



Kingsgate
Consolidated Limited

ANNUAL report
2003



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Highlights

THE 2002/2003 YEAR reflects the first full year of operation at the Chatree gold mine in Thailand.

PRODUCTION was 154,484 ounces of gold and 484,170 ounces of silver.

CASH COSTS of US\$94 and total costs of US\$143 per ounce place Chatree as one of the lowest cost producers in the world.

NET PROFIT after tax increased by 43% to \$47.3 million, equivalent to 65.4 cents earnings per share.





OBJECTIVES Kingsgate's objective is to be a significant international gold producer through delivering profitable and sustainable growth for our shareholders, for our employees and for the communities where we operate.

DECLARATION of a final dividend of 12.5 cents brings total dividends for 2002/2003 to 25 cents per share.

CASH GENERATION was strong and debt facilities were reduced by \$19.9 million.

ORE RESERVES increased to 1 million ounces of gold following exploration success at Prospect A. An extension to the H orebody was also discovered.

A PLANT EXPANSION is in progress to increase throughput by 50% to 1.8 million tonnes per annum.

The Company

Kingsgate Consolidated Limited is a successful Australian gold mining and exploration company. Through its wholly-owned Thai subsidiary Akara Mining Limited, it owns and operates Thailand's only modern gold mine. The mine has low cash costs, is financially strong and is the principal contributor to Kingsgate's earnings.

Kingsgate is publicly owned and its shares are traded on the Australian Stock Exchange under the code KCN. The company is also listed on several European stock exchanges including Frankfurt, Stuttgart and Berlin-Bremen.

The Vision

Kingsgate's vision is to own, develop and operate high quality mineral resource projects. We are continually assessing new opportunities.

The strength of our relationships, our experience in Asia and our operating expertise will provide the opportunities for growth.

Who we are



The past year has been very successful for Kingsgate as the company has continued to develop as a significant and profitable gold producer, with improved growth potential. The results reflect the first full year of operation and have been particularly pleasing with solid profits, complemented by strong gold production and good exploration success. This excellent performance has enabled the Directors to declare a total dividend for the year of 25 cents per share, of which 12.5 cents was paid as an interim dividend and 12.5 cents is a final dividend.

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 seven months following commissioning. Chatree benefited from a plant upgrade during this year that added three 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.

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.

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.

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.

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 just under 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



Chairman's and Managing Directors' review

exploration licences have been applied for and Kingsgate now controls approximately 1,200 square kilometres of land along the geological structure. The exploration budget and land acquisition program are under review to ensure that appropriate commitments are made in this prospective region. The company is also considering growth opportunities in other areas.

Kingsgate continued with its sustainability efforts during the year and is a signatory to the Australian Minerals Industry Code for Environmental Management. The first annual Sustainability Report has been issued in accordance with the Code. The company's aim in environmental management and safety is to improve performance continuously through implementation of appropriate management programs. Community relations near the mine site and engagement with other stakeholders remain an ongoing commitment of the company.

Under the exemption granted to the company to operate in Thailand, a majority interest in the Chatree operation must be owned by Thai nationals within 5 years of commencing production. The company is considering various options to achieve this requirement within the required timeframe. The final option adopted will be based on generating the maximum financial return to the company, while endeavouring to maintain management control of the operation.

During the year, Mike Diemar retired as CEO and Managing Director of the company and the Board expresses its gratitude for his efforts in bringing the Chatree deposit into production. Steve Reid joined the Board as Managing Director and CEO in March 2003, having previously held the position of General Manager Business Development.

The Directors would like to thank all employees for their efforts during the past year. That the company was able to improve the efficiency of the operations and generate these levels of production and profits is a notable achievement.

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 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.

Ross Smyth-Kirk
Chairman

Steve Reid
Managing Director
and CEO



Finance

Group earnings

The net profit after tax for the year was \$47.3 million and represents a 43% increase on the profit of \$33.0 million achieved in the previous year. The profit is equivalent to US\$27.6 million and is in excess of the forecast of US\$25.0 million indicated earlier in the year. The financial performance of the company represents the first full year of operation at the Chatree mine following commissioning of the operation in November 2001.

Gold production for the year was 154,484 ounces at a total cost of US\$143 per ounce. Total revenue amounted to \$94.6 million and is an increase of 67% over the previous year. The increased revenue results from higher production and an average realised price of US\$335 per ounce. While the average spot price during the year increased to US\$332 per ounce, deliveries of gold into hedge positions resulted in the company achieving additional revenue of approximately \$0.8 million.

The company continued with its focus on cost management and achieved unit cash costs of production of US\$94 per ounce, among the lowest in the industry. Procurement of supplies and services is increasingly being sourced within Thailand at internationally competitive prices. With the benefit of the hedge program, the company achieved a margin of US\$241 per ounce above its cash costs and a margin of US\$192 per ounce above its production costs.

The weighted average earnings per share for the year amounted to 65.4 cents compared with 48.5 cents achieved in the previous year.

Group cash flow

The strong operational performance during the year is reflected in the net operating cash flow which totalled \$56.9 million. Net investing cash flows for property, plant, equipment and exploration were \$12.9 million and included \$7.5 million on exploration activities. Further funds were applied to providers of finance, through debt repayments of \$19.9 million and to shareholders by dividend payments of \$19.9 million.

The debt outstanding for the group at 30 June 2003 was \$18.7 million and is scheduled to be repaid in full by September 2004. Cash on hand was \$28.9 million, leaving a net cash balance on hand of \$10.2 million.

Financial position

Shareholders' equity at 30 June was \$73.3 million and represents an increase of 76% on the previous year. The increase reflects principally the net profit generated during the year after allowance of \$19.9 million in dividend payments.

Income tax

The company's operation is located in Thailand and operates under approvals from the Royal Thai Board of Investment. Benefits obtained under the approval include an exemption from corporate income tax for eight years, with a reduction of 50% of the standard rate available for five years thereafter. In addition, there are no withholding taxes applicable on dividends remitted to Australia during the initial exemption period.



