



KINGSGATE CONSOLIDATED NL

ACN 000 837 472

ANNUAL REPORT
1998



KINGSGATE CONSOLIDATED N.L.

ACN 000 837 472

DIRECTORS:

ANTHONY J. GREY
(Executive Chairman)

MICHAEL G. DIEMAR
(Managing Director)

ROSS D. SMYTH-KIRK

JOHN FALCONER

SECRETARY:

JOHN FALCONER

STOCK EXCHANGE LISTINGS:

Kingsgate Consolidated NL ordinary shares are listed on the
Australian Stock Exchange (KCN) and Vancouver Stock Exchange (KCD)

PRINCIPAL BUSINESS OFFICE:

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Tel (02) 9223 5273 Fax (02) 9223 9775

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Sydney, New South Wales, 2000
Tel (02) 9223 8044 Fax (02) 9223 8820

SHARE REGISTRY:

SECURITY TRANSFER REGISTRARS PTY LTD.
Level 1, 168 Adelaide Terrace,
Perth, Western Australia, 6000
Tel (08) 9221 4200 Fax (08) 9221 1581

MONTREAL TRUST

510 Burrard Street,
Vancouver B.C. V6C 3B9
Tel 1 604 661 0244 Fax 1 604 663 3694

AUDITORS:

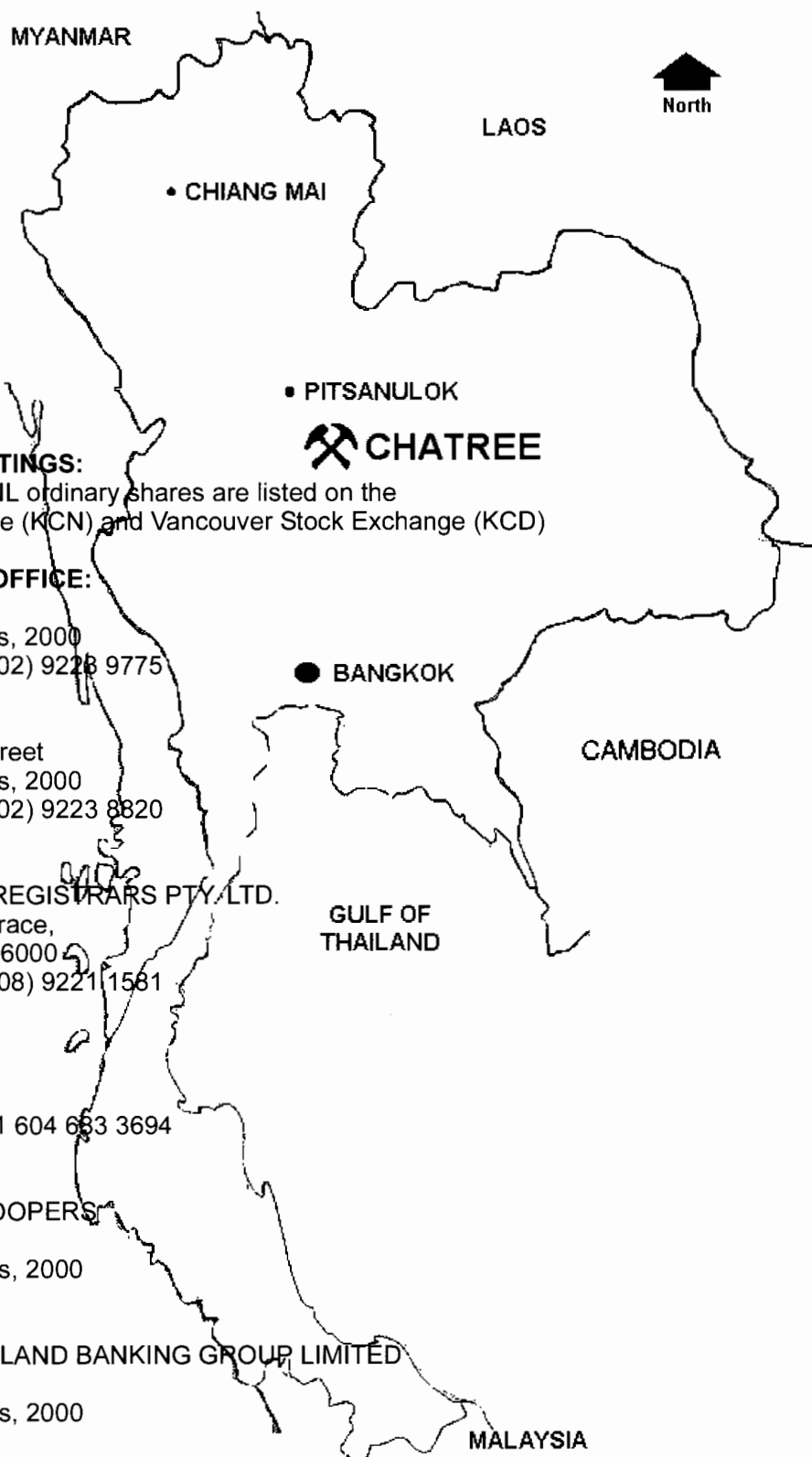
PRICEWATERHOUSECOOPERS
201 Kent Street,
Sydney, New South Wales, 2000

BANKERS:

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED
68 Pitt Street,
Sydney, New South Wales, 2000

LAWYERS:

KEMP STRANG LAWYERS
55 Hunter Street
Sydney, New South Wales 2000



Kingsgate Website www.kingsgate.com.au e-mail info@kingsgate.com.au

CHAIRMAN'S REPORT

The focus of the company's activity during the last year has been on converting the gold resources discovered at Chatree into an orebody. Considerable infill drilling was done on the cluster of prospects which make up Chatree. The results were encouraging.

The company is now poised to move from an exploration activity to a development state. To that end, we have engaged consultants to conduct a preliminary feasibility study of bringing the Chatree resources into production. Work is ongoing at the present and is expected shortly to produce a preliminary feasibility document which will be refined after into a bankable feasibility study.

In parallel with these initiatives, the joint venture has acquired additional land in the Chatree area, a task which was arduous and time consuming, but necessary in order to protect our mineralisation.

Despite lacklustre gold prices, the joint venture is in a position to make significant progress in the upcoming year towards its objective of developing the Chatree gold deposit.

Discussions with Thai authorities indicate that the government would welcome the foreign investment inherent in developing Chatree. As we move further into feasibility, it will be necessary to build on our good relations with the various government departments and instrumentalities that take an interest in mining development.

A.J.Grey
Executive Chairman
8th October, 1998

NOTES FROM THE MANAGING DIRECTOR

A continuous field program of geology, geochemistry and drilling has been in progress at the Chatree Gold Project in Thailand throughout the year.

This work has advanced the project as follows,

- C and D Prospects were advanced to resource status.
- A Pre Feasibility Study is being carried out on C and D Prospects.
- H Prospect was discovered and delineated by drilling to the extent that it will become a resource and a mine.
- Drilling at A Prospect intersected further high grade gold.
- Completion of land purchases by the joint venture has ensured control over the gold resources, and has provided areas for processing plant, waste dumps, tailings dam and haul roads.
- Programs including environmental, ground water and metallurgical studies were commenced.
- A permanent exploration base for six geologists was built in the Chatree district with office, accommodation, sample storage and processing facilities. A Bangkok support office was rented and staffed.

It is clear from this work that a substantial mining operation is possible at Chatree at current gold prices as demonstrated in the operations report below and that potential exists for further gold discoveries.

The general weakness of the Thai economy is of international concern, however from Kingsgate's perspective, the devaluation of the Thai Baht has reduced exploration and land acquisition costs and at development will reduce capital costs without effecting the income side of the operation due to the denomination of gold in US\$.

Kingsgate's long experience in South East Asia puts it in an excellent position to take advantage of opportunities arising in that region and potential projects are continuously monitored.

I thank our partner Ban Pu PLC and our Thai and Australian staff for their untiring efforts through the year.

Mike Diemar
Managing Director
14 October, 1998.



Chatree is an advanced exploration project in Thailand in which Kingsgate has a 90% flow through interest.

Exploration at Chatree has resulted in the discovery of five prospects containing widespread gold mineralisation, two of which are at mineable resource stage with the third nearing resource status.

