

Annual Report 2009

Sustainability Report

Kingsgate Consolidated Limited is an expert in gold exploration, development and mining with a commitment to achieving the highest levels of sustainability through working with our stakeholders and also addressing environmental issues.

The 840 hectare Chatree gold mine expanded from 417 hectares last year.

An expansion of the mine processing plant is planned over the next 12 months. This will double the mine's throughput to more than 5 million tonnes of ore per annum.

All this expansion has been carefully managed to accommodate our sustainability goals.

A network of stakeholder interests

Kingsgate is at the centre of a network of interests that impact the way we work. This network includes our employees, our local communities, investors, suppliers, customers, local and Thai governments and their regulators. This report is developed from both the stakeholder and Company point of view to reflect the importance of our networks to our long term growth and to our operating style and success.

Kingsgate, the first modern gold mine operator in Thailand, manages the Chatree asset ethically so that not only Kingsgate benefits but the people of Thailand prosper as well, enjoying safe, fair and rewarding work relationships and a healthy living environment.

In this report, we have addressed the top five issues for our stakeholders and our response to those issues. However, this is not just a seek and respond exercise. In prioritising the main issues we looked at the number of stakeholders impacted and the importance of each issue.

Dust control, water quality and efficient use thereof are always of concern to communities near mines. At Chatree, the potential impact of our activities on local traditional agricultural practices is always taken into consideration.

Equally, managing the life-cycle of the cyanide we use in gold extraction is a critical component of our operation. We want all of us to continue to live in a safe un-contaminated environment.

As an employer of over 1,000 people, the continued outstanding safety record with no lost time injuries for the sixth year in a row is most rewarding. This record is upheld through the diligence and commitment of both our employees and contractors.

15

Kingsgate Consolidated Limited



Snapshot



Our People

- › 99% Thai workforce at Chatree mine.
- › 80% of workforce local employees.
- › 31% management positions held by women.
- › Second employee survey conducted with most respondents positive about working for our Company.
- › A further 12 months without a Lost Time Injury (bringing the record to 6 years without an LTI).
- › Received the Thai National award for Health, Safety and Environment and the Prime Minister's Labour Relations award for the 5th consecutive year.

Our Communities

Community Development

- › In 2007, Kingsgate became the world's only miner to achieve the Social Accountability SA 8000 accreditation which is maintained to date.
- › 60% of mining royalties go directly to local provinces and village councils. This totalled \$4.5 million this year.
- › \$153,000 spent on community development programs during 2009 in the form of individual scholarships, school contributions and charitable donations.
- › Only one community complaint received during the year.
- › Community relations and development plan updated.

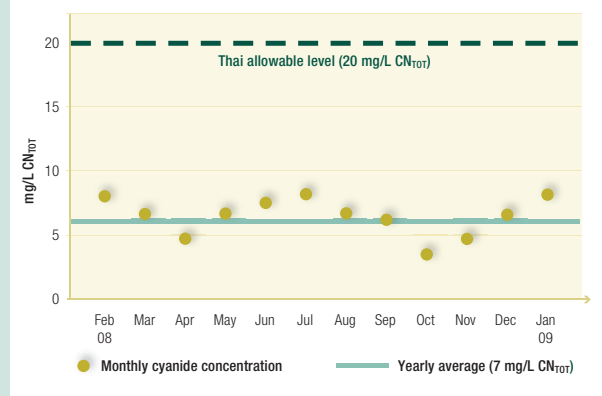
Our Environment

- › \$5.1 million is accrued in Akara's Environmental Levy Funds. These are financed by a \$3.45 per ounce levy for mine closure and a \$1.81 per ounce levy for ongoing environmental remediation.
- › No reportable incidents occurred but 16 minor environmental incidents were recorded of which 6 were small oil spills from mobile equipment.
- › Airborne dust levels reduced to very low levels due to increased road watering and main road gravel sheeting.
- › Waste rock dumps rehabilitated with 100% vegetative cover.