Finance

Risk management

The company actively manages its exposure to movements in the gold price and foreign currency exchange rates through the use of hedging instruments. The principal objective in managing revenue risk is to minimise the downward price exposure associated with volatile markets while endeavouring as far as possible to preserve the opportunity to participate in upward price movements. The company constantly monitors the gold market and hedge book to actively manage value. Financial instruments used by the company include forwards, puts and calls, of which a number have down and out barrier levels. A restructure of the hedge book was undertaken on 8 July 2003 and reduced commitments by 14 % to 356,400 ounces of gold.

As of 8 July, the company has 425,800 ounces of price protecting and 356,400 ounces of price limiting positions. The price limiting positions represent approximately 35% of the total ore reserves at 30 June 2003. The mark to market valuation of these positions as at 30 June 2003 was an unrealized loss of \$8.5 million, calculated by reference to the year end gold spot price and exchange rate. This valuation is not an estimate of future hedging results as this will depend on market conditions at the time of delivery. The company is managing the hedge book with a view to providing greater spot price exposure in a rising gold price environment.

Dividends

Dividend policy is to pay out between one quarter and one half of profit after tax by means of dividends to shareholders, subject to cash requirements and the financial position of the company.

A final dividend of 15.0 cents per share was paid to shareholders during the year relating to the 2001/02 year. In addition, an interim dividend for 2002/03 of 12.5 cents per share was paid to shareholders in April 2003. In view of the company's strong operational performance during the year and the favourable outlook, the Directors have declared a final dividend of 12.5 cents per share, payable on 1 October 2003. This brings the total dividend declared for the year to 25 cents per share.



Operations

THE CHATREE MINE performed strongly in its first full year of operation.

Gold production of 154,484 ounces was achieved at a cash cost of US\$94 per ounce.

Mine production was escalated to meet increased throughput and waste stripping requirements.

Process throughput was 32% above design capacity.

The excellent safety and environmental performance continued.



Mining activities continued in Tawan pit throughout the year and commenced in the smaller Chantra pit in late 2002. Total production was 638,000 bank cubic metres (BCM) of ore and 1,758,000 BCM of waste.

Chatree entered into a new four year contract with the mining contractor, which commenced on 1 July 2003. This has enabled the contractor to invest in the equipment needed to expand the mining operations and results in a reduction in unit rates for the company.

Additional mining equipment was mobilised to site to cater for higher plant throughput and increasing volumes of waste. The mining fleet is now comprised of new CAT 735 haul trucks and CAT 330 excavators and is adequate to maintain the ore feed to the mill as the stripping ratio and plant capacity increase during the forthcoming year.

Production increased from 120,000 BCM per month at the start of the year to 320,000 BCM per month at year end. It is anticipated that the annual mining rate will increase to more than 5 million BCM in the new year. This quantity includes 2.0 million tonnes of ore, of which 1.5 million tonnes of ore will be processed during the year with the balance of the low grade added to the existing ore stockpiles.

The Chatree process plant continued to perform well and at throughput rates significantly in excess of design. The Stage I plant has a design capacity of 1 million tonnes per annum, however 1.32 million tonnes were milled during the year.

These increased throughput rates resulted in a reduction in Carbon-In-Leach (CIL) residence time. Consequently, in order to maintain gold recovery at an acceptable level, three CIL tanks were added to the original circuit of seven tanks. This construction commenced in August 2002 and the new tanks and services were commissioned in December 2002. Gold recovery in excess of 90% was achieved throughout the year despite the increased throughput.

In the latter half of 2002, site personnel began work on identifying the optimum milling capacity for the plant. The initial feasibility study had anticipated a Stage II milling capacity of 1.5 million tonnes per annum, however the new study indicated that 1.8 million tonnes per annum was appropriate. This will be achieved by the addition of a new SAG mill and conversion of the existing SAG mill to ball mill duty. Two new CIL tanks will be installed in addition to expanded cyanide reduction capacity and services to support this increased throughput. Construction work commenced in April 2003 with commissioning of the new mill to be carried out in January 2004. The cost of the plant expansion is estimated at US\$8.1 million.

In 2002/2003, safety performance was far superior to similar gold operations in Australia. More than 2.0 million hours were achieved without a lost time injury and the Lost Time Injury Frequency Ratio (LTIFR) was 1.1. This is significantly better than the industry average of 6.0 for Australian open cut mines (Minerals Council of Australia statistics). The 2 million hour record ended in January 2003 when a contract exploration driller injured his foot.

Operations



Mineral Resources and Ore Reserves

Mineral Resources as at 30 June 2003 (>0.7 g/t Au)

Source	Resources	Tonnes (Mt)	Grade	
			Gold (g/t)	Silver (g/t)
On lease	Measured	7.73	2.06	9.37
	Indicated	6.04	1.86	8.03
	Inferred	2.77	1.90	8.47
	<i>Sub total</i>	<i>16.54</i>	<i>1.96</i>	<i>8.73</i>
Prospect A	Measured	5.30	1.61	16.85
	Indicated	4.30	1.50	14.81
	Inferred	3.00	1.46	15.00
	<i>Sub total</i>	<i>12.60</i>	<i>1.54</i>	<i>15.71</i>
Total		29.14	1.78	11.75

