(296,028)
Segment intercompany assets / (liabilities)	46,588	(61,501)	(21,909)	(42,533)	(14,775)	94,130	–

2012	Chatree $'000	Challenger $'000	Bowdens $'000	Nueva Esperanza $'000	Exploration $'000	Corporate $'000	Total Group $'000
External sales revenue	217,307	140,065	–	–	–	–	357,372
Other revenue	281	819	–	–	1,150	–	2,250
Total segment revenue	**217,588**	**140,884**	**–**	**–**	**1,150**	**–**	**359,622**
Segment EBITDA	120,751	65,730	–	(1,020)	(519)	(18,210)	166,732
Depreciation and amortisation	(18,601)	(48,723)	–	–	–	(229)	(67,553)
Profit / (loss) before finance cost and income tax	**102,150**	**17,007**	**–**	**(1,020)**	**(519)**	**(18,439)**	**99,179**
Finance income	335	256	9	1	11	857	1,469
Finance costs	(4,558)	(141)	(5)	(3)	–	(4,664)	(9,371)
Net finance costs	**(4,223)**	**115**	**4**	**(2)**	**11**	**(3,807)**	**(7,902)**
Profit / (loss) before tax	**97,927**	**17,122**	**4**	**(1,022)**	**(508)**	**(22,246)**	**91,277**
Other segment information							
Segment assets	493,647	379,434	87,974	50,481	28,555	8,368	1,048,459
Segment liabilities	(131,314)	(91,915)	(926)	(7,312)	(882)	(40,297)	(272,646)
Segment intercompany assets / (liabilities)	(57,295)	(29,085)	(7,601)	(21,946)	(11,806)	127,733	–

continued

4. Segment information continued

	Revenue 2013 $'000	Revenue 2012 $'000	% of External Revenue 2013 %	% of External Revenue 2012 %
Customer A	226,759	217,307	69	61
Customer B	102,523	140,065	31	39

5. Revenue and expenses

	2013 $'000	2012 $'000
a) Sales revenue		
Gold sales	**302,996**	329,579
Silver sales	**26,286**	27,793
Total sales revenue	**329,282**	357,372
b) Cost of sales		
Direct costs of mining and processing	**179,817**	159,500
Royalties	**25,838**	27,196
Inventory movements	**(8,341)**	(8,132)
Deferred mining costs	**(2,250)**	(7,059)
Depreciation (operations)	**85,388**	67,320
Total costs of sales	**280,452**	238,825
c) Corporate and administration expenses		
Administration	**15,515**	12,737
Technical support and business development	**2,096**	2,867
Statutory and professional fees	**3,334**	3,467
Depreciation	**207**	233
Total corporate and administration expenses	**21,152**	19,304
d) Other income and expenses		
Sale of mineral rights	**–**	1,150
Net (loss) on the sale of exploration assets	**(16,709)**	–
Net (loss) / gain on the sale of fixed assets	**(70)**	35
(Loss) / gain on the change in fair value of undesignated gold contracts held for trading	**1,414**	(425)
(Loss) on the change in fair value of available-for-sale financial assets	**(855)**	(260)
Gain on the close-out of hedge contract	**–**	819
Other revenue	**730**	246
Total other income and (expense)	**(15,490)**	1,565
e) Impairment		
Challenger Gold Project (refer Note 5j)	**311,850**	–
Exploration assets	**20,421**	–
Investment in associate – Caravel Minerals	**537**	–
Total impairment	**332,808**	–

	2013 $'000	2012 $'000
f) Finance costs		
Interest and finance charges	**15,161**	13,782
Unwinding of discount	**1,017**	390
Amortisation of deferred borrowing costs	**7,594**	2,138
Less: borrowing costs capitalised [i]	**(4,963)**	(6,939)
Total finance costs	**18,809**	9,371

(i) ***Capitalised borrowing costs***
The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 10.7% (2012: 9.7%).

	2013 $'000	2012 $'000
g) Depreciation and amortisation		
Property, plant and equipment	**18,481**	17,600
Mine properties	**67,377**	50,353
Less: Depreciation capitalised	**(263)**	(400)
Total depreciation and amortisation expenses	**85,595**	67,553
Included in:		
Costs of sales depreciation	**85,388**	67,320
Corporate depreciation	**207**	233
h) Employee benefits expenses		
Included in:		
Costs of sales	**18,668**	17,474
Corporate and administration expenses	**11,464**	8,822
Total employee benefits expenses	**30,132**	26,296
i) Other items		
Operating lease rentals	**915**	749
Total other items	**915**	749
j) Significant items		
Foreign exchange (gain) / loss	**745**	(1,268)
Dominion acquisition cost	**–**	964
Write off of capitalised borrowing fees	**5,722**	–
Change in fair value of undesignated gold contracts held for trading	**(1,414)**	425
Change in fair value of available-for-sale financial assets	**855**	260
Share of loss in associate (refer Note 14a)	**1,353**	–
Loss on sale of exploration assets (refer Note 33)	**16,709**	–
Impairment Challenger Gold Project [i]	**311,850**	–
Impairment of capitalised exploration	**20,421**	–
Impairment of associate	**537**	–
Total significant items (pre-tax)	**356,778**	381

(i) Tax benefit on the impairment of Challenger Gold Project amounts to $20,600,000. The impairment of Challenger Gold Project after tax is $291,300,000. Impairment charge includes property, plant, and equipment $64,897,000, mine properties $239,848,000, and exploration and evaluation $7,105,000 (refer Notes 12 and 13). The tax benefit relating to the impairment has not been recognised in the financial statements.

continued

5. Revenue and expenses continued

Impairment – Challenger Gold Project

The Group announced on 28 June 2013 the impairment of the carrying value of the Challenger Gold Mine as a result of the change of the mine plan to focus on the higher grade Challenger West orebody. The revised mine plan is the result of a strategic review of the Challenger Gold Mine in response to the significant and sustained decline in gold price and the mine's operating performance over the 2013 financial year.

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount for Challenger Gold Mine cash-generating unit has been determined based on its value in use ("VIU"). The impairment test is assessed at the cash-generating unit ("CGU") level, which is the lowest level for which identifiable cash inflows are largely independent of the cash flows of other assets. The VIU approach is based on the present value of the future cash flows expected to be derived from the CGU.

While the Challenger Gold Project is expected to generate positive cash flows based on the revised plan, the cash flow estimates no longer support the full recovery of the carrying value. As a result of this assessment, the Group has recorded an impairment charge of $311,850,000 pre-tax, related to the carrying value of the property, plant and equipment and mine properties at Challenger Gold Project.

The key assumptions and estimates used in determining the recoverable amount (VIU) are related to gold price, gold production, discount rate, operating costs and capital expenditures. The basis for determination of the impairment was:

- **gold price** – future gold price was primarily based on current hedging programs consisting of 50,000 ounces of gold at a delivery price of A$1,435 per ounce, 6,500 ounces at a delivery price of A$1,160 per ounce and a spot price of A$1,425 for the balance of production;
- **gold production** – future gold production was based on the new mine plan;
- **discount rate** – a pre-tax discount rate of 10%; and
- **operating costs and capital expenditure** – these costs were based on historic mining costs, new mining contract cost estimates, existing royalty rates with the South Australian Government and the local land owners and management's best estimates at the time of the impairment testing.

The impact on recoverable amount from varying the above assumptions has been assessed and, given the relatively short period of the expected remaining mine life of the Challenger Gold Project, has been assessed as having an immaterial impact on the impairment charge.

