

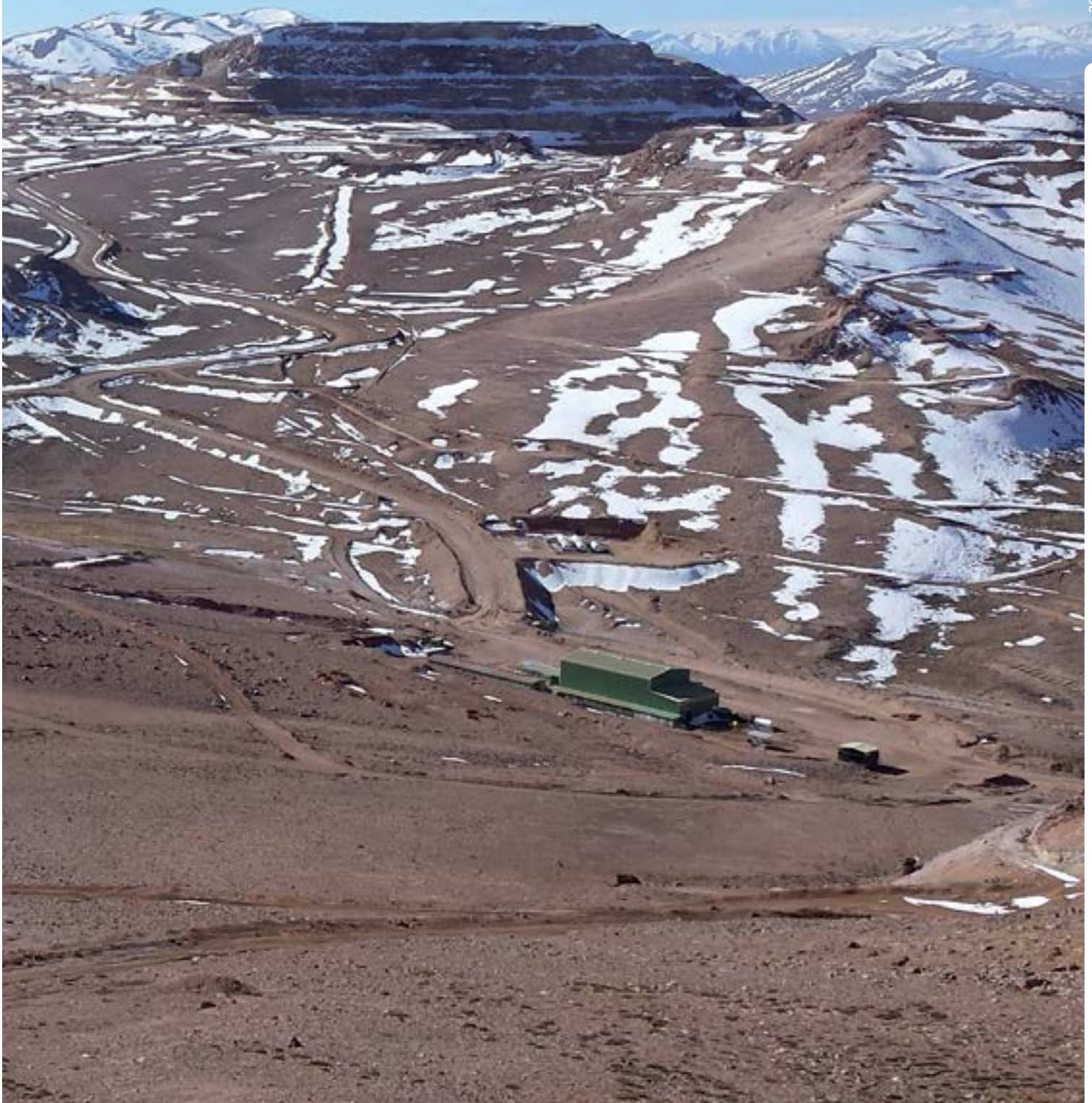


# Kingsgate

Consolidated Limited

ABN 42 000 837 472

# 2015 Annual Report











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**Photo:**  
In Thailand, the  
Chatree gold mine  
combined team

**Cover Photo:**  
In Chile, the Nueva  
Esperanza Project  
looking to the  
northern wall of  
the Chimberos pit

# Chairman's Review



You may recall my review last year underscored a particularly difficult period for Kingsgate, and more broadly the precious metals sector. This year I am heartened by that fact that if you look closely enough there are some green shoots of regrowth and regeneration emerging from Kingsgate.

First things first – we needed a new Captain to take the helm. I was pleased to announce that after a thorough search the Kingsgate Board appointed Mr Greg Foulis, as the new Chief Executive Officer in June 2015. I don't want to steal his thunder but Greg brings to Kingsgate a strong suite of skills that makes him a good and logical choice. By way of background Greg has more than 30 years industry experience, working both as a geologist and in mining centric financial markets. Greg understands value chain creation, and I am confident that his vision for the company will ensure Kingsgate continues to be reinvigorated and grow after enduring a very difficult period.

Additionally, as our theme of regrowth and regeneration continues, I am very pleased to welcome two new members to the Kingsgate Board during the year, Mr Peter Warren and Ms Sharon Skeggs.

Mr Peter Warren was appointed to the Board of Kingsgate in July 2014. Peter is a CPA of over 40 years standing, with an extensive involvement in the resources industry. Peter has over 15 years operating in a senior financial capacity as CFO and Company Secretary for a number of public and private companies. Peter was Kingsgate's CFO and safe pair of hands until his retirement in 2011. It's his experience and knowledge of our issues and asset base that makes Peter a valuable new addition to the Board.

Ms Sharon Skeggs was appointed as a Director of the company in January 2015. Ms Skeggs has had a long and distinguished career for over 30 years in advertising and marketing. Sharon was a Director of advertising agency Saatchi & Saatchi Australia for 15 years, and a former Director of the Australian Jockey Club Limited. Sharon has extensive expertise in a range of corporate matters including change management, restructuring, cost savings, implementing marketing strategies and communications programs. Sharon's drive has brought a fresh approach and dynamism to the company.

I am confident that these new appointments will stand the company in good stead both now and in the future.

Let's now review the operations and projects for the year. Kingsgate again delivered a strong result with group gold production for the year totalling 205,245 ounces with Chatree contributing 125,094 ounces and Challenger 80,151 ounces. Chatree continued to perform well despite the impact on production of 44 days temporary suspension. I was particularly pleased to see the Challenger Mine deliver a strong finish to the year by producing 80,151 ounces of gold, which was well above the FY15 guidance range of 65,000 to 75,000 ounces. This operational performance was a result of higher gold head grade and increased throughput.

The pre-tax profit for the Group before significant items was \$1.74 million, up from a loss of \$8.03 million in the previous year. EBITDA before significant items was \$70.0 million up from \$64.2 million in the previous year.

Lower metal prices and industry cost pressures continued this year, and Kingsgate's after tax loss of \$147.1 million is primarily due to a non-cash impairment charge of \$148.2 million against the carrying values of the Chatree Gold Mine, the Bowdens Silver Project and various exploration areas. The Board believes that the Chatree Gold Mine remains a world class asset and still considers that Bowdens is an important asset in the Kingsgate development portfolio.

Commodity prices also remained under pressure with the gold price trading in a range of between US\$1,080/oz and US\$1,340/oz per ounce and finishing the year at US\$1,171/oz. Subsequently the price has remained weak around US\$1,100/oz, although a weakening Australian dollar continues to provide an upside for Australian based producers.



This continued volatility and weakness in the gold price has meant that gold producers and your company in particular remain focused on operating efficiencies and cost reduction initiatives in order to maintain a sustainable business and build the platform for future growth. 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.

Chatree continued to show why it remains a highly profitable asset in a US\$1,100/oz gold market by producing 125,094 ounces of gold and 850,003 ounces of silver. The process plant treated 5.3 million tonnes at a head grade of 0.91 grams per tonne ("g/t") gold with a recovery of 79.3%.

Total cash costs for the year were US\$690 per ounce, down \$38 dollars per ounce from the previous year through our continued commitment and focus on cost reduction initiatives. Issues relating to the temporary suspension of Chatree earlier in 2015 have been satisfactorily resolved.

Notably, it was pleasing to see the Challenger Mine deliver an excellent finish to the year by producing an above guidance 80,151 ounces of gold. The mine plan at Challenger is under review with the current reserves expected to be depleted in the March quarter 2016.

Further extensions to the mine life are dependent on the successful conversion to reserves from on-going drilling and development within the extensive resource envelope at Challenger West and the recently discovered Challenger South Southwest structure. Challenger's improved performance and current Australian dollar gold value has given the Board reason to reconsider its future within the company.

The Nueva Esperanza Gold/Silver Project continues to delight with the discovery during the year of Chimberos Gold, a gold rich resource to the west of the historic Chimberos pit. It is considered to be a continuation of the Chimberos mineralisation identified in earlier campaigns in and around the historic pit. The new mineralisation has added in the order of 250,000 ounces of gold and 5.1 million ounces of silver to the Chimberos Mineral Resources Estimate resulting in a significant increase in the overall Mineral Resource Estimate for Chimberos to 300,000 ounces of gold and 20.5 million ounces of silver. The total Mineral Resources for Nueva Esperanza now stand at 34.6Mt at 0.81g/t gold and 55g/t silver. The relatively high grade nature of the recently discovered gold mineralisation has led to a re-evaluation of agitated leach (milling) for the process route rather than heap leach.

An optimisation study is being undertaken to determine design parameters around a 2 million tonnes per annum (Mtpa) agitated leach operation with indicative capital and operating cost estimates and relevant information for amendments to existing permits. Following the successful exploration campaign in FY15, further opportunities have been identified for follow-up in the FY16 field season including targets at Boulder, Rifle and Carachitas Central.

I want to reaffirm the point that Nueva Esperanza is shaping up to be a real "Bridgehead" project for Kingsgate, as work steadily continues and more positive results are realised we will be looking for ways to capitalise and grow this project.

Work on the Bowdens Silver Project continued at a reduced rate during the year as a result of ongoing market volatility in the precious metals sector and a sustained period of a lower than anticipated silver price.

Environmental monitoring and field data collection is ongoing with the NSW Department of Planning and Environment granting an extension to lodge the Environmental Impact Statement ("EIS") until early 2017.

As the new shoots of regrowth and regeneration emerge from Kingsgate, the Board remains more committed than ever to ensure the company has the right people, the right measures and a strong resolve firmly in place to remain competitive despite a difficult external environment. Rebuilding shareholder wealth via profits and dividends remains a key priority.

I would also like to thank all the management and personnel of Kingsgate, Akara, Challenger and the project teams for their efforts in delivering the operational performance for the year. I remain confident that your company will deliver further improvements and deliver another strong result in FY16.

**Ross Smyth-Kirk**  
Director



# CEO's Review



It gives me great pleasure to introduce myself to you as the newly appointed CEO of Kingsgate. Admittedly, I've only had three months in the role since June this year, but I am firmly across both the challenges and opportunities that lie ahead.

By way of introduction, I've spent over 30 years in and around the mining industry both as a geologist with success in the Pacific Rim working on the giant Lihir Project and, more recently, on the financial side of the mining sector for industry majors such as Deutsche Bank and AngloGold. To put it simply, it means I understand mining and I understand finance. Importantly, I understand the value drivers in the mining sector.

Drawing upon those experiences, my strategy for Kingsgate is straightforward - to get back to basics across our value chain. I want to:

- › reinvigorate Kingsgate's core competencies in exploration, development and operations;
- › focus on operating performance, efficiencies and financial metrics;
- › continue to deleverage the balance sheet and enhance financial flexibility;
- › actively promote our outstanding record of social responsibility and core values;
- › review and enhance our portfolio; and
- › deliver returns and create wealth for shareholders.

Kingsgate has a great platform to leverage off. It has two strong assets, Chatree in Thailand and Nueva Esperanza in Chile, both globally significant deposits that can deliver meaningful value to Kingsgate shareholders.

I realise that much could be said about the headwinds currently facing the precious metal sector and the broader resources industry, but I'm not about excuses, I'm about results. While the current price volatility does create a challenging operating environment, I will strive to ensure that we don't lose sight of our priorities. I believe getting back to basics, continuing to align our cost structure to a leaner operating environment and de-risking will ensure that we remain a competitive company.

Now that you have a clearer picture of who I am, I would like to recap on the highlights of the past year for Kingsgate. Firstly, it is important to acknowledge our solid operating performances. Chatree delivered a very credible 125,094 ounces of gold despite a 44 day temporary closure and Challenger deserves recognition for an above budget production of 80,151 ounces while continuing to deliver an outstanding performance cost and production efficiencies. Collectively, our operations delivered a strong operating cashflow which can simplistically be expressed as an operating EBITDA of A\$70.0 million. At this depressed point of the commodity cycle, the continuing focus for Kingsgate is to reduce debt. For the 2014/15 year, Kingsgate reduced its net debt position by A\$40.1 million.

Finally, I want to leave you with a glimpse of our future – the impressive Nueva Esperanza Project in Chile. Over the past 10-15 years, South America has seen the development of some of the largest and most profitable gold mines in the world. Kingsgate's future in Chile is bright. We are located in a very prospective belt that is delivering new discoveries. We have enhanced our resource inventory by a meaningful 20% in 2014/15, and we will continue to progress this key project in a careful and considered manner to create value for our shareholders.

I look forward to your support and feedback as we continue to re-invigorate the Kingsgate business in 2015/16.

**Greg Foulis**  
Chief Executive Officer

# Five Year Summary

|                                                                            | 2011       | 2012        | 2013        | 2014        | 2015        |
|----------------------------------------------------------------------------|------------|-------------|-------------|-------------|-------------|
| <b>PRODUCTION – Chatree</b>                                                |            |             |             |             |             |
| Ore mined ('000 bank cubic metres)                                         | 2,352      | 1,947       | 2,709       | 2,378       | 1,831       |
| Waste mined ('000 bank cubic metres)                                       | 6,128      | 6,259       | 3,521       | 2,193       | 1,133       |
| Waste to ore ratio                                                         | 2.6        | 3.2         | 1.3         | 0.9         | 0.6         |
| Ore mined ('000 tonnes)                                                    | 5,301      | 4,986       | 7,051       | 6,176       | 4,768       |
| Ore treated ('000 tonnes)                                                  | 2,533      | 5,116       | 5,699       | 6,235       | 5,283       |
| Head grade – Gold grams/tonne                                              | 1.1        | 0.9         | 0.9         | 0.9         | 0.9         |
| Head grade – Silver grams/tonne                                            | 15.7       | 11.6        | 11.9        | 12.9        | 13.1        |
| Gold recovery (%)                                                          | 87.2       | 84.4        | 79.9        | 79.4        | 79.3        |
| Gold poured (ounces)                                                       | 76,248     | 121,372     | 133,681     | 134,546     | 125,094     |
| Silver poured (ounces)                                                     | 549,699    | 918,314     | 1,000,569   | 992,255     | 850,003     |
| <b>PRODUCTION – Challenger</b>                                             |            |             |             |             |             |
|                                                                            | (5 months) | (12 months) | (12 months) | (12 months) | (12 months) |
| Ore mined ('000 tonnes)                                                    | 232        | 607         | 502         | 500         | 509         |
| Ore treated ('000 tonnes)                                                  | 289        | 645         | 557         | 506         | 515         |
| Head grade – Gold grams/tonne                                              | 4.3        | 4.6         | 3.9         | 4.8         | 5.0         |
| Gold recovery (%)                                                          | 92.2       | 92.4        | 94.5        | 96.1        | 96.7        |
| Gold poured (ounces)                                                       | 36,886     | 87,388      | 66,216      | 74,954      | 80,151      |
| <b>PROFIT &amp; LOSS (A\$'000)</b>                                         |            |             |             |             |             |
| Sales revenue                                                              | 172,356    | 357,372     | 329,282     | 328,326     | 313,162     |
| Operating expenses                                                         | (86,147)   | (171,505)   | (192,538)   | (244,366)   | (224,625)   |
| Administration expenses                                                    | (11,304)   | (12,737)    | (15,516)    | (15,304)    | (13,825)    |
| Other (expenses)/income                                                    | (28,424)   | (6,398)     | (24,804)    | (4,449)     | (4,704)     |
| EBITDA                                                                     | 46,481     | 166,732     | 96,424      | 64,207      | 70,008      |
| Impairment losses                                                          | –          | –           | (332,808)   | (86,698)    | (148,181)   |
| Depreciation & amortisation                                                | (27,772)   | (67,553)    | (90,965)    | (58,986)    | (53,950)    |
| EBIT                                                                       | 18,709     | 99,179      | (327,349)   | (81,477)    | (132,123)   |
| Net finance (costs)/income                                                 | (922)      | (7,902)     | (16,222)    | (13,250)    | (14,319)    |
| Profit/(loss) before income tax                                            | 17,787     | 91,277      | (343,571)   | (94,727)    | (146,442)   |
| Income tax (expense)/benefit                                               | 3,092      | (16,271)    | 16,504      | (2,886)     | (651)       |
| Net profit/(loss) after income tax                                         | 20,879     | 75,006      | (327,067)   | (97,613)    | (147,093)   |
| Non-controlling interests                                                  | 269        | 153         | –           | –           | –           |
| Net profit/(loss) attributable to owners of Kingsgate Consolidated Limited | 21,148     | 75,159      | (327,067)   | (97,613)    | (147,093)   |
| <b>BALANCE SHEET (A\$'000)</b>                                             |            |             |             |             |             |
| Current assets – cash                                                      | 35,864     | 87,031      | 30,494      | 53,632      | 55,472      |
| Current assets – other                                                     | 70,280     | 97,817      | 99,087      | 82,170      | 75,905      |
| Non-current assets                                                         | 688,919    | 856,313     | 628,870     | 505,293     | 413,633     |
| Total assets                                                               | 795,063    | 1,041,161   | 758,451     | 641,095     | 545,010     |
| Total borrowings                                                           | 99,896     | 157,544     | 199,758     | 153,632     | 142,623     |
| Other liabilities                                                          | 88,243     | 115,102     | 95,594      | 76,790      | 76,691      |
| Total liabilities                                                          | 188,139    | 272,646     | 295,352     | 230,422     | 219,314     |
| Shareholders' equity                                                       | 606,924    | 768,515     | 463,099     | 410,673     | 325,696     |
| Non-controlling interests                                                  | 7,109      | –           | –           | –           | –           |
| Equity attributable to equity holders of Kingsgate Consolidated Limited    | 599,815    | 768,515     | 463,099     | 410,673     | 325,696     |
| <b>OTHER INFORMATION</b>                                                   |            |             |             |             |             |
| Average realised gold price on physical deliveries (US\$/ounce)            | 1,386      | 1,663       | 1,588       | 1,291       | 1,208       |
| Cash cost (US\$/ounce)                                                     | 638        | 721         | 869         | 936         | 833         |
| Total cost (US\$/ounce)                                                    | 813        | 1,028       | 1,311       | 1,167       | 1,023       |
| Operating cashflow (A\$'000)                                               | 34,026     | 165,247     | 92,734      | 38,608      | 76,646      |
| Dividends paid (Cash & DRP) (A\$'000)                                      | 33,647     | 22,025      | 22,738      | –           | –           |
| Number of issued shares ('000) – Ordinary                                  | 135,275    | 151,264     | 152,192     | 223,585     | 223,585     |
| Basic earnings per share (A\$ Cents)                                       | 18.7       | 52.5        | (215.0)     | (56.7)      | (65.8)      |
| Dividends per share declared for the year (A\$ Cents)                      | 15.0       | 20.0        | 5.0         | –           | –           |



# Finance Report

## Summary

Kingsgate has recorded the following financial performance for the year to 30 June 2015:

- › Revenue of \$313.2 million;
- › EBITDA (before significant items) of \$70.0 million;
- › Profit before tax and significant items of \$1.7 million;
- › Non-cash asset impairments of \$148.2 million pre-tax, with \$115.7 million relating to Chatree;
- › No dividends have been declared.

## Earnings

The Group achieved a reduction in total cash costs to US\$833 per ounce (2014: US\$936 per ounce), although this was offset by lower gold sales of 202,489 ounces (2014: 216,887 ounces) and a lower realised gold price of US\$1,208 per ounce (2014: US\$1,291 per ounce).

The decrease in gold sales reflected a 7% decrease in production at Chatree compared to the prior year, primarily due to a loss of 44 days of production following a temporary suspension notice issued by the Department of Primary Industries and Mines in Thailand. Production at Challenger was 7% above that of the prior year, reflecting increased throughput and grade of ore processed.

The significant and sustained decline in the gold price resulted in an impairment to the carrying value of Chatree of \$115.7 million pre-tax. This impairment was the major contributor to the after tax loss of \$147.1 million for the year.

## Cost of Sales

Cost of sales before depreciation decreased by 8% to \$224.6 million compared to last year, which largely reflects lower mining costs at Chatree and Challenger. The total unit cash cost for Chatree for the year was US\$690 per ounce (US\$595 per ounce excluding royalties), down from US\$728 per ounce in 2014. The total unit cash costs for Challenger for the year were US\$1,059 per ounce (2014: US\$1,310 per ounce). On a unit cost basis, total cash costs for the Group were US\$833 per ounce, down from US\$936 per ounce last year.

## Depreciation and Amortisation

The decrease in depreciation and amortisation included in cost of sales to \$53.7 million (2014: \$58.8 million) reflects lower production at Chatree and lower capital expenditure compared to the prior year.

## Impairment

The Group recorded non-cash impairments against the carrying values of Chatree (\$115.7 million) and Bowdens (\$22.6 million). In accordance with accounting standards, the Group is required to assess the carrying value of operating and development projects within a set valuation framework that reflected the significant and sustained decline in the price of both gold and silver.

The carrying value of the Group's exploration assets in South-East Asia was also impaired (\$9.9 million) to reflect a change in focus of Kingsgate's exploration activities in South America.

The impairments are non-cash items and have no impact on the Company's debt covenants.

## Finance Costs

Finance costs were \$15.2 million and mainly comprise interest on borrowings the Group has in place, unwinding of the discount on provisions as required by Accounting Standards, foreign currency movements on foreign currency denominated loans and amortisation of previously capitalised borrowing establishment fees.

**Operating and Investing Cash Flow**

|                     | 2014/15<br>A\$ million |
|---------------------|------------------------|
| Operating cash flow | 76.6                   |
| Investing cash flow | (40.3)                 |

**Operating Profit and Cash Flow**

|                       |         |
|-----------------------|---------|
| Loss after income tax | (147.1) |
| Operating cash flow   | 76.6    |
| Cash dividend paid    | —       |

**Income Tax**

On 18 June 2010, Kingsgate's Thai subsidiary company, Akara Resources Public Company Limited (Akara), received approval from The Royal Thai Board of Investment (BOI), for a promotion for the Chatree North gold processing plant. Based on an 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:

- 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;
- a 25% investment allowance on the capital cost of certain assets of the new processing plant; and
- other benefits.

The taxable loss from the Australian operations has not been recognised as a deferred tax asset, although it has been added to the Group's brought-forward tax losses, leaving a balance of \$277 million of taxable losses (unrecognised tax asset of \$83 million) to be carried forward to future years.

**Cash Flow**

Net operating cash inflow was \$76.6 million, an increase of \$38.0 million compared to the previous year, primarily reflecting lower mining costs and a reduction in working capital balances. Net investing cash outflow was \$40.3 million, down \$4.6 million from last year due to a reduction in capital expenditure on plant offset by an increase in exploration and development at the Nueva Esperanza Project. Net cash outflow from financing activities was \$37.7 million, including repayment of \$40.1 million of the corporate loan facility and the multi-currency and syndicated loan facility.

**Financing Arrangements****Senior Corporate Facility**

The balance of the senior corporate loan facility outstanding at 30 June 2015 was \$25 million. \$10 million was repaid against the facility on 31 July with the balance of \$15 million restructured as a Revolving Credit Facility (RCF) repayable in three equal instalments commencing on 29 January 2016.

Under the terms of the RCF, Kingsgate is required to maintain a minimum hedge position with a rolling three month program covering 30% of forecast group production. As security, the lender has a fixed and floating charge over Kingsgate, including shares in its material subsidiaries.

In addition, Kingsgate has, available over the tenure of the RCF, an Equity-linked Loan Facility (ELF) of \$15 million. The ELF is currently undrawn.

**Multi-currency and Syndicated Loan Facilities**

Akara has an amortising multi-currency loan facility with 3.5 years remaining following the commencement of quarterly repayments in November 2013. At year end, the equivalent of \$104.9 million was owed against this facility. Since the year end, a further equivalent \$8.5 million has been repaid. As security against the facility, the lender has a fixed and floating charge over the land, buildings and machinery in Thailand owned by Akara and its material subsidiaries. In addition, Akara is required to maintain a debt service reserve account of US\$5 million.

**Hedging**

As at 30 June 2015, the Group had 5,000 ounces of gold sold forward at an average price of \$1,538 per ounce. Since the year end, an additional 26,000 ounces of production have been covered under forward sale contracts at an average price of \$1,542 per ounce. 12,900 ounces have been delivered against these contracts, leaving a remaining balance of 18,100 ounces at an average price of \$1,556 per ounce.

**Financial Position**

Shareholders' equity at 30 June 2015 was \$326 million (2014: \$411 million). The decrease of \$85 million reflects the year's loss, including the impairment of Chatree, offset by foreign exchange gains on translation of foreign operations.

**Dividends**

No dividends were declared for the year ended 30 June 2015 (2014: nil).



# Operations Report

## Chatree Gold Mine

Thailand

### Overview

Kingsgate and its Thai subsidiary, Akara Resources Public Company Limited (Akara), operate the Chatree gold mine in central Thailand, 280 kilometres north of Bangkok. Chatree is a large scale, low-grade, open pit gold mining operation located in central Thailand.

Chatree continued as Kingsgate's primary production asset throughout the year, producing 125,094 ounces of gold and 850,003 ounces of silver.

Strong production performance was achieved despite a 44 day suspension of operations in the third quarter. Issued by the Thai Department of Primary Industries and Mines, the temporary suspension order related to the matter of slightly elevated arsenic and manganese levels identified in several local inhabitants during regular screening. Kingsgate worked closely with Thai authorities and the local community to satisfy all requests concerning this community health issue. This included health checks and lifestyle education programs and a commitment to continued assistance with ongoing management of the situation.

A major environmental report by independent international and Thai scientific experts confirmed that the Chatree mining operation was not the source or cause of the elevated arsenic and manganese levels. This report was delivered to the Department of Primary Industries and Mines and presented to the local authorities and communities. The suspension order was lifted and operations resumed on Friday 27 February.

During the shutdown period, major maintenance tasks scheduled for later in the year were undertaken thus reducing future downtime.



No Lost Time Injuries were recorded during the year. Chatree has achieved four million man-hours of operations and construction activity since its last Lost Time Injury. Management continues to congratulate all employees and contractors for their attention to safety and care for each other.

In recognition of our safety standards and emergency response preparedness, Chatree mine received the "Thailand National Occupational Health and Safety Award 2015" on 2nd July 2015. This is the eighth consecutive year that Chatree has received the Occupational Health and Safety Award.

Chatree is operated under strict environmental, safety and quality standards and is proud to be ISO14001 (Environmental), OHSAS18001 (Safety) and SA8000 (Social Accountability) compliant.

### Chatree Operational Performance 2014/15

#### Production Summary

|                     |        |           |
|---------------------|--------|-----------|
| Ore Mined           | bcm    | 1,831,187 |
| Waste Mined         | bcm    | 1,132,522 |
| Waste to Ore Ratio  |        | 0.6:1     |
| Ore Mined           | tonnes | 4,768,388 |
| Ore Treated         | tonnes | 5,283,366 |
| Head Grade - Gold   | Au g/t | 0.91      |
| Head Grade - Silver | Ag g/t | 13.1      |
| Gold Recovery       | %      | 79.3      |
| Silver Recovery     | %      | 37.1      |
| Gold Poured         | ounces | 125,094   |
| Silver Poured       | ounces | 850,003   |

#### Financial Summary

##### Cost Summary

|                        |         |       |
|------------------------|---------|-------|
| Mining Cost            | US\$/oz | 197   |
| Milling Cost           | US\$/oz | 373   |
| Administration & Other | US\$/oz | 46    |
| Stockpile Adjustments  | US\$/oz | 80    |
| By Product Credit*     | US\$/oz | (101) |

|                            |         |            |
|----------------------------|---------|------------|
| <b>Cash Operating Cost</b> | US\$/oz | <b>595</b> |
| Gold Royalty               | US\$/oz | 95         |

|                                         |         |            |
|-----------------------------------------|---------|------------|
| <b>Total Cash Cost</b>                  | US\$/oz | <b>690</b> |
| Depreciation & Amortisation – Operating | US\$/oz | 255        |

|                              |         |            |
|------------------------------|---------|------------|
| <b>Total Production Cost</b> | US\$/oz | <b>973</b> |
|------------------------------|---------|------------|

|                                                 |            |              |
|-------------------------------------------------|------------|--------------|
| <b>Total Cash Cost per Tonne of Ore Treated</b> | US\$/tonne | <b>16.34</b> |
|-------------------------------------------------|------------|--------------|

#### Revenue Summary

|                               |         |         |
|-------------------------------|---------|---------|
| Gold Sold                     | ounces  | 121,721 |
| Silver Sold                   | ounces  | 811,765 |
| Average Gold Price Received   | US\$/oz | 1,219   |
| Average Silver Price Received | US\$/oz | 17.3    |
| Revenue from Metal Production | US\$m   | 162.4   |

\* Net of Silver Royalties



## Production and Costs

Total mill throughput for the year was 5.3 million tonnes, 15.3% lower than 2014 and production, 125,094 ounces of gold and 850,003 ounces of silver, was 7.0% and 14.3% lower respectively.

Total cash costs for the year were \$US690 per ounce (\$US595 per ounce exclusive of Thai royalties). The average royalty paid to the Thai Government was \$US95 per ounce of gold. Total production costs after depreciation and amortisation were \$US973 per ounce of gold produced.

At year end, 9.1 million tonnes of ore was stockpiled with an average contained gold grade of 0.49 grams per tonne (g/t) representing 144,469 ounces of gold.

## Mining

Mine production was improved through better equipment availability and the implementation of several joint maintenance improvement projects between Akara, our mining contractor LotusHall, and their main maintenance supplier.

During the year, the mining sequence was modified to focus on the higher-grade ore in A Pit and 4.77 million tonnes of ore was mined, with a waste-to-ore strip ratio of 0.6:1. The average head grade of mined ore was 0.91g/t gold, and 13.1g/t silver.

The introduction of Blast Monitoring Technology in September 2014 continued to provide positive results and reduce the chance of misclassification. Work on optimising the drilling and blasting parameters continued throughout the year, including design orientation to geological structures, varying hole-size and burden-to-spacing ratios.

Three days of production were lost due to significant rainfall events during the year.

The reinstatement of the section of Highway 1301 that passes through C North Pit was completed during the first quarter of the financial year.

Tailings Storage Facility No. 2 was completed by April 2015, and will provide additional storage capacity for the coming year.

## Processing

Plant No. 2, continues to perform well with an availability of 97.6% as does Plant No. 1 with an availability of 98.0%.

Work continued to eliminate processing bottlenecks and maximise recoveries which were impacted in the second half of the year by carbonaceous material associated with one of the fault structures identified in the base of the A Pit. A number of plant operating- and blend-adjustments resolved the problem.

