



**KINGSGATE PRODUCED 154,484 OUNCES OF  
GOLD AT A CASH COST OF US\$94/OZ IN 2002/03**

**SUMMARY OF ACTIVITIES FOR THE QUARTER:**

- Gold production at the Chatree Gold Mine in Thailand for the June quarter amounted to 38,128 ounces at a total cash cost of US\$109 per ounce.
- Gold production at Chatree for the 2002/03 year was **154,484 ounces** at a cash cost of **US\$94 per ounce**.
- Chatree plant expansion to 1.8 Mtpa is currently under construction and on schedule for January 2004 commissioning.
- Major strategy change in the exploration program
  - Increased emphasis on near-mine exploration
  - Increase in regional tenement holdings
  - Exploration budget for 2003/04 under review
- Significant new discoveries
  - Extension to Prospect H orebody (July 14<sup>th</sup> )
  - Easterly extension to Prospect A
  - First results from Prospects K and B
- Announced increase in ore reserves of 67% with the addition of **402,400 oz** new reserves at Prospect A.
- Hedge restructure reduces commitments by 57,600 ounces (14%).
- Forecast full year profit after tax of US\$25 million will be exceeded as a result of the operational performance and gold price achieved in the June quarter.

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Managing Director & CEO  
28 July 2003

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## PRODUCTION

Production at Chatree for the June quarter and year to date (YTD) is illustrated in the following table.

Chatree Mine	Units	2003 June Quarter	2002 / 03 YTD 12 Months
Waste mined	BCM	608,891	1,757,923
Ore mined	BCM	176,069	638,175
Waste:ore ratio		3.5	2.8
Ore Mined	Tonnes	395,437	1,511,029
Ore treated	Tonnes	368,547	1,324,057
Head grade	Au g/t	3.5	3.9
	Ag g/t	19	22
Gold recovery	%	91.5	90.2
<b>Gold poured</b>	<b>Ounces</b>	<b>38,128</b>	<b>154,484</b>
Silver poured	Ounces	114,043	484,170

During the quarter, ore was sourced from both the Tawan and Chantra pits. Mining volumes have increased and will continue to increase throughout the 2003 calendar year in preparation for the scheduled process plant expansion early in 2004.

The mining contractor mobilised a new mining equipment fleet of Cat 735 haul trucks and Cat 330 excavators during the quarter.

Grade control drilling at the smaller, Chantra pit has lowered the total recoverable ounces by approximately 30,000 oz. The depth extension of the orebody, modelled from the initial reserve drilling, proved to be overstated in this area and the mine plan has been modified accordingly.

The CIL gold processing plant continued to perform at greater than nameplate capacity of 1 million tonnes per year. The three CIL tanks that were commissioned in December are continuing to perform to expectations providing improved gold and silver recovery at these higher throughput levels. Plant throughput increased as a result of treating softer ore from the upper levels of the Chantra Pit and the throughput of 368,547 tonnes was a quarterly record for the project to date. Testwork on oxygen addition to increase recoveries has been successful and a decision has been taken to install a permanent oxygen system.

Ore reserves at Chatree are approximately 1 million ounces at the 30<sup>th</sup> June 2003

## PRODUCTION COSTS

Cost Category *	2003 June Quarter US\$/oz Gold Produced	2002/03 YTD 12 Months US\$/oz Gold Produced
Direct mining expense	109	95
Refining and transport	2	2
By product credit	(12)	(13)
<b>Cash Operating Cost</b>	<b>99</b>	<b>84</b>
Royalty	10	10
<b>Total Cash Cost</b>	<b>109</b>	<b>94</b>
Depreciation/Amortisation	52	49
<b>Total Production Cost</b>	<b>161</b>	<b>143</b>

\* Gold Institute Revised Standard for Reporting Production Costs.