6. Income tax

	2013 $'000	2012 $'000
a) Income tax expense		
Current tax	**3,670**	15,591
Deferred tax	**(19,559)**	680
Income tax (benefit) / expense	**(15,889)**	16,271
Deferred tax expense / (benefit) included in tax expense comprises:		
(Increase) / decrease in deferred tax assets	**32,486**	(4,908)
Increase / (decrease) in deferred tax liabilities	**(52,045)**	5,588
Deferred tax	**(19,559)**	680

	2013 $'000	2012 $'000
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) /Profit from continuing operations before income tax	**(339,615)**	91,277
Tax at Australian rate of 30%	**(101,885)**	27,383
Tax effect of amounts not deductible / assessable in calculating taxable income		
Non-deductible expenses	**2,367**	1,302
Non-deductible amortisation	**1,210**	1,695
Non-deductible interest expense to preference shareholders	**157**	169
Share-based payment remuneration	**275**	–
Double deduction of expenses (Thailand)	**–**	(1,218)
Impairment of investment in associate	**161**	–
Share of loss of associate	**406**	–
Differences in Thailand tax rates	**(14,832)**	(12,403)
Non-temporary differences affecting the tax expense	**–**	(106)
Temporary difference adjustment (either change in estimate of rate of reversal or not previously recognised)	**–**	1,229
Other temporary difference adjustment	**–**	(196)
Tax benefit of tax losses not brought to account in the prior year recognised this year	**–**	(2,687)
Tax benefit of tax losses and deductible temporary differences not brought to account	**58,495**	1,103
Deferred tax asset written off in the current year	**37,757**	–
Income tax (benefit) / expense	**(15,889)**	16,271

Akara Resources Public Company Limited ("Akara"), a controlled entity, has received approval from The Royal Thai Board of Investment (BOI) of the Office of the Prime Minister for promotion of the Chatree Mine.

Subject to meeting the BOI conditions and based on an annual production limit of 178,416 ounces of gold and 583,733 ounces of silver, Akara's Chatree Mine is entitled to:

i) an eight year full corporate tax holiday commencing at first gold pour on metal sales. The full tax holiday expired in November 2009;

ii) a further five years half tax holiday following i) above; and

iii) other benefits.

The start of the promotion period was 27 November 2001.

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

i) an eight year tax holiday on income derived from the new processing plant with tax savings limited to the capital cost of the new treatment plant;

ii) 25% investment allowance on the capital cost of certain assets of the new processing plant; and

iii) other benefits.

The start of the promotion period was 1 November 2012.

continued

6. Income tax continued

	2013 $'000	2012 $'000
c) Tax recognised in other comprehensive income		
Available-for-sale investment revaluation reserve	**(39)**	(300)
Foreign exchange losses recognised directly in foreign currency translation reserves	**566**	103
Total tax recognised in other comprehensive income	**527**	**(197)**

d) Deferred tax liabilities offset

Deferred tax liabilities amounting to $853,000 (2012: $774,000) have been offset against deferred tax asset.

	2013 $'000	2012 $'000
e) Unrecognised deferred tax assets		
Tax losses – Australian entities	**211,548**	5,627
Tax losses – other entities	**9,237**	2,185
Temporary difference	**130,113**	–
Subtotal	**350,898**	7,812
Unrecognised deferred tax assets	**104,345**	2,344

f) Tax consolidation group

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 2d.

On adoption of the tax consolidation legislation, the entities in the tax-consolidation group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities 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 for any current tax payable assumed and are compensated for any current tax receivable and deferred assets relating to the unused tax losses or unused tax credits that are transferred to Kingsgate 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.

g) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred tax assets / liabilities:						
Derivatives	**384**	808	**–**	–	**384**	808
Employee benefits	**1,789**	1,571	**–**	–	**1,789**	1,571
Provision for restoration and rehabilitation	**5,167**	3,390	**–**	–	**5,167**	3,390
Provision for obsolescence	**309**	278	**–**	–	**309**	278
Unrealised exchange (gains) / losses	**1,265**	2,990	**(2,020)**	(200)	**(755)**	2,790
Other items	**1,147**	1,096	**(467)**	–	**680**	1,096
Tax losses	**–**	36,334	**–**	–	**–**	36,334
Available-for-sale financial assets	**334**	78	**–**	(39)	**334**	39
Mine properties and exploration	**3,706**	–	**(11,447)**	(65,205)	**(7,741)**	(65,205)
Total deferred tax assets / (liabilities)	**14,101**	46,545	**(13,934)**	(65,444)	**167**	(18,899)
Set off tax	**(3,706)**	(36,334)	**3,706**	36,334	**–**	–
Net deferred tax assets (liabilities)	**10,395**	10,211	**(10,228)**	(29,110)	**167**	(18,899)

Movement in deferred tax balances

2013	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets / liabilities:					
Derivatives	808	(424)	–	–	384
Employee benefits	1,571	124	–	94	1,789
Provision for restoration and rehabilitation	3,390	1,428	–	349	5,167
Provision for obsolescence	278	(5)	–	36	309
Unrealised exchange losses	2,790	(2,979)	(566)	–	(755)
Other items	1,096	(428)	–	12	680
Tax losses	36,334	(36,334)	–	–	–
Mine properties and exploration	(65,205)	57,921	–	(457)	(7,741)
Available-for-sale financial assets	39	256	39	–	334
Net deferred tax assets	**(18,899)**	**19,559**	**(527)**	**34**	**167**

2012	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 30 June
Deferred tax assets / liabilities:					
Derivatives	680	128	–	–	808
Employee benefits	1,611	(55)	–	15	1,571
Provision for restoration and rehabilitation	2,683	664	–	43	3,390
Provision for obsolescence	449	(181)	–	10	278
Unrealised exchange losses	3,510	(617)	(103)	–	2,790
Other items	1,328	(230)	–	(2)	1,096
Tax losses	31,413	4,921	–	–	36,334
Mine properties and exploration	(59,776)	(5,389)	–	(40)	(65,205)
Available-for-sale financial assets	(339)	78	300	–	39
Net deferred tax assets	**(18,441)**	**(681)**	**197**	**26**	**(18,899)**

continued

	2013 $'000	2012 $'000
7. Cash and cash equivalents and restricted cash		
Current		
Cash on hand	18	17
Deposits at call	30,476	87,014
Cash and other bank balances	30,494	87,031
Other deposits	2,493	3,592
Total cash and cash equivalents – current	32,987	90,623
Non-current		
Restricted cash	5,474	–
Total restricted cash – non-current	5,474	–

Cash on hand

These are petty cash balances held by subsidiaries.

Deposits at call

The deposits at call are bearing floating interest rates and they may be accessed daily.

Other deposits

This represents restricted cash held on deposit with financial institutions.

Restricted cash

Under the terms of the loan facilities (see Note 16), the Group is required to maintain a minimum cash balance of US$5 million in respect of Akara.

Risk exposure

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

8. Receivables

	2013 $'000	2012 $'000
Trade receivables	–	3,201
Other debtors	9,431	9,025
Total receivables	9,431	12,226

Trade receivables

Trade receivables represent gold sales at the end of the financial year, where payment was yet to be received. No trade receivables were past due or impaired as at 30 June 2013 (2012: nil).

Other debtors

Other debtors mainly relate to GST / VAT receivables, advances made for land acquisition and diesel fuel tax credits.

Risk exposure

The Group's exposure to credit and currency is disclosed in Note 28.

	2013 $'000	2012 $'000
9. Inventories		
Current		
Raw materials and stores	**10,656**	10,947
Provision for obsolescence	**(1,566)**	(1,172)
Stockpiles and work in progress	**48,329**	43,365
Gold bullion	**4,613**	2,939
Total inventories – current	**62,032**	56,079
Non-current		
Stockpiles	**44,731**	30,314
Total inventories – non-current	**44,731**	30,314

10. Other assets

	2013 $'000	2012 $'000
Current		
Prepaid mining services	**15,921**	10,457
Prepayments	**12,489**	15,011
Deferred cost of divestment	**8,408**	7,298
Deferred stripping costs	**–**	1,910
Other deposits	**1,294**	452
Total other assets – current	**38,112**	35,128
Non-current		
Deferred stripping costs	**26,903**	19,626
Prepayments	**4,380**	4,014
Other deposits	**6,514**	4,218
Total other assets – non-current	**37,797**	27,858

Prepayments

Non-current prepayments include prepaid royalties in respect of the Nueva Esperanza Silver / Gold Project in Chile and electricity and fuel supplies for Chatree Mine in Thailand.