Ore Reserves as at 30 June 2003

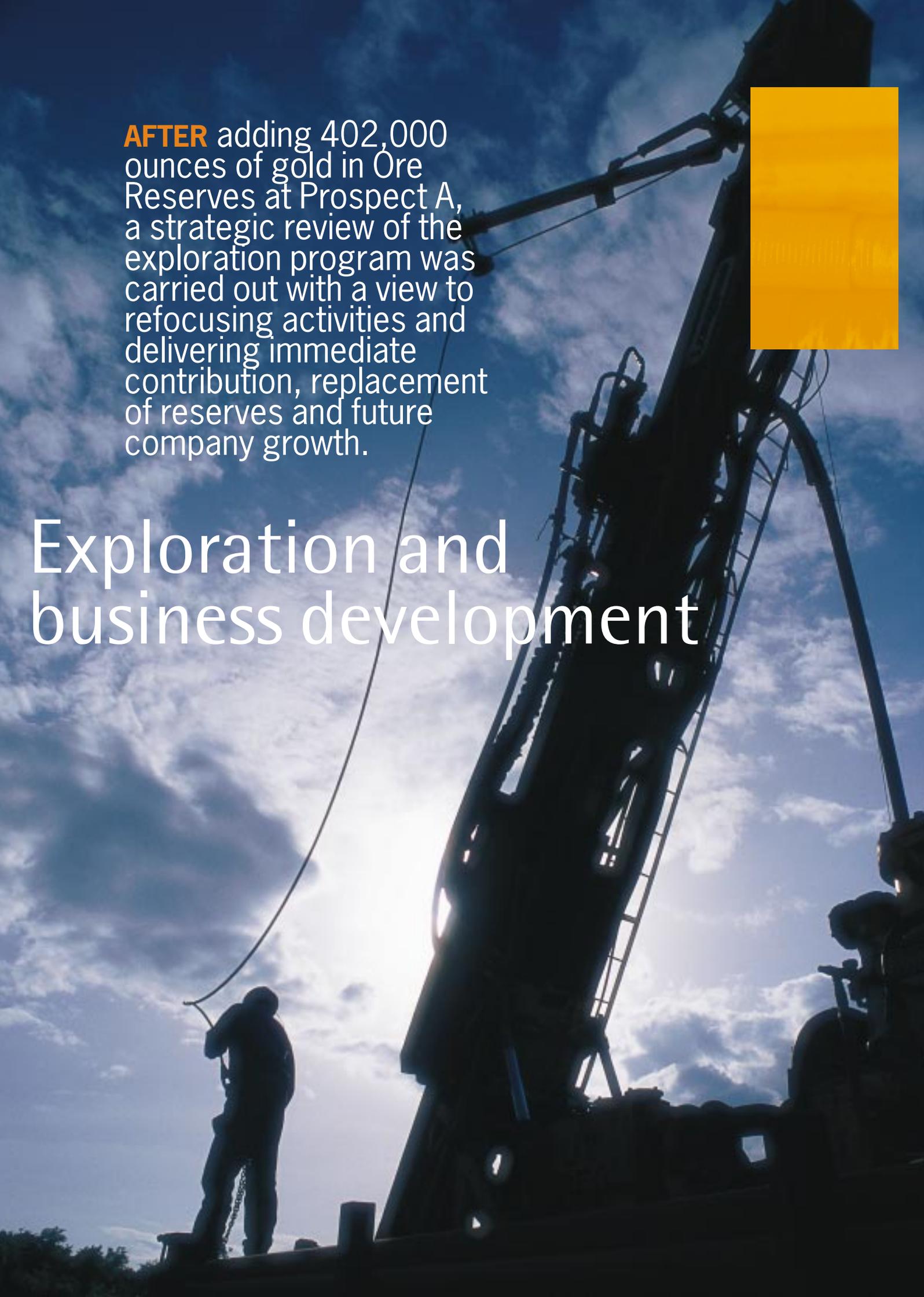
Source	Category	Tonnes (M)	Grade		Contained Ounces	
			Gold (g/t)	Silver (g/t)	Gold (kOz)	Silver(kOz)
Tawan (CH) 1.0g/t cut-off grade	Proved	3.9	2.5	11	317	1,338
	Probable	2.7	2.4	10	209	849
	<i>Sub total</i>	<i>6.5</i>	<i>2.5</i>	<i>10</i>	<i>525</i>	<i>2,186</i>
Chantra (D) 1.0g/t cut-off grade	Proved	0.7	2.2	13	47	278
	Probable	0.0	1.3	9	0	1
	<i>Sub total</i>	<i>0.7</i>	<i>2.2</i>	<i>13</i>	<i>47</i>	<i>279</i>
Khao Mo (A Pit) 0.7g/t cutoff grade	Proved	4.3	1.8	19	244	2,586
	Probable	3.1	1.6	17	157	1,668
	<i>Sub total</i>	<i>7.4</i>	<i>1.7</i>	<i>18</i>	<i>401</i>	<i>4,254</i>
Total from pits	Proved	8.8	1.8	15	607	4,202
	Probable	5.7	2.0	14	366	2,517
	Total	14.6	2.1	14	973	6,719
Stockpiles		0.2	2.2	17	14	111
Total including stockpiles		14.8	2.1	14	987	6,830

Criteria for remaining Ore Reserves

- Pit designs optimised at USD300/ounce gold for CH and D Pits
- A Pit design based on USD330/ounce gold

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 for the Public Reporting of these statements concerning geology, drilling and mineralisation.



AFTER adding 402,000 ounces of gold in Ore Reserves at Prospect A, a strategic review of the exploration program was carried out with a view to refocusing activities and delivering immediate contribution, replacement of reserves and future company growth.

Exploration and business development



Exploration

Prospect A is located one kilometre north of the existing mining operation and was the focus of exploration activities throughout most of the year. The mineralisation at Prospect A consists of low sulphidation epithermal quartz carbonate stockworks and fault breccia fill similar to that at Chatree.

The company drilled over 250 holes, totalling more than 26,000 metres and an ore reserve containing 402,400 ounces was defined at Prospect A. Further drilling is required to complete the infilling and to obtain a better understanding of the geology and the controls on the mineralisation.

Following the release of the Prospect A ore reserve, a strategic review of the exploration program was carried out in the latter half of the year, with a view to refocusing activities and targeting specific outcomes. The review identified 3 components of the exploration program that will be pursued.

In the short term, targets that provide an immediate contribution to the mill feed are being sought. As there is a certain lead-time associated with the permitting of new discoveries, this activity will by necessity be located within the existing mining lease.

In the medium term, the objective is to extend the life of the project by replacing those reserves depleted by mining and processing. Exploration targets in this category are close to the mine-site and are covered by exploration tenements. The targets include Prospect A, for which Mining Lease Applications have been lodged.

In the long term, the future growth of the company is dependent upon the discovery of new deposits that may not necessarily be in the immediate vicinity of Chatree. These potential deposits are likely to be identified using the knowledge and understanding gained by mining the Chatree orebodies.