The project is located 280 kilometres north of Bangkok in gentle farmland adjacent to bitumen roads and grid power and is accessed from Bangkok and its port by highway quality asphalt and concrete roads as shown on the adjacent plan.

Kingsgate's partner, Ban Pu Public Company Ltd, is one of Thailand's largest and most progressive mining and industrial groups whose interests include coal mining, contract mining and power generation.

Gold mineralisation occurs at Chatree as a low sulphidation quartz carbonate adularia style epithermal, occurring in shallow to steeply dipping structures carrying gold bearing veins, breccias and stockworks, within a 7.5 by 2.5 kilometre zone of silicified latitic and trachytic volcanic fragmentals and flows. The system is aligned in a north north westerly direction and is enclosed by two large overlapping interpreted caldera structures.

Field operations to date have resulted in the drilling of over 400 rotary air blast, reverse circulation and cored holes leading to resources in C and D Prospects as shown in the table below.

Resources under JORC Code		
(Indicated plus Inferred Resources. 1 g/t Au lower cut. Various Upper cuts.)		
	Tonnes million	Grade g/t Au
C Prospect	2.9	3.0
D Prospect	1.3	3.4
Total Resource: C & D	4.2	3.1

The proportion of these resources, with mining dilution added, that fall within optimised pits, were as shown in the table below.

Prospect H, immediately adjacent to Prospect C has been defined by 58 drill holes over a length of 1,200 metres within which a zone of 600 metres so far has returned strong gold intersections as shown overleaf. It is clear from these results to date that Prospect H will make a substantial contribution to both the mining life and production rate of the Chatree Project.

Subject to ongoing feasibilities and mining lease grant,

production is planned in the year 2000. The anticipated operation with ore from mines at Prospects C, D and H being processed at a central CIL plant, may be viewed in the adjacent aerial perspective. All land proposed to be affected by the development has been purchased by the joint venture.

Chatree Gold Project



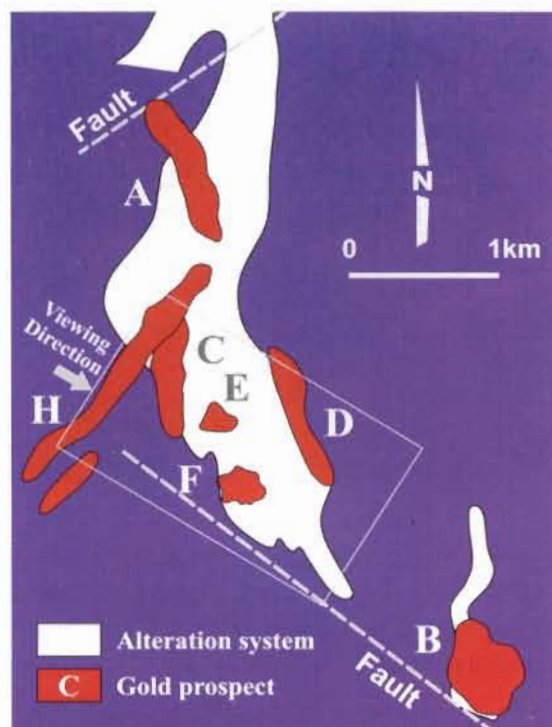
Chatree site is easily accessible by road and rail from Bangkok. Port facilities exist to the south of the capital and multiple daily jet flights are available between Bangkok and Phitsanulok.

Mineable Resources. Not under JORC Code.				
	Waste to Ore Ratio	Tonnes million	Grade g/t Au	Ounces Au
C Prospect	3.2	2.7	3.1	270,000
D Prospect	3.1	1.0	3.3	105,000
Total Mineable: C & D	3.2	3.7	3.1	375,000

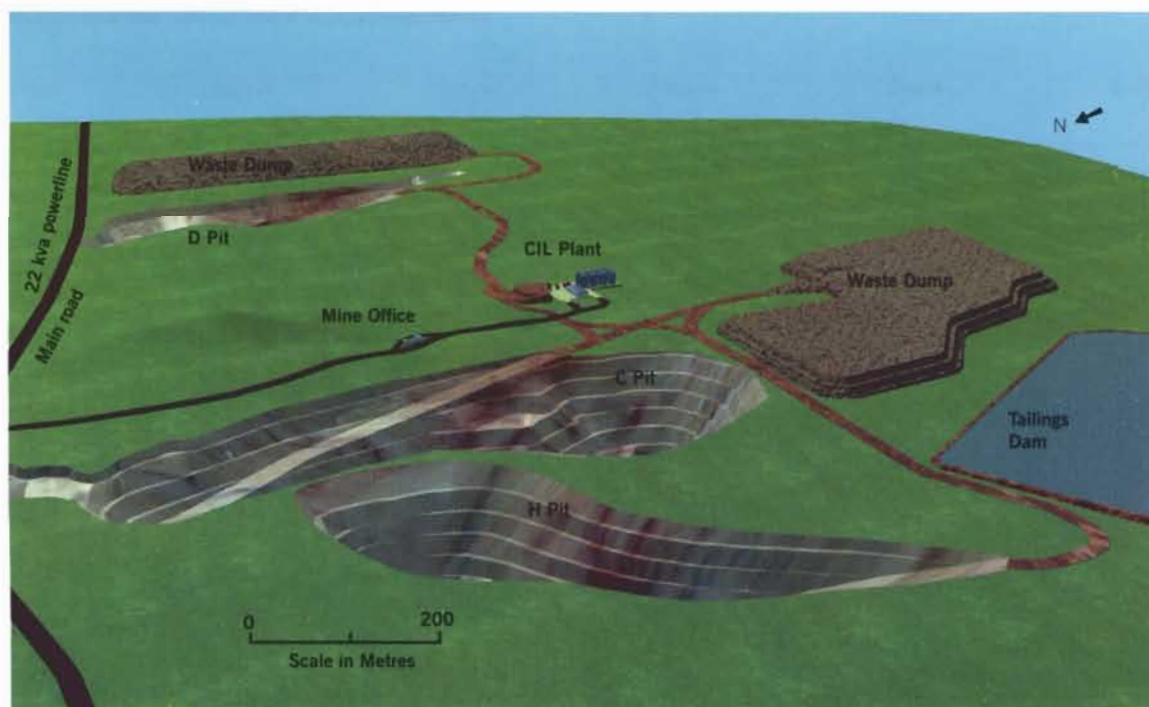
Positive Checklist

The Chatree Project has many positive features, detailed in the adjacent list, which will translate into low costs per ounce of gold produced.

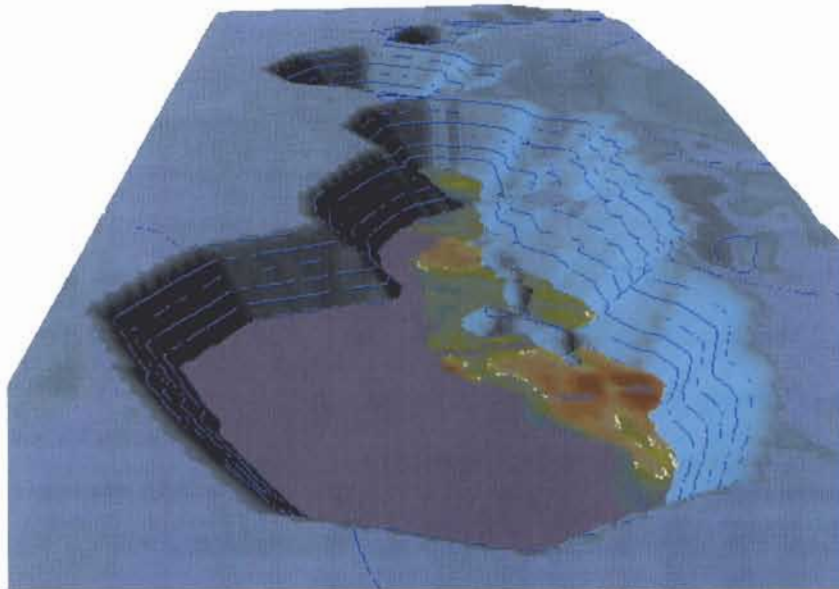
- Chatree is located in gentle topography with few environmental concerns.
- 22 kva grid power available immediately adjacent to C, D and H Prospects at reasonable unit rates.
- Bitumen road acces adjacent to prospects. Rail access nearby.
- Port facilities within 300 km by highway standard roads.
- Mineralisation is epithermal with simple metallurgy and low reagent consumption.
- Mineable grades above industry norm. Waste to ore ratios much lower than industry norm.
- Mineralisation outcrops with enriched grades near surface. No leached zone. No pre-strip.
- Abundant local labour at favourable rates.
- Good industrial backup.
- Sovereign risk is low.
- Thai bureaucracies are supportive of Chatree gold mine development.
- Thai mining fleets available at reasonable rates.
- Availability of cheap CIL plants will lower capital costs.
- Relatively simple ore body geometry.
- Land for mining and processing now owned by joint venture.
- International mobile phone reception at drill sites!!!



