



Kingsgate

Consolidated Limited

ABN 42 000 837 472

23 February 2004

The Manager
Announcements
Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sir/Madam

Half Year Report ended 31 December 2003

Please find attached the following reports in respect of the Half Year ended 31 December 2003:

- Appendix 4D and Media Release (9 pages)
- Half Year Report (14 pages)

Yours faithfully

JOHN FALCONER
Company Secretary



Kingsgate
Consolidated Limited

ABN 42 000 837 472

Half Year report for six months ended 31 December 2003



KINGSGATE CONSOLIDATED LIMITED

HALF YEAR REPORT – 31 DECEMBER 2003

CONTENTS	Page
Directors' Report	3
Review of Operations	4-5
Financial Report	
Consolidated statement of financial performance	6
Consolidated statement of financial position	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-11
Directors' Declaration	12
Independent Review Report to the members	13-14

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Kingsgate Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.



DIRECTORS' REPORT

The directors of Kingsgate Consolidated Limited present their report for the half year ended 31 December 2003.

DIRECTORS

The following persons were directors of Kingsgate Consolidated Limited during the whole of the half year and up to the date of this report:

Ross D Smyth-Kirk, BCom, CPA, ASIA (Chairman)
Steve Reid, BAppSc Min Eng, F AusIMM, MCIM, SME (Managing Director and CEO)
John Falconer, FCA, ASIA (Company Secretary)
John T Shaw, BSc, F AusIMM, MCIM, FAICD, SME
Peter McAleer, B Com (Hons), BL (Kings Inns – Dublin- Ireland)

REVIEW OF OPERATIONS

A review of operations of the Consolidated Entity is given on pages 4 to 5.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

A handwritten signature in black ink, appearing to read 'John Falconer'.

JOHN FALCONER

Director
Sydney
23 February 2004



REVIEW OF OPERATIONS

Overview

Kingsgate Consolidated Limited, operator of the Chatree gold mine in Thailand, has recorded a net profit after tax of \$16.7 million for the half year ended 31 December 2003. The result exceeded expectations and was favourably impacted by positive contributions from the discovery and mining of the Prospect H extension and the higher gold price. Earnings per share for the current period were 20.8 cents and Directors have declared an unfranked interim dividend of 10 cents per share.

Operational Performance

Gold production during the half year was 62,461 ounces, a reduction of 19% on the half year to 31 December 2002. The addition of new CIL tanks enabled plant throughput to be increased to 712,000 tonnes, compared with 604,000 tonnes in the corresponding period to December 2002. Gold recoveries improved to 90.0% from 89.1% previously and helped to partially offset the decline in grades treated from 4.3 grams per tonne previously to 3.1 grams per tonne in the current period. Ore mined during the period was sourced from the Tawan and Chantra pits and was supplemented with ore from the newly discovered extension to the H orebody in the south of the Tawan pit.

The plant expansion at Chatree was commissioned one month ahead of schedule at the end of December 2003. A plant capacity of 1.8 million tonnes per year is now being consistently achieved as operational refinements to the circuit continue. The total cost of the upgrade was US\$7.95 million, (under the budget of US\$8.1 million) and was funded entirely from cash flow.

The excellent safety and environmental record continued during the half year with no lost time injuries and no environmental incidents incurred at the Chatree operation. The company also achieved accreditations for ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety during the half year.

Exploration Program

Regional

The company has an extensive area covered by Special Prospecting Licence Applications (SPLA) of over 1,500 square kilometres of the Loei-Petchabun Goldfield in the Chatree region. To facilitate exploration of this expanding land position, US\$5 million is projected to be spent in the current financial year. The Khao Sai exploration office has been expanded, additional geologists recruited and the exploration division has been restructured to assist the flow through of projects from discovery to mining. Regional exploration has confirmed the prospectivity of the Goldfield for mineralized systems similar to that at Chatree, as well as other types of gold mineralization.

Chatree

Early success was achieved on the mine lease with an extension to the H orebody, on which an ore reserve of 60,000 ounces of gold has been announced during the half year. Further mineralization has been identified along strike and drill testing is ongoing. Exploration of the C pit to the north of the current Tawan pit has returned encouraging intersections with particularly high grades for this zone. A preliminary mineral resource estimate will be calculated during the March quarter. Drilling in the Prospect K area has confirmed the presence of at least two zones of mineralization representing extensions of Chantra and Tawan pits and a mineral resource estimate is being prepared.

Further exploration activity is being undertaken to the east of Prospect A down dip and the continuity of mineralization is being tested. A major ground resistivity survey of the mine



area has produced highly encouraging results and is being applied on similar resistivity signatures in the vicinity of the mine.