Immediate success was achieved in each component of the new program.

At Prospect H in the Tawan Pit, the ore delineation was previously thought to end, but a high-grade extension was discovered along strike in a south-westerly direction. Further drilling is required to define the extent of this new discovery, but it will contribute to mill feed in the meantime.

In prospects surrounding the mining lease, several successful intersections were returned from drilling in Prospects A-East, B and K. These results were reported in the June 2003 quarterly report. Drilling is continuing to define the extent of these zones.

In its regional exploration, Kingsgate scaled up its efforts to reflect the long term prospectivity of the region and increased its exploration tenement holdings to approximately 1,200 square kilometres. Appropriate resourcing of the new program also commenced with the hiring of additional geologists and preparation for geophysical surveying.

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 the tenement holdings in Thailand and to contribute to the growth of the company in other geographic regions.

Kingsgate holds a small exploration tenement application on the Wynberg property near Cloncurry in Queensland, which has been stalled since 1998 because of the Native Title legislation in that state. During the year, impediments to the processing of the application were lifted and the process towards granting of the exploration permit commenced. The company is reviewing its position in regard to this property.

Business development

Kingsgate is actively seeking to expand its operational base beyond the Chatree operation through the acquisition of appropriate, value-adding properties or companies.

Numerous evaluations have been carried out in this regard and will continue.



KINGSGATE believes that its ongoing success will be measured on the basis of the three pillars of sustainability, being economic achievement, environmental performance and social contribution and responsibility.

Sustainability



Sustainability

Kingsgate is committed to best practice environmental management and has demonstrated this commitment by:

- Becoming a signatory to the Australian Minerals Industry Code for Environmental Management (2000).
- Implementing an Environmental Management System (EMS) based on ISO 14001, the international standard for such systems.
- Implementing world best practice in cyanide destruction after extracting gold.
- Constructing a Tailings Storage Facility that incorporates leading design features.
- Carrying out an extensive range of internal and independent external environmental auditing programs.

A safe and enjoyable working environment is a minimum requirement for all business activities conducted by the company. Kingsgate actively instills a culture of open communication and safe work practices into all employees through the development of site specific policies, codes, procedures and training.

Environmental Management System (EMS)

Kingsgate delivers best practice environmental management at the Chatree gold mine through the implementation of an Environmental Management System (EMS) based on ISO 14001, the international standard for such systems. It describes control strategies for potential environmental impacts, while enabling continual improvement and the implementation of best practice environmental management. It documents the organisational structure, responsibilities, practices, processes and resources for implementing and maintaining environmental management.

The operator of the mine is Akara Mining Limited, a wholly owned subsidiary of Kingsgate. Akara is committed to, and responsible for, environmental considerations at all stages of Chatree gold mine planning, from project initiation to decommissioning.

Initial environmental aspects and impacts relevant to Chatree were identified through an extensive environmental impact assessment process. The continual refinement of aspects and impacts is achieved by implementing a risk assessment and management program, which is based on the Australian Standard (AS/NZS 4360:1999) for risk management. The program is delivered through

workshops to review and rank risks, interviews with key personnel, and review by Kingsgate and Akara Mining Limited management.

Environmental Management Plan (EMP)

A site specific Environmental Management Plan has been developed for Chatree. The EMP facilitates compliance with relevant licenses, legislation and targets for operations at the site and was implemented during the first year of production. The plan was updated in 2003 to meet the needs of the processing plant expansion.

Specific procedures exist to aid the implementation of the EMP, such as revegetation trial procedures for the tailings storage facility and waste rock emplacement trials. A site specific environmental monitoring manual also exists to help the local environmental team monitor the performance of environmental management programs.

Responsibilities, objectives and targets

The implementation and overall management of environmental issues at Chatree is undertaken by the on-site environmental team under the supervision of the General Manager and with the assistance of environmental consultants. Objectives and targets are set to ensure compliance with licence conditions and to drive continuous improvement of environmental management at the mine. Targets are set by local management in consultation with senior management from Kingsgate and Akara Mining Limited. Review of objectives and targets is conducted on an annual basis upon completion of the Chatree environmental monitoring report.

Monthly reports are provided to the Chatree General Manager and the Kingsgate Board of Directors to ensure regular review and assessment of potential environmental impacts and environmental management strategies. Further checks and balances are employed by the Kingsgate Board by commissioning an annual independent external environmental audit of the Chatree operations.

Environmental training

Akara Mining Limited is committed to active, effective and dynamic employee workplace training and self-advancement programs to ensure the highest possible standards in environmental management. Training involves a combination of in-house environmental awareness workshops for all personnel, ongoing training on-site of environmental personnel by local and foreign consultants, and off-site training for environmental personnel at conferences and workshops.

Sustainability

Continuous improvement programs

Continuous improvement is driven by a corporate and staff awareness of environmental responsibilities. Identification of areas where improvement can occur is carried out through a corporate and site based monthly and annual review of environmental monitoring results and environmental management programs. Where an immediate response is required, management directives are made to the appropriate department. Longer term improvement programs are documented in an annual site environmental improvement plan.

Environmental auditing and review

Environmental reviews and independent auditing are regarded by Kingsgate as key feedback and quality control mechanisms that facilitate continual improvement of environmental management programs and systems.

The first major review of the environmental management program was conducted during December 2002, when results from the first full year of monitoring were analysed in the first annual environmental monitoring report. The review consisted of an assessment of compliance with licence requirements and the practicality, relevance and performance of specific environmental management strategies. The information obtained from the review is used to set targets for the following year and where necessary to make adjustments to the environmental management program. This type of review will be conducted on an annual basis at the end of each calendar year.



Other mechanisms for environmental performance assessment are through:

- Internal and external environmental audits.
- Monthly review of environmental monitoring results by the Chatree environmental management team. Results of the review are reported to the Kingsgate Board of Directors in the monthly report.
- Environmental incident reporting.
- Communication with stakeholders and maintenance of a complaints register.

Environmental auditing of Chatree is conducted to assess compliance with licence conditions, relevant legislation, EMS objectives and best practice environmental management. The auditing program is based on regular internal and external environmental audits.



