

**Kingsgate**

Consolidated Ltd

ABN 42 000 837 472

Quarterly Report on Activities for

Three Months to 30 September 2002

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30 October 2002

By ASX Online

The Manager  
Announcements  
Company Announcements Office  
FOR PUBLIC RELEASE  
Australian Stock Exchange Limited

Dear Sir

QUARTERLY REPORT for the PERIOD ENDED 30 SEPTEMBER 2002

Please find attached a Quarterly Report for the period ended 30 September 2002 for Kingsgate Consolidated Ltd including Appendix 5B – Mining Exploration Entity Quarterly Report for the same period.

Yours faithfully

Kingsgate Consolidated Ltd

Mike Diemar  
Managing Director

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ASX Sep 2002 Quarter Report

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**Kingsgate added to S&P/ASX 200 index**  
**Profit of AUD33 million declared**  
**AUD0.15 per share dividend declared**  
**Prospect A resource adds 700,000 oz gold**  
**Chatree production for 1/4 = 39,777 oz gold**

## SUMMARY

The name of the Company was changed to Kingsgate Consolidated Ltd to better reflect the international nature of its operations.

On 25 October 2002, Standard & Poor's announced the inclusion of Kingsgate in the S&P/ASX 200 index, effective 01 November 2002.

### PRODUCTION - Chatree Mine Thailand

Gold production: 39,777 ozs.  
 Silver production: 136,102 ozs.  
 Total Cash Cost per ounce: USD80 per oz.  
 Average gold price received: USD314 per oz.

2002/2003 year forecast	
Approximately as follows;	
Gold production	160,000 oz
Cash cost	USD80 per oz
Profit	USD25million

## FINANCE

Audited profit to 30 June 2002 was AUD33 million.

Dividend of AUD0.15 per share was declared, to be paid on 28 October 2002.

Revenue for the quarter was USD13.5 million.

Cash on hand at the 30 September was USD18.0 million

The Company's gold hedge book, comprised largely of flat forwards was restructured to, increase exposure to a rise in the gold price, to give greater revenue protection in the event of a gold price decline, to potentially reduce committed ounces by the use of down and out barriers and to hedge revenue streams of US and Australian dollars. There are no committed ounces for the next 18 months.

## EXPLORATION

The first resource estimate at Prospect A, 1 kilometre north of Chatree Mine was announced on 01 August 2001 as follows. Indicated plus Inferred resources at 0.7 g/t Au cutoff. 14,120,000 tonnes @ 1.6 g/t Au and 20 g/t Ag for 706,000 oz gold and 8,989,000 oz silver. Drilling was completed adjacent to the Tawan and the future Chantra Pits at Chatree to aid in final pit design and mine scheduling. Results are due in early November 2002.

For further information, please contact:

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### SAFETY

Chatree Mine's outstanding safety record continued, with no lost time injuries during the quarter, bringing the number of manhours without lost time injury to 1.8 million.

### PRODUCTION - Chatree Mine Thailand

Production in the September quarter was:

Operation	Units	Sept 2002 Quarter	June 2002 Quarter
Waste mined	Tonnes	615,580	639,600
Ore mined	Tonnes	274,367	252,286
Waste:ore ratio	BCM	2.2:1	2.7:1
Ore grade	Au g/t	3.7	4.9
	Ag g/t	30	39
Closing stockpile	Tonnes	111,508	156,328
Stockpile grade	Au g/t	1.3	1.6
	Ag g/t	9	12
Ore treated	Tonnes	294,583	291,471
Head grade	Au g/t	4.4	5.2
	Ag g/t	29	43
Gold poured	Ounce	39,777	41,326
Silver poured	Ounce	136,102	153,528
Gold recovery	%	89.7	90.8

All ore mined was sourced from the Tawan Pit. Operations were very satisfactory, considering that the quarter coincided with the main part of the wet season, when softer oxide ores were often too wet for efficient mining and material handling in the crushing and reclaim systems. Mined and processed volumes were below forecast, processed grade was above forecast, gold production was above forecast and cash costs were below forecast.

Average plant feed gold grade is scheduled to be marginally lower for most of the December quarter until higher grade oxide zone Chantra Pit ores are mined late in the period. The Chantra ore will be an important component of the feed throughout the March 2003 quarter.

The CIL processing plant performed well with gold recovery on forecast at 89.7%. A process plant

### PRODUCTION COSTS Chatree Mine Thailand (Unaudited)

Gold Institute Revised Standard for Reporting Production Costs:

Cost Category	Sept ¼ USD/oz Au Produced	June¼ USD/oz Au Produced
Direct mining expense	83	71
Refining and transport	3	2
By product credit	(16)	(15)
<b>Cash Operating Cost</b>	<b>70</b>	<b>58</b>
Royalty	10	7
Total Cash Cost	80	65
Depreciation/Amortisation	51	52
<b>Total Production Cost</b>	<b>131</b>	<b>117</b>

Silver is accounted for as a by-product at Chatree Mine

whereby revenues from silver are deducted from operating costs in the calculation of cash costs per ounce.