Other deposits

Other deposits – non-current includes $1,838,000 restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

continued

11. Available-for-sale financial assets

	2013 $'000	2012 $'000
Equity securities		
At the beginning of the year	1,751	2,200
Additions	–	812
Loss on change in fair value of available-for-sale financial assets	(984)	(1,261)
At the end of the year	**767**	1,751

12. Property, plant and equipment

	2013 $'000	2012 $'000
Opening balance		
Cost	286,590	242,589
Accumulated depreciation, amortisation and impairment	(47,353)	(33,104)
Net book amount	**239,237**	209,485
Year ended 30 June		
Opening net book amount	239,237	209,485
Additions	15,447	71,552
Reclassified	(2,039)	(25,882)
Disposals	(630)	(28)
Impairment	(64,897)	–
Depreciation and amortisation expense	(18,481)	(17,600)
Foreign currency exchange differences	21,594	1,710
Closing net book amount	**190,231**	239,237

13. Exploration, evaluation and development

	Exploration & evaluation $'000	Feasibility expenditure $'000	Mine properties $'000	Total $'000
At 30 June 2011				
Cost	57,510	29,388	392,107	479,005
Accumulated depreciation and amortisation	–	–	(71,912)	(71,912)
Net book amount	**57,510**	**29,388**	**320,195**	**407,093**
Year ended 30 June 2012				
Opening net book amount	57,510	29,388	320,195	407,093
Additions	10,068	97,720	60,213	168,001
Reclassified	(8,350)	(4,345)	34,223	21,528
Disposals	(2,009)	(952)	(690)	(3,651)
Depreciation and amortisation expense	–	–	(50,353)	(50,353)
Foreign currency exchange differences	293	(254)	2,375	2,414
Closing net book amount	**57,512**	**121,557**	**365,963**	**545,032**
Year ended 30 June 2013				
Opening net book amount	57,512	121,557	365,963	545,032
Additions	7,938	19,234	98,276	125,448
Reclassified	–	–	2,039	2,039
Disposals	(20,084)	(1,023)	(6,949)	(28,056)
Impairment	(27,526)	–	(239,848)	(267,374)
Depreciation and amortisation expense	–	–	(67,377)	(67,377)
Foreign currency exchange differences	1,242	3,173	22,419	26,834
Closing net book amount	**19,082**	**142,941**	**174,523**	**336,546**
At 30 June 2013				
Cost	19,082	142,941	615,098	777,121
Accumulated depreciation and amortisation	–	–	(440,575)	(440,575)
Net book amount	**19,082**	**142,941**	**174,523**	**336,546**

Capitalised borrowing costs

Included in mine buildings, plant and equipment is an amount of $851,000 and in exploration is an amount of $4,112,000 that represents borrowing costs capitalised during the year ($6,939,000 during the year ended 30 June 2012). The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 10.7% (2012: 9.7%).

continued

14. Investment in associate

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

	2013 $'000	2012 $'000
Investment in Caravel Minerals Limited		
Acquisition (see Note 33)	3,375	–
Share of associate's loss	(1,353)	–
Additional impairment in associate[i]	(537)	–
At the end of the year	1,485	–

(i) The impairment in associate reflects the fall in the market value of the listed shares of the associate. The recoverable amount of the investment in Caravel Minerals Limited was determined using the last traded price of the associate's shares on balance date.

b) Summarised financial information of associate

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

	Group's share of:				
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenue $'000	Loss $'000
Caravel Minerals Limited	35.54	3,007	384	199	1,353

c) Fair value of listed investment in associate

	2013 $'000	2012 $'000
Caravel Minerals Limited	1,485	–

d) Contingent liabilities

Caravel Minerals Limited had no material contingent liabilities.

15. Payables

	2013	2012
Current		
Trade payables	25,620	22,735
Other payables and accruals	15,565	19,862
Total payables – current	41,185	42,597
Non-current		
Other payables	5,921	6,681
Total payables – non-current	5,921	6,681

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

16. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see Note 28.

	2013 $'000	2012 $'000
Current		
Secured bank loans	**73,613**	26,860
Preference shares in controlled entity	**10,488**	8,837
Total borrowings – current	**84,101**	35,697
Non-current		
Secured bank loans	**115,575**	121,765
Preference shares in controlled entity	**82**	82
Total borrowings – non-current	**115,657**	121,847
Borrowings		
Secured bank loans	**189,188**	148,625
Preference shares in controlled equity	**10,570**	8,919
Total borrowings	**199,758**	157,544

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest	Year of maturity	Face value $'000	Carrying amount $'000
Corporate loan facility	AUD	BBSY[1] + margin	2016	20,000	20,000
Convertible loan facility	AUD	BBSY[1] + margin	2016	35,000	35,000
Syndicated loan facilities	Thai Baht	THBFIX[2]+ margin	2018	59,171	59,171
Syndicated loan facilities	USD	LIBOR[3] + margin	2018	77,824	77,824
Less capitalised borrowing costs					(2,807)
Total					**189,188**

1 BBSY means bank bill swap bid rate
2 THBFIX means Thai Baht interest rate fixing
3 LIBOR means London interbank offered rate

continued

16. Borrowings continued

Corporate loan facility

The Group has a three year secured loan facility with Investec with a limit of A$40,000,000 (30 June 2012: A$50,000,000), of which A$20,000,000 has been drawn down as at 30 June 2013 (30 June 2012: A$40,000,000).

Convertible loan facility

The Group has a five year A$35,000,000 convertible loan facility entered into in a prior period to provide funding for the Bowdens acquisition. The Group has the option to make a prepayment against the facility with an issue of Kingsgate shares.

Corporate loan facility and convertible loan facility restructure

As indicated previously in the Preliminary Final report, at balance date it was the Group's intention to restructure and amalgamate these facilities in the next financial year. This relates to the potential for completion of the Initial Public Offering of Akara on the Stock Exchange of Thailand and the updated mine plan for Challenger. Any restructure would optimise the Group's anticipated balance sheet liquidity and operational cash flows. Accordingly, the Group has classified the total amount drawn down under these facilities of $55,000,000 as a current liability at 30 June 2013. In addition, as a result of the intended restructure, $3,900,000 of previously capitalised borrowing costs relating to the convertible loan and corporate loan facilities has been expensed at year end.

Subsequent to the end of the financial year, the Group has received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40,000,000. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25,000,000 Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5,000,000 to be repaid during the 2014 financial year and the balance of $10,000,000 repaid during the 2015 financial year.

Convertible revolving credit facility

The Group also has a three year $25,000,000 Convertible Revolving Credit Facility available. At the date of this report the facility is undrawn. Under the terms of this facility, Kingsgate has the option of repaying any funds drawn down under the facility through either cash or by issuing ordinary shares. It is intended that this facility will be utilised during the 2014 financial year for corporate and working capital purposes. It is the current intention of the Company to repay any cash drawdown under the facility by issuance of fully paid ordinary shares which would rank parri pasu with all existing ordinary shares, although this position will be reviewed at the appropriate time. The number of shares has not yet been determined and they will be issued at a 2.5% discount to VWAP over a period by reference to the draw down date. Shareholder approval is not required.

As security against the above loans the lender has a fixed and floating charge over Kingsgate and its material subsidiaries.

Multi-currency and syndicated loan facilities

Kingsgate's Thai operating subsidiary, Akara, established a six year amortising multi-currency loan facility equivalent to US$125,000,000 (fully drawn as at year end) and an additional Thai Baht denominated working capital facility equivalent to US$15,000,000 (undrawn as at year end) during the year. The proceeds from these borrowings were used to fully repay the outstanding balance on the US$100,000,000 Baht denominated syndicated loan facility in existence at the beginning of the year as well as to repay part of the corporate loan facility noted above. Finance costs include the write off of the balance of capitalised borrowing fees of $1,800,000 following the Akara refinancing. The multi-currency loan facility is secured over the land and buildings in Thailand.

Restricted funds

Under the terms of the loan facilities, the Group is required to maintain a minimum cash balance of US$5,000,000 in respect of Akara.