Sustainability



The first review of the Chatree EMS was undertaken during 2003 to ensure suitability and effectiveness of the system. Subsequent reviews will be conducted on an annual basis, with planned improvements to be included in annual site environmental improvement plans.

As a further commitment to world's best practice, external accreditation of the EMS will be sought during late 2003. This will represent another significant milestone for the mine on top of the already accredited Quality Assurance System under the ISO 9001.

The environmental audit program is summarised in the table below.

Environmental audit program for the Chatree gold mine

<i>Audit type</i>	<i>Audit scope</i>	<i>Auditor</i>	<i>Frequency</i>
Internal environmental audit	Compliance with environmental management objectives and plans	Chatree Environmental Coordinator	Quarterly and annually
External environmental compliance audit	Compliance with license conditions, applicable laws in Thailand and the Chatree gold mine Environmental Policy	Independent Australian environmental consultant	Annual
Minerals Council of Australia	Compliance with the Code for Environmental Management	Independent Australian environmental consultant	Annual
ISO 14001 certification audit	Compliance of the Chatree gold mine EMS with ISO 14001	External certification body	Late 2003, then as required to meet certification

A woman wearing a white headscarf and a blue and white checkered shirt is carrying a metal frame on her shoulder. The frame is loaded with various flowers, including pink and yellow ones. She is walking on a street market. In the background, there are other people, a blue barrel, and a bicycle. A yellow rectangular box is visible in the upper right corner of the image.

PEOPLE Only through our people can we achieve our goal of developing and operating high quality mineral resource projects. We will employ and retain highly skilled people and are committed to their continued development, safety and well-being.

People and culture

CULTURE As a foreign company, working in Asia requires respect for other cultures, the development of beneficial relationships, technical excellence and a long-term perspective.

People and culture



People

Kingsgate believes that good, open, harmonious relationships in the workplace are conducive to high levels of employee satisfaction, productivity and quality workmanship. To facilitate such relationships, several employee relations policies are implemented at the Chatree gold mine, including the Open Door Policy, Employee Relations Policy, Employee Committee Policy, Regular Meetings Policy and the Harassment Policy. In recognition of these policies and its work with employees, the Chatree mine recently received the 2003 Prime Minister's 'Best Practice Award for Employee Welfare' for the production and construction industry.

Chatree management encourages participation in employee functions and provides support for a local soccer competition on the soccer pitch built by the mine. A tennis court with lights has also been built by the mine and is available for use by the employees and members of the local community. The Chatree gold mine Social Club also runs employee functions with money raised from recycling. Where possible, local community members are employed and local contractors are commissioned to undertake work at Chatree or exploration on the company's exploration tenements.

Safety performance

All staff and contractors undergo the Site Safety & Environment Induction before working at Chatree. The induction introduces new staff and contractors to their responsibilities regarding the environment and safety for themselves and others while working at the site. All employees are re-inducted on an annual basis and undergo further training in relation to their specific occupations on the site. Visitors to the mine undergo a separate induction that covers all relevant aspects of the environment and safety.



Emergency response

Chatree management advocates a pro-active approach to managing emergencies. This is demonstrated by the formation of an Emergency Response Unit which is represented by members of each department at the mine, who are trained in the relevant procedures. The skills developed within the Unit are made available to the local communities through co-ordination with the appropriate provincial authorities.

Training and development

Kingsgate recognises the important role an ongoing environmental training program plays in continuous improvement. As such, an extensive environmental training program has been developed and implemented at Chatree.

The environmental training program is in its developmental stages, but has two main components. The first is a training program for the on-site environmental team. Ongoing training is provided by environmental consultants through scheduled site visits, review of outputs and regular contact through various communication channels. Additionally, in 2003 the environmental team has undergone extensive on-site training for the implementation of the Environmental Management System under ISO 14001 by a local consultant. The Environmental Coordinator also attended an environmental conference in Australia during 2003 as part of her professional development.

The second component was initiated during 2003 and involves environmental training given to employees and contractors. The program relates to promoting staff awareness of the Chatree Environmental Management System, as well as providing training on the specific environmental management needs of their department. This includes cyanide safety training and emergency response plan training.

This process of training and follow-up assessment encourages an ongoing staff commitment to environmental performance, which will invariably lead to continual improvement of environmental management. The target is to achieve training of all staff and contractors working on the Chatree gold mine. This has been achieved for cyanide safety training and emergency response training.



People and culture

Community

Chatree has a positive social impact on the local and regional community. It provides a range of opportunities for direct and indirect employment, increased access to health and education, construction of roads and water delivery infrastructure, sporting infrastructure, and financial contributions to local communities through religious centres and sporting events.

Kingsgate recognises the important role of religion in the local community and provides support to assist with religious programs and for up-keep of temples.

The relationship with the local community is perceived by Kingsgate to be the responsibility of all employees. This is reinforced in the Chatree gold mine Code of Conduct, which is provided to all employees and contractors upon commencing employment.

The principal responsibility for community relationships is held with the Personnel and Co-ordination Superintendent. The Superintendent is the primary point of contact for all stakeholder consultation and liaison at a local and regional level. Where appropriate, he is joined by staff from the Chatree gold mine, including the Environmental Coordinator. Networking with the local community includes the facilitation of meetings and social functions with community leaders, where the purpose of the function is to provide a forum where community issues can be heard.

Kingsgate aims to continue stakeholder engagement and seek input from the community regarding initiatives for social and community issues.



Corporate governance

KINGSGATE believes that the adoption of good corporate governance practices will not only assist it in competing globally, but will also facilitate the achievement of shareholder value and promote investor confidence.

Name	Appointed	Non-executive	Independent	Retiring in 2003	Seeking re-election in 2003
Ross Smyth-Kirk	1994	Yes	Yes	No	No
Steve Reid	2003	No	No	Yes	Yes
John Falconer	1995	Yes	Yes	No	No
Peter McAleer	2000	Yes	Yes	Yes	Yes
John Shaw	2000	Yes	Yes	No	No

This Corporate Governance statement outlines the key components of Kingsgate's governance framework.