## Outlook – 2016

Kingsgate remains confident that Chatree will deliver another strong performance in the 2016 reporting period. The focus will remain firmly on further cost reductions and efficiencies to mitigate the ongoing volatility in the precious metals market. Chatree guidance for 2015/16 is in the range of 125,000 to 135,000 ounces with production expected to be lower in the first half due to a scheduled cut-back on the south east wall of A Pit and the processing of lower grade stockpile ore.

## Chatree – Sustainability

Chatree adheres to Kingsgate's Sustainability Policy. The primary aim of the policy 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.

### Community

Chatree gold mine is located 280 kilometres north of Bangkok on the provincial border of Phichit and Phetchabun Provinces. The villages around Chatree 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 on those living and working nearby. We seek to achieve this through regular meetings and consultation with local government and village groups, and by assisting the community in times of need.

### Community Funds

Corporate Social Responsibility at Chatree is a continuing commitment to behave ethically and contribute to economic development in the local area, improving the quality of life of our workforce, their families and the local community. In order to facilitate this, we have established four funds. These are: an "EIA Fund" for any environmental impact, an "Or Bor Tor Fund" (a sub-district fund), a "Village Fund" and an "Akara For Communities Fund". Committees comprising government officials, village leaders and employees from Chatree manage each fund, ensuring transparency with diligent fund disbursement and project management.

## Employees

The Chatree workforce totalled 965 at the end of the year, comprising 345 Akara Resources employees, 420 LotusHall persons with a further 200 employed as minor contractors. Turnover of Akara permanent employees during the financial year was 16.9% comprised of 6.4% voluntary and 10.5% involuntary. Chatree has also maintained its certificate of SA8000 (Social Accountability Accreditation) since 2009.

Our business is focused on employee engagement and our objective is to ensure that our employees are appropriately placed in roles that are in line with our commercial goals. Akara offers comprehensive training in relevant safety and job-related areas to all staff and also assists employees to obtain tertiary education qualifications. To date, 53 employees have been sponsored for higher education pursuits. One employee was sponsored for a doctoral degree, 35 for Masters level degrees, nine for Bachelor level degrees, eight for Diploma Certificates and one employee was sponsored for an MBA short course.

## Water

While rainfall can occur year round, it is generally concentrated during the annual monsoon period (July to October). The responsible management of water is therefore of utmost importance to the Chatree mine and to the surrounding area. Chatree operates on a nil-release basis and all rain water on the mine lease is harvested, requiring continuous management of usage, quality and storage. Twenty seven surface-water and 88 groundwater quality test sites have been established, all of which are regularly monitored and sampled. To date, no results from any of these sites have caused any environmental concerns.

To gauge any potential drawdown impact on local groundwater, the mine regularly monitors 75 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 1,089,749 tonnes of make-up water (predominantly rainwater stored in pits) was used to process 5,283,366 tonnes of ore during the financial year. Water usage per tonne of ore is reduced by recycling water from the Tailings Storage Facility.

## Environmental Audit

In April 2015, the fourteenth annual Tailings Storage Facility Audit was undertaken. Knight Piésold Consulting found that the tailings facility continues to be operated and built at best practice and the Chatree Processing Department demonstrates a good understanding of the facility.

In January 2015, Environ Australia Pty Ltd undertook the thirteenth “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 corporate 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 Resources Public Company Limited. The audit also indicated 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.

## Cyanide Management

Chatree continues to meet all requirements of The International Cyanide Management Code for gold mining operations. The Code mandates strict protocols for the manufacture, transport, storage and use of cyanide. The last cyanide code audit was carried out in 2014. The certification of Plant No. 2, the new processing plant, and the re-certification of the old processing plant were announced on 25th June 2014 by the International Cyanide Management Institute.

Readings of discharge to the Tailings Storage Facility are taken every 60 minutes. Of the 8,760 readings taken during the reporting period, a total of 99% showed the discharge of cyanide did not exceed the 20mg/L  $CN_{TOT}$  standard. The highest monthly reading obtained was 17.3mg/L  $CN_{TOT}$  with an annual average of 11.2mg/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.



## Incident Reporting

There were 79 environmental events during the year. All were minor, relating to hydrocarbon leaks and spills, and were contained. There were no reportable incidents.

## Rehabilitation

No contaminated land issues arose during the period. The rehabilitation program is ongoing with areas contoured and planted as soon as practicable. Trials of various species are undertaken to ensure the optimal results for each location and many species of trees and grass have been sown successfully across the site. Some 13.55 hectares were rehabilitated last year and 10.91 hectares of rehabilitation are planned for the present year.

## Blast Vibration and Noise

Akara is mindful of the impacts that noise and vibration from blasting may have on surrounding residents of the mine. Blasting is restricted to certain times of the day and measures are taken with its blast design to minimise noise and vibration. Noise and vibration during each blast are monitored regularly and the data used as feedback in the blast design process. Effective noise barriers have been developed around operations, and in some circumstances operations have been restricted to daylight hours.

## Dust Management

Chatree's aim is to produce minimal dust and thereby reduce neighbouring concerns by maintaining all mine roadways in good order through regular gravel sheeting and watering. 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.



# Operations Report

## Challenger Gold Mine

Australia

### Overview

Challenger is a small scale underground gold mine located in central South Australia.

Ore mined for the year totalled 508,846 tonnes at 5.01 grams per tonne (g/t) gold for 82,362 mined ounces of gold, and was entirely derived from Challenger West.

During the year, there were three incidents resulting in Lost Time Injuries, four restricted work injuries and two medically treated injuries – a total of nine recordable injuries compared to the previous year's 17. Total injuries reported have also decreased: 79 injuries reported compared to the previous year's total of 104.

### Production and Costs

Production for the year was 80,151 ounces gold at 96.7% recovery.

Along with 508,846 tonnes of ore, some 242,109 tonnes of development waste was mined throughout the year.

Operating costs at Challenger were US\$1,059 per ounce (including US\$45 per ounce royalty). Note that operating costs at Challenger include all mine development for the site (i.e. no mine development costs were being capitalised).

### Mining

Challenger West remains the primary production orebody while drilling of the deeper parts of Challenger West and Challenger South South West (SSW) continues to explore further opportunities to extend the mine life of the Challenger

underground. The Challenger West shoot provided all the ounces for the year. Byrnes Australia Pty Ltd (BAPL) continues to operate as the mining contractor at site since 1st August 2013.

A total of 6,611 metres of underground mine development was driven for the year.

The advance rates remained above budget as efficiencies were improved and more work areas became available. Over the course of the year, geological knowledge progressively increased, allowing drilling and development to target further extensions to the Challenger lode system.

A total of 161,460 tonnes of development ore was mined.

### Processing

Processing expenditure for the year was 21% below budget.

The Challenger Mill utilisation was 90.5% for the financial year. Throughput averaged 64.9 tonnes per operating hour for the year and was primarily dependent upon ROM pad stockpiles.

A total of 514,722 dry tonnes of ore at 5.01g/t was treated. The average mill grade was slightly higher than budget.

Gold recoveries at 96.7% were above the budget of 95.0%.

## Challenger Operational Performance 2014/15

### Production Summary

|                     |        |         |
|---------------------|--------|---------|
| Ore Mined           | tonnes | 508,846 |
| Ore Treated         | tonnes | 514,722 |
| Head Grade – Gold   | Au g/t | 5.01    |
| Head Grade – Silver | Ag g/t | –       |
| Gold Recovery       | %      | 96.7    |
| Silver Recovery     | %      | –       |
| Gold Poured         | ounces | 80,151  |
| Silver Poured       | ounces | 1,626   |

### Financial Summary

#### Cost Summary

|                          |         |     |
|--------------------------|---------|-----|
| Mining Cost <sup>^</sup> | US\$/oz | 702 |
| Milling Cost             | US\$/oz | 204 |
| Administration & Other   | US\$/oz | 109 |
| Stockpile Adjustments    | US\$/oz | (1) |
| By Product Credit*       | US\$/oz | –   |

|                            |         |              |
|----------------------------|---------|--------------|
| <b>Cash Operating Cost</b> | US\$/oz | <b>1,014</b> |
| Gold Royalty               | US\$/oz | 39           |

|                                         |         |              |
|-----------------------------------------|---------|--------------|
| <b>Total Cash Cost</b>                  | US\$/oz | <b>1,059</b> |
| Depreciation & Amortisation – Operating | US\$/oz | 47           |

|                              |         |              |
|------------------------------|---------|--------------|
| <b>Total Production Cost</b> | US\$/oz | <b>1,106</b> |
|------------------------------|---------|--------------|

|                                                 |            |               |
|-------------------------------------------------|------------|---------------|
| <b>Total Cash Cost per Tonne of Ore Treated</b> | US\$/tonne | <b>164.78</b> |
|-------------------------------------------------|------------|---------------|

### Revenue Summary

|                               |         |        |
|-------------------------------|---------|--------|
| Gold Sold                     | ounces  | 80,768 |
| Silver Sold                   | ounces  | 1,626  |
| Average Gold Price Received   | US\$/oz | 1,191  |
| Average Silver Price Received | US\$/oz | 17.0   |
| Revenue from Metal Production | US\$m   | 96.2   |

\* Net of Silver Royalties

<sup>^</sup> Includes mine development costs

## Outlook

The mine plan at Challenger is under review, with the current reserves expected to be depleted in the March quarter 2016. As Kingsgate continues to refocus key elements of the business, a decision in relation to the future of Challenger either through further optimisation or divestment will be made in the coming year.

## Challenger – Sustainability

### Employees

The Challenger workforce totalled 221 at the end of the year, comprising 90 Kingsgate personnel (employees and casual contractors to fill vacancies) and 131 contractors.

### Water Usage

A total of 368,408 tonnes of water was used to process 514,722 tonnes of ore during the year with a ratio of 0.72 tonnes of water to one tonne of ore. Water usage was reduced on-site via recycling of water from Tailings Storage Facility (TFS) No. 2.

### Water Quality

Challenger's local and regional groundwater monitoring network consists of:

- › nine TSF monitoring wells (around the Tailings Storage Facility);
- › two observation wells (shallow pastoral aquifers);
- › four production wells (raw water supply to the processing pond);
- › five production observation wells (paleo-channel monitoring);
- › three production bores and one dewatering bore (water supply to the reverse osmosis treatment plant for potable water); and
- › two pastoral bores.

Monthly, quarterly and bi-annual water monitoring was undertaken in accordance with guidelines defined in the Program for Environment Protection and Rehabilitation 2012. The Annual Groundwater Review, conducted by CDM Smith, identified the fact that the quality parameters measured in groundwater samples collected from the mine-site groundwater monitoring network (CN<sub>WAD</sub> and metals) generally occur below the relevant guidelines. In many cases, the measurements were close to, or below, the Limit of Reporting (LOR). Concentrations of weak acid dissociable cyanide (CN<sub>WAD</sub>) analysed from groundwater samples collected from monitoring bores surrounding the Tailings Storage Facility suggest the natural attenuation of cyanide is

occurring and containment measures in place for process water and tailings slurry are performing as designed.

### Environmental Compliance Audit

An independent Environmental Compliance Audit was undertaken by environmental consultants MWH Australia Pty Ltd in February 2015. The Compliance Audit was submitted to the Department of State Development as part of the annual Compliance Report in April 2015. The Compliance Audit identified action tasks which are in various stages of completion.

### Environmental Monitoring Programs

Environmental monitoring was undertaken in compliance with the commitments stated in the 2012 Program for Environmental Protection and Rehabilitation. Full details of all environmental monitoring reports and a detailed review of all environmental issues are contained within the 2015 Compliance Report.

### Tailings Storage Audit and Management Review

An independent Tailings Storage Audit and Management Review was undertaken by Worley-Parsons Ltd in November 2014. The tailings management practices at Challenger are considered adequate given the current operating conditions.

### Flora and Fauna

Flora and fauna monitoring was conducted by MWH Australia Pty Ltd in September and November 2014. These surveys reported that mining operations at Challenger have no significant impacts on flora and fauna assemblages and communities surrounding the mine site.

### Incidents

A total of 39 environmental incidents were recorded internally during the 2014/15 reporting period. There were no environmental incidents required to be reported to government regulators. All incidents were investigated and were closed out before the end of the financial year.

### Rehabilitation

Ecosystem Function Analysis was conducted by MWH Australia Pty Ltd in August 2014 across rehabilitated areas and 'natural' analogue sites. The data collected from these transects compares landscape function, vegetation establishment and habitat development of rehabilitation transects against analogue areas. Due to increased litter and plant cover, both analogue

and rehabilitation sites had increased landscape function indices. The increase was attributed to improved climatic conditions, rather than a general improvement of the rehabilitation.

Rehabilitation of exploration holes is on-going with light ripping of drill pads which are not seeded, but left to revegetate naturally.

### Air Quality, Noise and Hygiene Monitoring

Dust monitoring is undertaken in two components:

- › On-site gravimetric dust monitoring, consisting of respirable and inhalable dust monitoring which is continuous and reported quarterly; and
- › Particulate dust monitoring, conducted once a year, generally in the summer when the worst dust conditions would be present. These filters are sent to a laboratory accredited by the National Association of Testing Authorities for analysis of the amount of crystalline silica, arsenic and lead.

The majority of the respirable dust results were below the regulation limit, except for two exceedances in 2014. Dust mitigation measures were employed and respirable dust limits dropped to an acceptable level within a few days. During January 2015, the dust monitoring pumps were serviced and calibrated and, as a result, there are only two complete samples from the 2015 March quarter. Particulate dust monitoring was below the regulation limit for silica, arsenic and lead.

The triennial noise and hygiene monitoring surveys were undertaken in November 2014. In regards to noise, the personal sampling results and the static sampling results indicate that employees are exposed to noise levels that exceed the statutory peak noise criteria. Although workers must not be exposed to noise above these regulation limits, noise mitigation measures (e.g. hearing protection) can be implemented to reduce personal exposure. In regards to hygiene, concentrations of carbon monoxide, carbon dioxide, nitric oxide, nitrogen dioxide, ozone and welding fumes are well below the regulation limits. Diesel particulate emissions were found to comply with regulatory limits.

### Emissions

Data for the National Pollutant Inventory, and the National Greenhouse and Energy Reporting (NGER) Act 2007, was collected for the financial year and sent to Greenbase Consultants who calculated Challenger's emissions to water, land and air.

# Projects Report

## Nueva Esperanza

Chile

### Summary

Kingsgate firmly believes that Chile, and more broadly South America, is a preferred mining investment destination. Chile is ranked thirteenth in the world in the Fraser Institute Survey which considers such factors as mineral endowment and ease of doing business and it is also the largest global copper producer.

The Nueva Esperanza Project is 100% owned, acquired by Kingsgate in 2012 through the consolidation of tenements and resources in 2011. The Project is located in the Maricunga Gold Belt near Copiapó, a regional mining centre in Northern Chile. The gold and silver-rich mineralisation is hosted by the Esperanza high-sulphidation epithermal alteration system associated with the Cerros Bravos volcanic complex.

The highly prospective Maricunga Belt, which has already delivered defined total resources around 100 million ounces, is known for its historic bonanza silver production and is further characterised by epithermal gold styles in the north.

Kingsgate believes Nueva Esperanza is potentially a +5 million ounce GEO\* system and that Chile, and the Maricunga Belt, will continue to facilitate some outstanding discoveries and development projects similar to those of the past 10 to 15 years.

\* GEO: Gold Equivalent Ounces = gold content plus (silver content divided by 60), whereas Silver equivalent = silver content plus (gold content times 60).

1 AuEq60: Equivalence is based on gold/silver price ratio of 60.

PERU  
BOLIVIA  
NUEVA ESPERANZA  
Chañaral  
Copiapo  
Santiago  
ARGENTINA

The Nueva Esperanza 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 have combined Mineral Resources of approximately 113 million ounces of silver equivalent or 1.9 million ounces of gold equivalent (AuEq60)<sup>1</sup>.

Kingsgate has the skills to explore, build and operate the project. A Feasibility Study completed in March 2014, demonstrated that open cut mining at three million tonnes per year and processing by heap leaching with cyanide is technically feasible and economically viable.

Follow-up exploration resulted in the significant discovery of a high-grade gold section at Chimberos resulting in a process- and project-review to optimise the impact of the new discovery on the resource base.

Some significant upsides to the project have already been identified, including:

- › Initial permitting already in place;
- › Water rights secured;
- › Power options available;
- › Identified gold potential; and
- › Economics updated via an Optimisation Study.

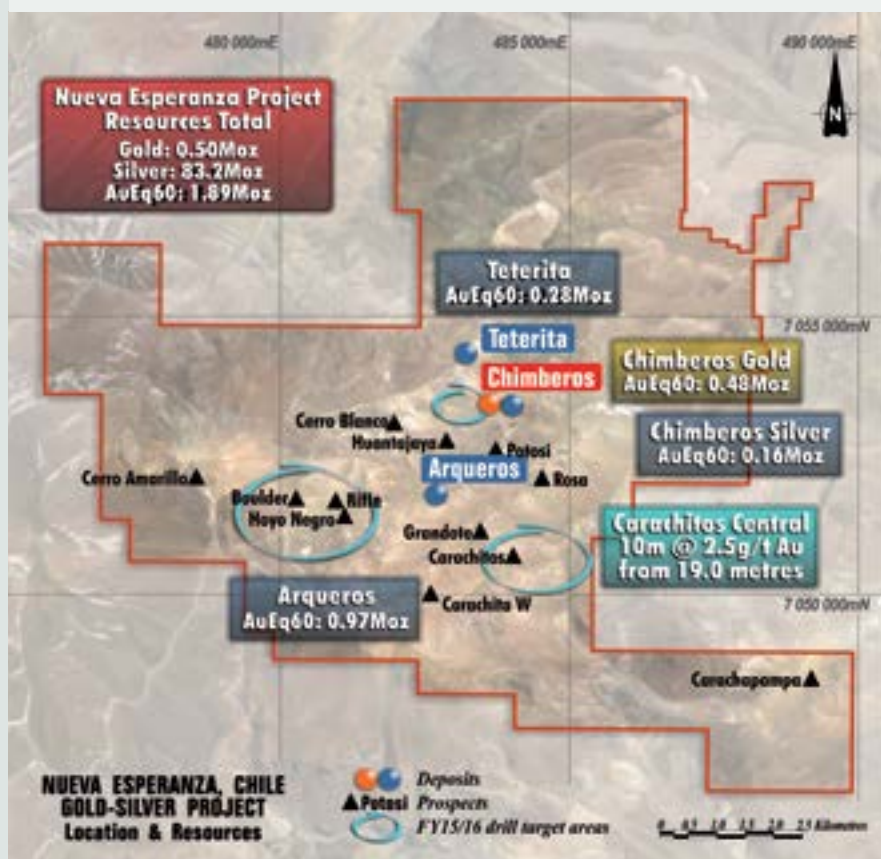


Location map of the Nueva Esperanza project area in northern Chile showing Resource Endowment (Historic production plus resources)



### Updated Resource Estimates for Chimberos (0.5g/t Gold Equivalent Cut off)

| Deposit          | Category        | Tonnes (Million) | Grade       |           |               | Contained Metal |               |                |                |
|------------------|-----------------|------------------|-------------|-----------|---------------|-----------------|---------------|----------------|----------------|
|                  |                 |                  | Au (g/t)    | Ag (g/t)  | Au Eq60 (g/t) | Gold (M oz)     | Silver (M oz) | Au Eq60 (M oz) | Ag Eq60 (M oz) |
| Chimberos Silver | Measured        | —                | —           | —         | —             | —               | —             | —              | —              |
|                  | Indicated       | 3.0              | 0.16        | 76        | 1.43          | 0.02            | 7.3           | 0.14           | 8.3            |
|                  | Inferred        | 0.6              | 0.10        | 66        | 1.20          | 0.00            | 1.3           | 0.02           | 1.4            |
|                  | <b>Subtotal</b> | <b>3.6</b>       | <b>0.15</b> | <b>74</b> | <b>1.39</b>   | <b>0.02</b>     | <b>8.6</b>    | <b>0.16</b>    | <b>9.6</b>     |
| Chimberos Gold   | Measured        | —                | —           | —         | —             | —               | —             | —              | —              |
|                  | Indicated       | 6.2              | 1.17        | 51        | 2.02          | 0.23            | 10.2          | 0.40           | 24.2           |
|                  | Inferred        | 1.7              | 0.90        | 31        | 1.40          | 0.05            | 1.7           | 0.08           | 4.6            |
|                  | <b>Subtotal</b> | <b>7.9</b>       | <b>1.11</b> | <b>47</b> | <b>1.89</b>   | <b>0.28</b>     | <b>11.9</b>   | <b>0.48</b>    | <b>28.8</b>    |
| Chimberos Total  | Measured        | —                | —           | —         | —             | —               | —             | —              | —              |
|                  | Indicated       | 9.2              | 0.84        | 59        | 1.83          | 0.25            | 17.5          | 0.54           | 32.4           |
|                  | Inferred        | 2.3              | 0.70        | 40        | 1.40          | 0.05            | 3.0           | 0.10           | 6.0            |
|                  | <b>Total</b>    | <b>11.5</b>      | <b>0.81</b> | <b>55</b> | <b>1.73</b>   | <b>0.30</b>     | <b>20.5</b>   | <b>0.64</b>    | <b>38.5</b>    |



## Geology

The silver and gold mineralisation is hosted within Tertiary volcanic units at Arqueros and Teterita, and in Paleozoic sediments at Chimberos. The alteration and mineralisation are all Miocene in age and associated with hydrothermal activity on 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.

## Resources

Upon completion of the 2014/15 exploration program, Kingsgate was very pleased to provide a new Mineral Resource estimate for the Nueva Esperanza Project. A number of significant outcomes from the program were:

- Discovery of the Chimberos Gold deposit, to the west of the current Chimberos pit;
- The addition of 250,000 ounces of gold and 5.1 million ounces of silver to the August 2013 Mineral Resource estimate, taking total Mineral Resources to 34.6 million tonne at 1.7 grams per tonne AuEq60 for 1.9 million ounces gold equivalent;
- The relatively high-grade nature of the recently discovered gold mineralisation has now led to reconsideration of agitated leach (milling) for the process route rather than heap leach; and,
- Further high-potential targets following the initial results at Boulder, Rifle and Carachitas Central prospects.

## Optimisation Study

Following the discovery of Chimberos Gold and the substantial upgrade to the total Mineral Resources, Kingsgate has commenced a project optimisation study, in conjunction with Ausenco, which will utilise the comprehensive technical work completed to date and incorporate the newly enlarged Mineral Resources. It is also believed that significant opportunities may be available to benefit the project within the current mining landscape.

The study is intended to deliver the following:

- Design parameters around a 2 million tonne per annum agitated leach (milling) operation;
- Indicative capital and operating cost estimates;
- Updated Ore Reserve estimates; and,
- Relevant information for amendments to existing permits.

While water and power options are currently in place, there has been a structural shift in the power generation and distribution market in Chile that is anticipated to significantly lower the cost of electricity for the project.

## Outlook

Kingsgate maintains that Nueva Esperanza is a key bridgehead project for the company. While there is considerable work to be done, the intent for the financial year 2016, is to move the project forward in a cost efficient manner in order to de-risk and maximise the value of the project in the current metal price environment.

# Projects Report

## Bowdens Silver Project

Australia

### Summary

The Bowdens Silver Project (Bowdens) is located in the Lue/Rylstone area of central western New South Wales, approximately 240 kilometres west of Sydney.

Silver mineralisation was discovered at Bowdens in the mid 1980s. Programs of geophysical and geochemical exploration have been undertaken in various forms since that time. Kingsgate acquired the project from Silver Standard Resources Inc. in 2011.

During the year, progress stages of the Definitive Feasibility Study and the Environmental Impact Statement were synchronised to deliver cost savings in recognition of the ongoing volatility of the silver price. Work included the successful application for additional time to lodge the Environmental Impact Statement given the current precious metals market conditions. The NSW Department of Planning and Environment granted Kingsgate-Bowdens until early 2017 to fulfil this requirement.

### Geology

The Bowdens Silver Project is located on the eastern margin of the Lachlan Fold Belt and its contact with the younger, on-lapping, Late Permian sedimentary units of the Shoalhaven Group within the Sydney Basin. Bowdens is hosted within flat-lying, Early Permian Rylstone Volcanics which are partially overlain by a sequence of Shoalhaven Group marine sediments. 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 contain banded sulphide veins.

### Resource

A resource estimate was completed in October 2012, in line with the JORC 2012 Code and the total measured, indicated and inferred resource (at the 30g/t AgEq cut-off grade) is 182 million ounces of silver equivalent (AgEq).

No changes have been made to the estimation during 2014/15.

### Definitive Feasibility Study and Environmental Impact Statement

During 2015, the synchronisation of both the Definitive Feasibility Study and Environmental Impact Statement continued in order to progress the two long-lead items that need highly detailed, specialist design work before final completion.

These two remaining areas are the ground- and surface-water management, and the preferred route for the 132 kilovolt power transmission line. Specialist consultants are completing detailed studies on these areas to include capital and operating cost estimates, project water and power supply needs, infrastructure requirements and mine optimisation.

A notable highlight of the groundwater studies undertaken during the reporting period has identified the potential for reduced off-site water requirements. Additional groundwater modelling will be required to ascertain a definitive answer.

The preparation for lodgement of the Environmental Impact Statement to the NSW Department of Planning and Environment continues, and it is envisaged that it will be completed and lodged prior to 2017.

Data collection for flora and fauna, surface water, groundwater, meteorology, ambient noise and dust levels continues at regular intervals. Similar studies of cultural heritage, socio-economic impact, traffic impact, soil type and agricultural suitability have also been undertaken on the project site.

There have been no serious safety incidents reported to date. At the end of June 2015, there were over 1,305 days free of Lost Time Injury since Kingsgate exploration and pre-development activities began on-site.

### Outlook

Kingsgate will continue to consider options on how to effectively finalise the Environmental Impact Statement prior to the 2017 lodgement extension in the midst of continuing market volatility.

# Exploration Report

## Brownfields Exploration

### Overview

Kingsgate continued to explore its key 'brown-fields' mine areas at Chatree, Challenger and key development project Nueva Esperanza.

Kingsgate's 'greenfields' exploration activities were focused on generative projects in South East Asia, in particular Laos.

Strategically, Kingsgate is reducing greenfields exploration budgets in South East Asia, and awaits a change in government policy in Thailand before recommitting. Kingsgate intends to conduct business development activities in South East Asia and Chile to opportunistically build our portfolios.

### Chatree Exploration

Exploration activities within the Chatree Mining Leases remained the dominant focus for the exploration team during the year, albeit at a reduced level of expenditure. The volatility in gold price during the year resulted in exploration activity focusing on the drilling of Inferred Resources, lying within close proximity of current pit designs, or high-grade underground targets.

Significant assay results from this drilling included 23 metres @ 4.45 grams per tonne (g/t) gold from 23 metres and 8 metres @ 1.52g/t gold from 98 metres from the same reverse circulation (RC) drillhole (07617RC) on the western side of A Pit. This mineralisation lies within the existing A Pit design and remains open to the north, where additional drilling is planned.

Drilling on the eastern side of D Prospect also returned shallow, partially-oxidised gold intercepts including 10 metres @ 1.96g/t gold from 75 metres (drillhole 07629RC) which indicates additional oxide mineralisation in the D area.

Targeting high-grade underground potential on the eastern side of the A Pit, drillhole 07619RC successfully crossed a high-grade quartz reef with an intersection of 12 metres @ 7.59g/t gold from 163 metres (including 8 metres @ 11.2g/t gold). Reassessment of this new drill intercept and the other high-grade intercepts further to the north, suggests the possibility of continuous concentration of high-grade gold mineralisation within the A East 2 area. The close proximity of this mineralisation to the eastern A Pit wall could provide for potential quick access utilising underground mining techniques.

Exploration drilling activities in the early half of the coming year will focus on testing underground targets defined on the eastern side of A Pit and also beneath the C Pit which traditionally yielded high gold grades within the southern half of the open pit.

As at end of June 2015, the Mineral Resources at Chatree mine totalled 3.65 million ounces of gold and 33.3 million ounces of silver in 172.5 million tonnes of rock using a 0.3g/t gold cut-off grade. After mining operations are taken into consideration (removing 140,000 ounces of Mineral Resources), the June 2015 Mineral Resource Estimate shows a decrease of 50,000 ounces of gold when compared to the 2014 Chatree Mineral Resource Estimate (June 2014).

### Challenger Exploration

#### Challenger west

Exploration drilling was focused on resource drilling of Challenger West outside of the reserve as well as Challenger South South West (SSW). Three rigs were utilised during the course of the year.

Two exploration holes were drilled to the north-west from the 970 level, however no testing of peripheral lodes was completed.

#### Aminus

Aminus drilling around the 450 level returned a peak intersection of 1.70 metres @ 72.24g/t gold in-filling the resource between 400 and 520 metres.

#### Challenger SSW

After Leapfrog modelling of the Challenger system showed that Challenger SSW lies within a highly prospective closure in the regional sheath fold, exploration of the shoot became a priority. Initial drilling from the 970 level defined two zones of mineralisation analogous to M1 (higher grade) with a peak intercept at 978 metres (0.63 metres @ 31.29g/t gold) and M2 (lower grade) with visible gold noted in both zones. Continued drilling targeted the plunge projections of these two zones at 1040, 980, 910 and 810 metres.

The additional drilling showed that these two zones are identifiable from surface (1,193 metres) to the current base of drilling for Challenger SSW (810 metres), approximately 680 metres down plunge. Peak intercept for this drilling to date has been returned from 904 metres, coincident with visible gold in the higher grade 'M1 style' zone (0.30 metres @ 338.95g/t gold).

Approximately 220 metres of development has been undertaken to provide a drill site with a better angle to the shoot to allow for closer spaced drilling, with a view to development of the first portion of the shoot early in the new financial year. Significant intercepts are contained in the following tables.



### Challenger Underground Exploration Diamond Drilling Significant Intersections – Aminus Shoot

| Hole ID   | From (m) | To (m) | Interval (m) | Au (g/t) | Midpoint (mRL) |
|-----------|----------|--------|--------------|----------|----------------|
| 15CUD1555 | 54.85    | 55.90  | 1.05         | 23.83    | 453            |
| 15CUD1556 | 61.00    | 62.70  | 1.70         | 72.24    | 445            |
| 15CUD1557 | 64.25    | 65.00  | 0.75         | 36.73    | 438            |

### Challenger Underground Exploration Diamond Drilling Significant Intersections – Challenger SSW

| Hole ID   | From (m) | To (m) | Interval (m) | Au (g/t) | Midpoint (mRL) |
|-----------|----------|--------|--------------|----------|----------------|
| 15CUD1543 | 244.76   | 245.39 | 0.63         | 31.29    | 978            |
| 15CUD1543 | 290.69   | 291.13 | 0.44         | 16.33    | 975            |
| 15CUD1587 | 200.72   | 201.06 | 0.34         | 28.89    | 911            |
| 15CUD1587 | 203.03   | 205.06 | 2.03         | 10.51    | 910            |
| 15CUD1587 | 218.58   | 218.88 | 0.30         | 338.95   | 904            |
| 15CUD1599 | 179.00   | 180.00 | 1.00         | 14.35    | 808            |
| 15CUD1611 | 209.00   | 209.49 | 0.49         | 42.88    | 1042           |
| 15CUD1671 | 77.07    | 77.50  | 0.43         | 17.55    | 953            |
| 15CUD1673 | 57.00    | 58.00  | 1.00         | 20.18    | 939            |
| 15CUD1679 | 85.00    | 86.00  | 1.00         | 17.12    | 951            |

### 2015/16 Targets

Underground diamond drilling for 2015/16 is planned to continue in-filling of the Challenger West shoot above the 215 Shear, with the potential to extend this drilling to below the 215 Shear if results are promising. Underground exploration drilling focused primarily on the establishment of Challenger SSW as a resource to prolong the life of mine.