17. Provisions

	Note	2013 $'000	2012 $'000
Current			
Employee benefits	24	**3,797**	2,993
Total provisions – current		**3,797**	2,993
Non-current			
Restoration and rehabilitation		**28,180**	14,899
Employee benefits	24	**5,416**	4,482
Total provisions – non-current		**33,596**	19,381
Movements in the restoration and rehabilitation provision:			
Restoration and rehabilitation			
At the beginning of the financial year		**14,899**	8,943
Revision of rehabilitation provision		**10,979**	5,445
Unwind of discount rate for provision		**839**	390
Foreign currency exchange differences		**1,463**	121
At the end of the financial year		**28,180**	14,899

18. Contributed Equity

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Opening balance	**151,263,789**	135,274,823	**599,618**	482,874
Exercise of options	**–**	193,536	**–**	1,397
Dividend reinvestment plan	**761,448**	412,835	**3,330**	2,929
Institutional share placement	**–**	9,859,155	**–**	70,000
Issue of ordinary shares related to Bowdens acquisition	**–**	3,440,367	**–**	30,000
Issue of ordinary shares as part consideration for the settlement of a legal dispute	**166,668**	333,332	**1,512**	3,024
Issue of ordinary shares related to loan facility repayment	**–**	1,749,741	**–**	11,652
Options expired / lapsed	**–**	–	**1,044**	–
Share issue costs	**–**	–	**–**	(2,258)
Closing balance	**152,191,905**	151,263,789	**605,504**	599,618

a) Dividend reinvestment plan

Under the dividend reinvestment plan 761,448 fully paid ordinary shares were issued during the year (2012: 412,835).

b) Capital risk management

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

continued

19. Reserves and accumulated losses

(a) Reserves	2013 $'000	2012 $'000
Foreign currency translation reserve	13,997	(26,458)
Available-for-sale investment revaluation reserve	–	91
Share-based payment reserve	8,702	10,340
General reserve	(4,380)	(4,380)
Total reserves	18,319	(20,407)
Movements:		
Foreign currency translation reserve		
At the beginning of the financial year	(26,458)	(28,763)
Exchange differences on translation of foreign controlled entities (net of tax)	40,455	2,305
At the end of the financial year	13,997	(26,458)
Available-for-sale investment revaluation reserve		
At the beginning of the financial year	91	791
Net change	(91)	(700)
At the end of the financial year	–	91
Share-based payment reserve		
At the beginning of the financial year	10,340	1,422
Options issued to financial institution	–	4,177
Options issued to preference shareholder	–	3,543
Performance rights issued to preference shareholder	–	4,536
Performance rights to preference shareholder exercised	(1,512)	(3,024)
Employee long term incentive performance rights issued	918	–
Transfer to share capital (options lapsed)	(1,044)	–
Transfer to share capital (options exercised)	–	(314)
At the end of the financial year	8,702	10,340
General reserve		
At the beginning of the financial year	(4,380)	23
Net change	–	(4,403)
At the end of the financial year	(4,380)	(4,380)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2b.

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 2j (iii).

Share-based payment reserve

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

General reserve

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

(b) (Accumulated losses) / Retained profits	2013 $'000	2012 $'000
Retained profits at the beginning of the year	196,602	143,468
Net (loss) / profit attributable to members of Kingsgate	(323,726)	75,159
Dividends paid	(22,739)	(22,025)
(Accumulated losses) / Retained profits at the end of year	(149,863)	196,602

20. Commitments for expenditure

Capital commitments		
Within 1 year	1,475	–
Total capital commitments	1,475	–
Operating leases		
Within 1 year	1,064	2,909
Later than 1 year but not later than 5 years	553	1,199
Total operating leases	1,617	4,108
Exploration commitments		
Within 1 year	2,190	2,082
Total exploration commitments	2,190	2,082
Remuneration commitments		
Within 1 year	–	574
Later than 1 year but not later than 5 years	–	690
Total remuneration commitments	–	1,264

Capital commitments

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

Operating leases

Commitments for minimum lease payments are in relation to non-cancellable operating leases. Operating leases for the current year primarily relates to Challenger Mine's power generation operating leases.

Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group has 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.

continued

21. Controlled entities

Entity	Country of Incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
Parent Entity				
Kingsgate Consolidated Limited				
Subsidiaries				
Dominion Mining Ltd	Australia	Ordinary	**100**	100
Challenger Gold Operations Pty Ltd(i)	Australia	Ordinary	**100**	100
Quadrio Resources Limited(ii)	Australia	Ordinary	**–**	100
Gawler Gold Mining Pty Ltd	Australia	Ordinary	**100**	100
Dominion Copper Pty Ltd	Australia	Ordinary	**100**	100
Dominion Metals Proprietary Limited	Australia	Ordinary	**100**	100
Yilgarn Metals Limited	Australia	Ordinary	**100**	100
Kingsgate Treasury Pty Ltd(iii)	Australia	Ordinary	**100**	100
Kingsgate Bowdens Pty Limited	Australia	Ordinary	**100**	100
Kingsgate Capital Pty Ltd	Australia	Ordinary	**100**	100
Kingsgate Nominees Pty Limited	Australia	Ordinary	**100**	100
Kingsgate South America Pty Ltd	Australia	Ordinary	**100**	100
Laguna Resources NL	Australia	Ordinary	**100**	100
Laguna Exploration Pty Ltd	Australia	Ordinary	**100**	100
Akara Mining Limited (iv)	Thailand	Ordinary	**100**	100
Issara Mining Ltd	Thailand	Ordinary	**100**	100
Suan Sak Patana Ltd	Thailand	Ordinary	**100**	100
Phar Mai Exploration Ltd	Thailand	Ordinary	**100**	100
Richaphum Mining Ltd	Thailand	Ordinary	**100**	100
Phar Lap Ltd	Thailand	Ordinary	**100**	100
Phar Rong Ltd	Thailand	Ordinary	**100**	100
Dominion (Lao) Co., Ltd	Laos	Ordinary	**100**	100
Laguna Chile Ltda	Chile	Ordinary	**100**	100
Minera Kingsgate Limitada	Chile	Ordinary	**100**	100
Kingsgate Peru SRL	Peru	Ordinary	**100**	100
Minera Kingsgate Argentina S.A.	Argentina	Ordinary	**100**	100

(i) Challenger Gold Operations Pty Ltd changed its name from Dominion Gold Operations Pty Ltd on 26 March 2013.
(ii) Quadrio Resources Limited was sold by the Group during the year.
(iii) Kingsgate Treasury Pty Ltd changed its name from Yilgarn Metals Exploration Pty Ltd on 29 November 2012.
(iv) Akara Mining Limited changed its name to Akara Resource Public Company Limited on 29 August 2013.

22. Dividends

	2013 $'000	2012 $'000
Final dividend declared for the year ended 30 June 2012 of 10 cents per fully paid share paid on 1 October 2012	15,148	6,829
Interim dividend declared for the year ended 30 June 2013 of 5 cents per fully paid share paid on 12 April 2013	7,591	15,196
Total dividends	**22,739**	22,025

Refer Note 18 for the dividend reinvestment plan portion of total dividends.

The Group's franking credit balance as at 30 June 2013 is $880,548 (2012: $880,548).

23. Related parties

Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 29.

Controlling entity

The ultimate parent entity of the Group is Kingsgate Consolidated Limited.

24. Employee benefits and share-based payments

	2013 $'000	2012 $'000
Provision for employee benefits – current	3,797	2,993
Provision for employee benefits – non-current	5,416	4,482
Total employee provisions	**9,213**	7,475

Share-based payments

The following share-based payments were made during the year:

- performance and deferred rights issued to employees $917,397 (2012: nil); and
- shares issued as part consideration of a legal dispute $1,512,000 (2012: $3,024,000).

Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee's wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2013 were $964,000 (2012: $752,000).