Cyanide Management

- › 5 of the 16 reported environmental incidents included short term overages of cyanide in tailings discharged to the tailings storage facility.
- › The average monthly cyanide concentration for the year was 7 mg/L CN_{TOT} (milligrams per litre Total Cyanide) which was well below the standard of less than 20 mg/L CN_{TOT}.

Total Cyanide Measurement 2008/2009



Water Management

- › Cessation of operations in the area of the original Chatree leases and the new operations in Chatree North means that dry season water shortage is no longer a concern and management of wet season excess in water storage pits is now a focus.

Our Supply Chain

- › 88% of goods sourced in Thailand.

For Governments

- › 100% compliance with all relevant laws governing mining and mineral processing in Thailand.



We also focus on the growth of our local team. Our investment in training and education continues with 26 Thai employees sponsored to study for a Masters degree. Twenty one of the 26 have graduated in recent years with Kingsgate's support. We are also sponsoring a PhD candidate at the University of Tasmania.

We have conducted our second staff survey this year, a practice that we hope to refine further in order to create greater employee engagement and more staff "voice" at the site.

Our community connections extend beyond philanthropy to true community capacity building. This is reflected in our ongoing contribution to local education through scholarships as well as school building and infrastructure projects. More than that, our supply chain policy is to buy local and to build the capabilities of local suppliers wherever we can.

In this report, we commit to further sustainability targets over the next 12 months. We intend to report back next year and look forward to continuing our dialogue with stakeholders as we strive together to achieve our targets.

The actions we are taking to respond to these principles are evidenced later in this report.

In the absence of a single world standard for "ethical gold" or "green gold", Kingsgate Consolidated Limited will continue to mine and process gold free from exploitative and harmful practices. We will work with all our stakeholders with integrity and for mutual benefit, while minimising our environmental impact and leaving a meaningful community legacy.



Success together Kingsgate's Sustainability Policy

A full copy of our sustainability policy and further information can be found on our website www.kingsgate.com.au.

In essence, Kingsgate Consolidated Limited is committed to respecting the safety, health, social, economic and environmental needs of the stakeholders that could be influenced by our activities, and anticipate the needs of future generations in the communities where we work.

Our commitment is to operate at the forefront of recognised best practice for environmental achievement and community development. Our management systems support this commitment and we integrate sustainability as an essential element in the duties of all employees and contractors.

Kingsgate stakeholders and major material issues					
	1. Our People	2. Our Community	3. Our Supply Chain	4. Government	5. Our Investors
Water quality and water efficiency		The potential impact of mining activities on farmland and local communities		Compliance with Licence to Operate conditions	
Cyanide management		Keeping tailings cyanide levels lower than allowed. Maintain all outputs on site, and avoiding any contamination			No long term operational issues Maintain the "Licence to Operate"
Safe, workplace and investing in people	Opportunity to thrive and grow at work, in a fair, diverse and healthy workplace				Low turnover of workforce
Local investment and capacity building		Opportunity to build skills and wealth in communities where Kingsgate operates	Participate in economic development of region. Build partnerships with other suppliers	Investment in Thai goods and services, commitment to contribute to infrastructure and compliance with Licence to Operate	
Profitable and generating returns				Royalties and foreign exchange	Managing risk and material issues so that future growth, reputation and profit is secured

Your Imperative is Our Imperative

To ensure the objectives outlined in our Sustainability Policy are met, we remain focused on all of the relevant governance, environmental and social issues. However, there are some issues that require more focus and management commitment because these issues are of higher importance to our stakeholders.

The consideration given to each issue in determining areas of greater priority and materiality is determined by assessing the importance of an issue for our stakeholders and the impact this issue may have on the community.

When considered in this way, five key issues emerge as material priorities:

- › Continued economic growth for Thailand and Chatree
- › Water management
- › Cyanide management
- › Workplace safety and training
- › Local capacity building.

1 OUR PEOPLE

We aim to provide our people with a safe, healthy working environment, fair reward and remuneration and individual growth and development opportunities. Our company culture, defined as "the way we do things around here", is respectful and honest.