*Kingsgate reports unit costs in accordance with the Gold Institute Standard. Silver is accounted for as a by-product at Chatree whereby revenues from silver are deducted from operating costs in the calculation of cash costs per ounce.*

*The Total Cash Cost of future production at Chatree will fluctuate due to changing grade, throughput and recovery outcomes.*

## **SAFETY AND ENVIRONMENT**

There were no lost time injuries incurred at the Chatree gold mine or in the exploration division during the June quarter.

There were no environmental incidents during the June quarter.

To supplement its existing ISO 9001 Quality certification, Chatree is pursuing both ISO 14001 certification of its Environmental Management System and OHSAS 18001 certification of its Occupational Health and Safety Management System in the current calendar year.

## **CHATREE PROCESS PLANT EXPANSION**

Construction commenced during the quarter on the 50% process plant expansion to increase capacity to a nameplate capacity of 1.8 million tonnes per year. The expansion will cost US\$8 million and is currently on budget and on schedule for commissioning during January 2004. The expansion will add an additional SAG (grinding) mill, two additional CIL tanks and ancillary equipment.

## **EXPLORATION**

Kingsgate has reviewed its exploration program and refocused its efforts such that the components of the program meet the following specific requirements:

- Short Term: Providing an immediate contribution to production and profitability,
- Medium Term: Replacing mined Ore Reserves, and
- Longer Term: Providing future growth for the company.

### ***Immediate Contribution (Short Term)***

Early success in the discovery of an extension to Prospect H was reported on July 14<sup>th</sup>.

Exploration drilling has identified that the known mineralisation extends along strike in a south-westerly direction. This new mineralisation is located on the existing mining lease and is illustrated and tabulated in the attached appendix and map. Geological and mine planning activities are currently underway with a view to bringing forward the production of this near-surface, readily accessible material. Consequently exploration in this area has been halted temporarily while grade control drilling is carried out. This will enable mining of the area to commence during August 2003.

This orebody extension is currently not included in mineral resources or ore reserves at Chatree.

**Replacement of Mined Ore Reserves (Medium Term)**

A first ore reserve was announced for Prospect A during the quarter. The ore reserve estimate comprises 402,400 ounces of gold and 4,320,000 ounces of silver.

- This estimate is based on a total drilling program of approximately 26,000 metres.
- The mineralisation consists of low sulphidation epithermal quartz carbonate stockworks and fault breccia fill similar to that at Chatree.
- The company is actively progressing the relevant applications for development approval and granting of a mining lease.

While further infill drilling on the previously announced resource is possible at Prospect A, this has been deferred in favour of step-out drilling to test the extensions of the mineralisation along strike and down-dip.

**Down-dip:** Prospect A mineralisation is hosted in an east-dipping envelope. Significant results have already been encountered in this small drill program, which indicate that the Prospect A-style mineralisation is present in the envelope, at least 250 metres east of the present reserves (RC949):

<b>PROSPECT A : Down-dip</b>									
Hole No.	Northing (mN)	Easting (mE)	Grid Azim	Dip (degrees)	Hole Depth	Intersection (m)			Au (g/t)
						From	To	Int.	
RC944	19,600	5,442	270	55	150.0	70.0	75.0	<b>5.0</b>	<b>4.07</b>
						142.0	147.0	<b>5.0</b>	<b>2.73</b>
RC949	19,800	5,498	270	55	150.0	107.0	126.0	<b>19.0</b>	<b>6.33</b>

Follow-up drilling is currently in progress and a new drill rig with increased depth capacity, appropriate for the ongoing definition of this deeper mineralisation, is enroute to the site.