Shareholders

Shareholders play an important part in the governance of the group by electing the Board, whose task it is to govern on their behalf. In carrying out this role, the Board recognises that shareholders must receive timely and relevant information of the highest standard. The Board oversees the protocols for investor and media relations with a view to facilitating an efficient, competitive and informed market.

Kingsgate is a publicly listed entity on the Australian Stock Exchange and is subject to continuous disclosure obligations. In general terms, these obligations require the company to notify the market immediately of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its securities.

In order to meet these objectives and satisfy regulatory requirements, the Board provides information to shareholders and the market in several ways:

- Significant announcements are released directly to the market via the Australian Stock Exchange and are placed on the company web site.
- The Kingsgate web site (www.kingsgate.com.au) contains further information about the group and its activities, including Annual, Interim and Quarterly Reports, and media presentations.
- From time to time, investment briefings are conducted in order to promote a better understanding of the group.

– Site visits are also arranged to give those who advise investors a better understanding of the group's operating facilities and exploration prospects.

– The Annual General Meeting provides an opportunity for the Board to communicate with investors directly.

Composition of the Board of Directors

Under the Corporations Act 2001, the minimum number of Directors the company must have is three, two of whom must ordinarily reside in Australia.

The Board currently has five members – four non-executive Directors, including the Chairman, and one executive Director, Steve Reid.

Since the previous annual report, Steve Reid was appointed as Managing Director, replacing Mike Diemar, who resigned on 14 February 2003.

The names of the Directors in office and their relevant details are outlined in the table above.

The qualifications of the current Directors are as follows:

Ross Smyth-Kirk B Com, CPA, ASIA Age: 56

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He was appointed to the Board on 29 November 1994 and has been a Director of a number of companies over the past 25 years.

Responsibilities

Chairman of the Board, member of the Audit Committee and Chairman of the Remuneration Committee and Nomination Committee.

Corporate
governance



John Falconer

FCA, ASIA

Age: 55

John Falconer is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia. He is principal of Carbone Falconer & Co, a firm of Chartered Accountants practising in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses.

Responsibilities

Company Secretary, Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee.

John Shaw

BSc, F AusIMM, MCIM, FAICD, AIME

Age: 63

John Shaw, a geological engineer, was formerly a Director of AurionGold Limited and was Chairman of Zimbabwe Platinum Mines Limited until March 2001. He has more than forty years experience in four countries in building and operating both open cut and underground mines for gold, silver, tungsten and copper. He is Chairman of Lodestone Exploration Limited and was, until his retirement three years ago, Vice-President of Australian Operations for Placer Dome Asia Pacific as well as Managing Director of Kidston Gold Mines Limited.

Responsibilities

Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Peter McAleer

B Com (Hons), B L (Kings Inns – Dublin – Ireland)

Age: 60

Peter McAleer is Chairman of Westmag Limited and a Director of Kenmare Resources Plc (Ireland). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Tesoro (Chile). He has been an Executive Director of Whim Creek Consolidated NL, Austwhim Resources NL and The Northgate Group of Companies (Canada). He has been involved in the discovery, and/or successful development, of over 10 base and precious metal deposits in Europe, Australia, South America and North America.

Responsibilities

Member of the Remuneration Committee and Nomination Committee.

Steve Reid

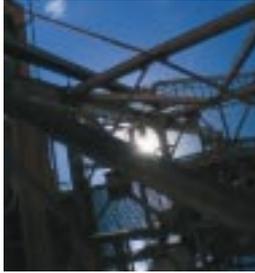
BAppSc Min Eng, F AusIMM, MCIM, AIME

Age: 47

Steve Reid was appointed to the Board as Managing Director and Chief Executive Officer on 25 March 2003, having previously been General Manager Business Development. Steve is a mining engineer with 26 years experience in the operating and business aspects of the mining industry in Australia and overseas, including PNG, Indonesia, Philippines, Canada and South Africa. He was formerly responsible for operations at Newcrest Mining Limited, prior to which he spent 12 years with Placer Dome Inc. He has held senior management positions in the mining industry, principally in the gold and copper sector.

Responsibilities

Managing Director and CEO.



Directors have a broad range of business, financial, technical and international experience. This experience gives the Directors the range of skills, knowledge, and experience necessary to govern the group, including an understanding of the health, safety, environmental and community-related issues that it faces.

Directors are not appointed for a fixed term but are subject to re-election by shareholders, at least every three years, in accordance with the Constitution of the company. Shareholders are also required to ratify, at the next annual general meeting, the appointment of any Director appointed throughout the year to fill a vacancy. At the 2003 Annual General Meeting, shareholders will be asked to ratify the appointment of Mr Steve Reid, who was appointed in March 2003. The Managing Director is not subject to re-election by rotation.

The Board's Nomination Committee is responsible for considering the re-nomination of retiring Directors, having regard to the contribution of their skills and experience to the desired composition of the Board.

Independence of non-executive Directors

The Board has considered the independence of the four non-executive Directors and considers all of them to be independent.

It is noted that Ross Smyth-Kirk is a substantial shareholder in the company. However, he has never been an employee, nor does he participate in an executive capacity in the affairs of the company. It is also noted that John Falconer has, in the past, provided management services to the company through his firm, although these are not considered to be material in nature. As such, the Board considers all non-executive Directors to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment.

Role of the Board

The company's Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder funds. The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman leads the Board and is responsible for ensuring the effectiveness of governance practices. He is also responsible for the conduct of Board and shareholder meetings.

Responsibility for the operations of the company is delegated to the Chief Executive Officer who manages the company within the policies set by the Board of Directors. The levels of authority for management are also documented.

The Board has also delegated some of its responsibilities to committees. Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld. A copy of the advice is to be provided to all Directors.

There are a number of matters that the Board is specifically responsible for. These include setting the strategic direction of the company, the appointment of key senior executives, approval of the financial accounts and environmental reports, approval of financial policies and the budget, and overall review of operating results, risk management, remuneration levels, succession planning and significant capital expenditure. The Board is also responsible for appointment of the external auditors.