Kingsgate executive option plan

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

i. each option will entitle the holder to subscribe for one ordinary share of the Company;
ii. options are granted under the plan for no consideration; and
iii. options granted under the plan carry no dividend or voting rights.

continued

24. Employee benefits and share-based payments continued

Set out below are summaries of options under the plans.

Grant date	Expiry date	Exercise price $	Balance start of year Number	Granted during year Number	Expired during year Number	Balance end of year Number	Vested and exercisable at end of year Number
Year ended 30 June 2013 – Employees							
04 Apr 2008	03 Apr 2013	$6.00	481,000	–	(481,000)	–	–
Total			**481,000**	**–**	**(481,000)**	**–**	**–**
Weighted average exercise price			**$6.00**	**–**	**$6.00**	**–**	**–**
Year ended 30 June 2012 – Employees							
07 Jul 2006	01 Jul 2011	$6.00	50,000	–	(50,000)	–	–
04 Apr 2008	03 Apr 2013	$4.68	58,535	–	(58,535)	–	–
04 Apr 2008	03 Apr 2013	$6.00	566,001	–	(85,001)	481,000	481,000
Total			**674,536**	**–**	**(193,536)**	**481,000**	**481,000**
Weighted average exercise price			**$5.89**	**–**	**$5.60**	**$6.00**	**$6.00**

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 Securities Exchange on the day prior to the exercise of the options.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.59 years (2012: 2.95 years).

Grant date	Expiry date	Exercise price $	Balance start of year Number	Granted during year Number	Expired during year Number	Balance end of year Number	Vested and exercisable at end of year Number
Year ended 30 June 2013 – Other							
04 Apr 2008	03 Apr 2013	$6.00	415,000	–	(415,000)	–	–
04 Apr 2008	03 Apr 2013	$7.00	500,000	–	(500,000)	–	–
26 Aug 2011	25 Aug 2014	$10.36	1,500,000	–	–	1,500,000	1,500,000
23 Sep 2011	22 Sep 2016	$10.50	3,333,334	–	–	3,333,334	3,333,334
Total			**5,748,334**	**–**	**(915,000)**	**4,833,334**	**4,833,334**
Weighted average exercise price			**$9.83**		**$6.55**	**$10.46**	**$10.46**
Year ended 30 June 2012 – Other							
04 Apr 2008	03 Apr 2013	$6.00	415,000	–	–	415,000	415,000
04 Apr 2008	03 Apr 2013	$7.00	500,000	–	–	500,000	500,000
26 Aug 2011	25 Aug 2014	$10.36	–	1,500,000	–	1,500,000	1,500,000
23 Sep 2011	22 Sep 2016	$10.50	–	3,333,334	–	3,333,334	3,333,334
Total			**915,000**	**4,833,334**	**–**	**5,748,334**	**5,748,334**
Weighted average exercise price			**$6.55**	**$10.46**		**$9.83**	**$9.83**

Executive Rights Plan

On 1 July 2012, the Company introduced an Executive Rights Plan which involves the grant of two types of rights being performance rights and deferred rights. Subject to the satisfaction of the performance condition at the end of a three year measurement period in respect of performance rights and the service condition at the end of the three year vesting period in respect of deferred rights, the rights will vest. The first $1,000 of value per individual award is settled by cash with the balance settled by shares.

Performance rights

Kingsgate issued the following performance rights during the year:

Type	Grant date	Vesting date	Number
Performance rights	24 September 2012	30 June 2015	120,455
Performance rights	21 November 2012	30 June 2015	222,955
Total			**343,410**

The fair value of the performance rights was estimated using Monte Carlo simulation, taking into account the terms and conditions upon which the awards were granted.

The following table lists the inputs to the model used for the performance rights granted for the year:

Number of rights issued	120,455	222,955
Grant date	24 September 2012	21 November 2012
Spot price ($)	6.02	4.84
Risk-free rate (%)	2.6	2.7
Term (years)	2.8	2.6
Volatility (%)	40–50	40–50
Exercise price ($)	–	–
Fair value ($)	3.15–3.27	1.82–2.02

The volatility above was determined with reference to the historical volatility of the Company's share price from June 2008 to November 2012.

Deferred rights

Kingsgate issued the following deferred rights during the year:

Type	Grant date	Vesting date	Number
Deferred rights	24 September 2012	30 June 2013	40,691
Deferred rights	24 September 2012	30 June 2014	58,618
Deferred rights	24 September 2012	30 June 2015	82,320
Subtotal			**181,629**
Deferred rights	21 November 2012	30 June 2013	52,181
Deferred rights	21 November 2012	30 June 2014	53,901
Subtotal			**106,082**
Total			**287,711**

The fair value of the deferred rights was estimated based on the share price less the present value of projected dividends over the expected term of each deferred right.

The following table lists the inputs to the model used for the deferred rights granted for the year:

Number of rights issued	181,629	106,082
Grant date	24 September 2012	21 November 2012
Spot price ($)	6.02	4.84
Risk-free rate (%)	2.6	2.7
Term (years)	0.8–2.8	0.6–2.6
Dividends ($)	0.11–0.24	0.11–0.24
Exercise price ($)	–	–
Fair value ($)	5.17–5.91	3.98–4.73

continued

25. Reconciliation of profit after income tax to net cash flow from operating activities

	2013 $'000	2012 $'000
(Loss) / profit for the year	**(323,726)**	**75,006**
Depreciation and amortisation	85,595	67,553
Share-based payments	917	-
Gain on disposal of property, plant and equipment	70	(35)
Impairment	332,808	1,933
Unwind of discount rate for provision	1,017	390
Loss on sale of exploration assets	16,709	-
Amortisation of deferred borrowing costs	7,594	503
Unrealised (gains) / losses	(559)	685
Share of associate's loss	1,353	-
Net exchange differences	2,253	2,577
Change in operating assets and liabilities		
(Increase) / decrease in receivables	5,644	(8,767)
(Increase) / decrease in prepayments	(85)	6,938
(Increase) / decrease in inventories	(8,930)	12,166
(Increase) / decrease in deferred tax asset	-	50
(Increase) / decrease in other operating assets	(2,250)	(7,089)
Increase / (decrease) in current tax liabilities	(11,792)	8,702
Increase / (decrease) in creditors	(3,181)	3,386
Increase / (decrease) in provisions	1,143	841
Increase / (decrease) in deferred tax liabilities	(19,560)	408
Net cash inflow from operating activities	**85,020**	165,247

26. Events occurring after reporting date

Subsequent to the end of the financial year, the Group has received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40,000,000. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25,000,000 Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5,000,000 to be repaid during the 2014 financial year and the balance of $10,000,000 repaid during the 2015 financial year.

Subsequent to year-end the Group forward sold 50,000 ounces of gold over a 12 month period at an average price of A$1,435 per ounce to manage Australian gold price risk associated with forecast production from the Challenger Mine.

Kingsgate's Thai subsidiary, Akara Resources Public Company Limited ("Akara") has submitted its listing application and draft Prospectus to the Thai Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) for an initial public offering of its shares on the SET.

The SEC and SET will review the draft Prospectus in the coming months in order to approve the listing of Akara. The decision to list Akara will depend on market conditions and other factors at the time of approval.

No other matter or circumstance has arisen since 30 June 2013 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.

27. Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of guarantees. Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility and corporate loan facility as described in Note 16 as part of the security package. 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 guarantees. No material losses are anticipated in respect of the above contingent liabilities.

Included in non-current other asset is $1,838,000 relating to restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

28. Financial risk management and instruments

Financial risk management

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

At this point, the Directors believe that it is in the interest of shareholders to expose the Group to foreign currency risk, price risk and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks though has entered into forward gold sale contracts to manage Australian gold price risk in respect of the forecast production from the Challenger Mine (refer "commodity price risk" section below). The Directors and management monitor these risks, in particular market forecasts of future movements in foreign currency and prices movements and if it is to be believed to be in the interests of shareholders will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

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

The Group holds the following financial instruments:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	**32,987**	90,623
Receivables	**9,431**	12,226
Restricted cash	**5,474**	-
Available-for-sale financial assets	**767**	1,751
Other financial assets	**7,808**	4,670
Total financial assets	**56,467**	109,270
Financial liabilities		
Payables	**(47,106)**	(49,278)
Borrowings	**(202,565)**	(157,544)
Derivatives held for trading	**(1,271)**	(2,685)
Total financial liabilities	**(250,942)**	(209,507)

(a) Market risk

Foreign exchange risk

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

Current year foreign exchange risks arise primarily from:

- the sale of gold, which is in US dollars;
- payables denominated in US dollars; and
- cash balances in US dollars.