Other previously unreleased Prospect A drilling, completed (during the quarter) late in the reserve drilling program yielded the following results:

<b>PROSPECT A</b>									
Hole No.	Northing (mN)	Easting (mE)	Grid Azim	Dip (degrees)	Hole Depth	Intersection (m)			Au (g/t)
						From	To	Int.	
RC888	20,312	5,007	270	55	65.0	16.0	34.0	<b>18.0</b>	<b>2.15</b>
RCD889	20,312	5,137	270	60	189.1	97.0	107.0	<b>10.0</b>	<b>2.03</b>
						138.0	149.0	<b>11.0</b>	<b>2.38</b>
						168.5	172.5	<b>4.0</b>	<b>8.00</b>
RC881	20,228	4,977	270	55	90.0	11.0	20.0	<b>9.0</b>	<b>1.28</b>
						27.0	39.0	<b>12.0</b>	<b>1.80</b>
RCD882	20,228	5,094	270	55	187.1	24.0	34.0	<b>10.0</b>	<b>1.80</b>
						62.0	88.0	<b>26.0</b>	<b>4.35</b>
RCD875	20,152	5,102	270	55	130.2	84.0	94.0	<b>10.0</b>	<b>1.72</b>
RCD871	20,050	5,157	270	55	127.2	58.0	69.0	<b>11.0</b>	<b>1.66</b>
RC915	20,050	4,963	270	55	18.0	4.0	17.0	<b>13.0</b>	<b>1.41</b>
RC926	19,575	5,200	0	90	90.0	66.0	73.0	<b>7.0</b>	<b>4.77</b>
RC913	19,550	5,200	0	90	90.0	4.0	12.0	<b>8.0</b>	<b>1.96</b>
						65.0	73.0	<b>8.0</b>	<b>2.23</b>
RC917	19,498	5,238	90	55	96.0	72.0	85.0	<b>13.0</b>	<b>1.61</b>

Immediately adjacent to, but outside of the existing mining lease, in the area between the existing operation and Prospect A, lies the area known as Prospect K. It is located at the intersection of the extensions of the geological structures that host the mineralisation in both the Tawan and Chantra pits.

Recent significant results on Prospect K include:

<b>PROSPECT K</b>									
Hole No.	Northing (mN)	Easting (mE)	Grid Azim	Dip (degrees)	Hole Depth	Intersection (m)			Au (g/t)
						From	To	Int.	
RC953	1802565	676550	90	55	90.0	77.0	81.0	<b>4.0</b>	<b>4.66</b>
RC954	1802515	676500	90	55	84.0	15.0	20.0	<b>5.0</b>	<b>8.52</b>
RC955	1802465	676410	90	55	84.0	26.0	31.0	<b>5.0</b>	<b>6.34</b>
RC924	1802340	677000	90	55	108.0	93.0	98.0	<b>5.0</b>	<b>2.05</b>
RC945	1802340	677025	90	55	90.0	85.0	90.0	<b>5.0</b>	<b>3.51</b>
RC948	1802290	677030	90	55	108.0	36.0	42.0	<b>6.0</b>	<b>3.23</b>
						63.0	74.0	<b>11.0</b>	<b>2.18</b>

Two (2) kilometres south of the mine, early drilling on the "B" Prospect has yielded:

<b>PROSPECT B</b>									
Hole No.	Northing (mN)	Easting (mE)	Grid Azim	Dip (degrees)	Hole Depth	Intersection (m)			Au (g/t)
						From	To	Int.	
RC2011	1799825	678578	89	55	120.0	1.0	7.0	<b>6.0</b>	<b>6.50</b>
RC2001	1799675	678846	269	55	102.0	7.0	24.0	<b>17.0</b>	<b>1.11</b>
RC2004	1799675	678654	269	55	102.0	42.0	52.0	<b>10.0</b>	<b>1.07</b>

Analysis of these recent drilling results is currently in progress to determine the most effective means of following up these prospects, based on their strategic contribution to the operation and to the company.

### ***Company Growth (Long term)***

In its regional exploration, Kingsgate has recently scaled-up its efforts to reflect the long term prospectivity of the region and has increased its exploration tenement holdings almost ten-fold to approximately 1,200 square kilometres, in areas to the north and south of the Chatree deposits.