### Nueva Esperanza Exploration

A total of 17,980 metres of reverse circulation drilling and 3,275 metres of diamond drilling in 93 holes were completed in 2014/15. The drilling was principally focused in the area west of the Chimberos pit and resulted in the discovery of the Chimberos Gold deposit. Chimberos Gold is considered to be a continuation of the mineralisation identified in earlier campaigns in and around the historic Chimberos pit. The new mineralisation has added in the order of 250,000 ounces of gold and 5.1 million ounces of silver resulting in a significant increase in the overall Mineral Resource Estimate for Chimberos to 300,000 ounces of gold and 20.5 million ounces of silver in 11.5 million tonnes of material, which equates to 640,000 ounces gold equivalent (AuEq60).



With the addition of the additional ounces of gold and silver at Chimberos, the total Mineral Resources for Nueva Esperanza have increased by 21% to 34.6 million tonnes at 1.7g/t AuEq60 for 1.9 million ounces gold equivalent.

Initial drilling results from Boulder, Rifle and Carachita Central have identified high-potential gold targets to follow-up in the next field season.

A revised reserve statement based on the July 2015 resource upgrade is scheduled for the December Quarter 2015.

## Greenfields Exploration

### Bowdens Regional Exploration

Mapping and sampling have commenced in the area to the south of Bowdens, within Exploration Licence 8168. The area appears prospective for further mineralisation in a similar geological setting to both the Bowdens Project and the Coomber Prospect west of Rylstone. Current plans are to continue regional exploration programs under a staged strategy.

### Sayabouly Project – Lao PDR

At the Nakhan Prospect, air-core drilling was used to follow up trenching results and defined a structurally controlled mesothermal gold system that is continuous for at least 2 kilometres in strike at +1g/t gold grades. Air-core results include 4 metres @ 11.6g/t gold from 14 metres and numerous +1g/t gold intercepts over 3 to 4 metre widths. This reconnaissance drilling and results show good continuity along strike albeit within the oxide portion of the bedrock. With continuous +1g/t gold intercepts defined in the first 20 to 30 metres over 2 kilometres in strike, the prospect is now ready for deeper, fresh-rock RC drilling.

At the Mouang Pha Prospect, several scout drillholes targeted geophysics (resistivity) targets beneath a small outcrop of silicified limestone breccias. Two remote drillholes intersected 11 metres @ 0.25g/t gold and 7 metres @ 0.12g/t gold. These grades and results are considered significant because of their broad reconnaissance nature and shallow depths.



# Ore Reserves and Mineral Resources

as at 30 June 2015

## Challenger, Chatree and Nueva Esperanza Ore Reserves

| Source          | Category     | Tonnes<br>(Million) | Grade         |                 |                   |                   | Contained Metal |                  |                    |                    |
|-----------------|--------------|---------------------|---------------|-----------------|-------------------|-------------------|-----------------|------------------|--------------------|--------------------|
|                 |              |                     | Gold<br>(g/t) | Silver<br>(g/t) | Au Equiv<br>(g/t) | Ag Equiv<br>(g/t) | Gold<br>(M oz)  | Silver<br>(M oz) | Au Equiv<br>(M oz) | Ag Equiv<br>(M oz) |
| Challenger      | Proved       | 0.40                | 4.28          | —               | 4.28              | 270               | 0.06            | —                | 0.06               | 3.5                |
|                 | Probable     | 0.19                | 3.58          | —               | 3.58              | 226               | 0.02            | —                | 0.02               | 1.4                |
|                 | <b>Total</b> | <b>0.59</b>         | <b>4.05</b>   | <b>—</b>        | <b>4.05</b>       | <b>255</b>        | <b>0.08</b>     | <b>—</b>         | <b>0.08</b>        | <b>4.8</b>         |
| Chatree         | Proved       | 34.0                | 0.80          | 9.03            | 0.87              | 118               | 0.87            | 9.9              | 0.95               | 129                |
|                 | Probable     | 9.5                 | 0.79          | 7.04            | 0.84              | 114               | 0.24            | 2.2              | 0.26               | 35.0               |
|                 | <b>Total</b> | <b>43.5</b>         | <b>0.80</b>   | <b>8.60</b>     | <b>0.86</b>       | <b>117</b>        | <b>1.12</b>     | <b>12.0</b>      | <b>1.20</b>        | <b>164</b>         |
| Nueva Esperanza | Proved       | —                   | —             | —               | —                 | —                 | —               | —                | —                  | —                  |
|                 | Probable     | 17.1                | 0.27          | 97              | 1.89              | 113               | 0.15            | 53.5             | 1.04               | 62.5               |
|                 | <b>Total</b> | <b>17.1</b>         | <b>0.27</b>   | <b>97</b>       | <b>1.89</b>       | <b>113</b>        | <b>0.15</b>     | <b>53.5</b>      | <b>1.04</b>        | <b>62.5</b>        |
| <b>Total</b>    | Proved       | 34.4                | 0.84          | 8.93            | 0.91              | 120               | 0.93            | 9.9              | 1.00               | 132                |
|                 | Probable     | 26.8                | 0.48          | 64              | 1.53              | 114               | 0.41            | 55.5             | 1.32               | 98.6               |
|                 | <b>Total</b> | <b>61.2</b>         | <b>0.68</b>   | <b>33</b>       | <b>1.18</b>       | <b>117</b>        | <b>1.34</b>     | <b>65.3</b>      | <b>2.32</b>        | <b>231</b>         |

## Challenger, Chatree and Nueva Esperanza Mineral Resources (inclusive of Ore Reserves)

| Source          | Category     | Tonnes<br>(Million) | Grade         |                 |                   |                   | Contained Metal |                  |                    |                    |
|-----------------|--------------|---------------------|---------------|-----------------|-------------------|-------------------|-----------------|------------------|--------------------|--------------------|
|                 |              |                     | Gold<br>(g/t) | Silver<br>(g/t) | Au Equiv<br>(g/t) | Ag Equiv<br>(g/t) | Gold<br>(M oz)  | Silver<br>(M oz) | Au Equiv<br>(M oz) | Ag Equiv<br>(M oz) |
| Challenger      | Measured     | 0.38                | 5.15          | —               | 5.15              | 324               | 0.06            | —                | 0.06               | 4.0                |
|                 | Indicated    | 0.37                | 9.70          | —               | 9.70              | 611               | 0.12            | —                | 0.12               | 7.3                |
|                 | Inferred     | 0.06                | 8.41          | —               | 8.41              | 530               | 0.02            | —                | 0.02               | 1.0                |
|                 | <b>Total</b> | <b>0.81</b>         | <b>7.47</b>   | <b>—</b>        | <b>7.47</b>       | <b>471</b>        | <b>0.19</b>     | <b>—</b>         | <b>0.19</b>        | <b>12.3</b>        |
| Chatree         | Measured     | 81.8                | 0.70          | 7.00            | 0.75              | 102               | 1.84            | 18.4             | 1.98               | 269                |
|                 | Indicated    | 50.1                | 0.64          | 5.59            | 0.68              | 93                | 1.03            | 9.0              | 1.10               | 149                |
|                 | Inferred     | 40.6                | 0.59          | 4.49            | 0.62              | 85                | 0.77            | 5.9              | 0.81               | 111                |
|                 | <b>Total</b> | <b>172.5</b>        | <b>0.66</b>   | <b>6.00</b>     | <b>0.70</b>       | <b>95</b>         | <b>3.64</b>     | <b>33.3</b>      | <b>3.89</b>        | <b>529</b>         |
| Nueva Esperanza | Measured     | 1.5                 | 0.01          | 101             | 1.69              | 102               | 0.0005          | 4.9              | 0.08               | 4.9                |
|                 | Indicated    | 26.8                | 0.47          | 79              | 1.78              | 107               | 0.41            | 67.7             | 1.54               | 92.2               |
|                 | Inferred     | 6.3                 | 0.50          | 52              | 1.30              | 82                | 0.09            | 10.6             | 0.27               | 16.2               |
|                 | <b>Total</b> | <b>34.6</b>         | <b>0.45</b>   | <b>75</b>       | <b>1.70</b>       | <b>102</b>        | <b>0.50</b>     | <b>83.2</b>      | <b>1.89</b>        | <b>113</b>         |
| <b>Total</b>    | Measured     | 83.7                | 0.71          | 8.65            | 0.79              | 103               | 1.90            | 23.3             | 2.12               | 278                |
|                 | Indicated    | 77.3                | 0.62          | 31.0            | 1.11              | 100               | 1.55            | 77.1             | 2.75               | 249                |
|                 | Inferred     | 47.0                | 0.59          | 10.9            | 0.72              | 84.9              | 0.89            | 16.4             | 1.09               | 128                |
|                 | <b>Total</b> | <b>207.9</b>        | <b>0.65</b>   | <b>17.5</b>     | <b>0.89</b>       | <b>97.9</b>       | <b>4.34</b>     | <b>116.7</b>     | <b>5.96</b>        | <b>655</b>         |

## Bowdens Mineral Resources

| Source  | Category     | Tonnes<br>(Million) | Grade           |             |             |                   |                   | Contained Metal  |                    |                    |
|---------|--------------|---------------------|-----------------|-------------|-------------|-------------------|-------------------|------------------|--------------------|--------------------|
|         |              |                     | Silver<br>(g/t) | Lead<br>(%) | Zinc<br>(%) | Au Equiv<br>(g/t) | Ag Equiv<br>(g/t) | Silver<br>(M oz) | Au Equiv<br>(M oz) | Ag Equiv<br>(M oz) |
| Bowdens | Measured     | 23.6                | 56.6            | 0.31        | 0.41        | 1.64              | 74.5              | 43.0             | 1.25               | 57                 |
|         | Indicated    | 28.4                | 48.0            | 0.27        | 0.36        | 1.40              | 63.6              | 43.8             | 1.28               | 58                 |
|         | Inferred     | 36.0                | 41.0            | 0.30        | 0.40        | 1.27              | 58.0              | 47.5             | 1.47               | 68                 |
|         | <b>Total</b> | <b>88.0</b>         | <b>47.4</b>     | <b>0.29</b> | <b>0.39</b> | <b>1.41</b>       | <b>64.4</b>       | <b>134.1</b>     | <b>4.00</b>        | <b>182</b>         |

## Group Total Mineral Resources

| Source                                   | Tonnes<br>(Million) | Grade         |                 |             |             |                   |                   | Contained Metal |                  |                    |                    |
|------------------------------------------|---------------------|---------------|-----------------|-------------|-------------|-------------------|-------------------|-----------------|------------------|--------------------|--------------------|
|                                          |                     | Gold<br>(g/t) | Silver<br>(g/t) | Lead<br>(%) | Zinc<br>(%) | Au Equiv<br>(g/t) | Ag Equiv<br>(g/t) | Gold<br>(M oz)  | Silver<br>(M oz) | Au Equiv<br>(M oz) | Ag Equiv<br>(M oz) |
| <b>Group Total<br/>Mineral Resources</b> | <b>295.9</b>        | <b>0.46</b>   | <b>26.4</b>     | <b>0.09</b> | <b>0.12</b> | <b>1.05</b>       | <b>87.9</b>       | <b>4.34</b>     | <b>251</b>       | <b>9.95</b>        | <b>836</b>         |

**Notes to the Ore Reserves and Mineral Resources Table:**

Rounding of figures causes some numbers to not add correctly

## (1) Nueva Esperanza Equivalent factors:

Silver Equivalent:  $\text{AgEq (g/t)} = \text{Ag (g/t)} + \text{Au (g/t)} \times 60$ .

Gold Equivalent:  $\text{AuEq (g/t)} = \text{Au (g/t)} + \text{Ag (g/t)} / 60$ .

Calculated from prices of US\$1380/oz Au and US\$21.50/oz Ag, and heap leach metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate.

## (2) Bowdens Equivalent factors:

Silver Equivalent:  $\text{AgEq (g/t)} = \text{Ag (g/t)} + 27.5 \times \text{Pb (\%)} + 22.8 \times \text{Zn (\%)}$ .

Calculated from prices of US\$26.33/oz Ag, US\$1250/oz Au, US\$2206/t Pb, US\$2111/t Zn and metallurgical recoveries of 72% Ag, 75% Pb, and 66% Zn estimated from test work by Kingsgate.

Gold Equivalent:  $\text{AuEq (g/t)} = \text{AgEq (g/t)} \times 46$  calculated from prices of US\$1200/oz Au, US\$26.33/oz Ag.

## (3) Chatree Equivalent factors:

Chatree Gold Equivalent:  $\text{AuEq/t} = \text{Au (g/t)} + \text{Ag (g/t)} / 136$ .

Silver Equivalent:  $\text{AgEq g/t} = \text{Au (g/t)} \times 136 + \text{Ag g/t}$ .

Calculated from prices of US\$1200/oz Au and US\$19.00/oz Ag and metallurgical recoveries of 83.3% Au and 38.7% Ag based on metallurgical testwork and plant performance.

## (4) Cut-off grades for Resources are:

Chatree 0.30 g/t Au, Nueva Esperanza 0.5g/t AuEq, Bowdens 30g/t AgEq, Challenger underground 5.0 g/t Au, Challenger open pit 1.5 g/t Au and Challenger stockpile variable.

## (5) Cut-off grades for Reserves are:

Chatree 0.35g/t Au, Nueva Esperanza 0.5g/t AuEq, Bowdens 30g/t AgEq, Challenger underground 5.0 g/t Au, Challenger open pit 1.5 g/t Au and Challenger stockpile variable.

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

# Competent Persons Statement

The information relating to Nueva Esperanza Ore Reserves is extracted from an announcement by Kingsgate titled "Nueva Esperanza, Chile – Definitive Feasibility Study Delivers Strong Results" from 17 March 2014. The information relating to Nueva Esperanza Mineral Resources is extracted from an announcement by Kingsgate titled "Chimberos Gold Discovery Adds Significantly to Mineral Resources in Chile" from 15 July 2015.

The information relating to Bowdens Mineral Resources is extracted from an announcement by Kingsgate titled "Bowdens Mineral Resource Report 2013" from 18 October 2013.

The above-mentioned announcements are available to view on Kingsgate's public website ([www.kingsgate.com.au](http://www.kingsgate.com.au)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the

estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially altered from the original announcement.

In this report, information concerning Chatree Exploration Results, Mineral Resources and Ore Reserve estimates is based on information compiled by the following Competent Persons: Ron James, Brendan Bradley, Maria Munoz, Rob Kinnaird 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 of 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, information concerning Challenger Exploration Results, Mineral Resources and Ore Reserve estimates is based on information compiled by Stuart Hampton and Luke Phelps who are employees of the Kingsgate Group. Both are members of The Australasian Institute of Mining and Metallurgy. 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.



# 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 the management team are:

## Greg Foulis

BAppSc (Hons), MComm, (Finance)

### Chief Executive Officer

Greg Foulis joined Kingsgate in June 2015 as Chief Executive Officer and has over 30 years of diverse international experience in mining and financial markets. Prior to Kingsgate, he was SVP Business Development for AngloGold Ashanti where he was involved in identifying and delivering opportunities for growth and improvement from both an organic and external perspective. Greg has spent over seventeen years in financial markets in various roles including mining equity research, mining and energy specialist sales and funds management, principally with Deutsche Bank. Greg is a qualified geologist with extensive experience in exploration, project evaluation and mining operations in Australasia and the Americas. This includes a career highlight with involvement in the exploration, drill-out and feasibility of the giant world class Lihir Gold Project in PNG.

## Ross Coyle

BA, FCPA, FGIA

### Chief Financial Officer

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 32 years' experience in finance and accounting within the resource industry. He was Finance Director of Dominion from 1996. Ross was appointed Kingsgate's Chief Financial Officer in November 2014.

## 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 23 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.

## Ronald James

BSc (Geology), MAusIMM, MAIG

### General Manager Exploration and Resource Development

Ron James has 32 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.

## Paul Mason

BE, CA, AGIA

### Company Secretary and Group Accounting Manager

Paul Mason joined Kingsgate in February 2012. He is a Chartered Accountant and has over 15 years' experience in finance and accounting within the resources industry. Paul was formerly Financial Controller and Joint Company Secretary for Catalpa Resources Limited. Paul was appointed Company Secretary in November 2014.

# Directors' Report

for the year ended 30 June 2015

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## Corporate Governance Statement

Kingsgate Consolidated Limited is committed to ensuring that its policies and practices reflect the highest standard of corporate governance.

The Board has adopted a comprehensive framework of Corporate Governance Guidelines which can be viewed at [www.kingsgate.com.au/corporate-governance](http://www.kingsgate.com.au/corporate-governance)

# 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 2015.

## Directors

Except where noted, 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 <sup>1</sup> | Executive Chairman     |
| › Peter Alexander              | Non-Executive Director |
| › Craig Carracher <sup>2</sup> | Non-Executive Director |
| › Peter McAleer                | Non-Executive Director |
| › Sharon Skeggs <sup>3</sup>   | Non-Executive Director |
| › Peter Warren                 | Non-Executive Director |

1 Ross Smyth-Kirk's role changed from Non-Executive Chairman to Executive Chairman on 16 October 2014.

2 Craig Carracher resigned as a Director on 17 October 2014.

3 Sharon Skeggs became a Director on 1 January 2015.

## Principal activities

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

## Dividends

- › No final dividend was declared for the year ended 30 June 2014 (30 June 2013: nil).
- › No interim dividend was declared for the year ended 30 June 2015 (30 June 2014: nil).

## Review of operations and results

### Operational Performance

Kingsgate is a gold and silver 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 Gold Mine in South Australia. In addition, the Company has two advanced development projects; the Nueva Esperanza Gold/Silver Project, in the highly prospective Maricunga Gold/Silver Belt in Chile, and the Bowdens Silver Project in New South Wales, Australia.

Group gold production for the year was 205,245 ounces with Chatree contributing 125,094 ounces and Challenger 80,151 ounces.

Chatree continued to perform well despite the impact on production of 44 days temporary suspension.

Chatree was issued with a temporary suspension notice by the Department of Primary Industry and Mining ("DPIM"), Thailand on 13 January 2015. Due to uncertainty around the timing of the re-start of the operation, the Kingsgate Board requested voluntary suspension of trading in Kingsgate shares on the Australian Securities Exchange ("ASX").

The temporary closure of Chatree was ordered because of unsubstantiated claims that slightly elevated levels of arsenic and manganese that had been found in some local inhabitants living in the region could be attributable to the mining operation at Chatree. Importantly, Chatree does not use and has never used arsenic or manganese in any of its operations.

During the suspension period Akara Resources undertook a series of steps to prove that Chatree is not the cause of elevated arsenic and manganese in the local community. This included commissioning an independent study by Mahidol University, a highly respected and credible academic institution in Thailand, to examine the root cause of these elevated readings. The study findings concluded that these elevated readings of arsenic and manganese are most likely caused by lifestyle factors such as diet, as arsenic can be found in local fish products and rice.

In addition, Akara Resources arranged secondary health checks for approximately 250 local villagers, which coincided with the presentation of a petition to the DPIM containing 2,495 signatures from the local community in support of the Chatree Mining Operation.

Akara Resources presented a strong case for lifting the temporary suspension order at two community meetings, and made the Mahidol University Study and all health check medical documentation available to the DPIM. As a result the DPIM, as an administrative measure, required that all the Akara documentation be verified by a DPIM appointed Review Committee.

The Review Committee verified all relevant supporting documentation and the DPIM was satisfied that Akara Resources has complied with all requests made under the suspension orders. Therefore on 27 February 2015 the DPIM rescinded the temporary suspension order, following which Akara Resources recommenced operations at Chatree on the same day.

Gold production of approximately 15,000 ounces was effectively deferred by the temporary shutdown which would otherwise have added approximately \$20 million to \$24 million of revenue to cash flow. Costs incurred during the shutdown were in the order of \$6.3 million including depreciation and amortisation charges of \$2.7 million.



The Thai Government has advised that it intends to introduce a new Gold Policy which is expected to be enacted in the next six months. Kingsgate has engaged with the DPIM regarding the new policy and does not expect any material impact to the existing mining operations. It is hoped that the enactment of the Gold Policy could result in the granting of Kingsgate's current exploration licence applications which were submitted by its Thai subsidiaries.

Challenger had a strong finish to the year with gold production 7% higher than the previous corresponding year and well above the guidance range of 65,000 to 75,000 ounces. The operational performance was a result of higher gold head grade and increased throughput.

Kingsgate's after tax loss of \$147.1 million for the year is primarily due to a non-cash impairment charge of \$148.2 million against the carrying values of the Chatree Gold Mine, the Bowdens Silver Project and various exploration areas. The Board believes that the Chatree Gold Mine remains a world class asset and considers that Bowdens is an important asset in the Kingsgate development portfolio. However, in accordance with current accounting standards (AASB 136 - Impairment of Assets) Kingsgate is required to assess the carrying value of its operating and development projects within a set valuation framework (refer to Note 14 for further details).

## Chatree

Chatree continued as Kingsgate's primary production asset throughout the year, producing 125,094 ounces of gold and 850,003 ounces of silver. The process plant treated 5.3 million tonnes at a head grade of 0.91 grams per tonne ("g/t") gold with a recovery of 79.3%. The good production performance was achieved despite a loss of 44 days of production due to the temporary closure. This impacted production in the June half-year but issues related to the suspension were satisfactorily resolved.

Total cash costs for the year were US\$690 per ounce (US\$595 per ounce exclusive of Thai

royalties). The average royalty paid to the Thai Government was US\$95 per ounce of gold. Total production costs after depreciation and amortisation were US\$973 per ounce of gold produced.

At year end, 9.1 million tonnes of ore was stockpiled with an average contained gold grade of 0.49g/t representing 144,469 ounces of gold.

## Challenger

The Challenger Mine had a strong finish to the year and produced 80,151 ounces of gold, well above the FY15 guidance range of 65,000 to 75,000 ounces. The process plant treated 515,000 tonnes at an average head grade of 5.01g/t with gold recovery of 96.7%.

Operating costs at Challenger were US\$1,059 per ounce (including US\$45 per ounce royalty). Note that operating costs at Challenger include all mine development for the site (i.e. no mine development costs were being capitalised).

The mine plan at Challenger is under review with the current reserves expected to be depleted in the March quarter 2016. Further extensions to the mine life are dependent on the successful conversion to reserves from on-going drilling and development within the extensive resource envelope at Challenger West and the recently discovered Challenger South Southwest structure.

## Nueva Esperanza Gold/Silver Project

The Nueva Esperanza Gold/Silver Project advanced during the year with the discovery of Chimberos Gold, a gold rich resource to the west of the historic Chimberos pit. It is considered to be a continuation of the Chimberos mineralisation identified in earlier campaigns in and around the historic pit. The new mineralisation has added in the order of 250,000 ounces of gold and 5.1 million ounces of silver to the Chimberos Mineral Resources Estimate resulting in a significant increase in the overall Mineral Resource Estimate for Chimberos to 300,000 ounces of gold and 20.5 million ounces of silver. The total Mineral Resources for Nueva Esperanza now stand at 34.6Mt at 0.81g/t gold and 55g/t silver.

The relatively high grade nature of the recently discovered gold mineralisation has led to a re-evaluation of agitated leach (milling) for the process route rather than heap leach. An optimisation study is being undertaken to determine design parameters around a 2 million tonnes per annum (Mtpa) agitated leach operation with indicative capital and operating cost estimates and relevant information for amendments to existing permits.

Following the successful exploration campaign in FY15, further opportunities have been identified for follow-up in the FY16 field season at Boulder, Rifle and Carachitas Central.

## Bowdens Silver Project

During the year project work continued to focus on studies required for the Environmental Impact Statement ("EIS"). However, as a result of ongoing market volatility in the precious metals sector and a sustained period of a lower than anticipated silver price, Kingsgate has reduced the activity and expenditure related to the project.

Environmental monitoring is continuing at the site and Kingsgate will maintain community relations and engagement while the project is progressing at a lower rate.

## Exploration

The Group has a portfolio of exploration tenements and applications in Thailand, Chile and Lao PDR.

Exploration activity was undertaken at a reduced rate during the year with a refocusing of priorities that matched corporate context and resources. Some encouraging results were recorded from gold exploration at the Sayabouly project in Lao PDR where gold mineralisation identified in trenching was followed up by air core drilling. The drilling has confirmed some continuity of the high grade quartz veins with results including 4 metres at 11.6g/t gold from 14 metres, 9 metres at 3.23g/t gold from 10 metres and 4 metres at 3.62g/t gold from 12 metres.

## Financial results

|                                           | 2015      | 2014     | 2013      | 2012    | 2011   |
|-------------------------------------------|-----------|----------|-----------|---------|--------|
| Net (loss)/profit after tax (\$'000)      | (147,093) | (97,613) | (327,067) | 75,006  | 20,879 |
| EBITDA (\$'000)                           | 70,008    | 64,207   | 96,424    | 166,732 | 46,481 |
| Dividends paid (Cash & DRP) (\$'000)      | –         | –        | 22,739    | 22,026  | 33,647 |
| Share price 30 June (\$)                  | 0.70      | 0.86     | 1.27      | 4.85    | 8.00   |
| Basic (loss) earnings per share (Cents)   | (65.8)    | (56.7)   | (215.0)   | 52.5    | 18.7   |
| Diluted (loss) earnings per share (Cents) | (65.8)    | (56.7)   | (215.0)   | 52.5    | 18.6   |

### EBITDA before significant items

The pre-tax profit for the Group before significant items was \$1.74 million up from a loss of \$8.03 million in the previous year.

EBITDA before significant items was \$70.0 million up from \$64.2 million in the previous year.

Significant items are detailed below.

| Consolidated                                           | 2015<br>\$'000   | 2014<br>\$'000  |
|--------------------------------------------------------|------------------|-----------------|
| <b>Loss after tax</b>                                  | <b>(147,093)</b> | <b>(97,613)</b> |
| Income tax expense                                     | 651              | 2,886           |
| <b>Significant items</b>                               |                  |                 |
| Impairment of Chatree Gold Mine                        | 115,650          | –               |
| Impairment of Bowdens Silver Project                   | 22,643           | 84,586          |
| Impairment of capitalised exploration                  | 9,888            | 2,112           |
| <b>Profit /(loss) before tax and significant items</b> | <b>1,739</b>     | <b>(8,029)</b>  |
| Net finance costs                                      | 14,319           | 13,250          |
| Depreciation and amortisation                          | 53,950           | 58,986          |
| <b>EBITDA before significant items</b>                 | <b>70,008</b>    | <b>64,207</b>   |

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 loss after 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 sales revenue for the Group was \$313.2 million for the year, down from \$328.3 million in the previous year. Gold revenue decreased by 3% to \$296.3 million and silver revenue decreased by 27% to \$16.9 million.

The decrease in gold revenue reflects the temporary suspension of operations at Chatree and a lower gold price.

The average US dollar gold price received was US\$1,208 per ounce (2014: US\$1,291 per ounce).

The decrease in silver revenue also reflects the temporary shutdown of operations at Chatree and a lower silver price received of US\$17 per ounce (2014: US\$21 per ounce).

### Costs

The overall decrease in cost of sales to \$278.4 million including royalties and depreciation and amortisation, reflects decreased throughput and production from the Chatree Mine due to the temporary suspension of operation and cost saving measures implemented during the year.

| Total cash costs per ounce | 2015<br>US\$/oz | 2014<br>US\$/oz | Reduction in unit cost<br>US\$/oz |
|----------------------------|-----------------|-----------------|-----------------------------------|
| Group                      | 833             | 936             | 103                               |
| Chatree                    | 690             | 728             | 38                                |
| Challenger                 | 1,059           | 1,310           | 251                               |

## Depreciation and amortisation

The decrease in depreciation and amortisation to \$54.0 million is mainly a result of lower production at Chatree which impacted depreciation calculated on a units of production basis.

## Cash flow

Net operating cash inflow was \$76.6 million (2014: \$38.6 million). The increase of \$38.0 million reflects the decrease in operating costs and a reduction in working capital balances compared to the prior year. Net investing cash outflow was \$40.3 million (2014: \$44.9 million), down \$4.6 million due to a reduction in capital expenditure on plant offset by an increase in exploration and development at the Nueva Esperanza Gold/Silver Project. Net cash outflow from financing activities was \$37.7 million (2014: inflow of \$30.9 million), including repayment of \$40.1 million of the corporate loan facility and convertible revolving credit facility.

## 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 in the gold price and to a degree in the silver price including foreign currency rate movement affecting US dollar denominated metal prices. 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 resources and ore reserves

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 the 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.

## Reliance on contractors

Some aspects of Kingsgate's production, development and exploration activities are conducted by contractors. As a result, the Group's business, operating and financial performance and results are impacted upon by the availability and performance of contractors and the associated risks.

## 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 could have an adverse impact of future cash flows, profitability, results of operations and financial position.

## Refinancing risk

In addition to cash flows from operating activities, Kingsgate has debt facilities in place with external financiers. Although the Group currently generates sufficient funds to service its debt requirements, no assurance can be given that Kingsgate will be able to meet its financial covenants when required or be able to refinance the debt prior to its expiry on acceptable terms to the Company. If Kingsgate is unable to meet its financial covenants when required or refinance its external debt on acceptable terms to the Company, its financial condition and ability to continue operating may be adversely affected.

## Maintaining title

The Group's production, development and exploration activities are subject to obtaining and maintaining the necessary titles, authorisations, permits and licences, and associated land access arrangements with the local community, which authorise those activities under the relevant law ("Authorisations"). There can be no guarantee that the Group will be able to successfully obtain and maintain relevant Authorisations to support its activities, or that renewal of existing Authorisations will be granted in a timely manner or on terms acceptable to the Group.



Authorisations held by or granted to the Group may also be subject to challenge by third parties which, if successful, could impact on Kingsgate's exploration, development and/or mining activities.

### Political, economic, social and security risks

Kingsgate's production, development and exploration activities are subject to the political, economic, social and other risks and uncertainties in the jurisdictions in which those activities are undertaken. Such risks are unpredictable and have become more prevalent in recent years. In particular, in recent years there has been an increasing social and political focus on:

- › the revenue derived by governments and other stakeholders from mining activities; and
- › resource nationalism, greater limits on foreign ownership of mining or exploration interests and/or forced divestiture (with or without adequate compensation), and broad reform agenda in relation to mining legislation, environmental stewardship and local business opportunities and employment.

There can be no certainty as to what changes, if any, will be made to relevant laws in the jurisdictions where the Company has current interests, or other jurisdictions where the Company may have interest in the future, or the impact that relevant changes may have on Kingsgate's ability to own and operate its mining and related interests and to otherwise conduct its business in those jurisdictions.

### 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

At the end of the year Kingsgate's drawn debt facilities consisted of:

#### Senior corporate facility

The balance of the senior corporate loan facility outstanding at 30 June 2015 was A\$25 million. This facility was due to be repaid in full on 31st July 2015. A\$10 million was repaid against the facility on the due date with the balance of A\$15 million restructured as a Revolving Credit Facility ("RCF") repayable in three equal instalments commencing on 29th January 2016.

Under the terms of the RCF Kingsgate is required to maintain a minimum hedge position with a rolling three month program covering 30% of forecast group production. As security the lender has a fixed and floating charge over Kingsgate including shares in its material subsidiaries.

Kingsgate, in addition, has available over the tenure of the RCF an Equity-linked Loan Facility ("ELF") of A\$15 million. The ELF is currently undrawn.

#### Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL ("Akara"), has an amortising multi-currency loan facility with 3.5 years remaining following the commencement of quarterly repayments in November 2013. At year end the equivalent of A\$104.9 million was owed against this facility. Since the year end a further equivalent A\$8.5 million has been repaid. As security against the facility the lender has a fixed and floating charge over the land, buildings and machinery in Thailand owned by Akara and its material subsidiaries. In addition Akara is required to maintain a debt service reserve account of US\$5 million.

#### Hedging

As at 30 June 2015, the Group had 5,000 ounces of gold sold forward at an average price of A\$1,538 per ounce. Since the year end an additional 26,000 ounces of production have been covered under forward sale contracts at an

average price of \$1,542 per ounce. 12,900 ounces have been delivered against these contracts leaving a remaining balance of 18,100 ounces at an average price of A\$1,556 per ounce.

### 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

No other matter or circumstance has arisen since 30 June 2015 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 2016 is for gold production to be in the range of 165,000 to 180,000 ounces. At the Chatree Mine in Thailand, gold production is expected to be between 125,000 to 135,000 ounces but, due to the current stripping schedule, will be heavily weighted to the second half of the year. At the Challenger Mine in South Australia, under the current mine plan, Ore Reserves will be exhausted in the March quarter 2016 with production for the year expected to be in the range of 40,000 to 45,000 ounces of gold. Work continues to explore options to extend the mine life at Challenger with particular focus on deeper areas at Challenger West and the recently discovered Challenger South Southwest structure.

Kingsgate remains focused on continuous improvement and operating efficiencies that complement ongoing cost saving initiatives. It is targeting further cost reductions in FY16.

### Environmental regulation

The Group is subject to environmental regulations in respect to its gold mining operations and exploration activities in Australia, Thailand, Chile and Lao PDR. For the year ended 30 June 2015, the Group has operated within all environmental laws.

## Directors' meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

| Directors                    | Board Meetings |          | Audit Committee Meetings |          | Nomination Committee Meetings |          | Remuneration Committee Meetings |          |
|------------------------------|----------------|----------|--------------------------|----------|-------------------------------|----------|---------------------------------|----------|
|                              | Held*          | Attended | Held*                    | Attended | Held*                         | Attended | Held*                           | Attended |
| Ross Smyth-Kirk              | 14             | 14       | 2                        | 2        | 2                             | 2        | 1                               | 1        |
| Peter Alexander              | 14             | 13       | —                        | —        | —                             | —        | 1                               | 1        |
| Craig Carracher <sup>1</sup> | 4              | 3        | —                        | —        | —                             | —        | —                               | —        |
| Peter McAleer                | 14             | 14       | 2                        | 2        | 2                             | 2        | 1                               | 1        |
| Sharon Skeggs <sup>2</sup>   | 7              | 7        | 1                        | 1        | —                             | —        | —                               | —        |
| Peter Warren                 | 14             | 14       | 2                        | 2        | 2                             | 2        | 1                               | 1        |

\* Meetings held while in office

<sup>1</sup> Craig Carracher resigned 17 October 2014

<sup>2</sup> Sharon Skeggs appointed 1 January 2015

## Information on Directors

### Ross Smyth-Kirk

B Com, CPA, F Fin

#### Executive Chairman

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 35 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. Mr Smyth-Kirk is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

#### Responsibilities:

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

### Peter Alexander

Ass. Appl. Geol

#### Non-Executive Director

Peter Alexander has had 42 years' experience in the Australian and offshore 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 a Non-Executive Director of the ASX listed companies Doray Minerals Limited and Caravel Minerals Limited. He was previously Chairman of Doray Minerals Limited and a Director of Fortunis Resources Limited.

#### Responsibilities:

Member of the Remuneration Committee.

### Peter McAleer

B Com (Hons), Barrister-at-Law (Kings Inns – 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). 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, Remuneration and Nomination Committees.

## Sharon Skeggs

### Non-Executive Director

Sharon Skeggs has had a distinguished career in business management, in London and Australia, for over 35 years. She is an expert in business strategy and communications. She was a Director of advertising agency Saatchi & Saatchi Australia for 15 years, Managing Director of one of its divisions and is a previous Director of the Australian Jockey Club.

For the past five years Ms Skeggs has consulted to major companies including Westpac, News Limited, Visa, Woolworths, Telstra and The Just Group on a variety of corporate matters including business strategy, change management, restructuring, cost reduction initiatives, implementing marketing strategies and communications programs.

#### Responsibilities:

Member of the Audit, Remuneration and Nomination Committees.

## Peter Warren

B Com, CPA

### Non-Executive Director

Peter Warren was Chief Financial Officer and Company Secretary of Kingsgate Consolidated Limited for six years up until his retirement in 2011. He is a CPA of over 41 years standing, with an extensive involvement in the resources industry. He was Company Secretary and Chief Financial Officer for Equatorial Mining Limited and of the Australian subsidiaries of the Swiss based Aluisse Group and has held various financial and accounting positions for Peabody Resources and Hamersley Iron. Mr Warren is a Director of Kingsgate's wholly owned subsidiary, Akara Resources Public Company Limited.

#### Responsibilities:

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

## Paul Mason

BE, CA, AGIA

### Company Secretary

Paul Mason is currently Group Accounting Manager for Kingsgate. He commenced with the Kingsgate Group in February 2012 and is a Chartered Accountant and an Associate Member of the Governance Institute of Australia. Mr Mason was formerly Financial Controller and Joint Company Secretary for Catalpa Resources Ltd.

# Remuneration Report

Dear Shareholder

I am pleased to present our Remuneration Report for 2015.

During the 2015 financial year, the Company's remuneration practices have reflected the market conditions in which we operate. The underlying arrangements will remain unchanged, other than senior executives taking a 10% reduction in remuneration effective from 1 October 2015.

We are confident our remuneration practices are sound, market competitive and demonstrate a clear link between executive and shareholder returns. Our discipline in this area has been combined with significant change management initiatives to ensure that cost reductions within our business have been in line with market conditions.

The Group's framework for awarding long term incentives ("LTI") and short term incentives ("STI") will be subject to a comprehensive review by the Board during the 2016 financial year to ensure that the base and at-risk remuneration of Kingsgate is aligned with its peer group. No STI or LTI awards were granted during the year.

Benchmarking of salaries for all roles is routinely undertaken to ensure that we remain a competitive employer in the market while continuing to meet all legislative and regulatory requirements.

We will continue to consider your feedback as shareholders and review our remuneration and incentive policies and framework to meet future market changes.

Thank you for your interest in this report.



**Ross Smyth-Kirk**

Chairman  
Remuneration Committee



## 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 ("KMP"). KMP 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 Executive Management.

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.

## Remuneration Policy

The Remuneration Policy remains unchanged from last financial year and 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 complementary 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 – Reward Mix on page 30).

## 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;
- › key performance indicators and performance hurdles for the executive team; and
- › the engagement of specialist external consultants to design or validate methodology used by the Company to remunerate Directors and employees.

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.

The Remuneration Committee engaged the services of the Godfrey Remuneration Group Pty Ltd in the 2013/2014 financial year 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 methodology and standards. These recommendations covered the remuneration of the Group's Non-Executive Directors and Key Management Personnel.

The Godfrey Remuneration Group Pty Ltd confirmed that the recommendations from that review were 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 contained in the report were made free from undue influence from any members of the Group's Key Management Personnel.

## 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 chart on the following page 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.

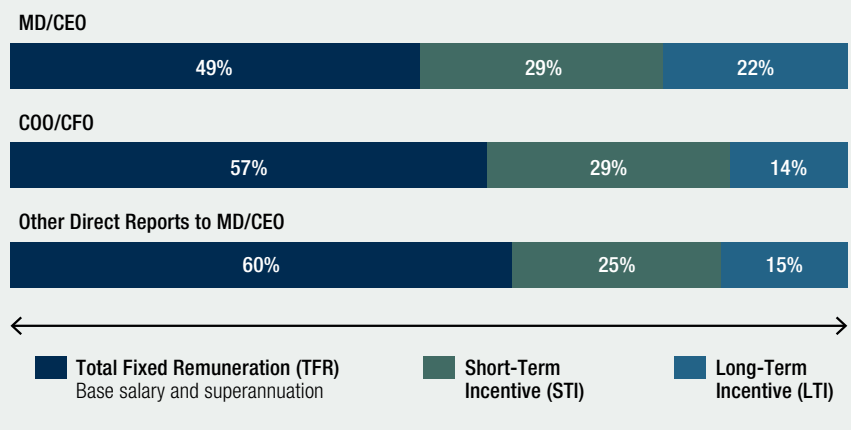
Executives are offered a competitive base pay. Base pay for senior executives is reviewed annually to ensure their pay is competitive with the market. An executive's pay is also reviewed on promotion.

The AON Hewitt/McDonald survey continues to be the primary benchmarking tool for assessment payment relativity for all roles throughout the business with the Godfrey Remuneration Group used to validate rates for specific roles as required.

The Board annually reviews and determines the fixed remuneration for the CEO. The CEO does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO's approval. There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements.

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

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



*\*The above reward mix remains unchanged from financial year 2013/14*

|                                            | 2011    | 2012    | 2013      | 2014     | 2015      |
|--------------------------------------------|---------|---------|-----------|----------|-----------|
| Revenue ('000s)                            | 172,356 | 357,372 | 329,282   | 328,326  | 313,162   |
| Net profit/(loss) after income tax ('000s) | 20,879  | 75,006  | (327,067) | (97,613) | (147,093) |
| EBITDA ('000s)                             | 46,481  | 166,732 | 96,424    | 64,207   | 70,008    |
| Share price at year end (\$/share)         | 8.00    | 4.85    | 1.27      | 0.86     | 0.70      |
| Dividends paid (cent/share)                | 15.0    | 20.0    | 5.0       | Nil      | Nil       |
| KMP short term employee benefits ('000s)   | 4,459   | 4,456   | 4,671     | 4,471    | 3,425     |

## Short-Term Incentives

Linking current financial year earnings of executives to their performance and the performance of the Group is the key objective of our Short Term Incentive ("STI") plan. 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.

The Board has discretion to issue cash bonuses to employees for individual performance outside the STI plan.

The structure of the STI Plan remains unchanged from financial year 2013/2014 and its key features are outlined in the table below.

### Overview of the STI Plan

|                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the STI plan and who participates?</b>                  | 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).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>How much can the executives earn under the STI Plan?</b>        | <p><b>Threshold</b> – 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.<br/>Managing Director / CEO – up to 15% of TFR. COO &amp; CFO – up to 12.5% of TFR. Other Key Management Personnel – up to 10% of TFR.</p> <p><b>Target</b> – 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.<br/>Managing Director / CEO – up to 30% of TFR. COO &amp; CFO – up to 25% of TFR. Other Key Management Personnel – up to 20% of TFR.</p> <p><b>Stretch (Maximum)</b> – Represents a clearly outstanding level of performance which is evident to all as a very high level of achievement.<br/>Managing Director / CEO – up to 60% of TFR. COO &amp; CFO – up to 50% of TFR. Other Key Management Personnel – up to 40% of TFR.<br/>(TFR – Total Fixed Remuneration)</p>                                                                 |
| <b>Is there Board discretion in the payment of an STI benefit?</b> | Yes, the plan provides for Board discretion in the approval of STI outcomes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>What are the performance conditions?</b>                        | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>How are performance targets set and assessed?</b>               | <p>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.</p> <p>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.</p> <p>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.</p> |
| <b>How is the STI delivered?</b>                                   | 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. The STIs are then in effect paid and expensed in the financial year subsequent to the measurement year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>What happens in the event of cessation of employment?</b>       | Executives are required to be employed for the full 12 months of the assessment period before they are eligible to be considered to receive benefits from the STI plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## Long-Term Incentives

The Kingsgate Long-Term Incentive ("LTI") plan is 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 on the following page:



## Overview of the LTI Plan

|                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the LTI Plan and who participates?</b>                                                 | Kingsgate 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. |
| <b>What is awarded under the LTI Plan?</b>                                                        | Two types of rights are offered under the LTI Plan: Deferred Rights and Performance Rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>How much can the executives earn under the LTI Plan?</b>                                       | Managing Director/CEO – up to 45% of TFR as Performance Rights only.<br>COO/CFO/Executive Management – up to 12.5% of TFR as Deferred Rights and additionally, up to 12.5% of TFR as Performance Rights.                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>What are the performance and vesting conditions?</b>                                           | Deferred Rights – vesting is time based (three years after the granting of the Deferred Right).<br>Performance rights – refer to Vesting Schedule for Performance Rights later in this report.                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Is there a cost to participate?</b>                                                            | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>What are the specific performance / vesting criteria?</b>                                      | Deferred Rights are subject to three year vesting periods. There are no performance conditions attached to the Deferred Rights.<br>Performance Rights are subject to a three year performance measurement period from 1 July in the year when the grant occurs.                                                                                                                                                                                                                                                                                                                                                 |
| <b>How does the LTI vest?</b>                                                                     | Performance Rights vest subject to the achievement of a hurdle based on total shareholder return. Further information on the vesting scale is below.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Is the LTI subject to retesting?</b>                                                           | There is no retesting of either the Deferred Rights or Performance Rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>What criteria are used for assessment and who assesses performance?</b>                        | Performance is assessed against a TSR Alpha™ measure for financial years 12/13 and 13/14 executive performance rights. For financial year 14/15 and going forward, performance rights are measured against the S&P/ASX All Ordinaries Gold (AUD) index (gold production only and to include dividends paid). 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 relative performance.                                                                                            |
| <b>How is the LTI delivered?</b>                                                                  | 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.<br>$\text{Number of shares} = (\text{number of vested rights} \times \text{share price on vesting date} - \$2,000) \div \text{share price on vesting date}.$                                                                                                                       |
| <b>What happens in the event of bonus shares, rights issues or other capital reconstructions?</b> | 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.                                                                                                                                                      |
| <b>Takeover or Scheme of Arrangement?</b>                                                         | 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.                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>What happens in the event of cessation of employment?</b>                                      | 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.                                                                                                                                                                                                       |

#### Vesting schedule for Performance Rights issued after financial year 2013/2014

Following a review by the Remuneration Committee of recommendations by the Godfrey Remuneration Group in financial year 2013/2014, the Board approved the assessment of relative Total Shareholder Return "TSR" of Kingsgate against S&P/ASX All Ordinaries Gold (AUD) index of companies, as represented in Diagram 1. The Board chose to replace the TSR Alpha™ measure with this new measure to:

- › provide a genuine measure of performance by senior management against companies operating in the same market segment;
- › retain the key values of the previous TSR Alpha™ measure which is to only reward senior management for over performance;
- › retain a focus on performance from an investors perspective albeit within a defined market segment; and
- › create a simple and easy system to interpret for management and shareholders alike.

These Performance Rights will be subject to a three year vesting period.

#### Vesting schedule for Performance Rights issued for financial year 2012/2013 and financial year 2013/2014

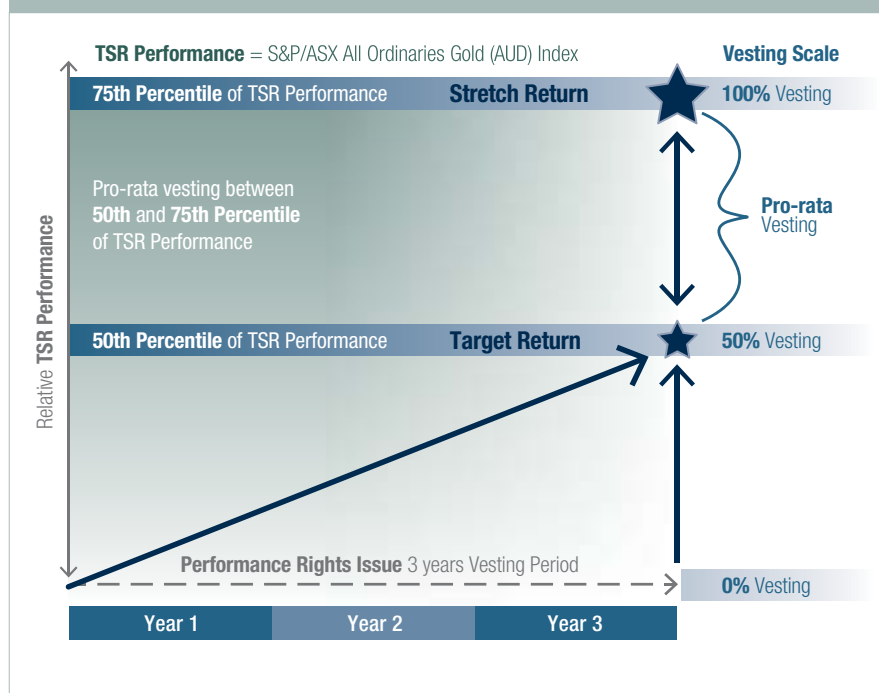
These Performance Rights continue to be subject to a hurdle that is derived for the three year vesting period using the external performance measuring metric, TSR Alpha™.

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.

#### Executive Performance Rights Vesting Scale

The following diagram provides an overview of the Performance Rights Vesting Scale to be applied to performance rights issued after financial year 2013/2014.

**Diagram 1: Overview of Performance Rights Vesting Scale**



## 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.

### Executive Chairman

|                 |                                                                                            |
|-----------------|--------------------------------------------------------------------------------------------|
| Ross Smyth-Kirk | Executive Chairman – Role changed from Non-Executive to Executive Chairman 16 October 2014 |
|-----------------|--------------------------------------------------------------------------------------------|

### Non-Executive Directors

|                 |                                                   |
|-----------------|---------------------------------------------------|
| Peter Alexander | Non-Executive Director                            |
| Craig Carracher | Non-Executive Director – Resigned 17 October 2014 |
| Peter McAleer   | Non-Executive Director                            |
| Sharon Skeggs   | Non-Executive Director – Appointed 1 January 2015 |
| Peter Warren    | Non-Executive Director                            |

### Senior Executives

|                  |                                                                                                                                                          |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Greg Foulis      | Chief Operating Officer – Commenced 1 June 2015                                                                                                          |
| Tim Benfield     | Chief Operating Officer – Acting Chief Executive Officer from 16 October 2014 to 30 April 2015                                                           |
| Ross Coyle       | Chief Financial Officer – Appointed 6 November 2014, previously General Manager Finance & Administration. Resigned as Company Secretary 6 November 2014. |
| Ron James        | General Manager Exploration and Resource Development                                                                                                     |
| Joel Forwood     | General Manager Corporate and Markets                                                                                                                    |
| Paul Mason       | Company Secretary – Appointed 6 November 2014                                                                                                            |
| Duane Woodbury   | Chief Financial Officer – Resigned 2 July 2014                                                                                                           |
| Michael Monaghan | Chief Operating Officer and General Manager – Akara Resources PCL – Resigned 20 March 2015                                                               |
| Geoff Day        | Chief Executive Officer – Commenced 8 September 2014 and ceased employment 15 October 2014                                                               |
| Austen Perrin    | Chief Financial Officer – Commenced 22 September 2014 and ceased employment 15 October 2014                                                              |
| Brett Dunstone   | General Manager Human Resources – Made redundant 20 October 2014                                                                                         |

## Changes since the end of the reporting period

There have been no changes to Directors and Key Management Personnel since the end of the reporting period.



## Contract terms of the Executive Directors and Key Management Personnel

Remuneration and other key terms of employment for the Executive Chairman and Senior Executives are summarised in the following table.

| Name             | Term of agreement | Fixed annual remuneration including superannuation |                         | Notice period by Executive | Notice period by the Company <sup>14</sup> |
|------------------|-------------------|----------------------------------------------------|-------------------------|----------------------------|--------------------------------------------|
|                  |                   | FY 2015 <sup>1</sup>                               | FY 2014                 |                            |                                            |
| Ross Smyth-Kirk  | Open              | <sup>2</sup> \$157,680                             | —                       | <sup>12</sup> N/A          | <sup>12</sup> N/A                          |
| Greg Foulis      | Open              | <sup>3</sup> \$600,000                             | —                       | 3 months                   | 12 months                                  |
| Tim Benfield     | Open              | <sup>4</sup> \$500,000                             | <sup>13</sup> \$451,777 | 3 months                   | 6 months                                   |
| Ross Coyle       | Open              | <sup>5</sup> \$450,000                             | <sup>13</sup> \$352,777 | 3 months                   | 6 months                                   |
| Ron James        | Open              | \$400,000                                          | <sup>13</sup> \$360,000 | 3 months                   | 6 months                                   |
| Joel Forwood     | Open              | \$330,504                                          | <sup>13</sup> \$298,777 | 3 months                   | 6 months                                   |
| Paul Mason       | Open              | <sup>6</sup> \$210,000                             | —                       | 1 month                    | 1 month                                    |
| Duane Woodbury   | Open              | <sup>7</sup> \$500,000                             | <sup>13</sup> \$451,777 | 3 months                   | 6 months                                   |
| Michael Monaghan | Open              | <sup>8</sup> \$417,757                             | \$531,525               | 3 months                   | 6 months                                   |
| Geoff Day        | Open              | <sup>9</sup> \$675,000                             | —                       | 3 months                   | 12 months                                  |
| Austen Perrin    | Open              | <sup>10</sup> \$460,000                            | —                       | 3 months                   | 6 months                                   |
| Brett Dunstone   | Open              | <sup>11</sup> \$307,504                            | <sup>13</sup> \$278,077 | 3 months                   | 6 months                                   |

<sup>1</sup> Amount shown are annual salaries as at year end or date ceased employment with the Group.

<sup>2</sup> Amount shown includes a voluntary 10% reduction in fixed remuneration. Role changed from Non-Executive Chairman to Executive Chairman on 15 October 2014. Refer to "details of remuneration" table on page 37 for remuneration for the period while serving as Non-Executive Chairman.

<sup>3</sup> Commenced employment 1 June 2015.

<sup>4</sup> Mr Benfield received a temporary increase in salary from \$500,000 to \$550,000 for period acting as Chief Executive Officer (6 October 2014 to 30 April 2015).

<sup>5</sup> Fixed annual remuneration increased from \$390,000 to \$450,000 from date of appointment as acting Chief Financial Officer.

<sup>6</sup> Annual salary for role as Company Secretary and Group Accounting Manager. Appointed 6 November 2014.

<sup>7</sup> Date of resignation 2 July 2014.

<sup>8</sup> Date of resignation 20 March 2015. Paid in US dollars at an average exchange rate for the year ended 30 June 2015 of 0.8.

<sup>9</sup> Date of commencement 8 September 2014. Date employment ceased on 15 October 2014.

<sup>10</sup> Date of commencement 22 September 2014. Date employment ceased on 15 October 2014.

<sup>11</sup> Date of redundancy 22 October 2014.

<sup>12</sup> Temporary role as Executive Chairman. Role reverts to Non-Executive Chairman at the discretion of the Board.

<sup>13</sup> Amount shown includes a voluntary 10% reduction in fixed remuneration effective from 1 October 2013 to 30 June 2014.

<sup>14</sup> Notice Period by the Company in respect of benefits payable in the event of an early termination only.

Fixed annual remuneration, inclusive of the required superannuation contribution amount is reviewed annually by the Board following the end of the financial year.

In the event of the completion of a takeover (relevant interest exceeds 50%) certain executives will receive a lump sum gross payment equal to between six to 12 months of the Total Remuneration Package (Tim Benfield is entitled to 12 months and Ross Coyle, Joel Forwood and Ron James 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 are paid fixed fees for their services to the Company plus statutory superannuation contributions the Company is required by law to make on their behalf. Those fees are inclusive of any salary-sacrificed contribution to superannuation that a Non-Executive Director wishes 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 as follows. Note that from the period 1 October 2013, all Non-Executive Directors fees were voluntarily reduced by 10% and this reduction is still in place as at the date of this report.

|           | Financial<br>year ended<br>30 June 2015 <sup>1</sup><br>\$ | Financial<br>year ended<br>30 June 2014 <sup>1</sup><br>\$ |
|-----------|------------------------------------------------------------|------------------------------------------------------------|
| Chairman  | 41,819 <sup>2</sup>                                        | 148,000                                                    |
| Directors | 360,000                                                    | 277,500                                                    |
|           | <b>401,819</b>                                             | 425,500                                                    |

<sup>1</sup> On an annualised basis for all directors and excludes Director fees paid by subsidiary.

<sup>2</sup> Amount shown is for the period up to 16 October 2014, being the date the Chairman's role changed from Non-Executive to Executive.

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 of the Company.

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<br>30 June 2015                                     | Short-term benefits  |                      |                             |                                    | Long-term benefits          | Post-employment benefits |                                   | Share-based payment                                         | Total            |
|----------------------------------------------------------------|----------------------|----------------------|-----------------------------|------------------------------------|-----------------------------|--------------------------|-----------------------------------|-------------------------------------------------------------|------------------|
|                                                                | Cash salary and fees | Cash bonus           | Other benefits <sup>2</sup> | Non-monetary benefits <sup>1</sup> | Other benefits <sup>2</sup> | Super-annuation          | Termination benefits <sup>3</sup> | Amortised value of rights <sup>4</sup> (accounting expense) |                  |
| Name                                                           | \$                   | \$                   | \$                          | \$                                 | \$                          | \$                       | \$                                | \$                                                          | \$               |
| <b>Non-Executive Directors</b>                                 |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| <b>Ross Smyth-Kirk</b>                                         |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| Paid by Company <sup>5</sup>                                   | 41,819               | —                    | —                           | 917                                | —                           | 3,973                    | —                                 | —                                                           | 46,709           |
| Paid by subsidiary <sup>5,6</sup>                              | 70,945               | —                    | —                           | —                                  | —                           | —                        | —                                 | —                                                           | 70,945           |
| <b>Peter Alexander</b>                                         | 90,000               | —                    | —                           | —                                  | —                           | 8,550                    | —                                 | —                                                           | 98,550           |
| <b>Craig Carracher</b>                                         |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| Paid by Company                                                | 36,775               | —                    | —                           | —                                  | —                           | 12,500                   | —                                 | —                                                           | 49,275           |
| Paid by subsidiary <sup>6</sup>                                | 14,666               | —                    | —                           | —                                  | —                           | —                        | —                                 | —                                                           | 14,666           |
| <b>Peter McAleer<sup>7</sup></b>                               | 90,000               | —                    | —                           | —                                  | —                           | —                        | —                                 | —                                                           | 90,000           |
| <b>Sharon Skeggs<sup>8</sup></b>                               | 45,000               | —                    | —                           | —                                  | —                           | 4,275                    | —                                 | —                                                           | 49,275           |
| <b>Peter Warren<sup>9</sup></b>                                |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| Paid by Company                                                | 90,000               | —                    | —                           | —                                  | —                           | 8,550                    | —                                 | —                                                           | 98,550           |
| Paid by subsidiary <sup>6</sup>                                | 51,696               | —                    | —                           | —                                  | —                           | —                        | —                                 | —                                                           | 51,696           |
| <b>Sub-total Non-Executive Directors Compensation</b>          | <b>530,901</b>       | <b>—</b>             | <b>—</b>                    | <b>917</b>                         | <b>—</b>                    | <b>37,848</b>            | <b>—</b>                          | <b>—</b>                                                    | <b>569,666</b>   |
| <b>Executive Chairman</b>                                      |                      |                      |                             |                                    |                             |                          |                                   |                                                             | 529,705          |
| <b>Ross Smyth-Kirk</b>                                         |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| Paid by Company <sup>7</sup>                                   | 102,181              | —                    | —                           | 2,242                              | —                           | 9,707                    | —                                 | —                                                           | 114,130          |
| <b>Other KMPs</b>                                              |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| <b>Greg Foulis<sup>10</sup></b>                                | 15,000               | —                    | 3,804                       | —                                  | 55                          | 35,000                   | —                                 | —                                                           | 53,859           |
| <b>Tim Benfield<sup>11</sup></b>                               | 506,460              | 75,000 <sup>14</sup> | 4,057                       | —                                  | 4,282                       | 18,792                   | —                                 | 147,937                                                     | 756,528          |
| <b>Ross Coyle<sup>12</sup></b>                                 |                      |                      |                             |                                    |                             |                          |                                   |                                                             |                  |
| Paid by Company                                                | 395,168              | 58,500 <sup>14</sup> | (1,398)                     | —                                  | 6,336                       | 35,000                   | —                                 | 109,107                                                     | 602,713          |
| Paid by subsidiary <sup>6</sup>                                | 51,696               | —                    | —                           | —                                  | —                           | —                        | —                                 | —                                                           | 51,696           |
| <b>Ron James</b>                                               | 400,000              | 80,000 <sup>14</sup> | (16,730)                    | —                                  | 4,743                       | —                        | —                                 | 110,534                                                     | 578,547          |
| <b>Joel Forwood</b>                                            | 295,504              | 44,750 <sup>14</sup> | 3,947                       | —                                  | 4,060                       | 35,000                   | —                                 | 92,321                                                      | 475,582          |
| <b>Paul Mason<sup>13</sup></b>                                 | 115,858              | 15,000 <sup>14</sup> | 5,061                       | —                                  | 1,247                       | 20,215                   | —                                 | —                                                           | 157,381          |
| <b>Duane Woodbury</b>                                          | 3,513                | —                    | (3,635)                     | 1,325                              | (5,567)                     | 334                      | —                                 | —                                                           | (4,030)          |
| <b>Michael Monaghan</b>                                        | 417,757              | 59,147               | (7,561)                     | 10,588                             | —                           | —                        | 434,903                           | (33,035) <sup>15</sup>                                      | 881,799          |
| <b>Geoff Day</b>                                               | 68,305               | —                    | 5,278                       | —                                  | —                           | 4,759                    | 25,962                            | —                                                           | 104,304          |
| <b>Austen Perrin</b>                                           | 28,715               | —                    | 2,236                       | —                                  | —                           | 3,132                    | 17,692                            | —                                                           | 51,775           |
| <b>Brett Dunstone</b>                                          | 96,285               | 50,550               | 4,268                       | —                                  | (1,144)                     | 6,264                    | 194,714                           | (17,094) <sup>15</sup>                                      | 333,843          |
| <b>Sub-total Executive Chairman and other KMP Compensation</b> | <b>2,496,442</b>     | <b>382,947</b>       | <b>(673)</b>                | <b>14,155</b>                      | <b>14,012</b>               | <b>168,203</b>           | <b>673,271</b>                    | <b>409,770</b>                                              | <b>4,158,127</b> |
| <b>TOTAL</b>                                                   | <b>3,027,343</b>     | <b>382,947</b>       | <b>(673)</b>                | <b>15,072</b>                      | <b>14,012</b>               | <b>206,051</b>           | <b>673,271</b>                    | <b>409,770</b>                                              | <b>4,727,793</b> |