Financial Results

Net profit after tax was \$16.7 (US\$11.6) million for the half year compared with \$24.1 (US\$13.4) million in the previous corresponding period. The financial results were unfavourably impacted by the appreciation of the A\$ against the US\$. The average US\$/A\$ exchange rate strengthened from US\$0.55 in 2002 to US\$0.69 in 2003, reducing profits by \$4.2 million on conversion of the US\$ denominated results.

Revenue of \$36.4 million reflects reduced gold production that was sold at a higher US\$ gold price per ounce of US\$385 (2002: US\$320). Unit cash costs per ounce increased from US\$77 to US\$120 per ounce, reflecting the lower grade treated and the higher waste:ore strip ratio in the pits.

Net cash on hand at 31 December 2003 is \$48.4 million and is favourably impacted by proceeds from share issues of \$41.7 million during the half year. The company completed a restructuring of the debt facilities and now has a 3-year revolving credit facility of US\$32 million with 4 banks participating. This replaces the previous project facility put in place to finance the initial development of the Chatree operation.

The company has gold hedge positions that were established as part of the initial project financing and has no currency hedging. Hedge commitments outstanding at 31 December 2003 were 345,300 ounces compared with 356,400 ounces at 30 June 2003. There was a negative mark to market valuation of US\$27 million for the hedge book at period end, reflecting the increase in both US\$ gold price and US\$/A\$ exchange rate. The company is constantly reviewing the hedge book with a view to reducing commitments, while preserving a degree of price protection.

Dividends

The directors have recommended an interim dividend of 10 cents per share, representing a payout of 48% on the earnings per share for the period. The dividend is unfranked and has a record date of 19 March 2004 and a payment date of 2 April 2004. Following approval at the annual general meeting in October 2003, shareholders can elect to participate in the Dividend Reinvestment Plan for this dividend.

Outlook

On the strength of the discovery and mining of the Prospect H extension and the early commissioning of the mill expansion, the outlook for the remainder of the year has been revised upwards. Current projections are that gold production will be 135,000 ounces (up from 130,000 oz) at a cash cost of US\$135 per ounce (down from US\$140/oz) for the financial year. In the expectation that the gold price remains at current levels, Kingsgate is forecasting that the profit after tax for the year to 30 June 2004 will exceed US\$22 million, compared with the previously announced projection of US\$18 million.



**Consolidated Statement of Financial Performance
For the half year ended 31 December 2003**

	Half Year	
	2003	2002
	\$'000	\$'000
Revenue from operating activities	35,620	46,889
Revenue from outside the operating activities	794	294
Revenue from ordinary activities	36,414	47,183
Changes in inventories of finished goods and work in progress	3,220	1,420
Direct costs mining and processing	(13,455)	(12,691)
Rehabilitation expense	(249)	(138)
Employee benefits expense	(2,308)	(2,739)
Depreciation and amortisation expenses	(5,218)	(6,521)
Borrowing costs expense	(398)	(1,130)
Other expenses from ordinary activities	(1,289)	(1,241)
Profit from ordinary activities before related income tax expense	16,717	24,143
Income tax expense	-	-
Profit from ordinary activities after related income tax expense	16,717	24,143
Net profit attributable to members of Kingsgate Consolidated Limited	16,717	24,143
Net exchange differences on translation of financial reports of foreign controlled entities	(4,728)	(2,111)
Total revenue, expenses and valuation adjustments attributable to members of Kingsgate Consolidated Limited recognised directly in equity	(4,728)	(2,111)
Total changes in equity attributable to members of Kingsgate Consolidated Limited other than those resulting from transactions with owners as owners	11,989	22,032
	Cents	Cents
Basic earning per share	20.8	33.5
Diluted earnings per share	20.8	33.2

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



**Consolidated Statement of Financial Position
As at 31 December 2003**

	Notes	31 December 2003	30 June 2003
		\$'000	\$'000
Current assets			
Cash		56,397	28,914
Receivables		7,652	8,677
Inventories		6,713	4,190
Other assets		177	1,190
Total current assets		70,939	42,971
Non-current assets			
Mining property, plant and equipment		60,245	53,336
Other assets		3,695	-
Total non-current assets		63,940	53,336
Total assets		134,879	96,307
Current liabilities			
Payables		4,510	3,340
Interest bearing liabilities		8,011	17,195
Provisions		2,362	989
Total current liabilities		14,883	21,524
Non-current liabilities			
Interest bearing liabilities		-	1,499
Provisions		2,175	-
Total non-current liabilities		2,175	1,499
Total liabilities		17,058	23,023
Net assets		117,821	73,284
Equity			
Contributed equity		73,147	31,471
Reserves	2	(13,102)	(8,374)
Retained Profits		57,776	50,187
Total equity		117,821	73,284