Prospects at Chatree extend over 5km by 2km and occur within a belt of silicified alteration. The rectangular outline indicates the area covered in the perspective of the planned development below with the arrow indicating the viewing direction.



A view of the future using a computer generated true to scale image looking south east over the proposed mining operation of C, D and H Pits. C and D will provide 3.7 million tonnes of ore to the CIL plant for a production of 375,000 ounces of gold. H pit production is yet to be determined.



Orebody C

C Pit showing orebody in colour at 35 metres depth. The purple represents waste rock overlying the dipping orebody.

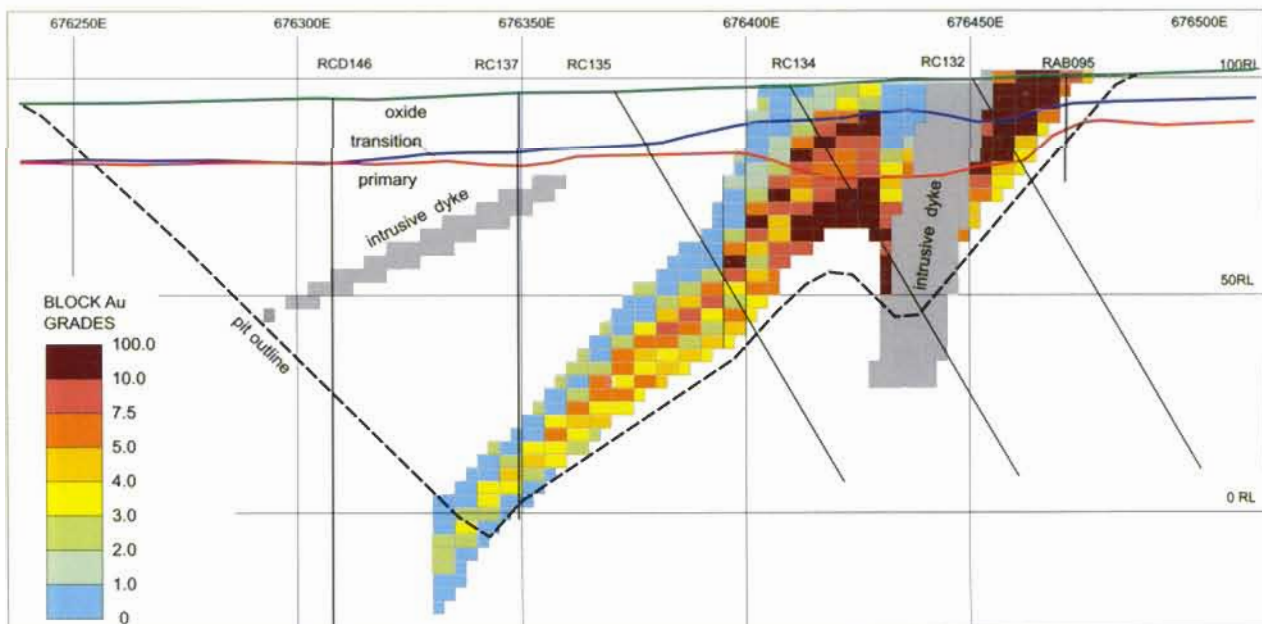
This orebody is comprised of gold mineralisation within quartz, carbonate, adularia veins and breccias within a shallow dipping structure as shown below in the grade block cross-section. Outcrop

is very limited although gold values come to the surface and are enriched near surface. Resource definition drilling during the past year has allowed geological resources and mineable resources to be estimated as shown in the adjacent table and on the previous page.

Recent drilling results indicated that the mineable resources are greater than shown in the table and that C and H Pits will merge. The C Pit plan is shown in the aerial perspective above.

C Prospect Resource (1g/t Au lower cut, 40 g/t upper cuts)

	Tonnes million	Grade g/t Au
Indicated	2.2	3.1
Inferred	0.7	2.6
Total	2.9	3.0



Vertical cross section through C pit at 1801790 metres north showing dip of the gold orebody and resource blocks with gold grades down to 100 metres depth. Two intrusive porphyritic dykes occur on this section one of which bisects the orebody. Highest gold grades are in upper 40 metres.

Orebody D

This orebody is similar in grade and composition to orebody C but contains both vertical and shallow dipping gold lodes as shown in the grade block cross-section below and the adjacent three dimensional mine model.

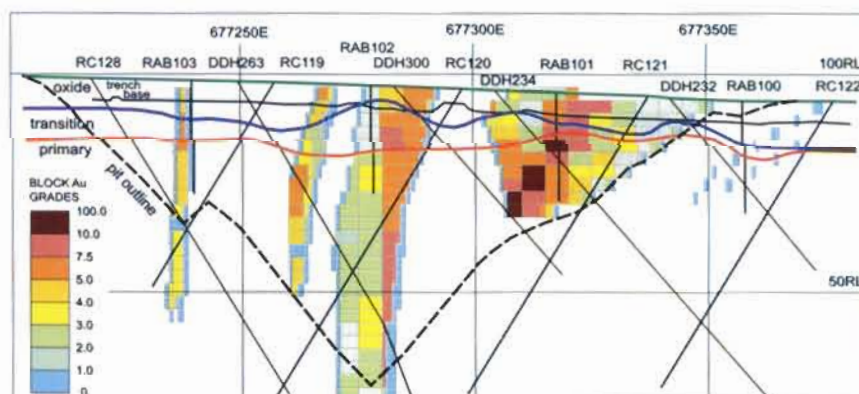
Resource definition drilling in the last year has allowed the following geological resources to be estimated.

D Prospect Resource		
(1g/t Au lower cut, 20 & 30 g/t upper cuts)		
	Tonnes	Grade
	million	g/t Au
Indicated	0.9	3.6
Inferred	0.4	3.0
Total	1.3	3.4



Mineable resources are contained in the table on page 2 and are currently scheduled to be processed following the completion of C and H Pits.

This view looking north along D Pit shows the various individual veins of mineralisation as different coloured zones which dip slightly to the west. The pit ramp can be seen on the western side of the pit.



D Pit is shallower than C Pit due to the shape of the orebody. This vertical section at 1801815 metres north also shows the trace of one of the trenches used in the resource determination. Grade blocks and the pit shell are shown.

Prospect H

6,435mN	RCD346	4.0	m @	4.0	g/t Au
6,415mN	RC367	6.0	m @	4.7	g/t Au
6,365mN	RCD378	8.0	m @	13.9	g/t Au &
		21.0	m @	2.7	g/t Au &
		1.0	m @	30.6	g/t Au
6,350mN	RC344	7.0	m @	18.2	g/t Au
6,347mN	RC341	4.0	m @	8.8	g/t Au
6,338mN	RCD374	12.4	m @	13.2	g/t Au
6,330mN	DRCD376	4.4	m @	34.6	g/t Au &
		8.0	m @	3.9	g/t Au
6,322mN	DDH350	6.0	m @	8.6	g/t Au &
		4.0	m @	8.0	g/t Au &
	DDH349	7.3	m @	2.8	g/t Au
6,300mN	DDH352	3.4	m @	7.8	g/t Au &
	RC308	32.0	m @	3.8	g/t Au &
	DDH351	5.1	m @	7.6	g/t Au &
		10.2	m @	5.8	g/t Au
6,252mN	RCD311	10.1	m @	2.9	g/t Au &
	RCD354	12.0	m @	2.3	g/t Au &
	DDH211	3.0	m @	7.5	g/t Au &
		16.7	m @	2.0	g/t Au &
	DDH208	15.9	m @	9.9	g/t Au
6,200mN	RCD357	6.5	m @	4.8	g/t Au &
	RC312	5.0	m @	9.8	g/t Au
6,150mN	RCD360	4.8	m @	4.5	g/t Au
6,137mN	RC313	18.0	m @	2.8	g/t Au
6,075mN	DDH362	4.0	m @	5.3	g/t Au
5,410mN	DDH372	3.6	m @	6.8	g/t Au

Prospect H is a gold geochemical anomaly approximately 2500 metres in length running in a north-east, south-west direction across the northern end of Prospect C.