Safety

A safe workplace is created by:

- › Management of safety systems and standards, and
- › Active participation of all workers in using the systems and meeting the standards.



Safety Performance

	2009	2008	2007	2006	2005	2004
Lost Time Injuries	0	0	0	0	0	0
Total Recordable Injuries	5	4	8	4	2	3
Total Injuries	12	29	23	24	10	16
LTI Frequency Rate*	0	0	0	0	0	0
TRI Frequency Rate*	2.5	2.2	3.9	2	1.3	2.2
TI Frequency Rate*	6	15.7	11.3	12	6.4	11.8

Total Recordable Injuries includes all injuries excluding first aid cases

Total Injuries includes all injuries including first aid cases

** per million hours worked*

A gold mine and processing plant generates daily challenges to any safety culture and the people working at Chatree, including sub-contractors, have more than delivered on these challenges as evidenced by six years with no lost time injuries. We continue our commitment to safety excellence for all employees and subcontractors on our site.

Professional Safety

Taweesak Sornrach is the senior safety and medical supervisor heading-up the safety department. Taweesak has worked at Akara for six years, training as he progressed from safety and medical officer to professional safety officer and safety trainer.

"I supervise all safety issues in both Akara and its sub-contractors. To reach this level, I got a lot of training and studying support from the Company. Akara works to international safety standards. All procedures and rules are to make sure that workers are safe."

Development and Growth

We continue to invest in training and career growth for staff at all levels. During the year, the Thai workforce at Chatree remained steady at 99% of the total workforce. Apart from developing skill sets for our operations, we are also exporting skills and capacity across the region through sub-contractor or individual training and development.

Developing our people

Yuwathida Puk-orn has a Bachelor's degree in Public Administration and is currently being sponsored by Akara to study for a Masters in Public Administration at Naraeuan University.

Over 4 years ago, Yuwathida started as a receptionist. She was later promoted to document controller and has now moved into a community and external relations role.

"I got the chance to transfer to this area because my current degree is related to this job, Community and Government Relations. Also the mine has been sponsoring me to do my Masters degree. I take quite lot of knowledge from my study to work. It is a great opportunity for me to make the best of my job and my own capabilities to create my own future."

"Each day, I coordinate with government agencies and meet with villagers around the mine. As a company representative, I have to be confident that the mine is good enough to promote to the public and I feel good about the safety and environment at it."

Over 90 different training courses were offered through the year ranging from administrative to safety and technical courses. Additionally study tours were continued this year with five Thai employees travelling on separate trips to Australia for training purposes.

We are also pleased to report that 31% of management positions are now occupied by women. Women are also well represented in our training and development opportunities with 12 women among the 26 being sponsored through post-graduate education.



Employee Feedback

In 2009, an employee satisfaction survey was conducted at the Chatree gold mine. Across all work areas, 198 people responded out of a possible 250 people directly employed by Akara. This is a rate of 79.2%.

The survey consisted of 25 questions about working relationships, reward and recognition, company integrity and health and safety. The majority of responses demonstrated positive support for Kingsgate in most areas.

The statement "I am fairly paid for my contribution" received the most positive responses with nearly 60% agreeing and only 9% disagreeing.

The corollary of this was the response to the statement "My salary, benefits and welfare are sufficient to look after my family", with 33% agreeing, 40% neutral and 27% disagreeing.

The design of this survey invited a neutral response which will be avoided in future employee surveys.

Kingsgate intends to use this important feedback as a baseline to develop an ongoing feedback mechanism. The goal is not necessarily to create an annual survey but to build a tool that allows a confidential employee voice on genuine workforce issues. These issues, once identified, can be assessed and addressed on an ongoing basis. This may require lateral approaches in order to overcome shift work and language and literacy issues.

2 OUR COMMUNITY

In 2009, the Chatree Community Relations Procedure was updated, formalising the community relations approach. The procedure covers employment, conduct, complaints and communication. It also addresses community development activities such as purchasing of goods and services, community contributions and contingency provisions. The procedure is supported by a review and audit process.