Board meetings

There are 11 scheduled Board meetings each year with further ad hoc meetings held as and when required. The Board combines a visit to the Chatree gold mine with a Board meeting on approximately three occasions each year. Individual Directors are encouraged to visit the mine at their discretion.

Corporate
governance



Corporate governance

The Board receives monthly reports on the group's activities and undertakes a full review of them when setting the annual budgets and approving strategic plans for future years. In addition, the Board receives specific reports and presentations on items of special interest either on a regular basis or as requested. Briefings by senior management are a requirement at Board meetings.

Audit Committee

The Board has established an Audit Committee, which is comprised entirely of independent Non-Executive Directors. The Committee is chaired by John Falconer, the other members being Ross Smyth-Kirk and John Shaw.

All other members of the Board are invited to attend the Audit Committee meetings. In addition, the Chief Financial Officer and the partner responsible for the company's external audit attend the meetings.

The Audit Committee's primary functions are to:

- Review the financial information provided by the Board to shareholders and other parties and ensure that it is true and fair and complies with relevant accounting standards;
- Ensure that corporate risk management policies and internal controls are in place and are maintained in accordance with appropriate standards and statutory requirements;
- Oversee and evaluate the quality of the audits conducted by the external auditors;
- Provide for open communication between the external auditors and the Board for the exchange of views and information; and
- Recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity.

As appropriate, the Committee reports to the Board on all matters relating to the company's financial affairs.

The Board has adopted a policy relating to auditor independence. The policy requires the external auditors to confirm that they have maintained their independence in accordance with the Corporations Act 2001 and the rules of professional accounting bodies. The policy also specifies obligations regarding employment relationships, financial relationships and provision of non-audit services by the auditors. In particular, management consultancy, IT implementation and specialist internal audit work will not be performed by the external auditor.

Nomination Committee

The Nomination Committee is comprised of independent non-executive Directors, with Ross Smyth-Kirk as Chairman and John Falconer, John Shaw and Peter McAleer as members.

The Nomination Committee supports and advises the Board in fulfilling its responsibility to ensure that it comprises individuals who are best able to discharge the responsibilities of Directors, having regard to the law and the highest standards of governance, by:

- Assessing the skills required on the Board;
- Reviewing the structure, size and composition of the Board;
- From time to time assessing the extent to which the required skills are represented on the Board and ensuring appropriate succession planning is in place;
- Establishing processes for the review of the performance of individual Directors and the Board as a whole; and
- Establishing processes for the identification of suitable candidates for appointment to the Board.



When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit. This ensures that the Board continues to have an appropriate balance of skills and experience.

Remuneration Committee

The Remuneration Committee is comprised of independent non-executive Directors, with Ross Smyth-Kirk as Chairman and John Falconer, John Shaw and Peter McAleer as members. The Committee has the right to seek any information it considers necessary to fulfil its duties, including the right to obtain appropriate external advice at the group's expense.

The Remuneration Committee supports and advises the Board in fulfilling its responsibilities to shareholders by:

- Recommending to the Board, with the Chief Executive Officer, an appropriate executive remuneration policy;
- Determining the remuneration of executive Directors;
- Reviewing and approving the remuneration of those reporting directly to the Chief Executive Officer, and other senior executives, as appropriate; and
- Reviewing all equity-based plans for approval by the Board.

Share ownership and dealing

Directors and Officers who wish to buy or sell company shares are required to notify the Chairman prior to dealing in such shares. Directors and Officers are prohibited from short-term trading of the company's shares or trading shares while in possession of price sensitive information. Subject to the foregoing, Directors and Officers may buy or sell shares in the company in the four week period following significant announcements by the company, including the release of the quarterly report, half yearly results, the preliminary annual results and the lodgment of the annual report. At all other times the Board must receive prior notice of transactions, which are subject to Board veto.

Any dealings in Kingsgate shares are reported to the Board at its next meeting. The Australian Stock Exchange is notified of any share dealing by Directors within the applicable time limit of 5 days.

Internal control and risk management

The Board has overall responsibility for the group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives. It must be recognised that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

Areas of operational and financial risks are regularly reviewed by the Board and appropriate risk management strategies considered. The risk, control and reporting profiles are evaluated and presented to the Board, together with a risk improvement program designed to improve controls and better manage the overall level of risk. The company has implemented ISO 9001: 2000 on Quality Control and is implementing ISO 14001 on Environmental matters and ISO 18001 on Occupational Health and Safety.

Corporate governance



Corporate governance

Kingsgate actively manages its exposure to movements in the gold price and foreign currency exchange rates through the use of hedging instruments. The principal objective in managing revenue risk is to minimise the downward price exposure associated with volatile markets while endeavouring as far as possible to preserve the opportunity to participate in upward price movements.

Regular reports are provided to the Board in the areas of financial exposures, health, safety and environmental matters.

Kingsgate also operates a company-wide risk management program which provides a systematic approach to assessing and addressing its risks. This program complements and strengthens other existing risk management initiatives. It aims to improve the company's bottom line through reduced loss and better management of retained risk, and through reduced insurance premiums. Major proposals submitted to the Board for consideration must be accompanied by a comprehensive risk assessment and management's proposed mitigation strategies.

Social and environmental responsibility

Kingsgate is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities as these are integral to the way in which the group conducts its business.

Kingsgate is subject to significant environmental regulation with respect to its exploration and mining activities and is a signatory to the Australian Minerals Industry Code for Environmental Management. The company has continued the process of developing effective Environmental Management Systems (EMS) aligned with ISO 14001.

Reviews of the company's environmental performance have included:

- External regulatory inspections at the operating site and exploration areas;
- Internal area inspections at these operations; and
- An annual review of these sites by an external consultant.

In accordance with the Code, a Sustainability Report is issued by the group on an annual basis covering the areas of health, safety, environmental and community responsibilities, with the first report completed in 2003.

Kingsgate Code of Conduct

The group has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of Kingsgate's business. The Code of Conduct defines how Kingsgate relates to its customers, employees, shareholders and the community in which it operates.