The mineralisation is contained within a very shallow north-west dipping, quartz, carbonate, adularia filled structure similar to Prospect C.

58 RC and cored holes for over 4,000 metres of drilling were completed in the second half of the year resulting in 46 gold bearing intersections in the area closest to Prospect C. Those within mining depths occurred over a length of 600 metres and down the structure for up to 150 metres.

The better intersections on a line basis from north to south are included in the adjacent table.

In comparison with Prospects C and D, drilling results to date in Prospect H indicate that a substantial mineable resource is present which will make a positive impact on the Chatree mining project when added to the mineable resources in C and D Pits.

It is probable that the ultimate Prospect H pit will merge with the C Pit and that the full feasibility study will consider them as one.



A new office and accommodation block has been purchased at Khao Sai and renovated during the year. The downstairs area is used as an open plan office. Upstairs has four bedrooms and a lounge for staff and visitors.

Prospect B is located 2.5 kilometres south east of the proposed plant site. Widespread surface gold anomalism is located over an area 700 by 350 metres with similar geology and alteration to that occurring at the other prospects. See adjacent plan. RAB drilling and trenching gave encouraging results in a number of areas.

Prospect B is a geochemical anomaly 1.5km south east of Prospect D where exploration to date including shallow RAB drilling indicates potential for gold resources.

Prospect B



Prospect A

20,749mN	RC107	16.0	m @	2.1	g/t Au
	RAB29	13.0	m @	2.1	g/t Au
20,287mN	RC111	38.0	m @	2.4	g/t Au &
		8.0	m @	3.3	g/t Au &
	DDH301	8.1	m @	3.6	g/t Au &
		7.2	m @	5.2	g/t Au &
		7.9	m @	22.6	g/t Au &
		5.1	m @	42.7	g/t Au
20,200mN	DDH39	12.8	m @	3.2	g/t Au
20,106mN	RCD114	10.0	m @	3.5	g/t Au &
	DDH304	3.3	m @	9.2	g/t Au
20,000mN	DDH38	31.0	m @	1.6	g/t Au &
	DDH36	58.0	m @	1.4	g/t Au
20,006mN	RC112	30.0	m @	2.2	g/t Au
19,800mN	DDH32	5.0	m @	4.3	g/t Au &
		2.3	m @	18.1	g/t Au &
		1.2	m @	51.0	g/t Au
	DDH307	13.9	m @	4.3	g/t Au

A broad zone of gold and silver mineralisation defined by soil sampling, trenching, and broadly spaced RAB, RC and core drilling, occurs over a strike length of at least 1200 metres. The gold is hosted by quartz, carbonate, adularia vein systems. Drilling undertaken during the past year intersected bonanza grade mineralisation.

The adjacent table contains the better intersections from north to south from all drilling to date.

These intersections, taken in conjunction with earlier trench sampling results, indicate the presence of a substantial resource of gold and silver mineralisation.

Future work at Prospect A will include closer spaced drilling to delineate the higher grade gold and silver zones.

This prospect is only 1200 metres from the proposed processing plant site and land for the haul road has already been purchased.

General

5500 trees of local species have been planted along road margins as screens for the future C, D and H pits. This and other environmental programs will continue up to and throughout the mining phase at Chatree.



A core processing shed (above left), secure sample storage shed and core farm (right) are located at the rear of the new field office. Core processing includes logging, cutting and sampling.



The forward drilling program will continue to define mineralisation and extend the resources and reserves in the known prospects. Additional drilling will be undertaken on other anomalies near the existing orebodies and on exploration targets in the wider district. The current environmental programs will continue and a full feasibility study will commence in late 1998 on Prospects C, D and H.

Kingsgate Consolidated NL: Tenements Schedule

Tenements	Interest Held	Mineral
Cloncurry: EPM 5766	100%	Gold
Akara J.V.: Chatree Project, Thailand	90% - flow through interest	Gold

CORPORATE GOVERNANCE

This statement outlines the principal Corporate Governance practices that were in place throughout the financial year.

The Directors of the Company in office at the date of this statement are set out on the inside cover of the Annual Report.

Directors are appointed for a three year term after which time they are required to seek re-election by shareholders.

When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

The Board annually determines the remuneration for the Executive and Non-Executive Directors.

The Board is responsible for establishing the policies of the Company and overseeing its financial position, including the audit process, approving major capital expenditure, approving mining plans, exploration, determining the appropriateness of management compensation and monitoring the corporate conduct of its officers.

Board members, executive management and all employees are made aware of the requirements to follow corporate policies and procedures, to obey policies and procedures, to obey the law and to behave with high standards of honesty, integrity, fairness and equity.

The Board assumes the responsibilities of an Audit Committee and discusses matters relating to the review and approval of all publications, reports and financial statements issued to shareholders.

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld. A copy of the advice is to be provided to all Directors.



RAB drilling at Chatree

DIRECTORS' REPORT

In respect of the financial year ended 30 June 1998, the directors of Kingsgate Consolidated N.L., the Company and chief entity, submit the following report made out in accordance with a resolution of the directors.

1. THE NAMES OF THE DIRECTORS OF THE ECONOMIC ENTITY IN OFFICE AT THE DATE OF THIS REPORT

Anthony J Grey	(Executive Chairman)
Michael G Diemar	(Managing Director)
Ross D Smyth-Kirk	
John Falconer	(Company Secretary)

2. PRINCIPAL ACTIVITIES OF THE ECONOMIC ENTITY

The principal activities of the economic entity during the year were mineral exploration. There have been no significant changes in the principal activities of the economic entity during the financial year.

3. OPERATING RESULTS

The consolidated results of the economic entity for the financial year ended 30 June, 1998 was a loss of \$434,585 (1997 - \$1,050,363 loss) after deducting income tax of \$nil (1997 - nil).

4. DIVIDENDS

The directors of the economic entity do not recommend the payment of a dividend. No dividends were paid or declared by the economic entity since the end of the previous financial year.

5. REVIEW OF OPERATIONS

During the year the economic entity continued its exploration activities in Thailand. The total exploration expenditure for the year was \$3,528,709. The Company raised cash of \$1,376,000 through the issue of 4.04 million fully paid ordinary shares, pursuant to the exercise of options.

6. CHANGE IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

7. EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report or consolidated accounts, that has significantly or may significantly, affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

8. LIKELY DEVELOPMENTS

The likely developments of the economic entity in the subsequent financial year involve the ongoing principal activities of mineral exploration in Thailand.



9. SHARE OPTIONS

No options were issued during the year.

During the year, share options totalling 4,040,000 were exercised. 4,040,000 fully paid ordinary shares of 25 cents each were issued pursuant to the exercise of the options raising \$1,376,000.

10. DIRECTORS' BENEFITS

No director of the economic entity has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the accounts and consolidated accounts) by reason of a contract made by the economic entity, a controlled entity or a related body corporate with a director or with a firm of which the director is a member or with an entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the following transaction entered into in the ordinary course of business:

- Technical and administration fees paid to Diemar & Associates Pty Ltd., a company in which M G Diemar is a shareholder and director.
- Accounting, secretarial and taxation service fees paid to Carbone Falconer & Co, in which John Falconer is a partner.
- Consulting fee paid to Gordian Investments Pty Ltd., a company controlled by A J Grey.

11. DIRECTORS' INTERESTS 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 Note 18 in the accounts.

12. INFORMATION ON DIRECTORS

Anthony John Grey LLB Executive Chairman

Mr Grey has had a long and distinguished career in the resources industry, principally with the development of Pancontinental Limited into one of Australia's important mining houses.