- 1 *Non-monetary benefits relate primarily to car parking.*
- 2 *Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period.*
- 3 *Benefits paid were in accordance with employment contract.*
- 4 *Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. 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 42 for the value of rights that have vested.*
- 5 *Total remuneration for the year for Ross Smyth-Kirk for Non-Executive and Executive roles was \$231,784, including cash salary and fees of \$214,945, non-monetary benefits of \$3,159 and superannuation of \$13,680.*
- 6 *Fees paid by subsidiary relate to director fees paid by Akara Resources PCL.*
- 7 *Consulting Fees of \$90,000 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.*
- 8 *Appointed Non-Executive Director 1 January 2015.*
- 9 *Received consulting fees of \$90,000 which are not included in the remuneration table (refer to Note 30).*
- 10 *Appointed Chief Executive Officer 1 June 2015.*
- 11 *Acting Chief Executive Officer from 16 October 2014 to 30 April 2015.*
- 12 *Appointed Chief Financial Officer from 6 November 2014, previously General Manager Finance & Administration and Company Secretary. Resigned as Company Secretary 6 November 2014.*
- 13 *Appointed Company Secretary 6 November 2014.*
- 14 *Cash bonuses paid to these executives by the Board during the 2014/2015 financial year include a discretionary component relating to individual performance in the first half of the 2014/2015 financial year as well as an STI component relating to performance in the 2013/2014 financial year.*
- 15 *Amortised value is net of write-back of expense incurred in prior periods relating to unvested rights that were forfeited during the year.*



| Year ended<br>30 June 2014<br>(Restated)                               | Short-term benefits     |                                |               |                                           | Long-term<br>benefits          | Post-employment<br>benefits |                                        | Share-based<br>payment                                                  | Total            |
|------------------------------------------------------------------------|-------------------------|--------------------------------|---------------|-------------------------------------------|--------------------------------|-----------------------------|----------------------------------------|-------------------------------------------------------------------------|------------------|
|                                                                        | Cash salary<br>and fees | Other<br>benefits <sup>2</sup> | Cash<br>bonus | Non-<br>monetary<br>benefits <sup>1</sup> | Other<br>benefits <sup>2</sup> | Super-<br>annuation         | Termination<br>benefits <sup>2,3</sup> | Amortised<br>value of<br>rights <sup>4</sup><br>(accounting<br>expense) |                  |
| Name                                                                   | \$                      | \$                             | \$            | \$                                        | \$                             | \$                          | \$                                     | \$                                                                      | \$               |
| <b>Non-Executive Directors</b>                                         |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| <b>Ross Smyth-Kirk</b>                                                 |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| Paid by Company                                                        | 148,000                 | —                              | —             | 1,335                                     | —                              | 13,690                      | —                                      | —                                                                       | 163,025          |
| Paid by subsidiary <sup>5</sup>                                        | 57,706                  | —                              | —             | —                                         | —                              | —                           | —                                      | —                                                                       | 57,706           |
| <b>Peter McAleer<sup>6</sup></b>                                       | 92,500                  | —                              | —             | —                                         | —                              | —                           | —                                      | —                                                                       | 92,500           |
| <b>Craig Carracher</b>                                                 |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| Paid by Company                                                        | 79,206                  | —                              | —             | —                                         | —                              | 21,850                      | —                                      | —                                                                       | 101,056          |
| Paid by subsidiary <sup>5</sup>                                        | 39,492                  | —                              | —             | —                                         | —                              | —                           | —                                      | —                                                                       | 39,492           |
| <b>Peter Alexander</b>                                                 | 92,500                  | —                              | —             | —                                         | —                              | 8,556                       | —                                      | —                                                                       | 101,056          |
| <b>Sub-total Non-Executive<br/>Directors Compensation</b>              | <b>509,404</b>          | <b>—</b>                       | <b>—</b>      | <b>1,335</b>                              | <b>—</b>                       | <b>44,096</b>               | <b>—</b>                               | <b>—</b>                                                                | <b>554,835</b>   |
| <b>Executive Director</b>                                              |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| <b>Gavin Thomas</b>                                                    |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| Paid by Company                                                        | 887,090 <sup>8</sup>    | 68,494                         | —             | 67,038                                    | 57,674                         | 35,000                      | 1,187,999                              | (164,159) <sup>7</sup>                                                  | 2,139,136        |
| Paid by subsidiary <sup>5</sup>                                        | 40,514                  | —                              | —             | —                                         | —                              | —                           | —                                      | —                                                                       | 40,514           |
| <b>Other KMPs</b>                                                      |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| <b>Tim Benfield</b>                                                    | 446,061                 | (7,296)                        | —             | —                                         | 2,802                          | 17,772                      | —                                      | 65,872                                                                  | 525,211          |
| <b>Duane Woodbury</b>                                                  | 438,833 <sup>8</sup>    | 23,482                         | —             | 6,419                                     | 3,193                          | 26,673                      | 325,000                                | 18,735                                                                  | 842,335          |
| <b>Ron James</b>                                                       | 370,000 <sup>8</sup>    | (8,699)                        | —             | 2,602                                     | 3,437                          | —                           | —                                      | 89,840                                                                  | 457,180          |
| <b>Ross Coyle</b>                                                      |                         |                                |               |                                           |                                |                             |                                        |                                                                         |                  |
| Paid by Company                                                        | 327,071 <sup>8</sup>    | 30,486                         | —             | —                                         | 3,307                          | 35,012                      | —                                      | 88,680                                                                  | 484,556          |
| Paid by subsidiary <sup>5</sup>                                        | 44,599                  | —                              | —             | —                                         | —                              | —                           | —                                      | —                                                                       | 44,599           |
| <b>Joel Forwood</b>                                                    | 281,583                 | 10,534                         | —             | —                                         | 2,971                          | 25,000                      | —                                      | 75,037                                                                  | 395,125          |
| <b>Brett Dunstone</b>                                                  | 267,536                 | (4,687)                        | —             | —                                         | 944                            | 17,772                      | —                                      | 17,094                                                                  | 298,659          |
| <b>Michael Monaghan</b>                                                | 531,525                 | 34,569                         | 90,967        | 11,635                                    | —                              | —                           | —                                      | 26,185                                                                  | 694,881          |
| <b>Sub-total Executive Director<br/>and other KMP<br/>Compensation</b> | <b>3,634,812</b>        | <b>146,883</b>                 | <b>90,967</b> | <b>87,694</b>                             | <b>74,328</b>                  | <b>157,229</b>              | <b>1,512,999</b>                       | <b>217,284</b>                                                          | <b>5,922,196</b> |
| <b>TOTAL</b>                                                           | <b>4,144,216</b>        | <b>146,883</b>                 | <b>90,967</b> | <b>89,029</b>                             | <b>74,328</b>                  | <b>201,325</b>              | <b>1,512,999</b>                       | <b>217,284</b>                                                          | <b>6,477,031</b> |

1 Non-monetary benefits relate to car parking, travel and life insurance.

2 Represents annual leave (short term) and long service leave (long term) entitlements, measured on an accrual basis, and reflects the movement in the entitlements over the 12 month period. Other benefits were omitted in error in the 2014 Remuneration Report. The above table has been restated to include these amounts. Termination benefits have also been restated to exclude annual and long service leave entitlements which are now included in "other benefits" or excluded as they related to prior year expense.

3 Benefits paid were in accordance with employment contract.

4 Amortised value of rights comprises the fair value of performance and deferred rights expensed during the year. This is an accounting expense and does not reflect the value to the executive of rights that vested in the financial year.

5 Fees paid by subsidiary relate to director fees paid by Akara Resources PCL.

6 Consulting Fees of \$92,500 were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and director.

7 Amortised value is net of write-back of expense incurred in prior periods relating to unvested rights that were forfeited during the year.

8 An error was identified during the year resulting in restatement of each of these amounts reducing them by \$1,000 each.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name                                  | Fixed remuneration<br>2015 | STI/cash bonus<br>2015 | At risk – LTI <sup>2</sup><br>2015 |
|---------------------------------------|----------------------------|------------------------|------------------------------------|
| <b>Executive Chairman</b>             |                            |                        |                                    |
| Ross Smyth-Kirk                       | 100%                       | —                      | —                                  |
| <b>Other Key Management Personnel</b> |                            |                        |                                    |
| Greg Foulis                           | 100%                       | —                      | —                                  |
| Tim Benfield                          | 70%                        | 10% <sup>1</sup>       | 20%                                |
| Ross Coyle                            | 74%                        | 9% <sup>1</sup>        | 17%                                |
| Ron James                             | 67%                        | 14% <sup>1</sup>       | 19%                                |
| Joel Forwood                          | 72%                        | 9% <sup>1</sup>        | 19%                                |
| Paul Mason                            | 90%                        | 10% <sup>1</sup>       | —                                  |
| Duane Woodbury                        | 100%                       | —                      | —                                  |
| Michael Monaghan <sup>3</sup>         | 94%                        | 13%                    | -7%                                |
| Geoff Day <sup>3</sup>                | 100%                       | —                      | —                                  |
| Austen Perrin <sup>3</sup>            | 100%                       | —                      | —                                  |
| Brett Dunstone <sup>3</sup>           | 76%                        | 36% <sup>4</sup>       | -12%                               |

<sup>1</sup> Cash bonuses paid to these executives by the Board during the 2014/2015 financial year include a discretionary component relating to individual performance in the first half of the 2014/2015 financial year as well as an STI component relating to performance in the 2013/2014 financial year.

<sup>2</sup> Since the long-term incentives are provided by way of deferred rights and performance rights, the percentages disclosed reflect the value consisting of deferred rights and performance rights, based on the value of deferred rights and performance rights expensed during the year. Where applicable, the expenses include negative amounts for expenses reversed during the year due to cessation of employment.

<sup>3</sup> Termination benefits are excluded in determining the relative proportion of remuneration.

<sup>4</sup> Proportion of remuneration relatively high as fixed remuneration reflects the cessation of employment on 22 October 2014 and the STI cash bonus based on individual performance in the previous year, though awarded and paid in the 2014/2015 financial year. Based on annualised remuneration at date of termination proportion would be 14%.

## Share rights held by Key Management Personnel

Details of each grant of share rights included in the Key Management Personnel remuneration tables are noted in the following tables. Note that no deferred or performance rights were granted in the 2014/2015 financial year.

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

| Name        | Share rights           |                |          |               |             |                  | Financial year that rights may vest |
|-------------|------------------------|----------------|----------|---------------|-------------|------------------|-------------------------------------|
|             | Financial year granted | Number granted | Vested % | Vested number | Forfeited % | Forfeited number |                                     |
| P Warren    |                        |                |          |               |             |                  |                                     |
| Performance | 2014                   | 95,000         | —        | —             | —           | —                | 2017                                |
| T Benfield  |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 14,205         | —        | —             | —           | —                | 2016                                |
| Deferred    | 2014                   | 49,407         | —        | —             | —           | —                | 2017                                |
| Performance | 2013                   | 28,409         | —        | —             | —           | —                | 2016                                |
| Performance | 2014                   | 98,814         | —        | —             | —           | —                | 2017                                |
| D Woodbury  |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 13,736         | 100      | 13,736        | —           | —                | 2015                                |
| Deferred    | 2013                   | 14,205         | —        | —             | 100         | 14,205           | 2016                                |
| Deferred    | 2014                   | 49,407         | —        | —             | 100         | 49,407           | 2017                                |
| Performance | 2013                   | 28,409         | —        | —             | 100         | 28,409           | 2016                                |
| Performance | 2014                   | 98,814         | —        | —             | 100         | 98,814           | 2017                                |
| R James     |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 10,989         | 100      | 10,989        | —           | —                | 2015                                |
| Deferred    | 2013                   | 11,364         | —        | —             | —           | —                | 2016                                |
| Deferred    | 2014                   | 39,526         | —        | —             | —           | —                | 2017                                |
| Performance | 2013                   | 22,727         | —        | —             | —           | —                | 2016                                |
| Performance | 2014                   | 79,051         | —        | —             | —           | —                | 2017                                |
| R Coyle     |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 10,714         | 100      | 10,714        | —           | —                | 2015                                |
| Deferred    | 2013                   | 11,080         | —        | —             | —           | —                | 2016                                |
| Deferred    | 2014                   | 38,538         | —        | —             | —           | —                | 2017                                |
| Performance | 2013                   | 22,159         | —        | —             | —           | —                | 2016                                |
| Performance | 2014                   | 77,075         | —        | —             | —           | —                | 2017                                |
| J Forwood   |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 9,066          | 100      | 9,066         | —           | —                | 2015                                |
| Deferred    | 2013                   | 9,375          | —        | —             | —           | —                | 2016                                |
| Deferred    | 2014                   | 32,609         | —        | —             | —           | —                | 2017                                |
| Performance | 2013                   | 18,750         | —        | —             | —           | —                | 2016                                |
| Performance | 2014                   | 65,217         | —        | —             | —           | —                | 2017                                |
| B Dunstone  |                        |                |          |               |             |                  |                                     |
| Deferred    | 2014                   | 30,336         | —        | —             | 100         | 30,336           | 2017                                |
| Performance | 2014                   | 60,672         | —        | —             | 100         | 60,672           | 2017                                |
| M Monaghan  |                        |                |          |               |             |                  |                                     |
| Deferred    | 2013                   | 7,500          | —        | —             | 100         | 7,500            | 2016                                |
| Deferred    | 2014                   | 42,850         | —        | —             | 100         | 42,850           | 2017                                |

## Value of share rights

| Name              | Share rights                        |                |                                                       |                                                   |                                              |                                          |                                        |
|-------------------|-------------------------------------|----------------|-------------------------------------------------------|---------------------------------------------------|----------------------------------------------|------------------------------------------|----------------------------------------|
|                   | Financial year that rights may vest | Number granted | Fair value per right at grant date <sup>2</sup><br>\$ | Total fair value at grant date <sup>2</sup><br>\$ | Maximum value yet to vest <sup>3</sup><br>\$ | Value at vesting date <sup>4</sup><br>\$ | Value at lapse date <sup>5</sup><br>\$ |
| <b>P Warren</b>   |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Performance       | 2017                                | 95,000         | 1.26                                                  | 119,700                                           | 83,790                                       | —                                        | —                                      |
| <b>T Benfield</b> |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2016                                | 14,205         | 5.17                                                  | 73,438                                            | —                                            | —                                        | —                                      |
| Deferred          | 2017                                | 49,407         | 1.47                                                  | 72,628                                            | 37,525                                       | —                                        | —                                      |
| Performance       | 2016                                | 28,409         | 3.21                                                  | 91,193                                            | —                                            | —                                        | —                                      |
| Performance       | 2017                                | 98,814         | 0.74                                                  | 72,628                                            | 37,525                                       | —                                        | —                                      |
| <b>D Woodbury</b> |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2015                                | 13,736         | 5.57                                                  | 76,511                                            | —                                            | 12,088                                   | —                                      |
| Deferred          | 2016                                | 14,205         | 5.17                                                  | 73,438                                            | —                                            | —                                        | 12,500                                 |
| Deferred          | 2017                                | 49,407         | 1.39                                                  | 68,676                                            | —                                            | —                                        | 43,478                                 |
| Performance       | 2016                                | 28,409         | 3.21                                                  | 91,193                                            | —                                            | —                                        | 25,000                                 |
| Performance       | 2017                                | 98,814         | 0.74                                                  | 73,122                                            | —                                            | —                                        | 86,956                                 |
| <b>R James</b>    |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2015                                | 10,989         | 5.57                                                  | 61,209                                            | —                                            | 9,670                                    | —                                      |
| Deferred          | 2016                                | 11,364         | 5.17                                                  | 58,750                                            | —                                            | —                                        | —                                      |
| Deferred          | 2017                                | 39,526         | 1.34                                                  | 52,965                                            | 27,365                                       | —                                        | —                                      |
| Performance       | 2016                                | 22,728         | 3.21                                                  | 72,955                                            | —                                            | —                                        | —                                      |
| Performance       | 2017                                | 79,051         | 0.74                                                  | 58,102                                            | 30,020                                       | —                                        | —                                      |
| <b>R Coyle</b>    |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2015                                | 10,714         | 5.57                                                  | 59,679                                            | —                                            | 9,428                                    | —                                      |
| Deferred          | 2016                                | 11,080         | 5.17                                                  | 57,281                                            | —                                            | —                                        | —                                      |
| Deferred          | 2017                                | 38,538         | 1.47                                                  | 56,651                                            | 29,270                                       | —                                        | —                                      |
| Performance       | 2016                                | 22,159         | 3.21                                                  | 71,131                                            | —                                            | —                                        | —                                      |
| Performance       | 2017                                | 77,075         | 0.74                                                  | 56,650                                            | 29,269                                       | —                                        | —                                      |
| <b>J Forwood</b>  |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2015                                | 9,066          | 5.57                                                  | 50,497                                            | —                                            | 7,978                                    | —                                      |
| Deferred          | 2016                                | 9,375          | 5.17                                                  | 48,469                                            | —                                            | —                                        | —                                      |
| Deferred          | 2017                                | 32,609         | 1.47                                                  | 47,935                                            | 24,767                                       | —                                        | —                                      |
| Performance       | 2016                                | 18,750         | 3.21                                                  | 60,188                                            | —                                            | —                                        | —                                      |
| Performance       | 2017                                | 65,217         | 0.74                                                  | 47,934                                            | 24,766                                       | —                                        | —                                      |
| <b>B Dunstone</b> |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2017                                | 30,336         | 1.47                                                  | 44,594                                            | —                                            | —                                        | 22,145                                 |
| Performance       | 2017                                | 60,672         | 0.74                                                  | 44,594                                            | —                                            | —                                        | 44,291                                 |
| <b>M Monaghan</b> |                                     |                |                                                       |                                                   |                                              |                                          |                                        |
| Deferred          | 2016                                | 7,500          | 5.17                                                  | 38,775                                            | —                                            | —                                        | 4,875                                  |
| Deferred          | 2017                                | 42,850         | 1.47                                                  | 62,990                                            | —                                            | —                                        | 27,853                                 |

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 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.

3 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.

4 The value at vesting date (1 July 2014) 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.

5 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.



## Movement in LTI Rights for the year ended 30 June 2015

### 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:

| 2015                                  | 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 |
|---------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------------|---------------------|------------------------------------|
| <b>Non-Executive Directors</b>        |                          |                         |                           |                               |                     |                                    |
| Peter Warren                          | 95,000                   | —                       | —                         | —                             | 95,000              | —                                  |
| <b>Other Key Management Personnel</b> |                          |                         |                           |                               |                     |                                    |
| Tim Benfield                          | 127,223                  | —                       | —                         | —                             | 127,223             | —                                  |
| Ross Coyle                            | 99,234                   | —                       | —                         | —                             | 99,234              | —                                  |
| Ron James                             | 101,779                  | —                       | —                         | —                             | 101,779             | —                                  |
| Joel Forwood                          | 83,967                   | —                       | —                         | —                             | 83,967              | —                                  |
| Duane Woodbury                        | 127,223                  | —                       | —                         | (127,223)                     | —                   | —                                  |
| Brett Dunstone                        | 60,672                   | —                       | —                         | (60,672)                      | —                   | —                                  |

### 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:

| 2015                                  | 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 |
|---------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------------|---------------------|------------------------------------|
| <b>Other Key Management Personnel</b> |                          |                         |                           |                               |                     |                                    |
| Tim Benfield                          | 63,612                   | —                       | —                         | —                             | 63,612              | —                                  |
| Ross Coyle                            | 70,704                   | —                       | (21,086)                  | —                             | 49,618              | —                                  |
| Ron James                             | 72,517                   | —                       | (21,627)                  | —                             | 50,890              | —                                  |
| Joel Forwood                          | 51,050                   | —                       | (9,066)                   | —                             | 41,984              | —                                  |
| Duane Woodbury                        | 90,646                   | —                       | —                         | (90,646)                      | —                   | —                                  |
| Michael Monaghan                      | 50,350                   | —                       | —                         | (50,350)                      | —                   | —                                  |
| Brett Dunstone                        | 30,336                   | —                       | —                         | (30,336)                      | —                   | —                                  |

### 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:

| 2015                                  | Balance at start of year | Received during year on conversion of deferred rights | Other changes during the year | Balance at year end <sup>1</sup> |
|---------------------------------------|--------------------------|-------------------------------------------------------|-------------------------------|----------------------------------|
| <b>Executive Chairman</b>             |                          |                                                       |                               |                                  |
| Ross Smyth-Kirk                       | 5,076,725                | —                                                     | —                             | 5,076,725                        |
| <b>Non-Executive Directors</b>        |                          |                                                       |                               |                                  |
| Peter Alexander                       | 46,487                   | —                                                     | —                             | 46,487                           |
| Craig Carracher                       | 110,000                  | —                                                     | —                             | 110,000                          |
| Peter McAleer                         | 100,000                  | —                                                     | —                             | 100,000                          |
| Sharon Skeggs                         | 19,347                   | —                                                     | —                             | 19,347                           |
| Peter Warren                          | 145,000                  | —                                                     | —                             | 145,000                          |
| <b>Other Key Management Personnel</b> |                          |                                                       |                               |                                  |
| Ross Coyle                            | 17,574                   | 19,150                                                | —                             | 36,724                           |
| Ron James                             | 19,800                   | 19,691                                                | —                             | 39,491                           |
| Joel Forwood                          | —                        | 7,930                                                 | —                             | 7,930                            |
| Paul Mason                            | 15,000                   | —                                                     | —                             | 15,000                           |

<sup>1</sup> The closing balance represents the balance at year end or at the date of departure from the Group.

### Loan to Director

There were no loans made to Directors or other Key Management Personnel at any time during the year.

### 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 31: 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 31: 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 Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 46.

## Rounding of amounts

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

## Auditors

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

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



**Ross Smyth-Kirk**  
Director

Sydney  
17 September 2015

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Kingsgate Consolidated Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in blue ink, appearing to read 'B Entwistle'.

**Brett Entwistle**

Partner

PricewaterhouseCoopers

Sydney

17 September 2015

---

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# Financial Statements

for the year ended 30 June 2015

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

|                                                                        | Note  | 2015<br>\$'000   | 2014<br>*Restated<br>\$'000 |
|------------------------------------------------------------------------|-------|------------------|-----------------------------|
| Sales revenue                                                          | 5 (a) | 313,162          | 328,326                     |
| Cost of sales                                                          | 5 (b) | (278,357)        | (303,213)                   |
| <b>Gross profit</b>                                                    |       | <b>34,805</b>    | <b>25,113</b>               |
| Exploration expenses                                                   |       | (1,313)          | (210)                       |
| Corporate and administration expenses                                  | 5c    | (18,144)         | (23,966)                    |
| Other income and expenses                                              | 5d    | (1,877)          | 2,102                       |
| Foreign exchange gain                                                  |       | 2,699            | 2,595                       |
| Share of loss in associate                                             | 15a   | (112)            | (413)                       |
| Impairment losses – Chatree Gold Mine                                  | 5e    | (115,650)        | –                           |
| Impairment losses – Bowdens Silver Project                             | 5e    | (22,643)         | (84,586)                    |
| Impairment losses – exploration assets                                 | 5e    | (9,888)          | (2,112)                     |
| <b>Loss before finance costs and income tax</b>                        |       | <b>(132,123)</b> | <b>(81,477)</b>             |
| Finance income                                                         |       | 859              | 610                         |
| Finance costs                                                          | 5f    | (15,178)         | (13,860)                    |
| <b>Net finance costs</b>                                               |       | <b>(14,319)</b>  | <b>(13,250)</b>             |
| Loss before income tax                                                 |       | (146,442)        | (94,727)                    |
| Income tax expense                                                     | 6     | (651)            | (2,886)                     |
| <b>Loss after income tax</b>                                           |       | <b>(147,093)</b> | <b>(97,613)</b>             |
| <b>Other comprehensive income</b>                                      |       |                  |                             |
| <i>Items that will never be reclassified to profit and loss</i>        |       |                  |                             |
| Change in fair value of employee provisions (net of tax)               | 20    | 838              | –                           |
| <i>Items that may be reclassified to profit and loss</i>               |       |                  |                             |
| Exchange differences on translation of foreign operations (net of tax) | 20    | 60,868           | (26,314)                    |
| <b>Total other comprehensive income/(loss) for the year</b>            |       | <b>61,706</b>    | <b>(26,314)</b>             |
| <b>Total comprehensive loss for the year</b>                           |       | <b>(85,387)</b>  | <b>(123,927)</b>            |
| <b>Loss attributable to:</b>                                           |       |                  |                             |
| Owners of Kingsgate Consolidated Limited                               |       | (147,093)        | (97,613)                    |
| <b>Total comprehensive loss attributable to:</b>                       |       |                  |                             |
| Owners of Kingsgate Consolidated Limited                               |       | (85,387)         | (123,927)                   |
| <b>Loss per share</b>                                                  |       | <b>Cents</b>     | <b>Cents</b>                |
| Basic loss per share                                                   | 32    | (65.8)           | (56.7)                      |
| Diluted loss per share                                                 | 32    | (65.8)           | (56.7)                      |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

\* Restated comparative information has been restated as a result of the correction of error in respect of prepaid mining services balance (refer to Note 35 for details).



# Consolidated Statement of Financial Position

as at 30 June 2015

|                                         | Note | 2015<br>\$'000 | 2014<br>*Restated<br>\$'000 |
|-----------------------------------------|------|----------------|-----------------------------|
| <b>Assets</b>                           |      |                |                             |
| <b>Current assets</b>                   |      |                |                             |
| Cash and cash equivalents               | 7    | 55,472         | 53,632                      |
| Receivables                             | 8    | 19,139         | 13,360                      |
| Inventories                             | 9    | 47,147         | 47,917                      |
| Other assets                            | 10   | 9,619          | 20,893                      |
| <b>Total current assets</b>             |      | <b>131,377</b> | <b>135,802</b>              |
| <b>Non-current assets</b>               |      |                |                             |
| Restricted cash                         | 7    | 6,601          | 5,489                       |
| Inventories                             | 9    | 55,711         | 49,805                      |
| Available-for-sale financial assets     | 11   | 1,350          | 270                         |
| Investment in associate                 | 15   | –              | 1,072                       |
| Property, plant and equipment           | 12   | 188,494        | 170,658                     |
| Exploration, evaluation and development | 13   | 143,035        | 255,257                     |
| Other assets                            | 10   | 18,442         | 13,537                      |
| Deferred tax assets                     | 6    | –              | 9,205                       |
| <b>Total non-current assets</b>         |      | <b>413,633</b> | <b>505,293</b>              |
| <b>TOTAL ASSETS</b>                     |      | <b>545,010</b> | <b>641,095</b>              |
| <b>Liabilities</b>                      |      |                |                             |
| <b>Current liabilities</b>              |      |                |                             |
| Payables                                | 16   | 26,281         | 25,478                      |
| Borrowings                              | 17   | 67,552         | 42,978                      |
| Derivatives held for trading            |      | –              | 623                         |
| Current tax liabilities                 |      | –              | 1,148                       |
| Provisions                              | 18   | 3,625          | 3,115                       |
| <b>Total current liabilities</b>        |      | <b>97,458</b>  | <b>73,342</b>               |
| <b>Non-current liabilities</b>          |      |                |                             |
| Payables                                | 16   | 7,171          | 4,800                       |
| Borrowings                              | 17   | 75,071         | 110,654                     |
| Deferred tax liabilities                | 6    | 388            | 8,628                       |
| Provisions                              | 18   | 39,226         | 32,998                      |
| <b>Total non-current liabilities</b>    |      | <b>121,856</b> | <b>157,080</b>              |
| <b>TOTAL LIABILITIES</b>                |      | <b>219,314</b> | <b>230,422</b>              |
| <b>NET ASSETS</b>                       |      | <b>325,696</b> | <b>410,673</b>              |
| <b>Equity</b>                           |      |                |                             |
| Contributed equity                      | 19   | 677,109        | 677,109                     |
| Reserves                                | 20a  | 53,793         | (8,323)                     |
| Accumulated losses                      | 20b  | (405,206)      | (258,113)                   |
| <b>TOTAL EQUITY</b>                     |      | <b>325,696</b> | <b>410,673</b>              |

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

\* Restated comparative information has been restated as a result of the correction of error in respect of prepaid mining services balance (refer to Note 35 for details).

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

|                                                                                                                              | Note | Contributed equity<br>\$'000 | Reserves<br>\$'000 | Accumulated losses<br>\$'000 | Total equity<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------|------|------------------------------|--------------------|------------------------------|------------------------|
| <b>Balance at 1 July 2013 (Restated)</b>                                                                                     |      | <b>605,504</b>               | <b>18,095</b>      | <b>(160,500)</b>             | <b>463,099</b>         |
| Loss after income tax                                                                                                        | 20b  | —                            | —                  | (97,613)                     | (97,613)               |
| Total other comprehensive loss for the year                                                                                  |      | —                            | (26,314)           | —                            | (26,314)               |
| <b>Total comprehensive loss for the year</b>                                                                                 |      | <b>—</b>                     | <b>(26,314)</b>    | <b>(97,613)</b>              | <b>(123,927)</b>       |
| <b>Transaction with owners in their capacity as owners:</b>                                                                  |      |                              |                    |                              |                        |
| Contributions of equity, net of transaction costs                                                                            |      | 597                          | —                  | —                            | 597                    |
| Issue of ordinary shares to repay funds drawn down under the convertible revolving credit facility, net of transaction costs |      | 14,548                       | —                  | —                            | 14,548                 |
| Share placement and rights issue, net of transaction costs                                                                   |      | 56,460                       | —                  | —                            | 56,460                 |
| Movement in share-based payment reserve                                                                                      | 20a  | —                            | (104)              | —                            | (104)                  |
| <b>Total transactions with owners</b>                                                                                        |      | <b>71,605</b>                | <b>(104)</b>       | <b>—</b>                     | <b>71,501</b>          |
| <b>Balance at 30 June 2014 (*Restated)</b>                                                                                   |      | <b>677,109</b>               | <b>(8,323)</b>     | <b>(258,113)</b>             | <b>410,673</b>         |
|                                                                                                                              |      |                              |                    |                              |                        |
| <b>Balance at 1 July 2014 (*Restated)</b>                                                                                    |      | <b>677,109</b>               | <b>(8,323)</b>     | <b>(258,113)</b>             | <b>410,673</b>         |
| Loss after income tax                                                                                                        | 20b  | —                            | —                  | (147,093)                    | (147,093)              |
| Total other comprehensive loss for the year                                                                                  |      | —                            | 61,706             | —                            | 61,706                 |
| <b>Total comprehensive loss for the year</b>                                                                                 |      | <b>—</b>                     | <b>61,706</b>      | <b>(147,093)</b>             | <b>(85,387)</b>        |
| <b>Transaction with owners in their capacity as owners:</b>                                                                  |      |                              |                    |                              |                        |
| Movement in share-based payment reserve                                                                                      | 20a  | —                            | 410                | —                            | 410                    |
| <b>Total transactions with owners</b>                                                                                        |      | <b>—</b>                     | <b>410</b>         | <b>—</b>                     | <b>410</b>             |
| <b>Balance at 30 June 2015</b>                                                                                               |      | <b>677,109</b>               | <b>53,793</b>      | <b>(405,206)</b>             | <b>325,696</b>         |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying note.

\* Restated comparative information has been restated as a result of the correction of error in respect of prepaid mining services balance (refer to Note 35 for details).