Appropriate resourcing of the new program has commenced with the hiring of additional geologists and geophysical surveys are being arranged.

Exploration expenditure during the June quarter was US\$377,000 and was US\$1.5 million for the year.

The company is continuing to review its 2003/04 exploration budget in light of the prospectivity evidenced by recent exploration successes. Significant additional commitments are likely to be required for exploration drilling, aeromagnetic surveys and tenement acquisitions.

## FINANCE

An interim dividend of 12.5 cents per share was declared for the half year to December 2002 and was paid to shareholders on 17 April 2003.

At 30 June 2003, group debt was US\$12.5 million and cash on hand was US\$19.1 million equivalent (including A\$13.6 million).

Kingsgate will announce the profit for the 2002/03 year on the 20<sup>th</sup> August 2003. It is anticipated that the forecast after tax profit of US\$25 million will be exceeded as a result of the operational performance and gold price achieved in the June quarter.

Category	Units	2003 June Quarter	2002 / 03 YTD 12 Months
Average prevailing spot gold price	US\$/oz	345	332
Average gold price received	US\$/oz	353	335
Gold sold	Ounces	38,294	157,378
Silver sold	Ounces	112,260	481,227
Revenue from metal sales	US\$M	14.0	54.9

## GOLD HEDGE POSITION

The average gold price received by Kingsgate for the June quarter was US\$353 per ounce, compared with an average spot price of US\$345 per ounce.

Kingsgate completed a restructure of the hedge book on July 8, 2003 reducing hedge commitments by 14%, from 414,000 ounces to 356,400 ounces and the attached table reflects the restructure. The Kingsgate Group had no foreign exchange currency hedging in place at the date of this report.

The Group is not exposed to any margin calls from hedge counterparties. In the event that the spot gold price drops below US\$300 or AU\$570, a proportion of production can be delivered to US\$ and AU\$ puts. The company is constantly reviewing the hedge book with a view to reducing commitments, while preserving a degree of price protection.

There was a negative mark to market valuation of US\$5.7 million for the hedge book based on a spot price of US\$344.85 and an exchange rate of US\$0.6674 on 30 June 2003.

For further information contact the undersigned or visit our website at [www.kingsgate.com.au](http://www.kingsgate.com.au).

### Steve Reid

Managing Director & CEO  
Kingsgate Consolidated Ltd

*Information in this report that relates to resources and reserves was previously reported to ASX with permission of the nominated Competent Persons.*

*Information in this report which relates to geology, drilling and mineralisation is based on information compiled by Ron James and Mike Garman, employees of the Kingsgate Group, who are Competent Persons under the meaning of the JORC Code with respect to the mineralisation being reported on. Both have given their consent to the Public Reporting of these statements concerning geology, drilling and mineralisation.*

**Gold Hedging Disclosure as at 8 July 2003**

		2003/04	2004/05	2005/06	2006/07	2007/08	Total
<b>Put Options Purchased</b>							
US\$ denominated	'000 oz	60.0	79.0	71.5	58.5		269.0
ENRP (average) <sup>(1)</sup>	US\$/oz	300	300	300	300		300
AUS\$ denominated	'000 oz	18.2	32.2	38.5	31.5	14.0	134.4
ENRP (average) <sup>(1)</sup>	AUS\$/oz	570	570	570	570	570	570
<b>Call Options Sold (no barriers)</b>							
US\$ denominated	'000 oz	30.0	30.0				60.0
Strike price (average)	US\$/oz	310	310				310
<b>Call Options Sold (with barriers)</b>							
US\$ denominated	'000 oz		39.0	71.5	58.5		169.0
Strike price (average)	US\$/oz		315	316	317		316
Barriers (average) <sup>(2)</sup>	US\$/oz		300	301	302		301
AUS\$ denominated	'000 oz		21.0	38.5	31.5	14.0	105.0
Strike price (average)	AUS\$/oz		610	611	614	615	612
Barriers (average) <sup>(2)</sup>	AUS\$/oz		550	552	557	560	554
<b>Forwards</b>							
AUS\$ denominated	'000 oz	22.4					22.4
Forward price	AUS\$/oz	547					547
<b>Total Hedged (as puts &amp; forwards)</b>	'000 oz	425.8					
<b>Total Committed (no barriers)</b>	'000 oz	82.4					
<b>Total Committed (with barriers) <sup>(2)</sup></b>	'000 oz	274.0					
<b>Grand Total Committed) <sup>(3)</sup></b>	'000 oz	356.4					