The functional currency of the Thai subsidiaries is Thai Baht.

continued

28. Financial risk management and instruments continued

The Company's functional currency is Australian dollars.

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

	2013 $'000	2012 $'000
Cash and cash equivalents	**483**	211
Receivables	**127**	4,014
Payables	**(1,016)**	(5,834)
Total exposure to foreign currency risk	**(406)**	(1,609)

The Group's sale of gold produced from Chatree Gold Mine is in US dollars, however the functional currency of the subsidiary company that owns the Chatree Gold Mine is Thai Baht and therefore, the Group's profit is sensitive to movement in those currencies.

If the spot Australian dollar weakened / strengthened by one cent against the US dollar with all other variables held constant, the Group's revenue for the year would have been $2,510,000 higher / $2,456,000 lower (2012: $3,552,000 higher / $3,483,000 lower).

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

Commodity price risk

At 30 June 2013 the Group's subsidiary, Challenger Gold Operations Pty Ltd, has forward sold 6,500 ounces of gold at an average price of $1,159 per ounce. Subsequent to year-end the Group forward sold a further 50,000 ounces of gold over a 12 month period at an average price of $1,435 per ounce to manage Australian gold price risk associated with forecast production from the Challenger Mine.

The following table sets out an aging of forward gold sale contracts in place at year end.

	Gold for physical delivery ounces	Contracted sales price A$/oz	Value of committed sales $'000
As at 30 June 2013			
Within one year	6,500	1,159	7,534
Later than one year but not greater than five years	–	–	–
As at 30 June 2012			
Within one year	6,500	1,151	7,482
Later than one year but not greater than five years	–	–	–

The following table displays fluctuations in the fair value of the Group's gold forward contracts due to movements in the spot price of gold with all other variables held constant. The 10% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices.

	2013 $'000	2012 $'000
Mark to market movement of the fair value of gold forward contracts		
10% increase in the spot price of gold	**(611)**	(590)
10% decrease in the spot price of gold	**(2,217)**	899

Equity price risk

The Group is exposed to equity securities price risk, which arises from investments classified on the statement of financial position as available-for-sale financial assets.

A 10% increase / (decrease) of the share price for the equity securities at 30 June 2013 would have increased / (decreased) equity by the amounts shown as follows:

	+10%		-10%	
	Profit $'000	Equity $'000	Loss $'000	Equity $'000
Available-for-sale financial asset – 2013	**–**	**77**	**(77)**	**–**
Available-for-sale financial asset – 2012	–	120	–	(120)

Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2013 and 30 June 2012 are set out as follows:

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Non-interest bearing $'000	Total $'000
2013				
Financial assets				
Cash and cash equivalents	32,969	–	18	32,987
Receivables	–	–	9,431	9,431
Restricted cash	5,474	–	–	5,474
Available-for-sale financial assets	–	–	767	767
Other financial assets	7,271	–	537	7,808
Total financial assets	**45,714**	**–**	**10,753**	**56,467**
Financial liabilities				
Payables	–	–	(47,106)	(47,106)
Borrowings	(191,995)	(10,570)	–	(202,565)
Derivatives held for trading	–	–	(1,271)	(1,271)
Total financial liabilities	**(191,995)**	**(10,570)**	**(48,377)**	**(250,942)**
Net financial (liabilities) / assets	**(146,281)**	**(10,570)**	**(37,624)**	**(194,475)**
2012				
Financial assets				
Cash and cash equivalents	73,005	16,582	1,036	90,623
Receivables	–	–	12,226	12,226
Other financial assets	1,490	–	3,180	4,670
Available-for-sale financial assets	–	–	1,751	1,751
Total financial assets	**74,495**	**16,582**	**18,193**	**109,270**
Financial liabilities				
Payables	–	–	(49,278)	(49,278)
Borrowings	(148,625)	(8,919)	–	(157,544)
Derivatives held for trading	–	–	(2,685)	(2,685)
Total financial liabilities	**(148,625)**	**(8,919)**	**(51,963)**	**(209,507)**
Net financial (liabilities) / assets	**(74,130)**	**7,663**	**(33,770)**	**(100,237)**

The weighted average rate on floating rate borrowings was 5.87% for the year ended 30 June 2013 (2012: 6.36%).

continued

28. Financial risk management and instruments continued

A change of 100 basis points ("bps"') in interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	100 bps increase		100 bps decrease	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Variable rate instrument – 2013	**1,920**	**–**	**(1,920)**	**–**
Variable rate instrument – 2012	481	–	(481)	–

(b) Credit risk

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

The Group has no significant concentrations of credit risk. The sale of gold and other cash transactions are limited to counterparties with sound credit ratings.

The maximum exposure to credit risk is represented by the carrying value of the Group's financial assets in the statement of financial position. The maximum exposure to credit risk at reporting date was:

	2013 $'000	2012 $'000
Cash and cash equivalents	**32,987**	90,623
Receivables	**9,431**	12,226
Restricted cash	**5,474**	–
Other financial assets	**7,808**	4,670
Total exposure to credit risk at year end	**55,700**	107,519

(c) Liquidity risk

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

	Carrying amount $'000	1 year or less $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2013						
Payables	47,106	41,185	–	3,373	4,327	48,885
Borrowings	202,565	94,432	30,458	85,138	13,521	223,549
Derivatives held for trading	1,271	1,271	–	–	–	1,271
Total financial liabilities 2013	**250,942**	**136,888**	**30,458**	**88,511**	**17,848**	**273,705**
2012						
Payables	49,278	42,597	4,637	2,044	–	49,278
Borrowings	157,544	45,474	75,260	66,359	–	187,093
Derivatives held for trading	2,685	2,685	–	–	–	2,685
Total financial liabilities 2012	**209,507**	**90,756**	**79,897**	**68,403**	**–**	**239,056**

The contractual cash flows presented above in respect of 30 June 2013 and the increase in the one year or less time category of $46,132,000 when compared to 30 June 2012 mainly relates to classification of the corporate loan facility of $20,000,000 and the convertible loan facility of $35,000,000 as current liability at 30 June 2013. These facilities were mainly included in the one to two years and two to five years' time category at 30 June 2012. As indicated in Note 16, these facilities have been classified as current liabilities at 30 June 2013 on the basis that at balance sheet date it was the Group's intention to restructure and amalgamate these facilities in the next financial year.

Subsequent to the end of the financial year, the Group has received from its lenders a credit approved term sheet (subject to formal documentation) for the restructure of the corporate loan and convertible loan facilities. Following completion of the restructure the total amount outstanding will be reduced to $40,000,000. This loan will be provided through a single senior corporate facility which will consist of two tranches:

- Tranche one will be a $25,000,000 Akara Pre IPO Bond with a maturity date of 31 July 2015. The current intention is for this tranche to be repaid as part of the Akara IPO although at Kingsgate's election repayment can be made by either cash or in Kingsgate's shares.
- Tranche two is an amortising facility with $5,000,000 to be repaid during the 2014 financial year and the balance of $10,000,000 repaid during the 2015 financial year.

The Group also has a three year $25,000,000 Convertible Revolving Credit Facility available. At the date of this report the facility is undrawn. Under the terms of this facility, Kingsgate has the option of repaying any funds drawn down under the facility through either cash or by issuing ordinary shares. It is intended that this facility will be utilised during the 2014 financial year for corporate and working capital purposes. It is the current intention of the Company to repay any cash drawdown under the facility by issuance of fully paid ordinary shares which would rank parri pasu with all existing ordinary shares, although this position will be reviewed at the appropriate time. The number of shares has not yet been determined and they will be issued at a 2.5% discount to VWAP over a period by reference to the draw down date. Shareholder approval is not required.