Particulars of director's interest in shares in Kingsgate Consolidated NL shares	2,689,000
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Michael G Diemar, B.Sc., M Aust. I.M.M., M.G.S.A. Managing Director

Mr Diemar was appointed to the Board on 29 November 1994, having previously served as executive director and chief executive officer of Epoch Mining N.L. He has over 25 years experience in the exploration and mining industry throughout Australasia, Asia, west and north-west Pacific region concentrating on coal, uranium, base metals and gold exploration/mining. He also has considerable experience in project generation/planning, property evaluation, project and company administration.

Particulars of director's interest in shares of Kingsgate Consolidated NL shares	3,030,000
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Ross D Smyth-Kirk, B. Com, C.P.A., ASIA

Mr 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.

Particulars of director's interest in
shares of Kingsgate Consolidated NL
shares

1,500,000

John Falconer FCA

Mr Falconer is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia. He is a partner of Carbone Falconer & Co, a firm of Chartered Accountants practising in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses.

The particulars of directors' interests in shares and options are as at the date of the Directors' Report.

13. DIRECTORS' MEETINGS

The number of directors' meetings and meetings of committees of directors held in the period each director held office during the financial year and the number of meetings attended by each director are:

Director	Board of Directors' Meetings	
	No. Held	No. Attended
A. Grey	10	10
M. Diemar	10	10
R. Smyth-Kirk	10	8
J Falconer	10	10

DATED at SYDNEY this 24 September 1998
For and on behalf of the Board of Directors

M G DIEMAR

Director

J FALCONER

Director



PROFIT AND LOSS ACCOUNTS for the year ended 30 June 1998

	Note	Company		Consolidated	
		1998	1997	1998	1997
		\$	\$	\$	\$
OPERATING REVENUE	2	197,482	108,294	203,329	108,294
OPERATING LOSS	3(i)	(282,492)	(404,887)	(395,357)	(418,749)
Abnormal items before income tax	3(ii)	(39,228)	(352,184)	(39,228)	(631,614)
Operating loss before income tax		(321,720)	(757,071)	(434,585)	(1,050,363)
Income tax attributable to operating loss	4	-	-	-	-
OPERATING LOSS AFTER INCOME TAX		(321,720)	(757,071)	(434,585)	(1,050,363)
Accumulated losses at the beginning of the financial year		(4,409,736)	(3,652,665)	(4,717,893)	(3,667,530)
Accumulated losses at the end of the financial year		(4,731,456)	(4,409,736)	(5,152,478)	(4,717,893)

Basic loss per share (cents per share)		¢ (1.11)	¢ (2.95)
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- (a) Diluted earnings per share are not materially different from basic earnings per share.
- (b) Weighted average number of ordinary shares used in the calculation of basic loss per share. 39,254,465
- (c) There have been no conversions to, calls of, or subscriptions for ordinary shares since 30 June 1998 and before completion of these financial statements.

The accompanying notes form an integral part of these accounts.



BALANCE SHEETS as at 30 June 1998

	Note	Company		Consolidated	
		1998	1997	1998	1997
		\$	\$	\$	\$
CURRENT ASSETS					
Cash		3,178,101	6,102,673	3,454,931	6,147,211
Receivables	5	9,456	10,144	26,828	15,619
Other	7	3,500	3,500	3,500	3,500
TOTAL CURRENT ASSETS		<u>3,191,057</u>	<u>6,116,317</u>	<u>3,485,259</u>	<u>6,166,330</u>
NON-CURRENT ASSETS					
Receivables	5	6,822,026	2,870,562	-	-
Investments	6	250,000	250,000	-	-
Property, plant and equipment	8	34,271	17,262	135,832	17,262
Other	9	-	-	7,252,669	3,741,484
TOTAL NON-CURRENT ASSETS		<u>7,106,297</u>	<u>3,137,824</u>	<u>7,388,501</u>	<u>3,758,746</u>
TOTAL ASSETS		<u>10,297,354</u>	<u>9,254,141</u>	<u>10,873,760</u>	<u>9,925,076</u>
CURRENT LIABILITIES					
Accounts Payable	10	68,013	59,080	518,415	491,146
Provisions - Others	11	-	20,000	-	20,000
TOTAL CURRENT LIABILITIES		<u>68,013</u>	<u>79,080</u>	<u>518,415</u>	<u>511,146</u>
NON-CURRENT LIABILITIES					
Borrowings	12	-	-	541,760	541,760
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>-</u>	<u>541,760</u>	<u>541,760</u>
TOTAL LIABILITIES		<u>68,013</u>	<u>79,080</u>	<u>1,060,175</u>	<u>1,052,906</u>
NET ASSETS		<u>10,229,341</u>	<u>9,175,061</u>	<u>9,813,585</u>	<u>8,872,170</u>
SHAREHOLDERS' EQUITY					
Share capital	13	10,631,500	9,621,500	10,631,500	9,621,500
Reserves	14	4,329,297	3,963,297	4,329,297	3,963,297
Accumulated losses		(4,731,456)	(4,409,736)	(5,152,478)	(4,717,893)
Shareholders equity attributable to members of Kingsgate Consolidated NL		10,229,341	9,175,061	9,808,319	8,866,904
Minority Shareholder Interest		-	-	5,266	5,266
TOTAL SHAREHOLDERS' EQUITY		<u>10,229,341</u>	<u>9,175,061</u>	<u>9,813,585</u>	<u>8,872,170</u>

The accompanying notes form an integral part of these accounts.



STATEMENTS OF CASH FLOWS for the year ended 30 June 1998

	Note	Company		Consolidated	
		1998	1997	1998	1997
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to trade creditors, other suppliers and employees		(518,768)	(611,334)	(828,060)	(791,158)
Interest received		190,422	104,732	196,269	104,732
NET CASH FLOWS APPLIED TO OPERATING ACTIVITIES	20	<u>(328,346)</u>	<u>(506,602)</u>	<u>(631,791)</u>	<u>(686,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration		(17,431)	(31,551)	(3,289,550)	(1,109,545)
Loans to related entities		(3,929,937)	(1,467,617)	-	-
Payment for purchase of controlled entity		-	-	-	(55,117)
Payment for property, plant and equipment		(24,858)	(14,989)	(131,507)	(14,989)
Proceeds from sale of fixed assets		-	-	-	-
NET CASH FLOWS APPLIED TO INVESTING ACTIVITIES		<u>(3,972,226)</u>	<u>(1,514,157)</u>	<u>(3,421,057)</u>	<u>(1,179,651)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,376,000	7,525,000	1,376,000	7,525,000
Payments on issue of shares		-	(521,533)	-	(521,533)
Repayment of loan		-	-	-	(130,000)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		<u>1,376,000</u>	<u>7,003,467</u>	<u>1,376,000</u>	<u>6,873,467</u>
NET INCREASE/(DECREASE) IN CASH HELD		<u>(2,924,572)</u>	<u>4,982,708</u>	<u>(2,676,848)</u>	<u>5,007,390</u>
Cash at the beginning of the financial year		6,102,673	1,119,965	6,131,779	1,124,389
CASH AT THE END OF THE FINANCIAL YEAR	20	<u>3,178,101</u>	<u>6,102,673</u>	<u>3,454,931</u>	<u>6,131,779</u>
Non Cash financing and investing activities	21				

The accompanying notes form an integral part of these statements.

NOTES TO, AND FORMING PART OF, THE ACCOUNTS
for the year ended 30 June 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are a general purpose financial report prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements and the Corporations Law.

The financial statements comprise the accounts of the Company, Kingsgate Consolidated N.L., and the consolidated accounts of the economic entity comprising the Company, as the chief entity, and the entities it controlled at the end of, or during, the financial year. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the economic entity except as otherwise indicated.

(a) Basis of Accounting

The accounts have been prepared on the basis of historical costs and, except where stated, do not take into account current valuations of non-current assets. Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts. Except where stated recoverable amounts are not determined using discounted cash flows. The economic entity has not adopted a policy of revaluing its non-current assets on a regular basis.

(b) Principles of Consolidation

The consolidated accounts of the economic entity include the assets and liabilities of the Company and the entities it controlled at the end of the financial year and the results of the Company and the entities it controlled during the year.

The controlled entities are listed in Note 16 to the accounts.

The effect of all transactions between entities in the economic entity and inter-entity balances are eliminated in full in preparing the consolidated accounts. Outside equity interests in the results and the equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where necessary, dissimilar accounting policies adopted by controlled entities have been amended to ensure consistent policies are adopted within the economic entity.