Complaints are currently received in two ways. One is direct to mine management and the other is through local or regional officials. Only one direct community complaint was lodged this year.

The Akara General Manager is responsible for stakeholder consultation and engagement and heads the community and external relations management team consisting of the:

- › Community and External Relations Manager
- › Environment Manager
- › Human Resources Manager
- › Administration and Management Systems Manager.

The Community and External Relations Manager has overall responsibility for community relations and is the primary point of contact for complaints referral and resolution.

Local community meetings and petitions to local government have ensured and maintained an ongoing dialogue between Akara and the community in relation to specific concerns. While only one complaint was formally registered, the community meetings are legitimate forums for concerns to be raised. Most concerns from the previous year (dust, water, noise) have been addressed to the satisfaction of the environmental auditor and this is reflected in the low number of complaints registered.

Land purchase remains an ongoing issue with a small number of local land holders who are continuing to campaign for Akara to extend its holding. This issue is likely to continue for the foreseeable future and is being managed with local authorities in a transparent way.

Employee Feedback					
	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
I am fairly paid for the contribution I make to the Company's success	20.7	38.4	32.3	3.5	5.1
My salary, benefits and welfare are sufficient to look after my family	8.6	24.2	39.9	17.7	9.6

Community Contributions

Our community contributions target activities broadly supportive of the United Nations Millennium Project goals. Education and health are the main areas where Chatree makes a direct contribution. In 2009, the focus was as follows:

Community Contributions		
	2009 \$	2008 \$
Water Supply Et Agriculture	0	24,023
Education	27,824	23,992
Public Health	40,592	36,138
Sport Et Youth	26,245	43,346
Custom Et Culture	12,379	49,016
Community Et Road Infrastructure	12,659	0
Local Govt Et Capacity Building	0	307
Religion	7,322	45,132
Other	24,535	0
Total	151,556	221,954

Our community

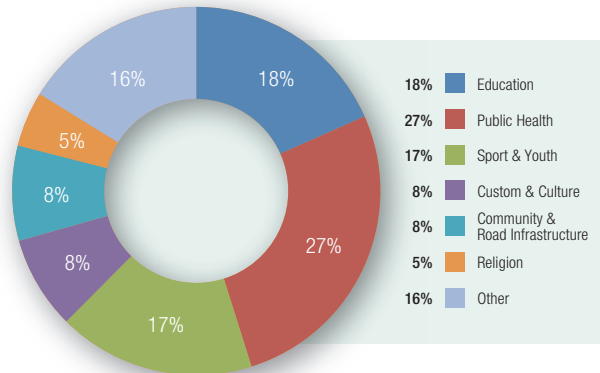
Samhai Sreesaha and Pattana Chainate are both farmers from Nongraman village, one kilometre from the mine.

Samhai has previously held a job at Akara and is supportive of the mine's contribution to local people. *"It's good. People who get a job here can move back to their home. They don't need to work far from home and can stay with their family. The mine has been donating drinking water to us but in future, if the mine shuts down, we are worried that no one will take care of us"* said Samhai.

Pattana agrees with Samhai: *"It's good the mine is near my home. People can work with the mine and save the cost of living and travelling cost for work."* She does, however, have some concerns for a future mine closure. *"Currently I am confident that the mine is safe but I worry about dust and pollution in the future. If the mine leaves, the community has fears about this issue. The community would like the mine to make sure that the community will be OK. So far, the mine has been looking after the villagers well."*



Community Development Expenditure 2008/2009



Water Quality, Water Efficiency and Dust Control

During 2009 the progressive finalisation of mining on the original Chatree leases and the start-up of operations in Chatree North have changed the project water balance. There is now ample storage so that there will be less chance of water shortage for the mine or the community during the dry season. However, wet season water deluges must be adequately managed. There was one small localised erosion overflow during the wet season on the eastern out-slope of the waste rock dump which was readily rectified by repairing the wall.