As indicated in Note 16, Kingsgate's Thai operating subsidiary, Akara, established a six year amortising multi-currency loan facility equivalent to US$125,000,000 (fully drawn as at year end) and an additional Thai Baht denominated working capital facility equivalent to US$15,000,000 (undrawn as at year end) during the period. The proceeds from these borrowings were used to fully repay the outstanding balance on the US$100,000,000 Baht denominated syndicated loan facility in existence at the beginning of the period as well as to repay part of the corporate loan facility noted above.

(d) Fair value measurements

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table following analyses financial instruments carried at fair value, by the valuation method. The different levels in the hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2013				
Available-for-sale financial asset	*767	–	–	767
Derivatives held for trading	–	(1,271)	–	(1,271)
Total as at 30 June 2013	**767**	**(1,271)**	**–**	**(504)**
30 June 2012				
Available-for-sale financial asset	1,751	–	–	1,751
Derivatives held for trading	–	(2,685)	–	(2,685)
Total as at 30 June 2012	**1,751**	**(2,685)**	**–**	**(934)**

* *Level 1 asset includes available-for-sale financial assets of $767,000 at 30 June 2013 which relate to investments in listed entities.*

continued

29. Key management personnel disclosures

(a) Directors

The following persons were Directors of Kingsgate during the financial year.

Ross Smyth-Kirk	Chairman
Peter Alexander	Non-Executive Director
Craig Carracher	Non-Executive Director
Peter McAleer	Non-Executive Director
Gavin Thomas	Managing Director

(b) Other key management personnel

Duane Woodbury	Chief Financial Officer
Tim Benfield	Chief Operating Officer
Phil MacIntyre	Chief Operating Officer and General Manager – Akara Mining Limited (retired 30 June 2013)
Ron James	General Manager Exploration and Resources Development
Ross Coyle	General Manager Finance and Administration and Company Secretary
Joel Forwood	General Manager Corporate and Markets
Brett Dunstone	General Manager Human Resources

(c) Key management personnel compensation

	2013	2012
Short-term employee benefits	**4,671,017**	4,456,171
Post-employee benefits	**169,385**	195,722
Share-based payments	**821,961**	–
Total Key Management Personnel compensation	**5,662,363**	4,651,893

(d) Equity instrument disclosures relating to key management personnel

Share holdings

The number of shares in the Company held during the financial year by each Director of Kingsgate and each of the other Key Management Personnel of the Group, including their personally-related entities are set out as follows:

	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at year end
2013				
Directors				
Ross Smyth-Kirk	4,586,271	–	–	4,586,271
Peter McAleer	100,000	–	–	100,000
Craig Carracher	100,000	–	10,000	110,000
Peter Alexander	36,525	–	–	36,525
Gavin Thomas	1,047,937	–	–	1,047,937
Other Key Management Personnel				
Duane Woodbury	–	–	–	–
Tim Benfield	–	–	–	–
Phil MacIntyre	200,000	–	(200,000)	–
Ron James	–	–	–	–
Ross Coyle	39,049	–	(24,622)	14,427
Joel Forwood	–	–	–	–
Brett Dunstone	–	–	–	–
2012				
Directors				
Ross Smyth-Kirk	4,586,271	–	–	4,586,271
Peter McAleer	100,000	–	–	100,000
Craig Carracher	100,000	–	–	100,000
Peter Alexander	36,525	–	–	36,525
Gavin Thomas	3,114,982	–	(2,067,045)	1,047,937
Other Key Management Personnel				
Duane Woodbury	–	–	–	–
Tim Benfield	–	–	–	–
Phil MacIntyre	150,000	50,000	–	200,000
Ron James	–	–	–	–
Ross Coyle	38,232	–	817	39,049
Joel Forwood	–	–	–	–

continued

29. Key management personnel disclosures continued

Option holdings

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

	Balance at start of year	Granted / (expired) during the year	Exercised during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
2013						
Directors						
Ross Smyth-Kirk	400,000	(400,000)	–	–	–	–
Peter McAleer	200,000	(200,000)	–	–	–	–
Craig Carracher	100,000	(100,000)	–	–	–	–
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	–	–	–	–	–	–
Other Key Management Personnel						
Duane Woodbury	280,000	(280,000)	–	–	–	–
Tim Benfield	–	–	–	–	–	–
Phil MacIntyre	–	–	–	–	–	–
Ron James	80,000	(80,000)	–	–	–	–
Ross Coyle	–	–	–	–	–	–
Joel Forwood	–	–	–	–	–	–
Brett Dunstone	–	–	–	–	–	–
2012						
Directors						
Ross Smyth-Kirk	400,000	–	–	–	400,000	400,000
Peter McAleer	200,000	–	–	–	200,000	200,000
Craig Carracher	100,000	–	–	–	100,000	100,000
Peter Alexander	–	–	–	–	–	–
Gavin Thomas	–	–	–	–	–	–
Other Key Management Personnel						
Duane Woodbury	280,000	–	–	–	280,000	280,000
Tim Benfield	–	–	–	–	–	–
Phil MacIntyre	50,000	–	50,000	–	–	–
Ron James	80,000	–	–	–	80,000	80,000
Ross Coyle	–	–	–	–	–	–
Joel Forwood	–	–	–	–	–	–

Performance rights

The number of performance rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

	Balance at start of year	Granted during the year	Converted during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
2013						
Directors						
Ross Smyth-Kirk	–	–	–	–	–	**–**
Peter McAleer	–	–	–	–	–	**–**
Craig Carracher	–	–	–	–	–	**–**
Peter Alexander	–	–	–	–	–	**–**
Gavin Thomas	–	222,955	–	–	222,955	**–**
Other Key Management Personnel						
Duane Woodbury	–	28,409	–	–	28,409	**–**
Tim Benfield	–	28,409	–	–	28,409	**–**
Phil MacIntyre	–	–	–	–	–	**–**
Ron James	–	22,728	–	–	22,728	**–**
Ross Coyle	–	22,159	–	–	22,159	**–**
Joel Forwood	–	18,750	–	–	18,750	**–**
Brett Dunstone	–	–	–	–	–	**–**

Deferred rights

The number of deferred rights held during the financial year by each Director of Kingsgate and each of the specified executives of the Group, including their personally-related entities, are set out as follows:

	Balance at start of year	Granted during the year	Converted during the year	Other changes during the year	Balance at year end	Vested and exercisable at year end
2013						
Directors						
Ross Smyth-Kirk	–	–	–	–	–	**–**
Peter McAleer	–	–	–	–	–	**–**
Craig Carracher	–	–	–	–	–	**–**
Peter Alexander	–	–	–	–	–	**–**
Gavin Thomas	–	106,082	–	–	106,082	**52,181**
Other Key Management Personnel						
Duane Woodbury	–	41,238	–	–	41,238	**13,298**
Tim Benfield	–	14,204	–	–	14,204	**–**
Phil MacIntyre	–	–	–	–	–	**–**
Ron James	–	32,991	–	–	32,991	**10,638**
Ross Coyle	–	32,166	–	–	32,166	**10,372**
Joel Forwood	–	18,441	–	–	18,441	**–**
Brett Dunstone	–	–	–	–	–	**–**

continued

29. Key management personnel disclosures continued

Loan to Director

Details of the loan made to a Director of Kingsgate are set out below:

(i) Aggregates for Key Management Personnel	Balance at start of year $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Number in Group at the end of the year $
2013	**–**	**2,603**	**–**	**160,000**	**1**
2012	–	–	–	–	–

(ii) Loan made during the financial year

2013 Name	Balance at start of year $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Highest indebtedness during the year $
G Thomas	–	2,603	–	160,000	160,000

There were no loans to Directors or other Key Management Personnel at any time during the previous year.

No write-downs or allowances for doubtful receivables have been recognised in relation to the loan made to Gavin Thomas.

This loan was repaid in full post year-end.