If the Company had accounted for silver production as a co product, whereby costs were allocated separately to gold and silver based on their proportion of revenues, the following costs per ounce would be reported:  
Total cash Costs gold USD91 silver USD1.5  
Noncash costs gold USD49 silver USD0.8  
Gold USD139 silver USD2.3

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

### FINANCE

#### Kingsgate Group

An audited consolidated net profit of AUD33 million was achieved for the year to 30 June 2002. A maiden dividend of AUD0.15 per share was declared on 02 August 2002 to be paid on 28 October 2002.

upgrade consisting mainly of the addition of 3 CIL tanks to further increase recovery is in progress and on track for commissioning in mid December 2002. An optimisation study is underway to define the parameters of a further plant upgrade in 2003.

In the 6 months to 30 September 2002, debt was reduced to USD20 million. Cash on hand at 30 September, including USD5.9 million to be paid in dividend, was USD18.0 million. (The utilisation of cash is subject to the terms of the syndicated Chatree funding facility) Exploration expenditure in the September quarter was USD186,000 at Prospect A and USD407,000 on mine development drilling in the Chatree leases.



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### Chatree Mine

Category	Units	December 2002 Quarter	Sept 2002 Quarter
Average spot gold for quarter, London close	USD/oz	314	312
Average gold price received	USD/oz	314	312
Gold sold	Ounce	40,879	43,006
Silver sold	Ounce	130,449	154,384
Revenue from metal sales	USD	13,440,449	14,152,135

### PROJECT BACKGROUND

Chatree Gold Mine is 280 km by bitumen highway north of Bangkok.

Total Measured, Indicated and Inferred Resources at 31 July were 27.9 million tonnes at 2.0 g/t Au and 15 g/t Ag. (0.7-0.8 g/t Au cutoff).

Open cut Proven and Probable Reserves at 30 June were 7.7 million tonnes at 3.0 g/t Au and 13 g/t Ag (0.8 g/t Au cutoff at US\$260/oz).

The mine currently operates the Tawan Pit. Gold and silver extraction is by Carbon in Leach processing at about 1.2 million tonnes per year, with destruction of cyanide to low levels prior to delivery to the tailings storage facility.

The Royal Thai Board of Investment approved a long tax holiday and other benefits to Akara Mining Ltd the owner of the Chatree Mine.

### EXPLORATION

Prospect A.. 1 km north of Chatree Mine.

The first independent estimate of gold and silver resources in Prospect A, was announced to ASX on 01 August 2002. The mineralisation consists of low sulphidation epithermal quartz carbonate stockworks, veins and fault breccia fill similar to that being mined at Chatree. The resource estimates are considered to closely approximate grades that will be recovered during mining and include dilution expected during mining. Preliminary cyanide bottle roll tests indicate recoveries of approximately 95%.

Resources in the Indicated and Inferred categories were:

8.9M tonnes @ 2.0 g/t Au 24 g/t Ag (1g/t Au cut)

5.3M tonnes @ 0.8 g/t Au 13 g/t Ag (0.7-1g/t cut)

Total resources at 0.7 g/t Au cut:

14.1M tonnes @ 1.6 g/t Au 20 g/t Ag containing, 706,000 ounces of gold and 8,989,000 ounces of

### Chatree Mine Drilling

Drilling programs have now been completed within and adjacent to the current Tawan Pit and the future Chantra Pit. The data was required to allow final pit designs and new mining schedules to be completed as part of the process plant optimisation study for the 2003 plant upgrade. Updated resource and reserve estimates are underway as part of the study and results should be available in early November 2002. Parameters of the 2003 process plant upgrade should be known in quarter 1, 2003.

### HEDGE RESTRUCTURE and HEDGE POSITION at 30 September 2002

The Kingsgate Group had no foreign exchange currency hedging in place at the date of this report.

During the quarter a major hedge book restructuring was completed in order to :

Gain more exposure to a rise in the gold price;

Build in greater overall revenue protection in the event of a gold price decline;

Provide a mechanism to accelerate the potential reduction of committed gold ounces through the use of down and out barriers, on 79 % of granted gold call options;

Hedge expected revenue streams of US and Australian dollars.