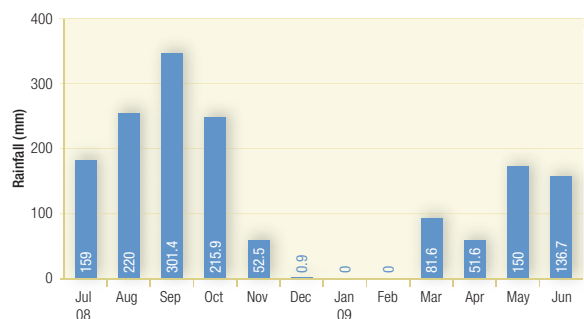
There were no new issues relating to groundwater this year. As previously reported, baseline levels of manganese, sulphate, and total dissolved solids were identified prior to any mining operations in the area. Only the sulphate levels exceeded the Thai standard of 2000 milligrams per litre but the environmental auditor deems they relate to natural background oxidation of sulphide materials in the vicinity.

The Tawan Pit sump is intended to be a local water source after mining operations cease, however, there has been no water quality monitoring since August 2008 and the Environmental Audit 2009 has recommended re-establishing water quality monitoring.

Water Usage

	2009	2008	2007	2006	2005	2004	2003
Throughput ('000 tonnes)	1,878	2,474	2,405	2,000	1,829	1,671	1,324
Water use ('000 litres)	3,618,000	3,873,000	4,075,000	2,619,000	3,003,000	2,851,000	1,423,000
Litres/tonne of ore milled	1,927	1,566	1,694	1,309	1,641	1,706	1,074

Rainfall at Chatree 2008/2009



The increased water usage rate relates mainly to the need for continued dust suppression in all areas of the mine and plant even though the plant operated at low volumes during the first half of the year. This was followed by the intense activity during the opening of the new pits when the new mining leases were granted.

Dust

The dust monitoring program reported levels well below the Thai government standards indicating that Chatree has successfully implemented dust minimisation actions. These initiatives included a better program of watering roads and other dust prone areas, re-vegetation and other initiatives.

The continuous sampling program is ongoing, however, there were some problems with the monitoring equipment in the villages of Noengsaen and Nongraman.



Rehabilitation

A planned rehabilitation trial at the tailings storage facility was deferred because the facility will be full within three years and it was deemed excessive to establish a separate trial tailings pad outside the present facility.

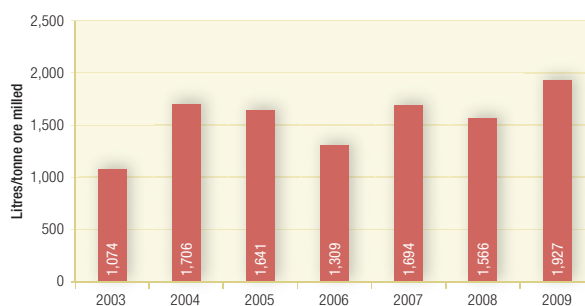
What has become apparent is that there are a number of linked factors to consider including:

- › increased water availability,
- › deferral of the second tailing storage facility, and
- › assessment of requirement of a topsoil layer for rehabilitation.

This points to the need, over the next 12 months, for a detailed tailings management plan (see sustainability targets for next 12 months) which should consider a range of production scenarios and rehabilitation prescriptions.

100% vegetative cover, including some tree species, grasses and low shrubs, has been achieved in the waste rock dumps. The local norm is to burn off cover when it dries but this practice is not condoned at Chatree hence the current local vegetation could provide a fire risk during the dry season. A long term future use assessment may target better future re-vegetation activities. This situation will continue to be monitored.

Water Efficiency



Cyanide Management

Chatree mine was independently audited by Independent Metallurgical Operations Pty. Ltd. (IMO) and found to be fully compliant with all standards of practice in the International Cyanide Management Code for Gold Mining Operations. The Code covers the life-cycle of cyanide including:

- › where the cyanide is procured from,
- › safe transport,
- › emergency response plans,
- › handling and storage,
- › operations,
- › environmental protection, and
- › decommissioning.