(1) ENRP (Estimate Net Realised Price) is after making allowance for gold lease fees. Gold lease fees for US\$ puts are fixed funded out to 31 December 2004 and for A\$ puts out to 31 March 2005. Thereafter floating gold lease fees are prepaid at 1.0% on the amortised face value of the put options.

(2) When active the barrier on the call option is triggered by a single trade at or below the respective barrier level, with all associated ounce commitments knocked out. If gold trades below all relevant barriers after 15 March 2005, all of the remaining call options with barriers will be cancelled and the committed ounces with barriers will reduce to zero.

(3) Put options are not committed ounces and do not form part of the Total Committed ounces. Forwards are included in both the hedged and committed ounces.

(4) The company is not exposed to any margin calls by counterparty banks in times of higher spot gold prices.

Attachment

**Kingsgate Consolidated Ltd.  
Chatree Gold Mine, Thailand**

**Prospect H Extension – Drill Intersections  
greater than 10 gram metres**

Hole No.	Northing (mN)	Easting (mE)	Grid Azim	Dip (degrees)	Hole depth (m)	Intersection			Au (g/t)
						From	To	Interval	
1371 *	1608.5	5880.5	130	-60	39	12.0	31.0	19.0	2.10
1373 *	1602.5	5849	130	-60	52	13.0	18.0	5.0	8.82
1347	1550	5830	130	-60	44	7.0	12.0	5.0	2.23
1349	1577	5801	130	-60	60	23.0	36.0	13.0	2.72
1374 *	1590	5785	130	-60	66	26.0	32.0	6.0	1.71
1343	1532	5816	130	-60	48	5.0	23.0	18.0	2.36
1344	1544.5	5800.5	130	-60	54	1.0	30.0	29.0	4.50
1350	1557	5801	130	-60	79	22.0	43.0	21.0	3.52
"	"	"	"	"	"	52.0	58.0	6.0	1.70
1354	1570	5770	130	-60	95	34.0	48.0	14.0	8.52
1366	1583	5754.5	130	-60	78	45.0	48.0	3.0	17.33
1351	1512	5800	130	-60	48	21.0	28.0	7.0	3.00
1352	1525	5784	130	-60	54	20.0	36.0	16.0	1.50
1353	1538	5769	130	-60	51	4.0	10.0	6.0	2.88
"	"	"	"	"	"	30.0	37.0	7.0	1.76
1355	1555	5754	130	-60	72	34.0	40.0	6.0	1.42
1367	1564.5	5738	130	-60	64	41.0	48.0	7.0	5.67
1356	1532	5737.5	130	-60	42	13.0	34.0	21.0	1.92
1365	1545	5722	130	-60	68	35.0	55.0	20.0	5.95
1368 *	1513	5721.5	130	-60	48	13.0	24.0	13.0	3.42
1369 *	1526	5706	130	-60	45	36.0	43.0	7.0	2.86
1361	1494	5705	130	-60	50	2.0	13.0	11.0	5.20
1363	1520	5675	130	-60	77	38.0	45.0	7.0	2.05
1364	1469	5658	130	-60	41	2.0	7.0	5.0	4.27

\* Drill results received after 14 July 2003 announcement

Gram metres = length of intersection in metres, multiplied by gold grade in grams/tonne.

Grades are uncut.

Intersections may not be true thickness.

Collar co-ordinates are local grid.