Following the restructure, Kingsgate's hedge portfolio can be summarised as a series of escalating gold collars, which is bolstered through near and far dated (non-committed) gold put revenue protection. There are two separate but similar structures, with 35% of the committed ounces being in Australian

dollars and 65% being in US dollars. This will ensure revenue streams to the Kingsgate Group in the

silver.

A two-staged drilling program will commence at Prospect A at the end of October, 2002. The program will consist of both infill and step out holes with the aim of elevating the resources to a status for conversion to reserves in March/April, 2003.

two most required currencies. The structures can be described as follows:

USD (and AUD) structure

This consists of sold gold call options, maturing quarterly from March 2004 to December 2007, at an average strike of USD316.21/oz (and



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AUD621.07/oz). For all calls maturing from 2005 onwards a “single touch” down and out barrier at an average strike of USD 301.13/oz (and AUD554.31/oz) is in place.

In addition, enhanced revenue protection is secured through bought gold put options maturing quarterly from December 2002 to December 2008 at an average strike of USD300.91/oz (and AUD591.03/oz).

Kingsgate has taken advantage of the current low cost of borrowing gold by fixing funding out to late 2003 and thereafter has floating gold lease fees prepaid at 1.1% on the amortised face value of the put options.

When active the barrier on a call option is triggered by a single trade at/ or below the respective barrier level, with all associated ounce commitments knocking out instantly. Note that 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 will reduce to zero. An important feature of this structure is that there is no committed ounces in the next 18 months and therefore the Chatree Mine production, can be sold at spot and will fully participate in any rise in gold price that may occur. In the event that the gold price falls in this period, the put options will ensure a minimum price of USD300 and/or AUD580 per ounce for that portion of production covered by put options.

The gold hedge position at the 30 September 2002 is detailed in the following table and is shown graphically in the attachment. Kingsgate’s policy is to cover a majority of the group corporate costs, debt repayments and mine operating costs with gold hedging.

<b>Kingsgate Consolidated Ltd</b>		<b>June 2003</b>	<b>June 2004</b>	<b>June 2005</b>	<b>June 2006</b>	<b>After June 2006</b>	<b>Total</b>
<b>Gold Hedge Disclosure</b>							
<b>Forward Sales</b>							
USD denominated <sup>(2)</sup>	oz						
ENRP <sup>(1)</sup>	USD/oz						
<b>Spot Deferred</b>							
USD denominated	oz						
ENRP minimum	USD/oz						
<b>Put Options Purchased</b>							
<b>USD denominated</b>	oz	39,000	46,800	59,800	71,500	160,500	377,600
ENRP (average) <sup>(1)</sup>	USD/oz	300.0	300.0	300.7	301.0	307.7	303.4
<b>AUD denominated</b>	oz	21,000	25,200	32,200	38,500	59,500	176,400
ENRP (average) <sup>(1)</sup>	AUD/oz	580.0	584.4	591.3	592.9	596.0	591.0

### Call Options Sold (no

**barriers)**

<b>USD denominated</b>	oz	20,800	20,800	50,000	91,600
Strike price (average)	USD/oz	315.0	315.0	346.1	332.0
<b>AUD denominated</b>	oz	11,200	11,200		22,400
Strike price (average)	AUD/oz	618.0	618.0		618.0

**Call Options Sold (with barriers)**

<b>USD denominated</b>	oz		39,000	71,500	84,500	195,000
Strike price (average)	USD/oz		315.0	315.9	317.6	316.5
Barriers (average) <sup>(2)</sup>	USD/oz		300	300.4	302.2	301.1
<b>AUD denominated</b>	oz		21,000	38,500	45,500	105,000
Strike price (average)	AUD/oz		620	620.9	623.2	621.7
Barriers (average) <sup>(2)</sup>	AUD/oz		550.0	552.1	558.1	554.3

<b>Total Hedged (as bought puts)</b>	'000 oz	554
<b>Total Committed ( no barriers)</b>	'000 oz	114
<b>Total Committed (with barriers <sup>(2)</sup>)</b>	'000 oz	300
<b>Grand Total Committed</b>	'000 oz	414



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(1) ENRP (Estimate Net Realised Price) is after making allowance for gold lease fees. Gold lease fees for 504,000 oz are fixed funded out to late 2003 and thereafter floating gold lease fees are prepaid at 1.1% on the amortised face value of the put options. 50,000 oz at floating gold lease fees are prepaid at 1.5%.

(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 will reduce to zero.

(3) Mark to market of negative USD10.1 million based on the spot price USD320.25 on 30 September 2002.

(4) Put options are not committed ounces and do not form part of Total Committed number.

Information in this report which relates to resources, reserves and mineralisation has all been previously reported to ASX with permission of the nominated Competent Person.

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

Yours faithfully

Kingsgate Consolidated Ltd

Mike Diemar  
Managing Director

Attachments