# Consolidated Statement of Cash Flows

for the year ended 30 June 2015

|                                                                           | Note | 2015<br>\$'000  | 2014<br>*Restated<br>\$'000 |
|---------------------------------------------------------------------------|------|-----------------|-----------------------------|
| <b>Cash flows from operating activities</b>                               |      |                 |                             |
| Receipts from customers (net of goods and services tax)                   |      | 313,918         | 326,801                     |
| Payments to suppliers and employees (inclusive of goods and services tax) |      | (226,980)       | (279,861)                   |
| Interest received                                                         |      | 859             | 610                         |
| Finance costs paid                                                        |      | (9,480)         | (7,815)                     |
| Income tax paid                                                           |      | (1,671)         | (1,127)                     |
| <b>Net cash inflow from operating activities</b>                          | 26   | <b>76,646</b>   | <b>38,608</b>               |
| <b>Cash flows from investing activities</b>                               |      |                 |                             |
| Payments for property, plant and equipment                                |      | (1,828)         | (11,465)                    |
| Payments for exploration, evaluation and development                      |      | (38,048)        | (31,755)                    |
| Interest capitalised to expansion and development projects                |      | –               | (2,185)                     |
| Decrease/(increase) in deposits and debt service reserve account          |      | (455)           | 504                         |
| <b>Net cash outflow from investing activities</b>                         |      | <b>(40,331)</b> | <b>(44,901)</b>             |
| <b>Cash flows from financing activities</b>                               |      |                 |                             |
| Proceeds from corporate borrowings, net of transaction costs              |      | 2,443           | 26,085                      |
| Repayment of corporate borrowings                                         |      | (11,379)        | (32,000)                    |
| Repayment of subsidiary (Akara Resources PCL) borrowings                  |      | (28,741)        | (19,671)                    |
| Proceeds from the issue of shares (net of transaction costs)              |      | –               | 56,460                      |
| <b>Net cash (outflow)/inflow from financing activities</b>                |      | <b>(37,677)</b> | <b>30,874</b>               |
| <b>Net (decrease)/increase in cash held</b>                               |      | <b>(1,362)</b>  | <b>24,581</b>               |
| Cash at the beginning of the year                                         |      | 53,632          | 30,494                      |
| Effects of exchange rate on cash and cash equivalents                     |      | 3,202           | (1,443)                     |
| <b>Cash at the end of the year</b>                                        | 7    | <b>55,472</b>   | <b>53,632</b>               |

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

\* Restated comparative information has been restated as a result of the correction of error in respect of prepaid mining services balance (refer to Note 35 for details)



# Notes to the Financial Statements

for the year ended 30 June 2015

The Financial Report of Kingsgate Consolidated Limited (Kingsgate or the “Company”) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of Directors on 17 September 2015.

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 2015 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.

The head entity recognises the assumed current tax amounts as current tax liabilities or assets

## d. Income tax continued

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. Divestment transaction costs

Transaction costs directly relating to the partial divestment of an interest in a subsidiary are expensed as incurred in the years prior to the disposal where control is retained.

## g. 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 of disposal 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.

## h. 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.

## i. 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 income statement 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 income statement.

## j. 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.

## k. 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 income statement.

#### 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 income statement. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

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 income statement.

### I. 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 income statement immediately.

### m. 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 income statement 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 2g).



## m. Property, plant and equipment continued

### 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.

### n. Deferred stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory in the period or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to the ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a "production stripping asset", if the following criteria are all met:

- ▶ Future economic benefits (being improved access to the ore body) associated with the stripping activity are probable;
- ▶ The component of the ore body for which access has been improved can be accurately identified; and
- ▶ The costs associated with the stripping activity associated with that component can be reliably measured.

The amount of stripping costs deferred is based on the ratio obtained by dividing the volume of waste mined by the volume of ore mined for each component of the mine. Stripping costs incurred in the period are deferred to the extent that the actual current period waste to ore ratio exceeds the life of component expected waste to ore ("life of component") ratio.

A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is typically a subset of the total ore body of the mine. It is considered that each mine may have several components, which are identified based on the mine plan. The mine plans and therefore the identification of specific components will vary between mines as a result of both the geological characteristics and location of

the ore body. The financial considerations of the mining operations may also impact the identification and designation of a component.

The identification of components is necessary for both the measurement of costs at the initial recognition of the production stripping asset, and the subsequent depreciation of the production stripping asset.

The life of component ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to the life of component ratio are accounted for prospectively from the date of change.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The production stripping asset is amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a units of production basis. Economically recoverable reserves are used to determine the expected useful life of the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is included in "Exploration, Evaluation and Development". These costs form part of the total investment in the relevant cash generating unit to which they relate, which is reviewed for impairment in accordance with the Group's impairment accounting policy (Note 2g).

### o. 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.

### p. 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 2g).

#### 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.

### q. Mine properties

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



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

Amortisation of costs is provided on the units-of-production method with separate calculations being made for each component. 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 recoverable reserves are included in the amortisation calculation. Where the life of the assets is shorter than the mine life, their costs are amortised based on the useful life of the assets.

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

## r. Investment in associates

Investments in associates are 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.

## s. 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.

## t. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the 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.

## u. 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.

## v. Provisions

Provisions for legal claims 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.

## w. 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

## w. Restoration and rehabilitation provision continued

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 income statement 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 income statement.

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

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

### (iii) Cash bonuses

Cash bonuses are expensed in the income statement 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

#### Defined Contribution plan

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

#### Defined benefit plan

The Company's Thai subsidiary, Akara Resources Public Company Limited, have a defined benefit plan which is the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

#### Retirement benefit

Under Labour laws applicable in Thailand and Group's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### Other long-term benefits – Gold

The Company's Thai subsidiary, Akara Resources Public Company Limited, has a policy to give gold to employees who have worked for the Company for 10 years, 15 years and 20 years, in the amounts of Baht 0.5, Baht 1 and Baht 1.5 respectively.

The liability recognised in the statement of financial position in respect of other long-term benefit plan is the present value of the other long-term benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The other long-term benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the other long-term benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

### (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 pricing model that takes into account the exercise price, the term, 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.

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

## y. Dividends

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

## z. 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.

## aa. 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.

## bb. 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.

## cc. 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.

## dd. New accounting standards and interpretations

### (i) New and amended standards adopted by the Group

The Group has adopted the following new and revised accounting standards, amendments and interpretations as of 1 July 2014:

- › AASB 132 – Financial Instruments Presentation – Offsetting Financial Assets and Liabilities
- › AASB 136 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- › Interpretation 21 – Levies

The adoption of these new and revised standards did not have a material impact on the Group's financial statements.

### (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 2015 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:

- › **AASB9 Financial Instruments and AASB 2010-7 and AASB 2012-6 Amendments to AAS's arising from AASB 9**

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting treatment of financial liabilities.

The revised IFRS 9 will eventually replace AASB 139 and all previous versions of IFRS 9. The revised standard includes changes to the:

- › classification and measurement of financial assets and financial liabilities;
- › expected credit loss impairment model; and
- › hedge accounting.

Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements.

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 application date for the Group is 1 July 2018.

### › **IFRS 15 Revenue from Contracts with Customers (effective from 1 July 2017)**

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

- a) IAS 11 Construction Contracts
- b) IAS 18 Revenue

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.



The Group does not expect the adoption of this standard to have a significant impact as gold and silver sales are only made with reputable institutions using a market price and on relatively short trading terms.

### ee. Parent entity financial information

The financial information for the parent entity Kingsgate Consolidated Limited, disclosed in Note 33 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 2012, 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 deferred stripping costs if the life of component 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 2p). 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.

#### Production stripping

The Group defers mining costs incurred during the production stage of its operations which are calculated in accordance with accounting policy Note 2n. Changes in an individual mine's design will generally result in changes to the life of component waste to ore (life of component) ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component ratio even if they do not affect the mine's design. Changes to deferred stripping resulting from a change in life of component ratios are accounted for prospectively.

### (iii) Impairment of assets

The Group assesses each cash-generating unit half-yearly, to determine whether there is an 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 of disposal and value in use calculated in accordance with accounting policy Note 2g.

In the current period fair value less costs of disposal has been used. These assumptions require the use of estimates and assumptions such as discount rates (2015: post tax real rates of 9.3% to 9.9%), exchange rates (2015: balance date spot rate), commodity prices (2015: gold US\$1,170/oz—US\$1,200/oz and silver US\$16/oz—US\$22.5/oz), 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 14.

### (iv) 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 18). 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.

### (v) 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.

#### Revision of estimated recoverable reserves and resource

Estimated recoverable reserves and resource are used as a basis for depreciating assets on a unit of production basis. During the year the estimated recoverable reserves and resource at Chatree were revised. The net effect of this change in the current financial year was an increase in depreciation expense of \$1,632,000. Assuming no subsequent change to estimated recoverable reserves and resource it is estimated that future depreciation expense would increase by between \$4,000,000 and \$6,250,000 per annum until the end of the mine life.

**(vi) 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.

**(vii) 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 Resources Public Company 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).

**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 Gold/Silver Project, Chile; and
- › Exploration, South East Asia.

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

|                                                         | Operations        |                      | Development       |                              | Exploration     | Corporate             | Total Group      |
|---------------------------------------------------------|-------------------|----------------------|-------------------|------------------------------|-----------------|-----------------------|------------------|
|                                                         | Chatree<br>\$'000 | Challenger<br>\$'000 | Bowdens<br>\$'000 | Nueva<br>Esperanza<br>\$'000 | \$'000          | \$'000                | \$'000           |
| <b>2015</b>                                             |                   |                      |                   |                              |                 |                       |                  |
| External sales revenue                                  | 194,809           | 118,353              | –                 | –                            | –               | –                     | 313,162          |
| Other income                                            | 648               | 9                    | –                 | –                            | –               | 157                   | 814              |
| <b>Total segment revenue</b>                            | <b>195,457</b>    | <b>118,362</b>       | <b>–</b>          | <b>–</b>                     | <b>–</b>        | <b>157</b>            | <b>313,976</b>   |
| Segment EBITDA                                          | 70,581            | 14,346               | –                 | –                            | (1,313)         | (13,606) <sup>1</sup> | 70,008           |
| Impairment                                              | (115,650)         | –                    | (22,643)          | –                            | (9,888)         | –                     | (148,181)        |
| Depreciation and amortisation                           | (49,354)          | (4,378)              | –                 | –                            | –               | (218)                 | (53,950)         |
| <b>Profit/(loss) before finance cost and income tax</b> | <b>(94,423)</b>   | <b>9,968</b>         | <b>(22,643)</b>   | <b>–</b>                     | <b>(11,201)</b> | <b>(13,824)</b>       | <b>(132,123)</b> |
| Finance income                                          |                   |                      |                   |                              |                 |                       | 859              |
| Finance costs                                           |                   |                      |                   |                              |                 |                       | (15,178)         |
| <b>Net finance costs</b>                                |                   |                      |                   |                              |                 |                       | <b>(14,319)</b>  |
| <b>Loss before tax</b>                                  |                   |                      |                   |                              |                 |                       | <b>(146,442)</b> |
| <b>Other segment information</b>                        |                   |                      |                   |                              |                 |                       |                  |
| Segment assets                                          | 386,243           | 20,771               | 8,650             | 96,234                       | 2,956           | 30,156                | 545,010          |
| Segment liabilities                                     | (163,666)         | (19,576)             | (114)             | (6,419)                      | (770)           | (28,769)              | (219,314)        |

<sup>1</sup> Includes foreign exchange gain of \$2,699,000 for the Group.



#### 4. Segment information *continued*

|                                                         | Operations        |                      | Development       |                              | Exploration    | Corporate             | Total Group     |
|---------------------------------------------------------|-------------------|----------------------|-------------------|------------------------------|----------------|-----------------------|-----------------|
|                                                         | Chatree<br>\$'000 | Challenger<br>\$'000 | Bowdens<br>\$'000 | Nueva<br>Esperanza<br>\$'000 | \$'000         | \$'000                | \$'000          |
| <b>2014 Restated</b>                                    |                   |                      |                   |                              |                |                       |                 |
| External sales revenue                                  | 221,968           | 106,358              | —                 | —                            | —              | —                     | 328,326         |
| Other income                                            | 483               | 1,292                | —                 | —                            | —              | 980                   | 2,755           |
| <b>Total segment revenue</b>                            | <b>222,451</b>    | <b>107,650</b>       | <b>—</b>          | <b>—</b>                     | <b>—</b>       | <b>980</b>            | <b>331,081</b>  |
| Segment EBITDA                                          | 85,489            | (1,644)              | —                 | —                            | (210)          | (19,428) <sup>1</sup> | 64,207          |
| Impairment                                              | —                 | —                    | (84,586)          | —                            | (2,112)        | —                     | (86,698)        |
| Depreciation and amortisation                           | (43,048)          | (15,799)             | —                 | —                            | —              | (139)                 | (58,986)        |
| <b>Profit/(loss) before finance cost and income tax</b> | <b>42,441</b>     | <b>(17,443)</b>      | <b>(84,586)</b>   | <b>—</b>                     | <b>(2,322)</b> | <b>(19,567)</b>       | <b>(81,477)</b> |
| Finance income                                          |                   |                      |                   |                              |                |                       | 610             |
| Finance costs                                           |                   |                      |                   |                              |                |                       | (13,860)        |
| <b>Net finance costs</b>                                |                   |                      |                   |                              |                |                       | <b>(13,250)</b> |
| <b>Loss before tax</b>                                  |                   |                      |                   |                              |                |                       | <b>(94,727)</b> |
| <b>Other segment information</b>                        |                   |                      |                   |                              |                |                       |                 |
| Segment assets                                          | 477,491           | 29,162               | 30,483            | 69,229                       | 3,305          | 31,425                | 641,095         |
| Segment liabilities                                     | (160,930)         | (23,444)             | (350)             | (4,462)                      | (1,240)        | (39,996)              | (230,422)       |

<sup>1</sup> Includes foreign exchange gain of \$2,595,000 for the Group.

|            | Revenue        |                | % of External Revenue |           |
|------------|----------------|----------------|-----------------------|-----------|
|            | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>%             | 2014<br>% |
| Customer A | 194,809        | 221,968        | 62                    | 68        |
| Customer B | 118,353        | 106,358        | 38                    | 32        |

#### 5. Revenue and expenses

|                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>a) Sales revenue</b>    |                |                |
| Gold sales                 | 296,304        | 305,163        |
| Silver sales               | 16,858         | 23,163         |
| <b>Total sales revenue</b> | <b>313,162</b> | <b>328,326</b> |

|                                                                      | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------|----------------|----------------|
| <b>b) Cost of sales</b>                                              |                |                |
| Direct costs of mining and processing                                | 194,906        | 215,447        |
| Royalties                                                            | 19,445         | 22,773         |
| Inventory movements                                                  | 10,274         | 6,146          |
| Depreciation (operations)                                            | 53,732         | 58,847         |
| <b>Total cost of sales</b>                                           | <b>278,357</b> | <b>303,213</b> |
| <b>c) Corporate and administration expenses</b>                      |                |                |
| Administration                                                       | 13,825         | 15,304         |
| Divestment transaction costs                                         | 191            | 4,246          |
| Technical support and business development                           | 1,261          | 1,426          |
| Statutory and professional fees                                      | 2,649          | 2,851          |
| Depreciation                                                         | 218            | 139            |
| <b>Total corporate and administration expenses</b>                   | <b>18,144</b>  | <b>23,966</b>  |
| <b>d) Other income and expenses</b>                                  |                |                |
| Realised (loss)/gain on delivery against hedge contracts             | (2,691)        | 1,175          |
| Change in fair value of undesignated gold contracts held for trading | –              | (369)          |
| Change in fair value of available-for-sale assets                    | 120            | (284)          |
| Other revenue                                                        | 694            | 1,580          |
| <b>Total other income and expenses</b>                               | <b>(1,877)</b> | <b>2,102</b>   |
| <b>e) Impairment</b>                                                 |                |                |
| Chatree Gold Mine                                                    | 115,650        | –              |
| Bowdens Silver Project                                               | 22,643         | 84,586         |
| Exploration assets                                                   | 9,888          | 2,112          |
| <b>Total impairment</b>                                              | <b>148,181</b> | <b>86,698</b>  |
| <b>f) Finance costs</b>                                              |                |                |
| Interest and finance charges                                         | 9,830          | 10,745         |
| Foreign exchange loss on loans                                       | 2,419          | 3,107          |
| Unwinding of discount                                                | 1,104          | 1,137          |
| Amortisation of deferred borrowing costs                             | 1,825          | 1,056          |
| Less: borrowing costs capitalised                                    | –              | (2,185)        |
| <b>Total finance costs</b>                                           | <b>15,178</b>  | <b>13,860</b>  |

## 5. Revenue and expenses continued

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| <b>g) Depreciation and amortisation</b>             |                |                |
| Property, plant and equipment                       | 15,652         | 18,337         |
| Mine properties                                     | 38,878         | 40,961         |
| Less: Depreciation capitalised                      | (580)          | (312)          |
| <b>Total depreciation and amortisation expenses</b> | <b>53,950</b>  | <b>58,986</b>  |
| Included in:                                        |                |                |
| Costs of sales depreciation                         | 53,732         | 58,847         |
| Corporate depreciation                              | 218            | 139            |
| <b>h) Employee benefits expenses</b>                |                |                |
| Included in:                                        |                |                |
| Cost of sales                                       | 20,386         | 22,949         |
| Corporate and administration expenses               | 8,503          | 11,694         |
| <b>Total employee benefits expenses</b>             | <b>28,889</b>  | <b>34,643</b>  |
| <b>i) Other items</b>                               |                |                |
| Operating lease rentals                             | 583            | 625            |
| <b>Total other items</b>                            | <b>583</b>     | <b>625</b>     |
| <b>j) Significant items</b>                         |                |                |
| Impairment of Chatree Gold Mine                     | 115,650        | –              |
| Impairment of Bowdens Silver Project                | 22,643         | 84,586         |
| Impairment of capitalised exploration               | 9,888          | 2,112          |
| <b>Total significant items (pre-tax)</b>            | <b>148,181</b> | <b>86,698</b>  |

## 6. Income tax

|                                                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------|----------------|----------------|
| <b>a) Income tax expense</b>                                      |                |                |
| Current tax                                                       | (704)          | 2,858          |
| Deferred tax                                                      | 1,355          | 28             |
| <b>Income tax expense</b>                                         | <b>651</b>     | <b>2,886</b>   |
| Deferred tax expense/(benefit) included in tax expense comprises: |                |                |
| Increase in deferred tax assets                                   | (11,196)       | (3,320)        |
| Increase in deferred tax liabilities                              | 12,551         | 3,348          |
| <b>Deferred tax</b>                                               | <b>1,355</b>   | <b>28</b>      |

|                                                                                      | 2015<br>\$'000 | 2014<br>*Restated<br>\$'000 |
|--------------------------------------------------------------------------------------|----------------|-----------------------------|
| <b>b) Numerical reconciliation of income tax expense to prima facie tax payable</b>  |                |                             |
| Loss from continuing operations before income tax                                    | (146,442)      | (94,727)                    |
| Tax at Australian rate of 30%                                                        | (43,933)       | (28,418)                    |
| <b>Tax effect of amounts not deductible/assessable in calculating taxable income</b> |                |                             |
| Non-deductible expenses                                                              | 1,037          | 1,606                       |
| Non-deductible amortisation                                                          | 1,762          | 1,433                       |
| Non-deductible interest expense to preference shareholders                           | 361            | 322                         |
| Share-based payment remuneration                                                     | 123            | 134                         |
| Share of loss of associate                                                           | 34             | 124                         |
| Difference in Thailand tax rates                                                     | (1,968)        | (9,087)                     |
| Non-temporary differences affecting the tax expense                                  | 57             | 398                         |
| Prior year adjustment to tax return                                                  | –              | (19)                        |
| Tax losses and deductible temporary differences not brought to account:              |                |                             |
| impairment of Chatree Gold Mine                                                      | 33,419         | –                           |
| impairment of Bowdens Silver Project                                                 | 6,793          | 25,376                      |
| impairment of exploration                                                            | 2,966          | –                           |
| tax benefit of tax losses                                                            | –              | 11,017                      |
| <b>Income tax expense</b>                                                            | <b>651</b>     | <b>2,886</b>                |

Kingsgate's Thai controlled entity Akara Resources Public Company Limited ("Akara") received on 18 June 2010 approval from The Royal Thai Board of Investment ("BOI") for promotion of 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:

- 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;
- 25% investment allowance on the capital cost of certain assets of the new processing plant; and
- other benefits.

The start of the promotion period was 1 November 2012.

Akara had previously received BOI approval for the promotion of the Chatree Mine with an eight year tax holiday and a further five years half tax holiday commencing in November 2001. Both of these tax benefits have now expired.

|                                                                                                                   | 2015<br>\$'000            | 2014<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------|---------------------------|----------------|
| <b>c) Tax recognised in other comprehensive income</b>                                                            |                           |                |
| Foreign exchange losses recognised directly in foreign currency translation reserves                              | –                         | –              |
| <b>Total tax recognised in other comprehensive income</b>                                                         | <b>–</b>                  | <b>–</b>       |
| <b>d) Deferred tax liabilities offset</b>                                                                         |                           |                |
| Deferred tax liabilities amounting to \$1,573,000 (2014: \$298,000) have been offset against deferred tax assets. |                           |                |
| <b>e) Unrecognised deferred tax assets</b>                                                                        |                           |                |
| Tax losses – Australian entities                                                                                  | 277,098                   | 250,948        |
| Tax losses – other entities                                                                                       | 1,443                     | 2,360          |
| Temporary difference                                                                                              | 38,293                    | 112,983        |
| <b>Subtotal</b>                                                                                                   | <b>316,834</b>            | <b>366,291</b> |
| <b>Unrecognised deferred tax assets</b>                                                                           | <b>95,050<sup>1</sup></b> | <b>109,651</b> |

<sup>1</sup> Amount excludes potential deductible temporary differences in respect of Akara for \$3,639,000 arising from an impairment charge recognised during the year. It is not probable that there will be sufficient future assessable income available against which this deferred tax asset could be utilised.

## 6. Income tax continued

As at 30 June 2015 Akara has undistributed earnings of \$320,916,000 which, if paid out as dividends, would be subject to withholding tax in the hands of its Australian parent entity.

### 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            |                |
|--------------------------------------------------------------------------------------|-----------------|----------------|-----------------|-----------------|----------------|----------------|
|                                                                                      | 2015<br>\$'000  | 2014<br>\$'000 | 2015<br>\$'000  | 2014<br>\$'000  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Deferred tax assets/(liabilities):</b>                                            |                 |                |                 |                 |                |                |
| Derivatives                                                                          | –               | 189            | –               | –               | –              | 189            |
| Employee benefits                                                                    | 1,009           | 1,814          | –               | –               | 1,009          | 1,814          |
| Provision for restoration and rehabilitation                                         | 2,368           | 4,774          | –               | –               | 2,368          | 4,774          |
| Provision for obsolescence                                                           | –               | 348            | –               | –               | –              | 348            |
| Unrealised exchange (gains)/losses                                                   | 5,198           | 855            | (9,677)         | (834)           | (4,479)        | 21             |
| Other items                                                                          | 472             | 806            | (164)           | (285)           | 308            | 521            |
| Available-for-sale financial assets                                                  | 417             | 419            | –               | –               | 417            | 419            |
| Mine properties and exploration                                                      | 19,331          | 7,880          | (19,342)        | (15,389)        | (11)           | (7,509)        |
| <b>Total deferred tax assets/(liabilities)</b>                                       | <b>28,795</b>   | <b>17,085</b>  | <b>(29,183)</b> | <b>(16,508)</b> | <b>(388)</b>   | <b>577</b>     |
| <b>Set off tax</b>                                                                   | <b>(28,795)</b> | <b>(7,880)</b> | <b>28,795</b>   | <b>7,880</b>    | <b>–</b>       | <b>–</b>       |
| <b>Net deferred tax assets/(liabilities)</b>                                         | <b>–</b>        | <b>9,205</b>   | <b>(388)</b>    | <b>(8,628)</b>  | <b>(388)</b>   | <b>577</b>     |
| Deferred tax assets/(liabilities) expected to be recovered within 12 months          | 131             | 155            | (23)            | (74)            | 108            | 81             |
| Deferred tax assets/(liabilities) expected to be recovered after more than 12 months | 28,664          | 16,930         | (29,160)        | (16,434)        | (496)          | 496            |
| <b>Total deferred tax assets/(liabilities)</b>                                       | <b>28,795</b>   | <b>17,085</b>  | <b>(29,183)</b> | <b>(16,508)</b> | <b>(388)</b>   | <b>577</b>     |



## Movement in deferred tax balances

## 2015

|                                              | Balance at<br>1 July | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | Foreign<br>exchange | Balance at<br>30 June |
|----------------------------------------------|----------------------|---------------------------------|---------------------------------------------------|---------------------|-----------------------|
| <b>Deferred tax assets/(liabilities):</b>    |                      |                                 |                                                   |                     |                       |
| Derivatives                                  | 189                  | (189)                           | —                                                 | —                   | —                     |
| Employee benefits                            | 1,814                | (909)                           | —                                                 | 104                 | 1,009                 |
| Provision for restoration and rehabilitation | 4,774                | (2,724)                         | —                                                 | 318                 | 2,368                 |
| Provision for obsolescence                   | 348                  | (390)                           | —                                                 | 42                  | —                     |
| Unrealised exchange losses                   | 21                   | (4,500)                         | —                                                 | —                   | (4,479)               |
| Other items                                  | 521                  | (263)                           | —                                                 | 50                  | 308                   |
| Available-for-sale financial assets          | 419                  | (2)                             | —                                                 | —                   | 417                   |
| Mine properties and exploration              | (7,509)              | 7,622                           | —                                                 | (124)               | (11)                  |
| <b>Net deferred tax assets/(liabilities)</b> | <b>577</b>           | <b>(1,355)</b>                  | <b>—</b>                                          | <b>390</b>          | <b>(388)</b>          |

## 2014

|                                              |            |             |          |              |            |
|----------------------------------------------|------------|-------------|----------|--------------|------------|
| <b>Deferred tax assets/(liabilities):</b>    |            |             |          |              |            |
| Derivatives                                  | 384        | (195)       | —        | —            | 189        |
| Employee benefits                            | 1,789      | 88          | —        | (63)         | 1,814      |
| Provision for restoration and rehabilitation | 5,167      | (178)       | —        | (215)        | 4,774      |
| Provision for obsolescence                   | 309        | 64          | —        | (25)         | 348        |
| Unrealised exchange losses                   | (755)      | 776         | —        | —            | 21         |
| Other items                                  | 680        | (126)       | —        | (33)         | 521        |
| Available-for-sale financial assets          | 334        | 85          | —        | —            | 419        |
| Mine properties and exploration              | (7,065)    | (542)       | —        | 98           | (7,509)    |
| <b>Net deferred tax assets/(liabilities)</b> | <b>843</b> | <b>(28)</b> | <b>—</b> | <b>(238)</b> | <b>577</b> |

## 7. Cash and cash equivalents and restricted cash

|                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|----------------|----------------|
| <b>Current</b>                                   |                |                |
| Cash on hand                                     | 21             | 17             |
| Deposits at call                                 | 55,451         | 53,615         |
| <b>Total cash and cash equivalents – current</b> | <b>55,472</b>  | <b>53,632</b>  |
| <b>Non-current</b>                               |                |                |
| Restricted cash                                  | 6,601          | 5,489          |
| <b>Total restricted cash – non-current</b>       | <b>6,601</b>   | <b>5,489</b>   |

## Cash on hand

These are petty cash balances held by subsidiaries.

## Deposits at call

These deposits are at call, interest bearing and may be accessed daily.

## Restricted cash

Under the terms of the loan facilities (see Note 17), the Group is required to maintain a minimum cash balance of US\$5,000,000 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 29.

## 8. Receivables

|                          | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------|----------------|----------------|
| Trade receivables        | 1,448          | 2,203          |
| Other debtors            | 17,691         | 11,157         |
| <b>Total receivables</b> | <b>19,139</b>  | <b>13,360</b>  |

### 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 2015 (2014: nil).

### Other debtors

Other debtors mainly relate to GST/VAT receivables and diesel fuel tax credits.

### Risk exposure

The Group's exposure to credit and currency is disclosed in Note 29.

## 9. Inventories

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| <b>Current</b>                         |                |                |
| Raw materials and stores               | 15,261         | 14,130         |
| Livestock                              | 82             | 22             |
| Provision for obsolescence             | (2,617)        | (1,756)        |
| Stockpiles and work in progress        | 28,341         | 32,790         |
| Gold bullion                           | 6,080          | 2,731          |
| <b>Total inventories – current</b>     | <b>47,147</b>  | <b>47,917</b>  |
| <b>Non-current</b>                     |                |                |
| Stockpiles                             | 55,711         | 49,805         |
| <b>Total inventories – non-current</b> | <b>55,711</b>  | <b>49,805</b>  |

## 10. Other assets

|                                         | 2015<br>\$'000 | 2014<br>Restated<br>\$'000 |
|-----------------------------------------|----------------|----------------------------|
| <b>Current</b>                          |                |                            |
| Prepaid mining services                 | 1,060          | 6,042                      |
| Prepayments                             | 4,982          | 11,996                     |
| Other deposits                          | 3,577          | 2,855                      |
| <b>Total other assets – current</b>     | <b>9,619</b>   | <b>20,893</b>              |
| <b>Non-current</b>                      |                |                            |
| Prepayments                             | 11,345         | 7,333                      |
| Other deposits                          | 7,097          | 6,204                      |
| <b>Total other assets – non-current</b> | <b>18,442</b>  | <b>13,537</b>              |

Restated comparative information has been restated as a result of the correction of error in respect of prepaid mining services balance (refer to Note 35 for details).

**Prepayments**

Non-current prepayments include prepaid royalties and water rights in respect of the Nueva Esperanza Gold/Silver Project in Chile.

**Other deposits**

Other deposits current includes cash held on deposit with financial institutions that is restricted to use on community projects in Thailand.

Other deposits non-current includes \$1,860,000 relating to restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations and \$4,419,000 of security deposits.

**11. Available-for-sale financial assets**

|                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>Equity securities</b>                      |                |                |
| At the beginning of the financial year        | 270            | 767            |
| Reclassification from investment in associate | 960            | –              |
| Revaluation                                   | 120            | (284)          |
| Disposal                                      | –              | (213)          |
| <b>At the end of the financial year</b>       | <b>1,350</b>   | <b>270</b>     |

**12. Property, plant and equipment**

|                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| <b>Opening balance</b>                    |                |                |
| Cost                                      | 320,915        | 326,684        |
| Accumulated depreciation and amortisation | (85,360)       | (71,556)       |
| Accumulated impairment                    | (64,897)       | (64,897)       |
| <b>Net book amount</b>                    | <b>170,658</b> | <b>190,231</b> |
| <b>Year ended 30 June</b>                 |                |                |
| Opening net book amount                   | 170,658        | 190,231        |
| Additions                                 | 5,315          | 12,043         |
| Reclassified                              | (1,214)        | (303)          |
| Disposals                                 | (36)           | (16)           |
| Depreciation and amortisation expense     | (15,652)       | (18,337)       |
| Foreign currency differences              | 29,423         | (12,960)       |
| <b>Closing net book amount</b>            | <b>188,494</b> | <b>170,658</b> |
| Cost                                      | 365,349        | 320,915        |
| Accumulated depreciation and amortisation | (111,958)      | (85,360)       |
| Accumulated impairment                    | (64,897)       | (64,897)       |
| <b>Net book amount</b>                    | <b>188,494</b> | <b>170,658</b> |

### 13. Exploration, evaluation and development

|                                           | Exploration & evaluation<br>\$'000 | Feasibility expenditure<br>\$'000 | Mine properties<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------|------------------------------------|-----------------------------------|---------------------------|-----------------|
| <b>At 30 June 2013 (Restated)</b>         |                                    |                                   |                           |                 |
| Cost                                      | 46,607                             | 142,941                           | 649,353                   | 838,901         |
| Accumulated depreciation and amortisation | —                                  | —                                 | (206,634)                 | (206,634)       |
| Accumulated impairment                    | (27,526)                           | —                                 | (239,848)                 | (267,374)       |
| <b>Net book amount</b>                    | <b>19,081</b>                      | <b>142,941</b>                    | <b>202,871</b>            | <b>364,893</b>  |
| <b>Year ended 30 June 2014</b>            |                                    |                                   |                           |                 |
| Opening net book amount                   | 19,081                             | 142,941                           | 202,871                   | 364,893         |
| Additions                                 | 1,904                              | 11,139                            | 19,090                    | 32,133          |
| Reclassified                              | —                                  | (1,157)                           | 303                       | (854)           |
| Disposals                                 | —                                  | (7)                               | (448)                     | (455)           |
| Impairment                                | (12,004)                           | (74,694)                          | —                         | (86,698)        |
| Depreciation and amortisation expense     | —                                  | —                                 | (40,961)                  | (40,961)        |
| Foreign currency exchange differences     | (487)                              | (1,055)                           | (11,259)                  | (12,801)        |
| <b>Closing net book amount</b>            | <b>8,494</b>                       | <b>77,167</b>                     | <b>169,596</b>            | <b>255,257</b>  |
| <b>At 30 June 2014 (Restated)</b>         |                                    |                                   |                           |                 |
| Cost                                      | 48,024                             | 151,861                           | 649,556                   | 849,441         |
| Accumulated depreciation and amortisation | —                                  | —                                 | (240,112)                 | (240,112)       |
| Accumulated impairment                    | (39,530)                           | (74,694)                          | (239,848)                 | (354,072)       |
| <b>Net book amount</b>                    | <b>8,494</b>                       | <b>77,167</b>                     | <b>169,596</b>            | <b>255,257</b>  |
| <b>Year ended 30 June 2015</b>            |                                    |                                   |                           |                 |
| Opening net book amount                   | 8,494                              | 77,167                            | 169,596                   | 255,257         |
| Additions                                 | 1,283                              | 13,173                            | 25,032                    | 39,488          |
| Reclassified                              | —                                  | 1,530                             | (316)                     | 1,214           |
| Disposals                                 | —                                  | —                                 | (326)                     | (326)           |
| Impairment                                | (9,888)                            | (22,643)                          | (115,650)                 | (148,181)       |
| Depreciation and amortisation expense     | —                                  | —                                 | (38,878)                  | (38,878)        |
| Foreign currency exchange differences     | 991                                | 8,875                             | 24,595                    | 34,461          |
| <b>Closing net book amount</b>            | <b>880</b>                         | <b>78,102</b>                     | <b>64,053</b>             | <b>143,035</b>  |
| <b>At 30 June 2015</b>                    |                                    |                                   |                           |                 |
| Cost                                      | 50,298                             | 175,439                           | 720,474                   | 946,211         |
| Accumulated depreciation and amortisation | —                                  | —                                 | (300,923)                 | (300,923)       |
| Accumulated impairment                    | (49,418)                           | (97,337)                          | (355,498)                 | (502,253)       |
| <b>Net book amount</b>                    | <b>880</b>                         | <b>78,102</b>                     | <b>64,053</b>             | <b>143,035</b>  |

## 14. Impairment assessment

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 "CGUs").