Five short term overages of the 20mg/L CN_{10T} standard were registered through 2008/09. These ranged from 21–35mg/L CN_{10T}. Three of these overages were attributed to an abrupt change in ore grade and were not compensated for by reductions in cyanide dosage rate. Two overages were caused by short term equipment failures which were rapidly rectified.

Despite these five incidents, the monthly average cyanide concentrations were well below the minimum standard allowable. All measures show a high level of cyanide destruction is being achieved and the levels discharged to the tailings dam represent no hazard to any component of the environment.

Environmental Incidents

During the year, no reportable incidents occurred but 16 minor environmental incidents were recorded of which 6 were small oil spills from mobile equipment.

Climate Change

Thailand is a signatory to the Kyoto protocol, part of the United Nations Framework Convention on Climate Change. Industries in Thailand with the most capacity to reduce emissions and develop clean technologies include mining. At Chatree, the emissions levels reflect throughput activity.

CO₂ Emissions

Electricity usage is the focus for Chatree in reducing CO₂ emissions. Electricity accounts for 60% of overall emissions with fuel such as petrol and diesel accounting for a further 39%.

The drop in total emissions from last year is mainly due to the continuing Energy Reduction Program and the low rate of production in the first half of the year.

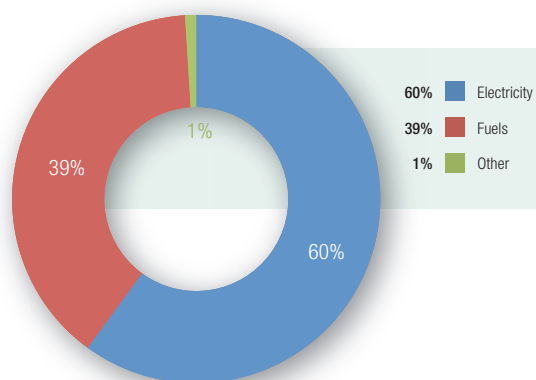
Energy Reduction Program

Energy saving initiatives introduced in 2004 have yielded increased efficiency in the mine processing plant. The Power Smart Committee drives the Energy Conservation Policy and the continued implementation of energy conservation ideas throughout our operations has resulted in continued reduction in electricity use per tonne of ore milled.

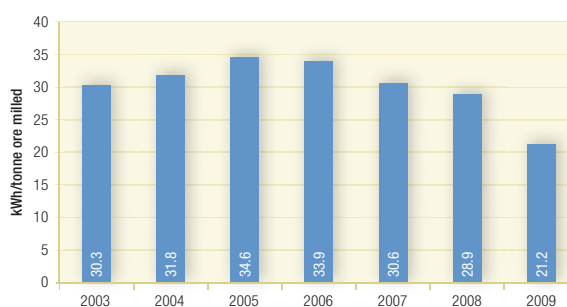
Environmental Audit

A comprehensive and independent environmental audit was conducted during 2009 by Environ Australia Pty Ltd. This was the seventh annual audit conducted by Environ and the targets in this sustainability report reflect recommendations contained in the audit.

Source of CO₂ emissions



Electricity use (kWh) per tonne of ore milled



Environmental Incidents

Category	Definition	2009	2008	2007	2006	2005	2004	2003
Level 1	Low severity (includes oil spills less than 10 litres)	16	4	20	15	2	2	3
Level 2	Minor severity (one off occurrence)	0	0	0	0	0	0	0
Level 3	Minor severity (repeated occurrence)	0	0	0	0	0	0	0
Level 4	Medium occurrence (effects can be reversed)	0	0	0	0	0	0	0
Level 5	High severity (non reversible, serious impact)	0	0	0	0	0	0	0

