



# Kingsgate

Consolidated Ltd

ABN 42 000 837 472

## News Release

**20 August 2003**

### **Kingsgate achieves a Profit of \$47.3 million and declares a final dividend of 12.5 cents per share**

#### **Overview**

The twelve months ended 30 June 2003 represent an excellent year for the company, with a solid profit of \$47.3 million, equivalent to US\$27.6 million. This is the first full year result following commissioning of the Chatree Gold Mine in November 2001. The performance resulted from strong production of 154,484 ounces of gold at a low cash cost of US\$94/oz. The company also achieved significant exploration success.

This excellent performance has enabled the Directors to declare a total dividend for the year of 25.0 cents per share, of which 12.5 cents was paid as an interim dividend and 12.5 cents is a final dividend. The final dividend is unfranked.

Recent exploration activity has identified an extension to the H orebody that is being developed as a priority. The company has also increased its tenement holding position in Thailand to approximately 1,200 square kilometres and appropriate resourcing of an expanded exploration program has commenced.

Consistent with its revised exploration programme and on the back of its recent exploration successes, Kingsgate is pleased to announce the appointment of **Dr Marcus Tomkinson** to the newly created corporate position of General Manager Exploration. Following recent positions with AurionGold and Normandy, Dr Tomkinson brings the depth of knowledge and expertise that is required to pursue the significant exploration potential of our tenement holdings in Thailand and to contribute to the growth of the company in other geographic regions.

#### **Financial Results**

The strong operational performance has resulted in Kingsgate achieving a net profit after tax of \$47.3 million, which is an improvement of 43% on the net profit of \$33.0 million achieved in the previous year. Total income of \$94.6 million reflects a full year of operation at Chatree, compared with seven months in the previous year when the plant was being commissioned. Costs have increased in line with a full year's throughput and a higher mining strip ratio.

The company is not subject to income tax in Thailand and there is no withholding tax on dividends remitted to Australia. Earnings per share of 65.4 cents have increased by 35% on the 48.5 cents recorded in 2001/02.

Dividend policy is to pay out between one quarter and one half of profit after tax by means of dividend to shareholders, subject to cash requirements and the financial position of the company. Consistent with this policy, dividends of 15 cents final for last year and 12.5 cents interim for this year were paid during the year. In addition, a final unfranked dividend of 12.5 cents has been declared for 2002/03, with a record date of 3 September 2003 and a payment date of 1 October 2003.

Operating cash generation exceeded \$56.9 million and \$12.9 million was reinvested in the business through exploration, development and plant expenditure. Repayments on the company's financing facility amounted to \$19.9 million and dividend payments of \$19.9 million were made to shareholders. The company had outstanding borrowings of \$18.7 million (US\$12.5 million) at the end of June 2003 and was in a net cash position of \$10.2 million after cash at bank of \$28.9 million is included.

## **Operations Summary**

Total production at Chatree for the year was 154,484 ounces of gold and 484,170 ounces of silver at a total cash cost of US\$94 per ounce and total production cost of US\$143 per ounce of gold. These results place Chatree as one of the lowest cost operations in the world. Gold production represents a 69% increase on the previous year, when the plant operated for only 7 months following commissioning. Chatree benefited from a plant upgrade during this year that added 3 new CIL tanks and plant throughput achieved was above design capacity. The profit contribution from Chatree resulted from good gold grades, higher plant throughput, reduced unit costs and an improvement in realised gold price.

An expansion to the Chatree plant was approved during the year and is currently under construction. The expansion will increase throughput by approximately 50% to 1.8 million tonnes per year and is designed to maintain production levels in view of forecast declining ore grades. The expansion will cost US\$8.1 million and is scheduled to be commissioned during January 2004.

## **Exploration**

The company continued with its exploration activities during the year and announced the first ore reserve for Prospect A, which is located approximately 1 kilometre from the Chatree mill. The identified ore reserve is 402,400 ounces of gold and raised the total company Ore Reserves to approximately 1 million ounces of gold at June 2003. Significant exploration results were also encountered in an extension to the H orebody. The extension is open along strike and down dip and drilling is continuing. Mine plans are being developed to gain early access to this deposit for processing in the second half of calendar 2003.

The company is accelerating the exploration effort near the mine site and in the region, which is considered to be highly prospective. Additional exploration licences have been applied for and Kingsgate now controls approximately 1,200 square kilometres of land in the geologically prospective region. The exploration budget and land acquisition program are under review to ensure that appropriate commitments are made in this highly prospective region. The company is also considering growth opportunities in other areas.

## **Outlook**

The directors are confident that Kingsgate is well-positioned to progress its strategy for profitable growth with opportunities carefully monitored and evaluated. The outlook for next year is positive and current expectations are for anticipated gold production of approximately 125,000 ounces of gold at a cash cost of US\$145 per ounce. Improvements to these projected outcomes are being targeted through a focus on cost and production initiatives and by pursuing short-term contributions from exploration, such as the H orebody extension.

Commenting on the results, Managing Director and CEO, Steve Reid said:

“This is an extremely pleasing result. As anticipated, Chatree has performed strongly in its first full year of operation. The result was achieved through the dedication of our employees and other stakeholders in Thailand whose contribution I would like to acknowledge.

“The company has also moved to secure a dominant position in this emerging and highly prospective gold district. We plan to continue with a program of focused exploration and cement our position as a significant and profitable gold producer with strong growth potential.”

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