(c) Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate of the date of the transaction. Foreign currency receivables which are payable as at balance date are translated at the exchange rates prevailing as at that date. Exchange gains and losses are brought to account in determining the profit or loss for the year. Foreign exchange differences arising on the translation of fully integrated operations, using the temporal method, are taken to the profit and loss account.

(d) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs related to current areas of interest are carried forward to the extent that:

- i. such costs are expected to be recouped through successful development and production of the area or by its sale; or

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration, Evaluation and Development Expenditure (continued)

- ii. exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Costs will be amortised over the life of the relevant area of interest from the date of commencement or production, determined on a production output basis. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made.

(e) Tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing difference is set aside to the deferred income tax or the future income tax benefit accounts at the rate which are expected to apply when those timing differences reverse.

(f) Depreciation and Amortisation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalues amount of each item of property, plant and equipment (excluding land) over its expected useful life to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	5-15 years

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

(g) Investments

The Company's and the economic entity's interests in companies which are not controlled are brought to account at cost and dividends and other distributions are recognised in the profit and loss account when received. Equity accounting principles are applied in respect of associated Companies. Where, in the opinion of the directors, there has been a permanent diminution in the value of an investment, the carrying amount of the investment is written down to its recoverable amount.

The provision for investments has been made on the basis of the uncertainty of the carrying value at the time the investments were in their formative stages. The provision shall remain until such time when there is a permanent and sustainable increase in value of the investments.

(h) Segment Information

The principal activities of the economic entity during the course of the financial year were mineral exploration primarily in Thailand and Australia

(i) Operating Revenue

Revenue includes interest income on short term monetary investments and rental.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash Flows

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

(k) Receivables

A provision is raised for any doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the period in which they are identified.

(l) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(m) Trade and Other Creditors

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

(n) Earnings per Share

i. Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit after income tax and preference share dividends attributable to members of Kingsgate Consolidated N.L. by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

	Company		Consolidated	
	1998	1997	1998	1997
	\$	\$	\$	\$
2. OPERATING REVENUE				
- Interest received	190,422	104,732	196,269	104,732
- Other	7,060	3,562	7,060	3,562
	<u>197,482</u>	<u>108,294</u>	<u>203,329</u>	<u>108,294</u>
3. OPERATING LOSS				
(i) Operating loss before income tax has been determined after:				
CREDITING				
Interest received from other persons	<u>190,422</u>	<u>104,732</u>	<u>196,269</u>	<u>104,732</u>



	Company		Consolidated	
	1998	1997	1998	1997
	\$	\$	\$	\$
3. OPERATING LOSS (continued)				
CHARGING AS EXPENSE				
Depreciation				
- Plant and equipment	7,829	2,976	7,864	2,976
(ii) Abnormal items included in operating loss before tax				
- Write-back of provision against loans	-	279,430	-	-
- Provision for non-recovery of loans (income tax effect \$nil)	-	-	-	-
- Write off of exploration Australian expenditure (income tax effect \$nil)	(17,525)	(506,592)	(17,525)	(506,592)
- Share issue cost (income tax effect \$nil)	-	-	-	-
- Listing cost (income tax effect \$nil)	(21,703)	(125,022)	(21,703)	(125,022)
	(39,228)	(352,184)	(39,228)	(631,614)
(iii) Directors' Remuneration				
Income received or due and receivable by directors of the Company				
- From the Company	24,000	24,000	24,000	24,000
- From related bodies corporate	-	-	-	-
The number of directors of the economic entity included in these figures are shown below in their relevant income bands			1998 Number	1997 Number
Income between:				
\$ nil - \$ 9,999			3	3
\$20,000 - \$29,999			1	1
Details of other amounts paid to directors related entities are set out in Note 18.				
Executives' Remuneration				
No executive officer received income from the economic entity or related corporations in excess of \$100,000				
(iv) Auditors' Remuneration				
Amounts received, or due and receivable by:				
- The auditors for:				
- auditing the accounts	32,000	27,000	32,000	27,000
- other services	750	-	750	-
- Auditors of controlled entities other than auditors of the Company for auditing financial statements of those entities	-	-	15,860	13,176

Company		Consolidated	
1998	1997	1998	1997
\$	\$	\$	\$

4. INCOME TAX

The aggregate amount of income tax attributable to the current financial year differs from the prima facie tax benefit on the operating loss before income tax. The difference is reconciled as follows:-

Prima facie income tax on operating loss @ 36%	(115,819)	(272,546)	(156,450)	(378,131)
Add				
Non deductible items				
- Other	2,842	250	2,842	250
- Legal fees	-	12,386	-	12,386
- Vancouver listing cost	7,813	45,008	7,813	45,008
- Share issue cost	540	-	540	-
Less				
- Write back of provision for loans	-	(100,595)	-	-
	(104,624)	(315,497)	(145,255)	(320,487)
Less - Future income tax benefits not brought to account in respect of:				
- Exploration expenditure written off	-	182,372	-	182,372
- Current year tax loss	104,624	133,125	145,255	138,115
Income tax attributable to operating loss	-	-	-	-

Potential future income tax benefits of \$802,732 (1997 - \$698,108) attributable to Australian tax losses carried forward by the Company and future benefits attributable to exploration expenditure and other timing differences allowable for deduction have not been brought to account in the consolidated accounts at 30 June 1998 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

- the Company and its controlled entities derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Company and its controlled entities continue to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company or the economic entity in realising the benefit from the deductions for the loss and exploration expenditure carried forward.



	Company		Consolidated	
	1998	1997	1998	1997
	\$	\$	\$	\$
5. RECEIVABLES				
CURRENT				
Other debtors	9,456	10,144	26,828	15,619
NON-CURRENT				
Loan to controlled entities	6,822,028	2,870,562	-	-
Provision for non-recovery of loans	-	-	-	-
Loan to associate	-	-	-	-
	6,822,028	2,870,562	-	-
6. INVESTMENTS				
NON-CURRENT				
Shares in controlled entity, at cost - Patron Ltd.	560,000	560,000	-	-
Less Provision for diminution in value	(310,000)	(310,000)	-	-
	250,000	250,000	-	-
7. OTHER ASSETS				
CURRENT				
Deposits	3,500	3,500	3,500	3,500
Prepayment	-	-	-	-
	3,500	3,500	3,500	3,500
8. PROPERTY, PLANT & EQUIPMENT				
Plant, equipment and motor vehicles (at cost)	66,677	41,838	174,682	103,326
Deduct accumulated depreciation	(32,408)	(24,576)	(38,850)	(86,064)
	34,269	17,262	135,832	17,262
9. OTHER ASSETS				
NON - CURRENT				
Exploration expenditure capitalised at cost	-	-	7,246,748	3,292,501
Deposit for land purchase	-	-	5,921	448,983
	-	-	7,252,669	3,741,484
10. ACCOUNTS PAYABLE				
CURRENT				
Other creditors	68,013	59,080	518,415	491,146
11. PROVISIONS				
CURRENT				
Others	-	20,000	-	20,000

12. BORROWINGS	Company		Consolidated	
	1998	1997	1998	1997
	\$	\$	\$	\$
NON-CURRENT				
Loan to related parties - Secured	-	-	541,760	541,760

The loan of \$541,760 (comprising \$1,865,177 (1997 - \$1,865,177) less fair value adjustment of \$1,323,417) is payable by Patron Limited through its controlled entity Issara Mining Limited (refer Note 16). Resources for repayment are limited to the assets of Issara Mining Limited and any proceeds received from joint venture interests. The loans were recognised in the consolidated accounts at the directors' estimate of their fair values at the date of acquisition of Patron Limited.

The directors will continue to assess the extent to which they believe payment of the liability will be probable and any further amount recognised will result in additional goodwill on the acquisition of the Patron Limited economic entity which will be written off to the extent it is not represented by probable future benefits

At the time of acquiring Patron Limited a loan was outstanding from Issara Mining Limited to Epoch Mining NL amounting to \$1.2 million. This was reduced by a payment of \$130,000 in 1997 to Epoch Mining NL. The remaining balance may be settled by Issara paying to Epoch Mining N.L. \$US600,000 at the time Issara receives the option payment from Prae Lignite (as detailed below), failing that, Issara will procure repayment of the loan from future production of the mining tenements at a rate of 5% of the value of the gross mine production until the loan has been fully repaid.