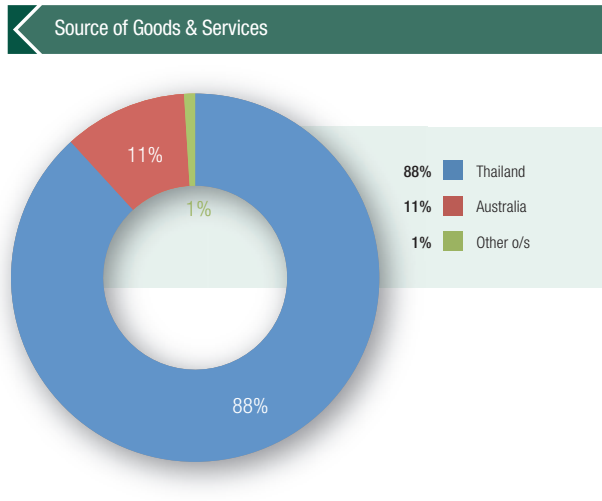
Sources of CO₂ emissions

	2009	2008	2007	2006	2005	2004	2003
From electricity use (tonnes)	30,359	44,198	45,516	35,899	33,493	18,118	21,236
From mobile equipment (tonnes)	18,848	13,709	20,089	23,697	19,041	13,158	6,126
From LPG (tonnes)	866	833	873	849	786	856	814
From explosives (tonnes)	492	197	259	340	373	184	77
Total (tonnes)	50,565	58,937	66,737	60,785	53,693	42,316	28,253

3 OUR SUPPLY CHAIN

\$92 million, or 88% of all purchases, is spent directly in Thailand.

This demonstrates our continued focus on local capacity building. Local sourcing also helps to reduce our overall carbon footprint.



Support for contractors

Chairat Nhongphed is the head of the security team provided by Risk Protection Thailand at Akara. Chairat has worked at the mine for eight years. He describes Akara as a good citizen, taking care of people and the environment. *"I feel really confident living here. I have no impact from the mine. The mine takes care of the environment and water is OK and don't have any problem."* Chairat sees many things provided for local people by the mine and that extends to contractor employees like him.

Rungthip Aoon-lhap is a sub-contractor working for the canteen service. Rungthip has worked for Akara since the mine opened and sees her chief benefit as good quality local employment. *"It's good that I joined Akara. I have a job here without moving to another province. I feel confident with Akara. I see the Company looking after people well and providing lots of training. The Company planting trees has created a good environment. I wish the mine would stay here forever so people can still have jobs with the Company."*

4 GOVERNMENT

Royalties and Taxes

The total royalties paid to the Thai authorities during the year was in excess of \$7.5 million.

These royalties are paid to the provincial government and the local village councils (60%) and the central government (40%).

The royalty rose to almost US\$60 per ounce, up from US\$40 last year due to the nature of the Thai royalty regimen which is an incremental royalty rate based on the Baht denominated gold price.



Certification

Akara is the only mining company in the world to be certified in the SA 8000:2008 standard for social accountability. SA 8000 is based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organisation (ILO) conventions. It also has TLS 8001 (Thai Labour Standard 8001) certification.

The Chatree gold mine management systems are certified to ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards for environment, quality and occupational health and safety. The Company laboratory is certified to ISO 17025 for fire assaying and bullion assaying.

Kingsgate Consolidated Limited is also a signatory to the Extractive Industries Transparency Initiative. The EITI sets a global standard for transparency in oil, gas and mining industries. It aims to strengthen governance by improving transparency and accountability in the extractive sectors.



5 OUR INVESTORS

Kingsgate's activities and focus on the gold mining and exploration sector involve certain levels of risk for the Company and its investors. These risks include commodity price risk, market risk, currency exchange risk, regulatory risk, country risk, operational and workplace risk, environmental risk and risk of the local community withdrawing support, among others.

Risk Management is conducted by senior management (including supervisors) both at an operational level and at the corporate head office to minimise the magnitude and the severity of any risk, if possible, within the principles and specific policies established by the Board. Investors have regularly expressed a preference for full exposure to the commodity fluctuation (gold price) and Kingsgate provides that exposure. Regulatory, operational, environmental and local community risk is minimised by effective management of the mine and its potential impacts, as well as building constructive dialogue at all the various levels of federal, provincial and local government, including local community groups.

This process is designed to maintain the overall 'license to operate' and provides investors' confidence that the Company has a demonstrable ability to conduct business and understand the culture in other countries.