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



Consolidated Statement of Cash Flows
For the half year ended 31 December 2003

	Half Year	
	2003 \$'000	2002 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	38,478	48,694
Payments to suppliers and employees (inclusive of goods and services tax)	(18,172)	(16,260)
	20,306	32,434
Interest received	629	294
Borrowing costs	(398)	(1,130)
Net cash inflow from operating activities	20,537	31,598
Cash flows from investing activities		
Payment for plant and equipment	(10,121)	(115)
Mine development costs	-	(5,602)
Payments for exploration	(5,535)	(1,670)
Net cash (outflow) from investing activities	(15,656)	(7,387)
Cash flows from financing activities		
Repayment of loans	(9,026)	(12,077)
Payment of dividends	(9,127)	(10,800)
Proceeds from share issue	41,676	1,666
Net cash (outflow)/inflow from financing activities	23,523	(21,211)
Net increase in cash held	28,404	3,000
Cash at the beginning of the reporting period	28,914	25,262
Effects of exchange rate changes on cash	(921)	-
Cash at the end of the reporting period	56,397	28,262

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



Notes to the Consolidated Financial Statements
For the half year ended 31 December 2003

1. **Basis of preparation of half year financial report**

These general purpose consolidated financial statements for the half year ended 31 December 2003 have been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Kingsgate Consolidated Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. **Reserves**

	Consolidated	
	2003	2002
	\$'000	\$'000
Foreign currency translation reserve	(14,128)	(2,472)
General reserve	1,026	1,026
Reserves	<u>(13,102)</u>	<u>(1,446)</u>

Foreign exchange differences arising on the translation of self-sustaining operations, using the current rate method, are recorded in the foreign currency translation reserve.

3. **Consolidated segment information**

Business and geographic segments

The consolidated entity operated primarily in one business segment being gold mining and exploration and one geographic segment being the Asia Pacific Region.



Notes to the Consolidated Financial Statements
For the half year ended 31 December 2003

Secondary reporting – Geographical segments

	Consolidated	
	2003 \$'000	2002 \$'000
Sales to external customers:		
Asia Pacific	<u>36,414</u>	<u>47,183</u>
Segment assets:		
Asia Pacific	<u>131,539</u>	<u>100,951</u>

4. Equity securities issued

	Half Year		Half Year	
	2003 Shares	2002 Shares	2003 \$'000	2002 \$'000
Issue of ordinary shares during the half year				
Placement	10,800,000	-	37,171	-
Shareholder Purchase Plan	1,209,212	-	4,283	-
Employee Option Plan	-	809,000	-	1,666
Directors' Options	150,000	-	222	-
	<u>12,159,212</u>	809,000	<u>41,676</u>	1,666

5. Dividends

	Half year	
	2003 \$'000	2002 \$'000
Dividends provided for and paid during the half year	<u>9,127</u>	10,820

Dividends not recognised at the end of the half year

Since the end of the half year the directors have declared an interim unfranked dividend of 10.0 cents (2002 – 12.5 cents) per fully paid ordinary share. The aggregate amount of the dividend payable on 2 April 2004 (17 April 2003) out of retained profits at the end of the half year, but not recognised as a liability, is

<u>8,503</u>	9,107
--------------	-------



**Notes to the Consolidated Financial Statements
For the half year ended 31 December 2003**

6. Contingent Liability

The consolidated entity had contingent liabilities at 31 December 2003 in respect of securities provided under the project financing facility.

Cross guarantees have been given by Kingsgate Consolidated Limited and its controlled entities to Macquarie Bank Limited in respect of the project loan to develop Chatree Gold Mine.

These guarantees may give rise to liabilities in the parent entity if the controlled entities do not meet their obligations under the terms of the loans subject to the guarantees.

The project loan of \$8 million (US\$6 million) was repaid by the relevant controlled entity in January 2004.

7. Events occurring after reporting date

Except for the dividend declared since the end of the current period described in note 5, there are no matters or circumstances which have arisen since 31 December 2003 that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in financial periods subsequent to 31 December 2003.



DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 11:

- a) Comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the directors' opinion:

- (a) The financials statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) There are reasonable grounds to believe that Kingsgate Consolidated Limited will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 23rd day of February 2004

A handwritten signature in black ink, appearing to read 'John Falconer'.

JOHN FALCONER
Director

Independent review report to the members of Kingsgate Consolidated Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Kingsgate Consolidated Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Kingsgate Consolidated Limited as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Kingsgate Consolidated Limited Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises Kingsgate Consolidated Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
23 February 2004