



Kingsgate

Consolidated Limited

ABN 42 000 837 472

MEDIA RELEASE

Monday 23 February 2004

KINGSGATE REPORTS SOLID EARNINGS FOR FIRST HALF

Kingsgate Consolidated (ASX: KCN) today announced an interim dividend of 10 cents a share on the back of a solid earnings result of \$16.7 million for the half year to 31 December 2003.

The result which exceeded expectations was attributed to the discovery and mining of the extension to the H orebody at the Chatree mine in Thailand and the higher gold price.

During the half, gold production was 62,461 ounces at a cash cost of US\$120 per ounce and Kingsgate completed the expansion of the Chatree process plant to more than 1.8 million tonnes per year.

Kingsgate's accelerated exploration program yielded positive results with extensions to the mineralisation from the two existing pits identified in the Prospect K area.

At 31 December Kingsgate had \$48 million in net cash and a US\$32 million revolving credit facility.

Kingsgate's Managing Director Steve Reid said the successful completion of the plant expansion and the restructuring of the company's financial position was a major strategic step in positioning the company for future growth.

"There is strong potential for bringing on additional discoveries by trucking to the expanded Chatree facility."

"As first movers in the Loei-Petchabun Goldfield we are now in a great position to grow the company from our excellent land position and through acquisition", he said.

Kingsgate has revised upwards its profit forecast for the year to 30 June 2004 to US\$22 million.

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ASX RELEASE

23 February 2004

KINGSGATE ANNOUNCES FIRST HALF DIVIDEND AND PROFIT

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.

For further information contact:

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Appendix 4D
Half Year Report
For the 6 months ended 31 December 2003

Results for Announcement to the Market

			\$'000
Revenue from ordinary activities	down	23 %	to 36,414
Profit from ordinary activities after tax attributable to members	down	31 %	to 16,717
Net profit for the period attributable to members	down	31 %	to 16,717
Dividends/distributions	Amount per security		Franked amount per security
Interim dividend			
- current reporting period	10.0¢		nil
- previous reporting period	12.5¢		nil
Record date for determining entitlements to the interim dividend of 10.0 cents			
<div style="border: 1px solid black; display: inline-block; padding: 5px 20px;">19 March 2004</div>			

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

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	2002
	\$'000	\$'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. Controlled entities acquired or disposed of

There were no controlled entities acquired or disposed of during the half year.

4. Segment Information

Primary reporting – Business segments

The consolidated entity operates exclusively in one business segment being gold mining and exploration and one geographical segment being the Asia Pacific region.

Secondary reporting – Geographical segments

	Consolidated	
	2003	2002
	\$'000	\$'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>

5. 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.

6. Interim Dividend

The company has declared an interim dividend of 10 cents per share (2002: 12.5 cents per share) to shareholders of record on 19 March 2004, which is the record date. The dividend totalling \$8.5 million is unfranked and will be paid on 2 April 2004.

Record date	Payment date	Type	Amount per security in cents	Total dividend \$'000	Franked amount per security in cents	Foreign sourced dividend per security in cents
19/03/2004	2/04/2004	Interim	10.0	8,503	Nil	10.0
3/09/2003	1/10/2003	Final	12.5	9,127	Nil	12.5

The company has implemented a dividend reinvestment plan following shareholder approval at the 2003 Annual General Meeting. Shareholders that wish to participate in the Plan should ensure that their election forms reach the office of the Company Registry on or before the dividend record date of 19 March 2004.

The interim dividend for the current period has not been recognised in the half year accounts to 31 December 2003.

7. Events occurring after reporting date

Except for the dividend declared since the end of the current period described in note 6 there are no matters or circumstances, which have arisen since 31 December 2003 that have significantly affected 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.