Pursuant to the Shareholders Agreement dated 25 August 1993 between Issara Mining Ltd and Prae Lignite Co Ltd (a subsidiary of Ban Pu Public Company Limited) as varied by the Supplementary Agreement dated 14 December 1994, \$US4.5 million will be paid by Prae Lignite to Issara at the mine development stage of the Chatree Gold Project. During 1997, Issara acquired a 41% interest in the Chatree Gold Project from Prae Lignite. As part of the acquisition consideration, the option payment of \$US4.5 million payable by Prae Lignite was reduced pro rata to \$US882,353. Pursuant to the acquisition Issara pays 90% of the ongoing exploration cost. Issara is the manager of the project at both exploration and mining stages.

13. SHARE CAPITAL

AUTHORISED CAPITAL

200,000,000 ordinary shares
of 25 cents each:

50,000,000	50,000,000	50,000,000	50,000,000
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ISSUED CAPITAL

Fully Paid shares of 25 cents each

42,525,999 (1997 - 38,485,999) ordinary
shares of 25 cents each fully paid

10,631,500	9,621,500	10,631,500	9,621,500
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On 3 July, 1997, pursuant to the exercise of 250,000 options, the Company issued 250,000 fully paid ordinary shares of 25 cents each to Canaccord Capital Corp. at a premium of 14 cents per share.

On 14 July, 1997, pursuant to the exercise of 100,000 options, the Company issued 100,000 fully paid ordinary shares of 25 cents each to Martyn Element at a premium of 12 cents per share.

On 28 July, 1997, pursuant to the exercise of 220,000 options, the Company issued 220,000 fully paid ordinary shares of 25 cents each to Martyn Element at a premium of 12 cents per share.

On 11 August, 1997, pursuant to the exercise of 250,000 options, the Company issued 250,000 fully paid ordinary shares of 25 cents each to Canaccord International (L) Corp. at a premium of 14 cents per share.

On 30 June, 1998, pursuant to the exercise of 3,220,000 options, the Company issued 3,220,000 fully paid ordinary shares of 25 cents each to three directors of the company at a premium of 8 cents per share.



14. RESERVES

	1998 \$	1997 \$	1998 \$	1997 \$
Share premium account	<u>4,329,297</u>	<u>3,963,297</u>	<u>4,329,297</u>	<u>3,963,297</u>
Movements				
Share premium account				
Opening balance	3,963,297	(2,165,170)	3,963,297	(2,165,170)
Premium on shares issued during the year				
Share Placement	-	6,650,000	-	6,650,000
Shares issued on exercise of options	108,400	-	108,400	-
Shares issued on exercise of directors options	257,600	-	257,600	-
Less Share issue costs	-	(521,533)	-	(521,533)
	<u>4,329,297</u>	<u>3,963,297</u>	<u>4,329,297</u>	<u>3,963,297</u>

15. OTHER COMMITMENTS

The economic entity has certain obligations to perform minimum exploration work on leases held. These obligations may vary from time to time in accordance with contracts signed.

16. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Interest	
		1998 %	1997 %
Patron Limited*	U.K.	100	100
Issara Mining Limited ^{xx}	Thailand	100	100
Parasol Limited ^{xx}	Thailand	100	100
Naka Udsahakum Limited ^{xx}	Thailand	100	100
Akara Mining Limited ^{xx}	Thailand	90	90
Suan Sak Pattana Limited ^{xx}	Thailand	90	90

* Controlled entity of which PricewaterhouseCoopers have not acted as auditor.

^{xx} Controlled entity audited by another PricewaterhouseCoopers firm.

17. CONSOLIDATED SEGMENT INFORMATION

INDUSTRY SEGMENTS	Mining		Investment		Consolidated	
	1998	1997	1998	1997	1998	1997
	\$	\$	\$	\$	\$	\$
Total operating revenue	-	-	203,329	108,294	203,329	108,294
Segment result	(248,839)	(732,232)	62,778	(83,509)	(186,061)	(815,741)
Unallocated expenses					(248,524)	(234,622)
Operating loss					(434,585)	(1,050,363)
Segment assets	7,418,829	3,777,865	3,454,931	6,147,211	10,873,760	9,925,076

GEOGRAPHIC SEGMENTS	Australia		Thailand		Consolidated	
	1998	1997	1998	1997	1998	1997
	\$	\$	\$	\$	\$	\$
Total operating revenue	197,482	108,294	5,847	-	203,329	108,294
Segment result	(321,720)	(1,036,501)	(106,826)	(7,957)	(428,546)	(1,044,458)
Unallocated expenses					(6,039)	(5,905)
Operating Loss					(434,585)	(1,050,363)
Segment assets	3,225,327	6,116,317	7,648,433	3,808,759	10,873,760	9,925,076

18. RELATED PARTY INFORMATION

Directors

The names of persons who were directors of Kingsgate Consolidated NL throughout the financial year are as follows: A J Grey, M G Diemar, R D Smyth-Kirk and J Falconer.

Remuneration Benefits

Remuneration received or receivable by the directors of the Company and the economic entity is disclosed in Note 3 to the accounts.

Director related entities

Technical and administrative fees of \$163,947 (1997 - \$141,206) were paid to Diemar & Associates Pty Ltd, a company in which M G Diemar is a shareholder and director. Accounting, secretarial and taxation service fees of \$113,299 (1997 - \$142,394) were paid to Carbone Falconer & Co, Chartered Accountants, in which John Falconer is a partner. Consulting fees of \$60,000 (1997 - \$60,000) were paid to Gordian Investments Pty Ltd, a company controlled by A J Grey. Consulting and administrative fees of \$1,728 (1997 - \$2,000) were paid to Surapol Udompornwirat, a director of a controlled entity.

Ownership interests in related parties

Interests held in a controlled entity are set out in Note 16 to the accounts.



18. RELATED PARTY INFORMATION (continued)

Transactions of Directors and Director related entities concerning Share or Share Options

During the financial year, directors and their related entities acquired 3,220,000 ordinary fully paid shares pursuant to the exercise of their options (Note 13) and 181,000 ordinary shares were disposed. The aggregate number of shares of the Company held directly or indirectly by directors or director related entity.

<u>Issuing Entity</u>	<u>Class of Share</u>	1998 Number	1997 Number
Kingsgate Consolidated N.L.	Ordinary shares	7,219,000	4,180,000
	Options over ordinary shares	-	3,220,000

The directors exercised their 3,220,000 options to acquire 3,220,000 fully paid ordinary shares of 25 cents each for 33 cents each. The total funds raised from the issue of the shares was \$1,062,600.

Wholly - Owned Group and other controlled entities

The wholly-owned group consists of Kingsgate Consolidated NL and its wholly owned controlled entities Patron Limited and Issara Mining Limited. Ownership interests in these and other controlled entities are set out in Note 16.

Transactions between Kingsgate Consolidated NL and controlled entities during the years ended 30 June 1997 and 30 June 1996 consisted of loans advanced by Kingsgate Consolidated NL. The loans do not bear interest.

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

	<u>Company</u>		<u>Consolidated</u>	
	1998	1997	1998	1997
	\$	\$	\$	\$
Non Current Receivable				
Wholly controlled entities	1,345,080	1,295,817	-	-
Other controlled entities	5,476,946	1,574,745	-	-
	<u>6,822,026</u>	<u>2,870,562</u>	<u>-</u>	<u>-</u>

During the year the Company advanced \$49,263 to wholly controlled entities and \$3,902,201 to other controlled entities.

Ultimate Controlling Entity

The ultimate controlling entity is Kingsgate Consolidated NL.

19. SUPERANNUATION COMMITMENTS

The economic entity contributes to an approved superannuation fund in accordance with legal requirements.

Australian Company

The Company contributes a percentage of salaries and wages to a complying superannuation fund. Benefits are paid on retirement.

Overseas Controlled Entities

Each Company contributes to funds administered by companies outside the economic entity, as required by the law of that country.