30. Auditors remuneration

	2013	2012
Audit and other assurance services		
PricewaterhouseCoopers Australian Firm		
Audit and review of the financial reports	**663,970**	507,300
Related Practices of PricewaterhouseCoopers Australian Firm		
Audit and review of the financial statements	**296,108**	228,378
Non PricewaterhouseCoopers Audit Firm		
Audit and review of the financial reports	**6,641**	–
Total remuneration for audit services	**966,719**	735,678
Other services		
PricewaterhouseCoopers Australian Firm		
Transaction services (IPO)	**–**	25,125
Other services	**17,207**	28,055
Related Practices of PricewaterhouseCoopers Australian Firm		
Other services	**10,950**	–
Total remuneration for non-audit related services	**28,157**	53,180
Taxation services		
PricewaterhouseCoopers Australian Firm		
Tax compliance services	**133,775**	78,310
Legal services (Class Order and tax consolidation agreements)	**–**	25,870
Related Practices of PricewaterhouseCoopers Australian Firm		
Tax compliance services	**42,744**	32,949
Total remuneration for tax related services	**176,519**	137,129

31. Earnings per share

	2013 Cents	2012 Cents
Basic (loss) / earnings per share	(213.3)	52.5
Diluted (loss) / earnings per share	(213.3)	52.5
	$'000	$'000
Net (loss) / profit used to calculate basic and diluted earnings per share	(323,726)	75,159
	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	151,766,220	143,104,817
Adjustment for calculation of diluted earnings per share: option	–	129,980
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	151,766,220	43,234,797

Diluted loss per share

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

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 24.

32. Parent entity financial information

As at, and throughout, the financial year ending 30 June 2013 the parent entity of the Group was Kingsgate.

Summary of financial information	2013 $'000	2012 $'000
Results of parent entity		
(Loss) / profit for the year	(385,898)	7,791
Other comprehensive (loss)	(91)	(509)
Total comprehensive (loss) / profit	(385,989)	7,282
Financial position of parent entity at year end		
Current assets	237,483	211,404
Total assets	292,370	668,437
Current liabilities	132,736	32,140
Total liabilities	133,743	103,243
Total equity of the parent entity comprising of:		
Issued capital	605,504	599,618
Reserve	8,336	10,409
Accumulated losses	(455,213)	(44,833)
Total financial equity	158,627	565,194

continued

32. Parent entity financial information continued

Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility and revolving loan facility as described in Note 16 as part of the security package.

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 guarantees. No material losses are anticipated in respect of the above contingent liabilities.

33. Sale of exploration assets

On 28 March 2013, the Group sold its exploration assets in Western Australia and Queensland through the sale of shares in its subsidiary company, Quadrio Resources Limited, to Caravel Minerals Limited ("Caravel"), an Australian company listed on the ASX.

Kingsgate received 135,000,000 fully paid ordinary shares in the issued capital of Caravel and 20,000,000 unlisted options to acquire Caravel shares exercisable at 10 cents on or before three years from the date of issue. Subsequent to the sale, Kingsgate became the largest shareholder in Caravel with 35.54% held at 30 June 2013. Kingsgate's holding in Caravel reduced to 27.04% post 30 June 2013 following a rights issue by Caravel that Kingsgate did not participate in.

The financial impact of the sale transaction as at the date of disposal is summarised below:

Fair value of consideration	2013 $'000
135,000,000 Caravel shares at $0.025 per share	3,375
20,000,000 unlisted Caravel options	–
Total consideration	**3,375**
Carry value of the exploration assets sold	20,084
Loss on sale	**16,709**

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes that are set out on pages 64 to 110 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
   i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
   ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

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

Ross Smyth-Kirk
Director

Dated at Sydney on 23rd September 2013
On behalf of the Board

Independent Auditor's Report

pwc

Independent auditor's report to the members of Kingsgate Consolidated Limited

Report on the financial report

We have audited the accompanying financial report of Kingsgate Consolidated Limited (the company), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Kingsgate Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its 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*.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 49 to 60 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Kingsgate Consolidated Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
23 September 2013

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Shareholder Information

As at 26 September 2013

Substantial shareholders

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

Holder	Number of shares held as disclosed in notices to the Company	Percentage
Van Eck Associates Corporation (at 22 Aug 2012)	10,654,665	7.04
Paradice Investment Management (at 19 Sept 2013)	9,301,618	6.11

Distribution of equity securities

Size of Holding	Number of shareholders of fully paid ordinary shares	Number of option holders	Number of performance rights holders	Number of deferred rights holders
1 - 1,000	6,320	–	–	–
1,001 - 5,000	5,069	–	–	–
5,001 - 10,000	1,208	–	–	1
10,001 - 100,000	996	–	5	7
100,001 +	80	2	1	1
Total	**13,673**	**2**	**6**	**9**

Shareholder Information

20 largest shareholders

20 largest shareholders of quoted ordinary shares

	Shareholder	Number of shares	Percentage
1	HSBC Custody Nominees (Australia) Limited	24,641,821	16.18
2	National Nominees Limited	21,765,030	14.29
3	J P Morgan Nominees Australia Limited < Cash Income A/C >	7,830,100	5.14
4	J P Morgan Nominees Australia Limited	7,129,167	4.68
5	Citicorp Nominees Pty Limited	5,814,442	3.82
6	Arinya Investment Pty Ltd < Super Fund >	4,586,271	3.01
7	Silver Standard Australia (BVI) Inc.	3,440,367	2.26
8	Bruce Clayton Bird	3,207,110	2.11
9	Lujeta Pty Ltd < The Margaret A/C >	2,932,105	1.93
10	Warbont Nominees Pty Ltd <Accumulation Entrepot A/C >	1,722,494	1.13
11	HSBC Custody Nominees (Australia) Limited < NT-Commonwealth Super Corp A/C >	1,458,434	0.96
12	Gavin Thomas	1,047,937	0.69
13	BNP Paribas Noms Pty Ltd < DRP >	1,037,739	0.68
14	Yandal Investments Pty Ltd	1,000,000	0.66
15	Buttonwood Nominees Pty Ltd	823,046	0.54
16	Woodross Nominees Pty Ltd	580,613	0.38
17	Christopher Komor & Diane Grady < Grady Komor Super Fund A/C >	566,055	0.37
18	Rellav Pty Ltd < The Cosgrove Super Fund A/C >	545,005	0.36
19	Goldman Sachs Australia Pty Ltd < SLF A/C >	542,237	0.36
20	Christopher Komor	531,407	0.35

Unquoted equity securities

There were 2 option holders holding 4,833,334 options.

Unquoted equity security holdings greater than 20%

Options	Number	Expiry Date	Strike Price
Investec Bank (Australia) Ltd	3,333,334	22 Sep 2016	$10.50
Sinphum Co., Ltd	1,500,000	25 Aug 2014	$10.36

Voting rights

Ordinary shares

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

Options

No voting rights.

Performance rights

No voting rights.

Deferred rights

No voting rights.

Corporate Information

Kingsgate Consolidated Limited
ABN 42 000 837 472

Directors

Ross Smyth-Kirk (Chairman)
Gavin Thomas (Managing Director)
Peter Alexander
Craig Carracher
Peter McAleer

Company Secretary

Ross Coyle

Chief Executive Officer

Gavin Thomas

Stock Exchange Listing

Kingsgate Consolidated Limited is a Company limited by shares, listed on the Australian Stock Exchange under the code KCN. The Company's shares also trade in the United States of America over-the-counter (OTC) as an American Depository Receipt (ADR) under the code OTC: KSKGY.

Registered Office & Principal Business Address

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Chatree Mine Office

Akara Resources Public Company Limited

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Thailand Exploration Office

Issara Mining Limited

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Fax: +66 56 649 082

Challenger Mine

Challenger Gold Operations Pty Ltd

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Fax: +61 8 8234 3956

Chile Office

Laguna Resources Chile Ltda

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Providencia, Santiago
Chile
Tel: +56 2 2231 7565

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Security Transfer Registrars Pty Ltd

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