### Methodology

An impairment is recognised when the carrying amount exceeds the recoverable amount.

The recoverable amount of the Chatree Gold Mine and the Nueva Esperanza Gold/Silver Project has been estimated using their fair value less costs of disposal basis. The costs of disposal have been estimated by management based on prevailing market conditions.

The fair value of these CGUs has been estimated based on discounted cash flows using market based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on latest life of mine plans.

The recoverable amount of the Bowdens Silver Project has been estimated based on the enterprise value per ounce resource of equivalent silver of a peer group.

The fair value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Significant judgements and assumptions are required in making estimates of fair value. This is particularly so in the assessment of long life assets. It should be noted that the CGU fair values are subject to variability in key assumptions including, but not limited to, gold and silver prices, currency exchange rates, discount rates, production profiles and operating and capital costs. A change in one or more of the assumptions used to estimate fair value would result in a change in a CGU's fair value.

### Key Assumptions

In determining each key assumption, management has used external sources of information and utilised experts within the Group to validate entity specific assumptions such as reserves and resources.

The table below summarises the key assumptions used in the carrying value assessments:

|                                     | FY 2016 and FY 2017 | +FY 2018 Long Term Average |
|-------------------------------------|---------------------|----------------------------|
| Gold (US\$ per ounce)               | US\$1,170           | US\$1,200                  |
| Silver (US\$ per ounce)             | US\$16              | US\$20                     |
| A\$:US\$ exchange rate              | 0.77                | 0.77                       |
| US\$:THB exchange rate              | 33.8                | 33.8                       |
| Discount rate (%)                   |                     |                            |
| Chatree Gold Mine                   | 9.3%                |                            |
| Nueva Esperanza Gold/Silver Project | 9.9%                |                            |

The Group has applied post-tax real discount rates to discount the forecast future attributable post-tax real cash flows. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specified to the asset for which the future cash flow estimates have not been adjusted.

#### Chatree Gold Mine

In accordance with AASB 136 – *Impairment of Assets* an impairment charge of \$115,650,000 has been made against the carrying value of the Chatree Gold Mine ("Chatree") as a result of the significant and sustained decline in the gold price.

The recoverable amount of Chatree at 30 June 2015 was determined based on a fair value less costs of disposal model. Based on the assumptions noted above, the fair value less costs of disposal of Chatree as at 30 June 2015 is assessed as being equal to its carrying amount of \$311,100,000 after impairment.

The recoverable amount of this project has been determined using a discounted cash flow model. The key assumptions to which the models are most sensitive include:

- › Gold and silver prices;
- › Foreign exchange rates;
- › Production and capital costs;
- › Discount rate; and
- › Reserves and resources.

#### Nueva Esperanza Gold/Silver Project

The recoverable amount of Nueva Esperanza at 30 June 2015 was determined based on a fair value less costs of disposal model. Based on the assumptions noted above, the fair value of Nueva Esperanza as at 30 June 2015 is assessed as being approximately equal to its carrying amount of \$90,000,000 resulting in no impairment.

The recoverable amount has been determined based on a fair value less costs of disposal model. The key assumptions to which the models are most sensitive include:

- › Gold and silver prices;
- › Foreign exchange rates;
- › Production and capital costs;
- › Discount rate; and
- › Reserves and resources.

For both Chatree and Nueva Esperanza, production and capital costs are based on the Group's estimate of forecast geological conditions, capacity of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, mine models and project evaluations performed by the Group in its ordinary course of business.

#### Bowdens Silver Project

In accordance with AASB 136 – *Impairment of Assets* an impairment charge of \$22,643,000 has been made against the carrying value of the Bowdens Silver Project ("Bowdens") as a result of the significant and sustained decline in the silver price.



## 14. Impairment assessment continued

The fair value less costs of disposal of Bowdens Silver Project as at 30 June 2015 is assessed as being equal to its carrying amount of \$8,200,000 after impairment. The fair value has been assessed by calculating the enterprise value per ounce resource of equivalent silver of the peer group and applying a value of \$0.045/oz Ag to the Bowdens silver equivalent resource (detailed in the previously published Ore Reserves and Mineral Resources Statement) less estimated transaction costs.

### Exploration Assets

The Group's exploration activities for the year were focused on progressing the Nueva Esperanza Gold/Silver Project in Chile, with reduced exploration activity in South East Asia. Given the increased focus on Nueva Esperanza and continued delays in renewing exploration permits in Thailand, South East Asian exploration assets have been written down to nil resulting in an impairment charge of \$9,888,000 for the year.

### Sensitivity Analysis

After effecting the impairment for the Chatree Gold Mine CGU, the fair value less costs of disposal of these assets is assessed as being equal to their carrying amount as at 30 June 2015.

Any variation in the key assumptions used to determine fair value would result in a change of the estimated fair value. If the variation in assumption had a negative impact on fair value it could indicate a requirement for additional impairment of non-current assets.

It is estimated that the following reasonably possible changes in the key assumptions would have the following approximate impact on the fair value of each CGU as at 30 June 2015:

|                                                    | Chatree Gold Mine<br>\$'000 | Nueva Esperanza<br>Gold/Silver Project<br>\$'000 |
|----------------------------------------------------|-----------------------------|--------------------------------------------------|
| US\$100/oz increase/decrease in gold price         | 81,242                      | 18,500                                           |
| US\$1 increase/decrease in silver price            | 3,890                       | 22,075                                           |
| THB1.5 increase/decrease in US\$:THB exchange rate | 31,400                      | n/a                                              |
| 5% increase/decrease in operating costs            | 38,251                      | 18,650                                           |

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of

the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in

economic assumptions that may mitigate the impact of any such change.

## 15. Investment in associate

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

#### Investment in Caravel Minerals Limited

At the beginning of the year

Share of associate's loss

Reclassification to available-for-sale financial asset

**At the end of the year**

|                                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| At the beginning of the year                           | 1,072          | 1,485          |
| Share of associate's loss                              | (112)          | (413)          |
| Reclassification to available-for-sale financial asset | (960)          | –              |
| <b>At the end of the year</b>                          | <b>–</b>       | <b>1,072</b>   |

### 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<br>Interest % | Assets<br>\$'000 | Liabilities<br>\$'000 | Revenue<br>\$'000 | Loss<br>\$'000 |
| Caravel Minerals Limited – 2015 | 18.10                   | n/a              | n/a                   | n/a               | n/a            |
| Caravel Minerals Limited – 2014 | 27.04                   | 1,839            | 146                   | 108               | 413            |

| c) Fair value of listed investment in associate | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Caravel Minerals Limited                        | n/a            | 1,485          |

#### d) Contingent liabilities

At the date of reclassification to an available-for-sale asset, Caravel Minerals Limited had no material contingent liabilities.

## 16. Payables

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>Current</b>                      |                |                |
| Trade payables                      | 18,095         | 15,318         |
| Other payables and accruals         | 8,186          | 10,160         |
| <b>Total payables – current</b>     | <b>26,281</b>  | <b>25,478</b>  |
| <b>Non-current</b>                  |                |                |
| Other payables                      | 7,171          | 4,800          |
| <b>Total payables – non-current</b> | <b>7,171</b>   | <b>4,800</b>   |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

## 17. 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 29.

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| <b>Current</b>                         |                |                |
| Secured bank loans                     | 54,971         | 33,514         |
| Preference shares in controlled entity | 10,870         | 9,464          |
| Finance lease liabilities              | 398            | –              |
| Other loan                             | 1,313          | –              |
| <b>Total borrowings – current</b>      | <b>67,552</b>  | <b>42,978</b>  |
| <b>Non-current</b>                     |                |                |
| Secured bank loans                     | 73,427         | 110,572        |
| Preference shares in controlled entity | 82             | 82             |
| Finance lease liabilities              | 1,562          | –              |
| <b>Total borrowings – non-current</b>  | <b>75,071</b>  | <b>110,654</b> |
| <b>Borrowings</b>                      |                |                |
| Secured bank loans                     | 128,398        | 144,086        |
| Preference shares in controlled entity | 10,952         | 9,546          |
| Finance lease liabilities              | 1,960          | –              |
| Other loan                             | 1,313          | –              |
| <b>Total borrowings</b>                | <b>142,623</b> | <b>153,632</b> |

## 17. Borrowings continued

### Secured bank loans

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

|                                               | Currency  | Nominal interest             | Financial year of maturity | Face value \$'000 | Carrying amount \$'000 |
|-----------------------------------------------|-----------|------------------------------|----------------------------|-------------------|------------------------|
| Senior corporate facility                     | AUD       | BBSY <sup>1</sup> + margin   | 2016                       | 25,000            | 25,000                 |
| Multi-currency and Syndicated loan facilities | Thai Baht | THBFIX <sup>2</sup> + margin | 2018                       | 43,192            | 43,192                 |
|                                               | USD       | LIBOR <sup>3</sup> + margin  | 2018                       | 61,675            | 61,675                 |
| Less capitalised borrowing costs              |           |                              |                            |                   | (1,469)                |
| <b>Total</b>                                  |           |                              |                            |                   | <b>128,398</b>         |

1 BBSY means bank bill swap bid rate

2 THBFIX means Thai Baht interest rate fixing

3 LIBOR means London interbank offered rate

#### Senior corporate facility

The balance of the senior corporate loan facility outstanding at 30 June 2015 was A\$25,000,000. This facility, was due to be repaid in full on 31 July 2015. A\$10,000,000 was repaid against the facility on the due date with the balance of A\$15,000,000 restructured as a Revolving Credit Facility ("RCF") repayable in three equal instalments commencing on 29 January 2016.

Under the terms of the RCF Kingsgate is required to maintain a minimum hedge position with a rolling three month program covering 30% of forecast group production. As security the lender has a fixed and floating charge over

Kingsgate including shares in its material subsidiaries.

Kingsgate, in addition, has available over the tenure of the RCF an Equity-linked Loan Facility ("ELF") of A\$15,000,000. The ELF is currently undrawn.

#### Multi-currency, syndicated loan facility

Kingsgate's Thai operating subsidiary, Akara Resources PCL ("Akara"), has an amortising multi-currency loan facility with 3.5 years remaining following the commencement of quarterly repayments in November 2013. At year end the equivalent of A\$104,867,000 was owed

against this facility. Since the year end a further equivalent A\$8,534,000 has been repaid. As security against the facility the lender has a fixed and floating charge over the land, buildings and machinery in Thailand owned by Akara and its material subsidiaries.

#### Restricted funds

Under the terms of the loan facilities, the Group is required to maintain a debt service reserve account of US\$5,000,000 (A\$6,601,000) in respect of Akara.

#### Preference shares in controlled entity

##### Terms and repayment schedule

Terms and conditions of outstanding preference shares in controlled entity were as follows:

|                                        | Currency  | Interest rate | Financial year of maturity | Face value \$'000 | Carrying amount \$'000 |
|----------------------------------------|-----------|---------------|----------------------------|-------------------|------------------------|
| Preference shares in controlled entity | Thai Baht | 12%           | n/a                        | 10,409            | 10,952                 |

**Finance lease liabilities**

The Group has various items of plant and equipment with a carrying amount of \$2,392,000 under finance leases.

Finance lease liabilities are payable as follows:

|                                              | Future minimum<br>lease payments<br>\$'000 | Interest<br>\$'000 | Present value of minimum<br>lease payments<br>\$'000 |
|----------------------------------------------|--------------------------------------------|--------------------|------------------------------------------------------|
| Within 1 year                                | 487                                        | (89)               | 398                                                  |
| Later than 1 year but not later than 5 years | 1,713                                      | (151)              | 1,562                                                |
| <b>Total</b>                                 | <b>2,200</b>                               | <b>(240)</b>       | <b>1,960</b>                                         |

**18. Provisions**

|                                                                   | Note   | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------|--------|----------------|----------------|
| <b>Current</b>                                                    |        |                |                |
| Employee benefits                                                 | 2x, 25 | 3,625          | 3,115          |
| <b>Total provisions – current</b>                                 |        | <b>3,625</b>   | <b>3,115</b>   |
| <b>Non-current</b>                                                |        |                |                |
| Restoration and rehabilitation                                    | 2w     | 34,641         | 27,731         |
| Employee benefits                                                 | 2x, 25 | 4,585          | 5,267          |
| <b>Total provisions – non-current</b>                             |        | <b>39,226</b>  | <b>32,998</b>  |
| <i>Movements in the restoration and rehabilitation provision:</i> |        |                |                |
| <b>Restoration and rehabilitation</b>                             |        |                |                |
| At the beginning of the financial year                            |        | 27,731         | 28,180         |
| Revision of rehabilitation provision                              |        | 2,215          | 10             |
| Unwind of discount rate for provision                             |        | 981            | 1,102          |
| Foreign currency exchange differences                             |        | 3,714          | (1,561)        |
| <b>At the end of the financial year</b>                           |        | <b>34,641</b>  | <b>27,731</b>  |

**19. Contributed equity**

|                                                                                                    | 2015<br>Shares     | 2014<br>Shares | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|----------------|
| <b>Opening balance</b>                                                                             | <b>223,584,937</b> | 152,191,905    | <b>677,109</b> | 605,504        |
| Share placement and rights issue                                                                   | –                  | 59,430,588     | –              | 59,430         |
| Issue of ordinary shares to repay funds drawn down under the convertible revolving credit facility | –                  | 11,774,572     | –              | 15,000         |
| Issue of ordinary shares related to Executive Rights Plan                                          | –                  | 92,872         | –              | 487            |
| Issue of ordinary shares related to consultancy services                                           | –                  | 95,000         | –              | 113            |
| Share issue costs                                                                                  | –                  | –              | –              | (3,425)        |
| <b>Closing balance</b>                                                                             | <b>223,584,937</b> | 223,584,937    | <b>677,109</b> | 677,109        |

**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. The Group's focus has been to utilise surplus cash from operations and raise additional funds to fund

capital investment at Chatree, working capital and exploration and evaluation activities, including the Nueva Esperanza Project in Chile and Bowdens Silver Project in New South Wales and to repay borrowings.

## 20. Reserves and accumulated losses

### (a) Reserves

|                                                                                 | 2015<br>\$'000 | 2014<br>Restated<br>\$'000 |
|---------------------------------------------------------------------------------|----------------|----------------------------|
| Foreign currency translation reserve                                            | 48,327         | (12,541)                   |
| Share-based payment reserve                                                     | 9,008          | 8,598                      |
| General reserve                                                                 | (3,542)        | (4,380)                    |
| <b>Total reserves</b>                                                           | <b>53,793</b>  | <b>(8,323)</b>             |
| <b>Movements:</b>                                                               |                |                            |
| <b>Foreign currency translation reserve</b>                                     |                |                            |
| At the beginning of the financial year                                          | (12,541)       | 13,773                     |
| Exchange differences on translation of foreign controlled entities (net of tax) | 60,868         | (26,314)                   |
| <b>At the end of the financial year</b>                                         | <b>48,327</b>  | <b>(12,541)</b>            |
| <b>Share-based payment reserve</b>                                              |                |                            |
| At the beginning of the financial year                                          | 8,598          | 8,702                      |
| Share-based payment expense                                                     | 410            | 448                        |
| Transfer to share capital (conversion of performance rights)                    | –              | (487)                      |
| Transfer to other expenses                                                      | –              | (65)                       |
| <b>At the end of the financial year</b>                                         | <b>9,008</b>   | <b>8,598</b>               |
| <b>General reserve</b>                                                          |                |                            |
| At the beginning of the financial year                                          | (4,380)        | (4,380)                    |
| Net change                                                                      | 838            | –                          |
| <b>At the end of the financial year</b>                                         | <b>(3,542)</b> | <b>(4,380)</b>             |

#### 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.

#### Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of 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 and revaluation of employee benefit obligations in current year.

### (b) Accumulated losses

|                                                                    | 2015<br>\$'000   | 2014<br>\$'000   |
|--------------------------------------------------------------------|------------------|------------------|
| Accumulated losses at the beginning of the year                    | (258,113)        | (160,500)        |
| Net loss attributable to members of Kingsgate Consolidated Limited | (147,093)        | (97,613)         |
| <b>Accumulated losses</b>                                          | <b>(405,206)</b> | <b>(258,113)</b> |



## 21. Commitments for expenditure

|                                              | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------|----------------|----------------|
| <b>Operating leases</b>                      |                |                |
| Within 1 year                                | 465            | 553            |
| Later than 1 year but not later than 5 years | 706            | 110            |
| <b>Total operating leases</b>                | <b>1,171</b>   | <b>663</b>     |
| <b>Exploration commitments</b>               |                |                |
| Within 1 year                                | 1,400          | 1,655          |
| Later than 1 year but not later than 5 years | –              | 316            |
| <b>Total exploration commitments</b>         | <b>1,400</b>   | <b>1,971</b>   |

### Operating leases

Commitments for minimum lease payments 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.

## 22. Controlled entities

| Entity                                 | Country of<br>Incorporation | Class of<br>shares | Equity holding |           |
|----------------------------------------|-----------------------------|--------------------|----------------|-----------|
|                                        |                             |                    | 2015<br>%      | 2014<br>% |
| <b>Parent Entity</b>                   |                             |                    |                |           |
| Kingsgate Consolidated Limited         |                             |                    |                |           |
| <b>Subsidiaries</b>                    |                             |                    |                |           |
| Dominion Mining Ltd                    | Australia                   | Ordinary           | 100            | 100       |
| Challenger Gold Operations Pty Ltd     | Australia                   | Ordinary           | 100            | 100       |
| Gawler Gold Mining Pty Ltd             | Australia                   | Ordinary           | 100            | 100       |
| Dominion Metals Proprietary Ltd        | Australia                   | Ordinary           | 100            | 100       |
| Kingsgate Treasury Pty Ltd             | Australia                   | Ordinary           | 100            | 100       |
| Kingsgate Bowdens Pty Ltd              | Australia                   | Ordinary           | 100            | 100       |
| Kingsgate Capital Pty Ltd              | Australia                   | Ordinary           | 100            | 100       |
| Kingsgate Chile NL <sup>1</sup>        | Australia                   | Ordinary           | 100            | 100       |
| Laguna Exploration Pty Ltd             | Australia                   | Ordinary           | 100            | 100       |
| Akara Resources Public Company Limited | Thailand                    | Ordinary           | 100            | 100       |
| Issara Mining Limited                  | 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       |

<sup>1</sup> Laguna Resources NL changed its name to Kingsgate Chile NL on 12 August 2015.

## 23. Dividends

No final dividend was declared for the year ended 30 June 2014 (30 June 2013: nil).

No interim dividend was declared for the year ended 30 June 2015 (30 June 2014: nil).

## 24. Related parties

### Transaction with related parties

Information on remuneration of Directors and Key Management Personnel is disclosed in Note 30 and the Remuneration Report.

### Controlling entity

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

## 25. Employee benefits and share-based payments

|                                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------|----------------|----------------|
| <b>Employee benefit and related on-costs liabilities</b> |                |                |
| Provision for employee benefits – current                | 3,625          | 3,115          |
| Provision for employee benefits – non-current            | 4,585          | 5,267          |
| <b>Total employee provisions</b>                         | <b>8,210</b>   | <b>8,382</b>   |

### Superannuation

The Group makes contributions on behalf of employees to externally managed defined contribution superannuation funds. Contributions are based on percentages of employee wages and salaries and include any salary-sacrifice amounts. Contributions to defined contribution plans for 2015 were \$1,869,000 (2014: \$1,744,000).

| Retirement benefit and other long-term benefits (Akara Resources PCL) | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------|----------------|----------------|
| <b>Opening balance</b>                                                | <b>4,190</b>   | 3,967          |
| Service costs                                                         | 293            | 507            |
| Interest                                                              | 111            | 149            |
| Actuarial gain                                                        | (993)          | --             |
| Benefits paid                                                         | (221)          | (127)          |
| Foreign currency exchange differences                                 | 711            | (306)          |
| <b>Closing balance</b>                                                | <b>4,091</b>   | 4,190          |
| The principal actuarial assumptions used were as follows:             |                |                |
| Discount rate                                                         | 4.1%           | 4.1%           |
| Inflation rate                                                        | 3%             | 3%             |

### 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 financial year 2013/2014:

| Type               | Grant date         | Vesting date | Number  |
|--------------------|--------------------|--------------|---------|
| Performance rights | 7/13 November 2013 | 1 July 2016  | 479,643 |
| Performance rights | 26 November 2013   | 1 July 2016  | 768,380 |

The Executives Rights Plan entitles participants to receive rights to fully paid ordinary shares in the Company (Performance Rights). The performance measures for the Performance Rights issued in the 2013 and 2014 financial years is subject to a hurdle derived from a three year vesting period using the internal performance measuring metric, TSR Alpha™. This measure is based on total shareholder return over that vesting period.

The fair value of the performance rights was estimated using Monte Carlo simulations, 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 | 479,643            | 768,380          |
| Grant date              | 7/13 November 2013 | 26 November 2013 |
| Spot price (\$)         | 1.24               | 1.24             |
| Risk-free rate (%)      | 2.9                | 2.9              |
| Term (years)            | 2.6                | 2.6              |
| Volatility (%)          | 60 – 65            | 60 – 65          |
| Exercise price          | –                  | –                |
| Fair value (\$)         | 0.72 – 0.75        | 0.72 – 0.75      |

The volatility above was determined with reference to the historical volatility of the Company's share price from June 2008 to November 2013.

## Deferred rights

Kingsgate issued the following deferred rights during financial year 2013/2014:

| Type            | Grant date       | Vesting date | Fair value | Number         |
|-----------------|------------------|--------------|------------|----------------|
| Deferred rights | 7 November 2013  | 1 July 2016  | \$1.47     | 215,874        |
| Deferred rights | 13 November 2013 | 1 July 2016  | \$1.34     | 63,241         |
| Deferred rights | 4 November 2013  | 1 July 2016  | \$1.39     | 49,407         |
| <b>Total</b>    |                  |              |            | <b>328,522</b> |

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 | 215,874         | 63,241           | 49,407          |
| Grant date              | 7 November 2013 | 13 November 2013 | 4 November 2013 |
| Spot price (\$)         | \$1.47          | \$1.34           | \$1.39          |
| Term (years)            | 2.6             | 2.6              | 2.6             |
| Dividends (\$)          | –               | –                | –               |

## 26. Reconciliation of loss after income tax to net cash flow from operating activities

|                                                   | 2015<br>\$'000   | 2014<br>Restated<br>\$'000 |
|---------------------------------------------------|------------------|----------------------------|
| <b>Loss for the year</b>                          | <b>(147,093)</b> | <b>(97,613)</b>            |
| Depreciation and amortisation                     | 53,950           | 58,986                     |
| Share-based payments                              | 410              | 448                        |
| Impairment – Chatree Gold Mine                    | 115,650          | –                          |
| Impairment – Bowdens Silver Project               | 22,643           | 84,586                     |
| Impairment – exploration assets                   | 9,888            | 2,112                      |
| Unwind of discount rate for provision             | 1,104            | 1,137                      |
| Amortisation of deferred borrowing costs          | 1,825            | 1,056                      |
| Unrealised losses/(gains)                         | (743)            | (522)                      |
| Share of associate's loss                         | 112              | 413                        |
| Net exchange differences                          | 448              | (670)                      |
| <b>Change in operating assets and liabilities</b> |                  |                            |
| (Increase)/decrease in receivables                | (3,263)          | (4,321)                    |
| (Increase)/decrease in prepayments                | 14,328           | 4,422                      |
| (Increase)/decrease in inventories                | 10,875           | 1,583                      |
| Increase/(decrease) in current tax liabilities    | (1,284)          | 930                        |
| Increase/(decrease) in creditors                  | (2,968)          | (14,163)                   |
| Increase/(decrease) in provisions                 | (201)            | 43                         |
| Increase/(decrease) in deferred tax liabilities   | 965              | 181                        |
| <b>Net cash inflow from operating activities</b>  | <b>76,646</b>    | <b>38,608</b>              |

## 27. Events occurring after reporting date

The balance of the senior corporate loan facility outstanding at 30 June 2015 was A\$25,000,000. This facility was due to be repaid in full on 31 July 2015. A\$10,000,000 was repaid against the facility on the due date with the balance of A\$15,000,000 restructured as a Revolving Credit Facility ("RCF") repayable in three equal instalments commencing on 29 January 2016.

Under the terms of the new facility Kingsgate is required to maintain a minimum hedge position with a rolling three month program covering 30% of forecast group production. As security for the RCF the lender has a fixed and floating charge over Kingsgate Consolidated Limited including shares in its material subsidiaries.

Kingsgate Consolidated Limited, in addition, has available over the tenure of the RCF an Equity-linked Loan Facility ("ELF") of A\$15,000,000. The ELF is currently undrawn.

No other matter or circumstance has arisen since 30 June 2015 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.

## 28. Contingent liabilities

The Group had contingent liabilities at 30 June 2015 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 17 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 \$1,860,000 relating to restricted cash deposits against bank guarantees supporting the rehabilitation bond requirements against the Group's mining operations.

## 29. Financial risk management and instruments

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 (except in specific circumstances) and interest rate risk. Therefore, the Group does not employ any derivative hedging of foreign currency or interest rate risks. The Group 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"). The Directors and management monitor these risks, in particular market forecasts of future movements in foreign currency and price movements and, if it is to be believed to be in the best 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:

|                                     | 2015<br>\$'000   | 2014<br>\$'000   |
|-------------------------------------|------------------|------------------|
| <b>Financial assets</b>             |                  |                  |
| Cash and cash equivalents           | 55,472           | 53,632           |
| Receivables                         | 19,139           | 13,360           |
| Restricted cash                     | 6,601            | 5,489            |
| Available-for-sale financial assets | 1,350            | 270              |
| Other financial assets              | 10,674           | 9,059            |
| <b>Total financial assets</b>       | <b>93,236</b>    | <b>81,810</b>    |
| <b>Financial liabilities</b>        |                  |                  |
| Payables                            | (33,452)         | (30,278)         |
| Borrowings                          | (144,092)        | (155,714)        |
| Derivatives held for trading        | –                | (623)            |
| <b>Total financial liabilities</b>  | <b>(177,544)</b> | <b>(186,615)</b> |

### (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. Currently 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. 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:

|                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| Cash and cash equivalents                      | 2,074          | 2,175          |
| Restricted cash                                | 6,601          | 5,489          |
| Receivables                                    | 38             | 113            |
| Payables                                       | (3,242)        | (451)          |
| <b>Total exposure to foreign currency risk</b> | <b>5,471</b>   | <b>7,326</b>   |

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 \$2,545,000 higher/\$2,545,000 lower (2014: \$2,357,000 higher/\$2,357,000 lower).

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



## 29. Financial risk management and instruments continued

### Commodity price risk

As at 30 June 2015, the Group had 5,000 ounces of gold sold forward at an average price of A\$1,538 per ounce.