	Company		Consolidated	
	1998	1997	1998	1997
	\$	\$	\$	\$
20. CASH FLOW INFORMATION				
Reconciliation of Cash				
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:				
- Cash	3,178,101	6,102,673	3,454,931	6,147,211
- Less Bank Overdraft	-	-	-	(15,432)
	<u>3,178,101</u>	<u>6,102,673</u>	<u>3,454,931</u>	<u>6,131,779</u>
Reconciliation of net cash flows from operating activities to operating loss after income tax is as follows:				
- Operating loss after income tax	(321,720)	(757,071)	(434,585)	(1,050,363)
- Depreciation	7,829	2,976	7,864	2,976
- Mining tenements and exploration expenditure written off	17,525	506,592	17,525	506,592
- Write back of provision for non-recovery of loans	-	(279,430)	-	-
- Write off of Capitalised establishment expenses	-	-	28,094	-
Changes in Assets and Liabilities				
- Increase/(Decrease) in other creditors	(32,574)	17,925	(239,419)	(153,449)
- (Increase)/Decrease in trade and other debtors	594	2,406	(11,270)	7,818
Net Cash Outflows used in operating activities	<u>(328,346)</u>	<u>(506,602)</u>	<u>(631,791)</u>	<u>(686,426)</u>

21. NON-CASH FINANCING AND INVESTING ACTIVITIES

Financing Facilities

The economic entity has no loan facilities or credit standby arrangements as at 30 June 1998 (1997 - nil).

22. CONTINGENT LIABILITIES

The Company and the economic entity have no other contingent liabilities at year end except for those disclosed in notes 12 to the accounts.

23. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out on the following page.



23. FINANCIAL INSTRUMENTS (continued)

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the economic entity intends to hold fixed rate assets and liabilities to maturity.

Fixed interest maturing in:							
	Notes	Floating interest rate \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$	Non-interest bearing \$	Total \$
1998							
Financial assets							
Cash and Deposits		3,160,545	-	-	-	294,386	3,454,931
Receivables	5	-	-	-	-	26,828	26,828
Other	7	-	-	-	-	3,500	3,500
		<u>3,160,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,714</u>	<u>3,485,259</u>
Weighted average interest rate		4.54%					
Financial liabilities							
Bank overdrafts and loans	12	-	-	-	-	541,760	541,760
Trade and other creditors	10	-	167,497	-	-	350,918	518,415
		<u>-</u>	<u>167,497</u>	<u>-</u>	<u>-</u>	<u>892,678</u>	<u>1,060,175</u>
Weighted average interest rate			15%				
Net financial assets (liabilities)		<u>3,160,545</u>	<u>(167,497)</u>	<u>-</u>	<u>-</u>	<u>(567,964)</u>	<u>2,425,084</u>
Fixed interest maturing in:							
	Notes	Floating interest rate \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$	Non-interest bearing \$	Total \$
1997							
Financial assets							
Cash and Deposits		6,084,161	-	-	-	63,050	6,147,211
Receivables	5	-	-	-	-	15,619	15,619
Other	7	-	-	-	-	3,500	3,500
		<u>6,084,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,169</u>	<u>6,166,330</u>
Weighted average interest rate		4.66%					
Financial liabilities							
Bank overdrafts and loans	12	-	-	-	-	541,760	541,760
Trade and other creditors	10	-	220,604	-	-	270,542	491,146
		<u>-</u>	<u>220,604</u>	<u>-</u>	<u>-</u>	<u>812,302</u>	<u>1,032,906</u>
Weighted average interest rate			15%				
Net financial assets (liabilities)		<u>6,084,161</u>	<u>(220,604)</u>	<u>-</u>	<u>-</u>	<u>(730,133)</u>	<u>5,133,424</u>

23. FINANCIAL INSTRUMENTS (continued)

Reconciliation of Net Financial Assets to Net Assets

	Notes	1998 \$	1997 \$
Net financial assets as above		2,425,084	5,133,424
Non-financial assets and liabilities			
Property, plant and equipment	8	135,832	17,262
Other assets	9	7,252,669	3,741,484
Provisions	10	-	(20,000)
Net assets per balance sheet		<u>9,813,585</u>	<u>8,872,170</u>

(c) Net Fair Value of Financial Assets and Liabilities

i. On-balance Sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.



STATEMENT BY DIRECTORS

In accordance with a resolution of the directors of Kingsgate Consolidated N.L., we state that:-

In the opinion of the directors:

- (a) the accounts of the Company and economic entity are drawn up so as to give a true and fair view of the results of the Company and economic entity for the financial year ended 30 June 1998, and the state of affairs of the Company and economic entity as at 30 June 1998;
- (b) at the date of this statement there are reasonable grounds to believe that the Company and economic entity will be able to pay its debts as and when they fall due; and
- (c) the consolidated accounts of the economic entity have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of the loss of the economic entity for the year ended 30 June 1998 and the state of affairs of the economic entity as at 30 June 1998.

The accounts and the consolidated accounts have been made out in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, and the Corporation Law.

DATED at SYDNEY this 24 September 1998
On behalf of the Board

M.G. DIEMAR
Director

J. FALCONER
Director

INDEPENDENT AUDIT REPORT

To the Members of Kingsgate Consolidated N.L.

Scope

We have audited the financial statements of Kingsgate Consolidated N.L. (the Company) for the financial year ended 30 June 1998 as set out on pages 12 to 28. The financial statements consist of the accounts of the Company and the consolidated accounts of the economic entity comprising the Company and the entities it controlled at the end of, and during, the financial year. The Company's directors are responsible for the financial statements. We have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law so as to present a view which is consistent with our understanding of the Company's and the economic entity's state of affairs, the results of their operations and their cash flows.

We have not acted as auditors of the controlled entities identified in Note 16 to the financial statements. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Company are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1998 and the results and cash flows for the financial year ended on that date of the Company and the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable accounting standards and other mandatory professional reporting requirements.

PRICEWATERHOUSECOOPERS
Chartered Accountants

P. A. Kevans
Partner
SYDNEY
25 September 1998



SHAREHOLDER INFORMATION

Directors' Shareholdings as at 22 September 1998

Director	Shares
Anthony J Grey	2,464,000
Michael G Diemar	3,030,000
Ross D Smyth-Kirk	1,500,000
John Falconer	nil

Substantial shareholders and their associates who have notified the Company are listed below.

Holder	No. of Shares Held as at 22 September 1998
Mr M G Diemar	3,030,000
Mr A J Grey	2,464,000
Spencer Global Associates	2,085,837

Distribution as at 22 September 1998

Size of Holding	Number of Shareholders Fully Paid Shares
1 - 1,000	312
1,001 - 5,000	383
5,001 - 10,000	186
10,001 - 100,000	275
100,001 and Over	59
Total	<u>1,215</u>

Of which 193 have less than a marketable parcel.

Statement of Fully Paid Issued Securities as at 22 September 1998

- (i) The total number of shareholders is 1,215. Each shareholder is entitled to one vote for each share held.
- (ii) There are 42,525,999 ordinary shares of 25 cents each fully paid on issue.
- (iii) The twenty largest shareholders hold 54.27% of the Company's issued capital.

SHAREHOLDER INFORMATION (continued)

20 Largest Holders of Ordinary Shares as at 22 September, 1998

	No. of shares		Percentage
1	ANZ Nominees Limited	3,866,162	9.09%
2	Prelarmor Nominees Pty Limited	2,464,000	5.79%
3	Centenia Investments Pty Limited	1,870,000	4.40%
4	Westpac Custodian Nominees Limited	1,854,934	4.36%
5	Bruce Clayton Bird	1,853,000	4.36%
6	Paul G Docherty	1,705,000	4.01%
7	Arinya Investments Pty Limited	1,500,000	3.53%
8	National Nominees Limited	1,459,000	3.43%
9	Epoch Mining NL	1,000,000	2.35%
10	Diemar & Associates Pty Limited	920,000	2.16%
11	Frederick Shepp Grimwade	550,000	1.29%
12	Donwillow Pty Limited	548,200	1.29%
13	AMP Custodian Serv (Maste	500,000	1.18%
14	Masoncastle Pty Limited	482,375	1.13%
15	JNR Corp Pty Limited	455,500	1.07%
16	Rubicon Nominees Pty Limited	450,000	1.06%
17	Christopher Komor	444,550	1.05%
18	Lozune Pty Limited	400,000	0.94%
19	Wynarde Pty Limited	390,000	0.92%
20	CDS & Co	366,000	0.86%
	Total	23,078,721	54.27%

Restricted Securities as at 22 September 1998

There were no restricted shares on issue.