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 |
|---------------------------|-----------------------------------|-------------------------------|---------------------------------|
| <b>As at 30 June 2015</b> |                                   |                               |                                 |
| Within one year           | 5,000                             | 1,538                         | 7,693                           |
| <b>As at 30 June 2014</b> |                                   |                               |                                 |
| Within one year           | 14,500                            | 1,364                         | 19,779                          |

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.

|                                                                            | 2015 \$'000 | 2014 \$'000 |
|----------------------------------------------------------------------------|-------------|-------------|
| <b>Mark to market movement of the fair value of gold forward contracts</b> |             |             |
| 10% increase in the spot price of gold (2014: 5%)                          | (804)       | (779)       |
| 10% decrease in the spot price of gold (2014: 5%)                          | 741         | 1,240       |

### 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 2015 would have increased/(decreased) profit/equity by the amounts shown as follows:

|                                           | +10%          |               | -10%          |               |
|-------------------------------------------|---------------|---------------|---------------|---------------|
|                                           | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Available-for-sale financial asset – 2015 | 135           | –             | (135)         | –             |
| Available-for-sale financial asset – 2014 | 27            | –             | (27)          | –             |

## Interest rate risk

The Group's exposure to interest rate risk for classes of financial assets and financial liabilities, at 30 June 2015 and 30 June 2014 are set out as follows:

|                                     | Floating<br>interest rate<br>\$'000 | Fixed interest<br>maturing in<br>1 year or less<br>\$'000 | Fixed interest<br>maturing in<br>1–2 years<br>\$'000 | Fixed interest<br>maturing in<br>2–5 years<br>\$'000 | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|-------------------------------------|-----------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------|------------------|
| <b>2015</b>                         |                                     |                                                           |                                                      |                                                      |                                   |                  |
| <b>Financial assets</b>             |                                     |                                                           |                                                      |                                                      |                                   |                  |
| Cash and cash equivalents           | 55,451                              | –                                                         | –                                                    | –                                                    | 21                                | 55,472           |
| Receivables                         | –                                   | –                                                         | –                                                    | –                                                    | 19,139                            | 19,139           |
| Restricted cash                     | 6,601                               | –                                                         | –                                                    | –                                                    | –                                 | 6,601            |
| Available-for-sale financial assets | –                                   | –                                                         | –                                                    | –                                                    | 1,350                             | 1,350            |
| Other financial assets              | 10,268                              | –                                                         | –                                                    | –                                                    | 406                               | 10,674           |
| <b>Total financial assets</b>       | <b>72,320</b>                       | <b>–</b>                                                  | <b>–</b>                                             | <b>–</b>                                             | <b>20,916</b>                     | <b>93,236</b>    |
| <b>Financial liabilities</b>        |                                     |                                                           |                                                      |                                                      |                                   |                  |
| Payables                            | –                                   | –                                                         | –                                                    | –                                                    | (33,452)                          | (33,452)         |
| Borrowings                          | (129,866)                           | (12,582)                                                  | (472)                                                | (1,090)                                              | (82)                              | (144,092)        |
| <b>Total financial liabilities</b>  | <b>(129,866)</b>                    | <b>(12,582)</b>                                           | <b>(472)</b>                                         | <b>(1,090)</b>                                       | <b>(33,534)</b>                   | <b>(177,544)</b> |
| <b>Net financial liabilities</b>    | <b>(57,546)</b>                     | <b>(12,582)</b>                                           | <b>(472)</b>                                         | <b>(1,090)</b>                                       | <b>(12,618)</b>                   | <b>(84,308)</b>  |
| <b>2014</b>                         |                                     |                                                           |                                                      |                                                      |                                   |                  |
| <b>Financial assets</b>             |                                     |                                                           |                                                      |                                                      |                                   |                  |
| Cash and cash equivalents           | 53,614                              | –                                                         | –                                                    | –                                                    | 18                                | 53,632           |
| Receivables                         | –                                   | –                                                         | –                                                    | –                                                    | 13,360                            | 13,360           |
| Restricted cash                     | 5,489                               | –                                                         | –                                                    | –                                                    | –                                 | 5,489            |
| Available-for-sale financial assets | –                                   | –                                                         | –                                                    | –                                                    | 270                               | 270              |
| Other financial assets              | 8,664                               | –                                                         | –                                                    | –                                                    | 395                               | 9,059            |
| <b>Total financial assets</b>       | <b>67,767</b>                       | <b>–</b>                                                  | <b>–</b>                                             | <b>–</b>                                             | <b>14,043</b>                     | <b>81,810</b>    |
| <b>Financial liabilities</b>        |                                     |                                                           |                                                      |                                                      |                                   |                  |
| Payables                            | –                                   | –                                                         | –                                                    | –                                                    | (30,278)                          | (30,278)         |
| Borrowings                          | (146,168)                           | (9,464)                                                   | –                                                    | –                                                    | (82)                              | (155,714)        |
| Derivatives held for trading        | –                                   | –                                                         | –                                                    | –                                                    | (623)                             | (623)            |
| <b>Total financial liabilities</b>  | <b>(146,168)</b>                    | <b>(9,464)</b>                                            | <b>–</b>                                             | <b>–</b>                                             | <b>(30,983)</b>                   | <b>(186,615)</b> |
| <b>Net financial liabilities</b>    | <b>(78,401)</b>                     | <b>(9,464)</b>                                            | <b>–</b>                                             | <b>–</b>                                             | <b>(16,940)</b>                   | <b>(104,805)</b> |

The weighted average rate on floating rate borrowings was 4.67% for the year ended 30 June 2015 (2014: 4.86%).

A change of 100 basis points ("bps") in interest rate at the reporting date would have increased/(decreased) 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<br>Profit<br>\$'000 | 100 bps decrease<br>Profit<br>\$'000 |
|---------------------------------|--------------------------------------|--------------------------------------|
| Variable rate instrument – 2015 | 1,299                                | (1,299)                              |
| Variable rate instrument – 2014 | 1,462                                | (1,462)                              |

## 29. Financial risk management and instruments continued

### (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:

|                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|----------------|----------------|
| Cash and cash equivalents                        | 55,472         | 53,632         |
| Receivables                                      | 19,139         | 13,360         |
| Restricted cash                                  | 6,601          | 5,489          |
| Other financial assets                           | 10,674         | 9,059          |
| <b>Total exposure to credit risk at year end</b> | <b>91,886</b>  | <b>81,540</b>  |

### (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<br>amount<br>\$'000 | 1 year<br>or less<br>\$'000 | 1–2 years<br>\$'000 | 2–5 years<br>\$'000 | More than<br>5 years<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|------------------------------|-----------------------------|---------------------|---------------------|--------------------------------|-----------------|
| <b>2015</b>                             |                              |                             |                     |                     |                                |                 |
| Payables                                | 33,452                       | 26,281                      | 952                 | 5,741               | 774                            | 33,748          |
| Borrowings                              | 144,092                      | 73,379                      | 32,502              | 47,389              | –                              | 153,270         |
| <b>Total financial liabilities 2015</b> | <b>177,544</b>               | <b>99,660</b>               | <b>33,454</b>       | <b>53,130</b>       | <b>774</b>                     | <b>187,018</b>  |
| <b>2014</b>                             |                              |                             |                     |                     |                                |                 |
| Payables                                | 30,278                       | 25,478                      | 806                 | 3,994               | –                              | 30,278          |
| Borrowings                              | 155,714                      | 52,720                      | 54,464              | 64,514              | –                              | 171,698         |
| Derivatives held for trading            | 623                          | 623                         | –                   | –                   | –                              | 623             |
| <b>Total financial liabilities 2014</b> | <b>186,615</b>               | <b>78,821</b>               | <b>55,270</b>       | <b>68,508</b>       | <b>–</b>                       | <b>202,599</b>  |

### (d) Fair value measurements

The carrying value 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. Refer to Note 14 for details of impairment of Level 3 assets.

#### 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<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>30 June 2015</b>                 |                   |                   |                   |                 |
| Available-for-sale financial assets | 1,350             | –                 | –                 | 1,350           |
| <b>Total as at 30 June 2015</b>     | <b>1,350</b>      | <b>–</b>          | <b>–</b>          | <b>1,350</b>    |
| <b>30 June 2014</b>                 |                   |                   |                   |                 |
| Available-for-sale financial assets | 270               | –                 | –                 | 270             |
| Derivatives held for trading        | –                 | (623)             | –                 | (623)           |
| <b>Total as at 30 June 2014</b>     | <b>270</b>        | <b>(623)</b>      | <b>–</b>          | <b>(353)</b>    |

### 30. Key Management Personnel disclosures

#### Executive Chairman

Ross Smyth-Kirk      Executive Chairman – Role changed from Non-Executive to Executive Chairman 16 October 2014

#### Non-Executive Directors

Peter Alexander      Non-Executive Director

Craig Carracher      Non-Executive Director – Resigned 17 October 2014

Peter McAleer      Non-Executive Director

Sharon Skeggs      Non-Executive Director – Appointed 1 January 2015

Peter Warren      Non-Executive Director

#### Senior Executives

Greg Foulis      Chief Executive Officer – Commenced 1 June 2015

Tim Benfield      Chief Operating Officer – Acting Chief Executive Officer from 16 October 2014 to 30 April 2015

Ross Coyle      Chief Financial Officer – Appointed 6 November 2014, previously General Manager Finance & Administration. Resigned as Company Secretary 6 November 2014.

Ron James      General Manager Exploration and Resource Development

Joel Forwood      General Manager Corporate and Markets

Paul Mason      Company Secretary – Appointed 6 November 2014

Duane Woodbury      Chief Financial Officer – Resigned 2 July 2014

Michael Monaghan      Chief Operating Officer and General Manager – Akara Resources PCL – Resigned 20 March 2015

Geoff Day      Chief Executive Officer – Commenced 8 September 2014 and ceased employment 15 October 2014

Austen Perrin      Chief Financial Officer – Commenced 22 September 2014 and ceased employment 15 October 2014

Brett Dunstone      General Manager Human Resources – Made redundant 20 October 2014

### 30. Key Management Personnel disclosures *continued*

| Key Management Personnel Compensation              | 2015<br>\$       | 2014<br>Restated<br>\$   |
|----------------------------------------------------|------------------|--------------------------|
| Short-term employee benefits                       | 3,424,689        | 4,471,095 <sup>1,2</sup> |
| Post-employment benefits                           | 206,051          | 201,325                  |
| Termination benefits                               | 673,271          | 1,512,999 <sup>1</sup>   |
| Share-based payments                               | 409,770          | 217,284                  |
| Other long term benefits                           | 14,012           | 74,328 <sup>1</sup>      |
| <b>Total key management personnel compensation</b> | <b>4,727,793</b> | <b>6,477,031</b>         |

<sup>1</sup> These amounts have been restated to include the movement in the accrued annual leave (short term) and long service leave (long term) entitlements over the year which were omitted in error in the 2014 financial statements. Termination benefits have also been restated to exclude accrued leave entitlements as these amounts are now included in short term and long term benefits or excluded as they relate to prior year expense.

<sup>2</sup> An error was identified during the year resulting in restatement of short term employee benefits, reducing the expense by \$4,000.

#### Transactions with Key Management Personnel

Peter Warren was paid \$90,000 during the year for consulting services provided in relation to the potential listing of Akara Resources PCL on the Stock Exchange of Thailand.

| 31. Auditors' remuneration                                         | 2015<br>\$     | 2014<br>\$     |
|--------------------------------------------------------------------|----------------|----------------|
| <b>Audit and other assurance services</b>                          |                |                |
| <i>PricewaterhouseCoopers Australian Firm</i>                      |                |                |
| Audit and review of the financial reports                          | 563,300        | 503,000        |
| <i>Related Practices of PricewaterhouseCoopers Australian Firm</i> |                |                |
| Audit and review of the financial statements                       | 338,176        | 278,871        |
| <b>Total remuneration for audit services</b>                       | <b>901,476</b> | <b>781,871</b> |
| <b>Other services</b>                                              |                |                |
| <i>PricewaterhouseCoopers Australian Firm</i>                      |                |                |
| Other services                                                     | 11,325         | 112,150        |
| <i>Related practices of PricewaterhouseCoopers Australian Firm</i> |                |                |
| Transaction services (IPO)                                         | 68,376         | 141,957        |
| Other services                                                     | 27,075         | 21,352         |
| <b>Total remuneration for non-audit related services</b>           | <b>106,776</b> | <b>275,459</b> |
| <b>Taxation services</b>                                           |                |                |
| <i>PricewaterhouseCoopers Australian Firm</i>                      |                |                |
| Tax compliance services                                            | 45,575         | 89,345         |
| <i>Related practices of PricewaterhouseCoopers Australian Firm</i> |                |                |
| Tax compliance services                                            | 47,575         | 40,316         |
| <b>Total remuneration for tax related services</b>                 | <b>93,150</b>  | <b>129,661</b> |



### 32. Loss per share

|                                                                                                                                                   | 2015<br>Cents | 2014<br>Restated<br>Cents |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------|
| Basic loss per share                                                                                                                              | (65.8)        | (56.7)                    |
| Diluted loss per share                                                                                                                            | (65.8)        | (56.7)                    |
|                                                                                                                                                   | \$'000        | \$'000                    |
| Net loss used to calculate basic and diluted earnings per share                                                                                   | (147,093)     | (97,613)                  |
|                                                                                                                                                   | Number        | Number                    |
| <b>Weighted average number of shares used as the denominator</b>                                                                                  |               |                           |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                        | 223,584,937   | 172,237,245               |
| Adjustment for calculation of diluted earnings per share: options                                                                                 | –             | –                         |
| <b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b> | 223,584,937   | 172,237,245               |

#### 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.

### 33. Parent entity financial information

As at, and throughout the financial year ending 30 June 2015, the parent entity of the Group was Kingsgate.

| Summary of financial information                       | 2015<br>\$'000  | 2014<br>\$'000   |
|--------------------------------------------------------|-----------------|------------------|
| <b>Results of parent entity</b>                        |                 |                  |
| Loss for the year                                      | (36,777)        | (114,951)        |
| Other comprehensive loss                               | –               | –                |
| <b>Total comprehensive loss</b>                        | <b>(36,777)</b> | <b>(114,951)</b> |
| <b>Financial position of parent entity at year end</b> |                 |                  |
| Current assets                                         | 125,219         | 142,681          |
| Total assets                                           | 168,240         | 212,420          |
| Current liabilities                                    | 88,565          | 71,021           |
| Total liabilities                                      | 88,607          | 96,041           |
| <b>Total equity of the parent entity comprising:</b>   |                 |                  |
| Issued capital                                         | 677,109         | 677,109          |
| Reserve                                                | 8,329           | 8,298            |
| Accumulated losses                                     | (605,805)       | (569,028)        |
| <b>Total financial equity</b>                          | <b>79,633</b>   | <b>116,379</b>   |

#### Contingent liabilities of the parent entity

Bank guarantees have been given by Kingsgate's controlled entities to participating banks in the syndicated loan facility as described in Note 17 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.

### 34. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt on the event of the winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- › Dominion Mining Limited;
- › Dominion Gold Operations Pty Ltd; and
- › Gawler Gold Mining Pty Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kingsgate Consolidated Limited, they also represent the 'extended closed group'.

A consolidated income statement and other comprehensive income, a summary of movements in consolidated accumulated losses, and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out as follows:

| Income statement and other comprehensive income                       | 2015<br>\$'000  | 2014<br>\$'000   |
|-----------------------------------------------------------------------|-----------------|------------------|
| Sales revenue                                                         | 118,353         | 106,357          |
| Cost of sales                                                         | (105,697)       | (124,717)        |
| <b>Gross profit</b>                                                   | <b>12,656</b>   | <b>(18,360)</b>  |
| Exploration expenses                                                  | (143)           | (164)            |
| Corporate and administration expenses                                 | (9,436)         | (13,895)         |
| Other income and expenses                                             | (1,293)         | 4,119            |
| Foreign exchange gain/(loss)                                          | 11,924          | (1,453)          |
| Impairment losses – investment in Bowdens Silver Project              | (23,921)        | (75,179)         |
| Impairment losses – investment in Nueva Esperanza Gold/Silver Project | (19,026)        | (4,344)          |
| <b>Loss before financial costs and income tax</b>                     | <b>(29,239)</b> | <b>(109,276)</b> |
| Finance income                                                        | 434             | 2,139            |
| Finance costs                                                         | (4,480)         | (7,540)          |
| <b>Net finance costs</b>                                              | <b>(4,046)</b>  | <b>(5,401)</b>   |
| Loss before income tax                                                | (33,285)        | (114,677)        |
| Income tax expense                                                    | –               | –                |
| <b>Loss after income tax</b>                                          | <b>(33,285)</b> | <b>(114,677)</b> |
| <b>Total comprehensive loss for the year</b>                          | <b>(33,285)</b> | <b>(114,677)</b> |
| <b>Loss attributable to:</b>                                          |                 |                  |
| Owners of Kingsgate Consolidated Limited                              | (33,285)        | (114,677)        |
| <b>Total comprehensive loss attributable to:</b>                      |                 |                  |
| Owners of Kingsgate Consolidated Limited                              | (33,285)        | (114,677)        |

## Summary of movements in consolidated retained earnings

|                                                        | 2015<br>\$'000   | 2014<br>\$'000   |
|--------------------------------------------------------|------------------|------------------|
| <b>Accumulated losses</b>                              |                  |                  |
| Accumulated losses at beginning of the financial year  | (569,957)        | (455,280)        |
| Loss for the year                                      | (33,285)         | (114,677)        |
| <b>Accumulated losses at end of the financial year</b> | <b>(603,242)</b> | <b>(569,957)</b> |

## Statement of financial position as at 30 June 2015

**Assets****Current assets**

|                             |                |                |
|-----------------------------|----------------|----------------|
| Cash and cash equivalents   | 37,981         | 30,878         |
| Receivables                 | 104,888        | 125,518        |
| Inventories                 | 4,541          | 5,831          |
| Other assets                | 725            | 792            |
| <b>Total current assets</b> | <b>148,135</b> | <b>163,019</b> |

**Non-current assets**

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Available-for-sale financial assets     | -             | 270           |
| Property, plant and equipment           | 562           | 2,169         |
| Exploration, evaluation and development | 906           | 3,700         |
| Investment in subsidiaries              | 39,153        | 60,774        |
| Other assets                            | 1,559         | 1,582         |
| <b>Total non-current assets</b>         | <b>42,180</b> | <b>68,495</b> |

**TOTAL ASSETS**

|                |                |
|----------------|----------------|
| <b>190,315</b> | <b>231,514</b> |
|----------------|----------------|

**Liabilities****Current liabilities**

|                                  |                |               |
|----------------------------------|----------------|---------------|
| Payables                         | 71,139         | 70,313        |
| Borrowings                       | 26,140         | 9,847         |
| Derivatives held for trading     | -              | 623           |
| Provisions                       | 3,100          | 2,502         |
| <b>Total current liabilities</b> | <b>100,379</b> | <b>83,285</b> |

**Non-current liabilities**

|                                      |              |               |
|--------------------------------------|--------------|---------------|
| Borrowings                           | -            | 24,854        |
| Provisions                           | 7,740        | 7,925         |
| <b>Total non-current liabilities</b> | <b>7,740</b> | <b>32,779</b> |

**TOTAL LIABILITIES**

|                |                |
|----------------|----------------|
| <b>108,119</b> | <b>116,064</b> |
|----------------|----------------|

**NET ASSETS**

|               |                |
|---------------|----------------|
| <b>82,196</b> | <b>115,450</b> |
|---------------|----------------|

**Equity**

|                     |               |                |
|---------------------|---------------|----------------|
| Contributed equity  | 677,109       | 677,109        |
| Reserves            | 8,329         | 8,298          |
| Accumulated losses  | (603,242)     | (569,957)      |
| <b>TOTAL EQUITY</b> | <b>82,196</b> | <b>115,450</b> |

### 35. Correction of prior year error

During the year the Group reviewed the basis for calculating the balance of prepaid mining services costs and determined that this prepayment balance had been overstated since July 2010. The majority of that overstatement related to work performed on the construction of a tailings storage facility and as a result, the corresponding cost of exploration, evaluation and development was understated. The error has been adjusted retrospectively by restating the comparative amounts for the prior years presented in which the error occurred. The impact of the prior year error on the opening balance sheet at 1 July 2013 is immaterial; hence a third balance sheet has not been included in the financial statements.

The impact of these changes in accounting requirements on the:

- › Income Statement for the year ended 30 June 2014
- › Statement of Financial Position as at 30 June 2014
- › Statement of Financial Position as at 1 July 2013
- › Statement of Cash Flow for the year ended 30 June 2014
- › Earnings per share for the year ended 30 June 2014

is set out as follows:

|                                                              | As reported year ended<br>30 June 2014<br>\$'000 | Correction of error<br>Restatement<br>\$'000 | As restated year ended<br>30 June 2014<br>\$'000 |
|--------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|--------------------------------------------------|
| <b>a. Income Statement for the year ended 30 June 2014</b>   |                                                  |                                              |                                                  |
| Sales revenue                                                | 328,326                                          | —                                            | 328,326                                          |
| Costs of sales                                               | (301,891)                                        | (1,322)                                      | (303,213)                                        |
| <b>Gross profit</b>                                          | <b>26,435</b>                                    | <b>(1,322)</b>                               | <b>25,113</b>                                    |
| Loss before finance costs and income tax                     | (80,155)                                         | (1,322)                                      | (81,477)                                         |
| Loss before income tax                                       | (93,405)                                         | (1,322)                                      | (94,727)                                         |
| <b>Loss after income tax</b>                                 | <b>(96,291)</b>                                  | <b>(1,322)</b>                               | <b>(97,613)</b>                                  |
| <b>Earnings per share (cents per share)</b>                  |                                                  |                                              |                                                  |
| Basic loss per share                                         | (55.9)                                           | (0.8)                                        | (56.7)                                           |
| Diluted loss per share                                       | (55.9)                                           | (0.8)                                        | (56.7)                                           |
| <b>b. Statement of Financial Position as at 30 June 2014</b> |                                                  |                                              |                                                  |
| <b>Total current assets</b>                                  | <b>141,510</b>                                   | <b>(5,708)</b>                               | <b>135,802</b>                                   |
| <b>Non-current assets</b>                                    |                                                  |                                              |                                                  |
| Exploration, evaluation and development                      | 251,633                                          | 3,624                                        | 255,257                                          |
| Other non-current assets                                     | 250,036                                          | —                                            | 250,036                                          |
| <b>Total non-current assets</b>                              | <b>501,669</b>                                   | <b>3,624</b>                                 | <b>505,293</b>                                   |
| <b>TOTAL ASSETS</b>                                          | <b>643,179</b>                                   | <b>(2,084)</b>                               | <b>641,095</b>                                   |
| <b>TOTAL LIABILITIES</b>                                     | <b>230,422</b>                                   | <b>—</b>                                     | <b>230,422</b>                                   |
| <b>NET ASSETS</b>                                            | <b>412,757</b>                                   | <b>(2,084)</b>                               | <b>410,673</b>                                   |
| <b>EQUITY</b>                                                |                                                  |                                              |                                                  |
| Contributed equity                                           | 677,109                                          | —                                            | 677,109                                          |
| Reserves                                                     | (8,356)                                          | 33                                           | (8,323)                                          |
| Accumulated losses                                           | (255,996)                                        | (2,117)                                      | (258,113)                                        |
| <b>TOTAL EQUITY</b>                                          | <b>412,757</b>                                   | <b>(2,084)</b>                               | <b>410,673</b>                                   |

| c. Statement of Financial Position as at 1 July 2013                                                                                              |                                                   |                                                       |                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|--------------------------------------------------|
|                                                                                                                                                   | As reported at<br>30 June 2013<br>\$'000          | Correction of error<br>Restatement<br>\$'000          | As restated at<br>1 July 2013<br>\$'000          |
| <b>Total current assets</b>                                                                                                                       | <b>134,154</b>                                    | <b>(4,573)</b>                                        | <b>129,581</b>                                   |
| <b>Non-current assets</b>                                                                                                                         |                                                   |                                                       |                                                  |
| Exploration, evaluation and development                                                                                                           | 361,195                                           | 3,698                                                 | 364,893                                          |
| Other non-current assets                                                                                                                          | 263,977                                           | –                                                     | 263,977                                          |
| <b>Total non-current assets</b>                                                                                                                   | <b>625,172</b>                                    | <b>3,698</b>                                          | <b>628,870</b>                                   |
| <b>TOTAL ASSETS</b>                                                                                                                               | <b>759,326</b>                                    | <b>(875)</b>                                          | <b>758,451</b>                                   |
| <b>TOTAL LIABILITIES</b>                                                                                                                          | <b>295,352</b>                                    | <b>–</b>                                              | <b>295,352</b>                                   |
| <b>NET ASSETS</b>                                                                                                                                 | <b>463,974</b>                                    | <b>(875)</b>                                          | <b>463,099</b>                                   |
| <b>EQUITY</b>                                                                                                                                     |                                                   |                                                       |                                                  |
| Contributed equity                                                                                                                                | 605,504                                           | –                                                     | 605,504                                          |
| Reserves                                                                                                                                          | 18,175                                            | (80)                                                  | 18,095                                           |
| Accumulated losses                                                                                                                                | (159,705)                                         | (795)                                                 | (160,500)                                        |
| <b>TOTAL EQUITY</b>                                                                                                                               | <b>463,974</b>                                    | <b>(875)</b>                                          | <b>463,099</b>                                   |
| d. Statement of Cash Flow for the year ended 30 June 2014                                                                                         |                                                   |                                                       |                                                  |
|                                                                                                                                                   | As reported year ended<br>30 June 2014<br>\$'000  | Correction of error<br>Restatement<br>\$'000          | As restated year ended<br>30 June 2014<br>\$'000 |
| Net cash from operating activities                                                                                                                | 37,163                                            | 1,445                                                 | 38,608                                           |
| Net cash from investing activities                                                                                                                | (43,456)                                          | (1,445)                                               | (44,901)                                         |
| Net cash from financing activities                                                                                                                | 30,874                                            | –                                                     | 30,874                                           |
| <b>Net increase in cash and cash equivalents</b>                                                                                                  | <b>24,581</b>                                     | <b>–</b>                                              | <b>24,581</b>                                    |
| e. Earnings Per Share for the year ended 30 June 2014                                                                                             |                                                   |                                                       |                                                  |
|                                                                                                                                                   | As reported at<br>30 June 2014<br>Cents per share | Correction of error<br>Restatement<br>Cents per share | As restated at<br>1 July 2013<br>Cents per share |
| <b>Earnings per share</b>                                                                                                                         |                                                   |                                                       |                                                  |
| Basic loss per share                                                                                                                              | (55.9)                                            | (0.8)                                                 | (56.7)                                           |
| Diluted loss per share                                                                                                                            | (55.9)                                            | (0.8)                                                 | (56.7)                                           |
|                                                                                                                                                   | \$'000                                            | \$'000                                                | \$'000                                           |
| Loss after income tax                                                                                                                             | (96,291)                                          | (1,322)                                               | (97,613)                                         |
|                                                                                                                                                   | Number                                            | Number                                                | Number                                           |
| <b>Weighted average number of shares used as the denominator</b>                                                                                  |                                                   |                                                       |                                                  |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                        | 172,237,245                                       | –                                                     | 172,237,245                                      |
| Adjustment for calculation of diluted earnings per share: options                                                                                 | –                                                 | –                                                     | –                                                |
| <b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b> | <b>172,237,245</b>                                | <b>–</b>                                              | <b>172,237,245</b>                               |



# Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes that are set out on pages 48 to 91 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 2015 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements.
- 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; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 34.

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 2015.

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



**Ross Smyth-Kirk**

Director

Dated at Sydney on 17 September 2015

On behalf of the Board

# Independent Auditor's Report



## 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 consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 2015 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 29 to 43 of the Directors' Report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



**Brett Entwistle**

Partner

Sydney

17 September 2015

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Shareholder Information

As at 30 September 2015

## 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 21 July 2015) | 13,866,746                                                   | 6.2        |
| Dimensional Fund Advisors LP (at 26 June 2015)   | 11,194,732                                                   | 5.0        |

## 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        | 5,293                                                | –                        | –                                    | –                                 |
| 1,001 – 5,000    | 4,304                                                | –                        | –                                    | –                                 |
| 5,001 – 10,000   | 1,357                                                | –                        | –                                    | –                                 |
| 10,001 – 100,000 | 1,640                                                | –                        | 5                                    | 5                                 |
| 100,001 +        | 128                                                  | 1                        | –                                    | –                                 |
| <b>Total</b>     | <b>12,722</b>                                        | <b>1</b>                 | <b>5</b>                             | <b>5</b>                          |

## 20 largest shareholders

20 largest shareholders of quoted ordinary shares

|    | Shareholder                                           | Number of shares | Percentage |
|----|-------------------------------------------------------|------------------|------------|
| 1  | HSBC Custody Nominees (Australia) Limited             | 26,643,581       | 11.92      |
| 2  | J P Morgan Nominees Australia Limited                 | 24,178,489       | 10.81      |
| 3  | BNP Paribas Noms Pty Ltd < DRP >                      | 17,876,537       | 8.00       |
| 4  | National Nominees Limited                             | 15,197,186       | 6.80       |
| 5  | Citicorp Nominees Pty Limited                         | 14,764,783       | 6.60       |
| 6  | Merrill Lynch (Australia) Nominees Pty Limited        | 13,469,753       | 6.02       |
| 7  | Arinya Investments Pty Ltd                            | 4,996,944        | 2.23       |
| 8  | Silver Standard Australia (BVI) Inc                   | 3,440,367        | 1.54       |
| 9  | Bruce Clayton Bird                                    | 3,207,110        | 1.43       |
| 10 | Rasley (Singapore) Pte Ltd                            | 2,387,601        | 1.07       |
| 11 | Lujeta Pty Ltd                                        | 2,068,063        | 0.92       |
| 12 | Guina Developments Pty Ltd                            | 2,060,000        | 0.92       |
| 13 | Rasley (Singapore) Pte Ltd                            | 1,663,615        | 0.74       |
| 14 | Elizabeth Aprieska <Tap Money Family A/C>             | 1,412,590        | 0.63       |
| 15 | Christopher Komor                                     | 1,097,462        | 0.49       |
| 16 | Yandal Investments Pty Ltd                            | 1,000,000        | 0.45       |
| 17 | Maminda Pty Ltd                                       | 792,833          | 0.35       |
| 18 | Bahulu Holdings Pty Ltd <Thomas Family Superfund A/C> | 641,822          | 0.29       |
| 19 | Brazil Farming Pty Ltd                                | 500,000          | 0.22       |
| 20 | DLRR Pty Ltd <DLRR S/F A/C>                           | 497,000          | 0.22       |

## Unquoted equity securities

There was one option holder holding 3,333,334 options.

There were 5 performance rights holders holding 236,637 performance rights.

There were 5 deferred rights holders holding 415,157 deferred rights.

## 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      |

There were no persons holding more than 20% of performance rights or deferred rights other than rights issued under the Executive Rights Plan.

## Voting rights

### a) Ordinary shares

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

### b) Options

No voting rights.

### c) Performance rights

No voting rights.

### d) Deferred rights

No voting rights.

# Corporate Information

Kingsgate Consolidated Limited  
ABN 42 000 837 472

## Directors

|                 |                        |
|-----------------|------------------------|
| Ross Smyth-Kirk | Executive Chairman     |
| Peter Alexander | Non-Executive Director |
| Peter McAleer   | Non-Executive Director |
| Sharon Skeggs   | Non-Executive Director |
| Peter Warren    | Non-Executive Director |

## Company Secretary

Paul Mason

## Chief Executive Officer

Greg Foulis

## 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 Depositary Receipt (ADR) under the code OTC: KSKGY.

## Registered Office and Principal Business Address

Kingsgate Consolidated Limited  
Suite 801, Level 8, 14 Martin Place  
Sydney NSW 2000  
Australia  
Tel: +61 2 8256 4800  
Fax: +61 2 8256 4810  
Email: [info@kingsgate.com.au](mailto:info@kingsgate.com.au)  
Web: [www.kingsgate.com.au](http://www.kingsgate.com.au)

## Bangkok Office

[Akara Resources Public Company Limited](#)

19th Floor, Sathorn Thani Building 2  
No. 92/54-55 North Sathorn Road  
Kwaeng Silom, Khet Bangrak  
Bangkok 10500  
Thailand

Tel: +66 2 233 9469  
Fax: +66 2 236 5512

## Chatree Mine Office

[Akara Resources Public Company Limited](#)

No. 99 Moo 9, Tambon Khao Chet Luk  
Amphur Thap Khlo  
Phichit 66230  
Thailand

Tel: +66 56 614 500  
Fax: +66 56 614 190

## Challenger Mine

[Challenger Gold Operations Pty Ltd](#)

PO Box 453  
Torrensville SA 5031  
Australia

Tel: +61 8 8450 0100  
Fax: +61 8 8450 0188

## Chile Office

[Laguna Resources Chile Ltda](#)

San Pio X 2460 oficina 1202  
Providencia, Santiago  
Chile

Tel: +56 2 2231 7565

## Share Registry

[Link Market Services Limited](#)

Level 12, 680 George Street  
Sydney NSW 2000  
Australia

Postal address:  
Locked Bag A14  
Sydney South NSW 1235  
Australia

Tel: +61 1300 554 474  
Fax: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## ADR Depository

(American Depositary Receipts)  
The Bank of New York Mellon  
ADR Division  
101 Barclay Street, 22nd Floor  
New York NY 10286  
USA

Tel: +1 212 815 2293

## Auditor

[PricewaterhouseCoopers](#)

Darling Park Tower 2 – 201 Sussex Street  
Sydney NSW 2000  
Australia

Tel: +61 2 8266 0000  
Fax: +61 2 8266 9999





# Kingsgate

Consolidated Limited

ABN 42 000 837 472