The underlying principles of the Code are the values of integrity, respect, trust and openness. The Code provides clear directions on conducting business internationally, interacting with governments, communities and business partners and general workplace behaviour. The Code provides a common behavioural framework for all employees in the context of a wide range of ethical and legal issues. Employees are encouraged to take responsibility for their actions, achieve high performance, deliver on commitments and earn the trust of those with whom they interact.

The group has also adopted the Code of Conduct for Chief Financial Officers developed by the Group of 100.



Directors' report

DIRECTORS' REPORT
for the year ended
30 June 2003.

Directors' report



Your Directors present their report on the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during the year ended 30 June 2003.

Directors

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

Ross Smyth-Kirk

(Chairman)

John Falconer

(Company Secretary)

John Shaw

Peter McAleer

Dividends

Dividends paid to members during the financial year were as follows:

	2003 (\$'000)	2002 (\$'000)
Final dividend for the year ended 30 June 2002 of 15 cents (2002-nil) per share paid on 28 October 2002	10,820	–
Interim dividend of 12.5 cents (2002-nil) per share paid on 3 April 2003	9,107	–
<i>Total dividend payment</i>	19,927	–

In addition, since the end of the financial year, the Directors have recommended the payment of a final dividend of \$9,109,000 (12.5 cents per share) to be paid on 1 October 2003 in respect of the year ended 30 June 2003.

Review of operations and results

A review of Kingsgate Consolidated Limited's operations and the results for the financial year ended 30 June 2003 is set out on pages 3 to 8 of this Annual Report.

Earnings per share

	2003 cents	2002 cents
Basic earnings per share	65.4	48.5
Diluted earnings per share	65.3	45.9

Significant change in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Matters subsequent to the end of the financial year

On 20 August 2003, the Directors of the consolidated entity declared an unfranked final dividend of 12.5 cents per share to be paid on 1 October 2003.

On 8 July 2003, Kingsgate completed a restructure of the company's hedge book, availing itself of the favourable Australian dollar gold price and interest rates. Hedge commitments have been reduced by 14%, from 414,000 ounces to 356,400 ounces of gold with the strike prices on committed ounces reduced marginally.

Except for the above, no other matter or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

- A. The consolidated entity's operations in future financial years, or
- B. The results of those operations in future financial years, or
- C. The consolidated entity's state of affairs in future financial years.

Directors' report

Likely developments and expected results of operations

The likely developments of the consolidated entity in the subsequent financial year include the continuation of mining operations at the Chatree Gold Mine, a plant expansion to increase throughput and further mineral exploration.

Additional comments on expected results of certain of the operations of the consolidated entity are included in this report under the review of operations.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' attendance at meetings (1 July 2002 to 30 June 2003)

	Appointed	Independent	Board		Audit Committee	
			Held ¹	Attended	Held	Attended
Ross Smyth-Kirk	1994	Yes	12	12	2	2
Steve Reid ²	2003	No	4	4	–	–
John Falconer	1995	Yes	12	12	2	2
Peter McAleer	2000	Yes	12	12	–	–
John Shaw	2000	Yes	12	12	–	–
Mike Diemar ³			7	7	–	–

¹ Reflects the number of meetings held during the time the Director held office during the year.

² Steve Reid was appointed to the Board on 25 March 2003.

³ Mike Diemar resigned as a Director on 14 February 2003.



Directors' report

**Directors' attendance at meetings
(1 July 2002 to 30 June 2003)**

During the financial year, 12 Board meetings and 2 Audit Committee meetings were held. The table opposite shows information on Board members and their attendance (including attendance by telecommunication) at Board and Audit Committee meetings during the year.

Directors' shareholdings in Kingsgate

Directors' shareholdings in Kingsgate at the date of this report are as follows:

	<i>Options</i>	<i>Shares</i>
Ross Smyth-Kirk	150,000	4,093,932
Steve Reid	167,000	–
John Falconer	–	144,333
Peter McAleer	100,000	280,000
John Shaw	–	111,666

The Directors have no beneficial interests in any of Kingsgate's subsidiaries. Of the options issued to Steve Reid, 150,000 are subject to shareholder approval at the Annual General Meeting.

Non-executive Directors' fees

The aggregate remuneration of Directors is set by shareholders in general meeting, in accordance with the Constitution of the company, with individual Director's remuneration determined by the Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants is taken into account. The aggregate amount of Directors' fees approved by shareholders in November 2000 is \$150,000.

Fees paid to any executive while serving on a non-group company Board are paid to the benefit of the company.

Kingsgate Employee Option Plan

Shareholder approval was obtained at the Annual General Meeting in November 2001 for the establishment of the Employee Option Plan 2001.

The Option Plan provides a remuneration element designed to enable the company to attract and retain key employees and ensures that their interests are aligned with those of shareholders. The Option Plan provides for the issue of 2,500,000 options to employees and contractors of the company to subscribe for up to 2,500,000 ordinary shares of the company. Options will lapse if not exercised by the expiry date, which is 3 years from date of issue. A similar employee plan for 500,000 options was established in 1998.

There have been 1,347,000 options issued to employees to date in accordance with the above plans. Of these, 117,000 options issued to employees remained outstanding at 30 June 2003, representing less than 0.2% of the total shares on issue. All options under the 1998 plan have been issued and unissued options under the 2001 plan at 30 June 2003 amount to 1,653,000.

Issue of options during the financial year

Shareholder approval was obtained at the Annual General Meeting in November 2001 for the issue of share options to Directors. There were 250,000 options issued to Directors that remained outstanding at 30 June 2003, representing approximately 0.4% of the total shares on issue. A further 150,000 options with an exercise price of \$3.74 per share have been issued to the Managing Director and are subject to shareholder approval at the annual general meeting in October 2003.



ASIC guidelines require that a valuation of options issued to executives under the company's incentive plans be provided. Given the share trading restrictions applied internally to employees, no single method of valuation is considered appropriate. Kingsgate has used an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Full details of the Employee Option Plan are disclosed in the Share Option Plan rules which were approved by shareholders in November 2001, a copy of which can be obtained from the company.

Share options granted to Directors and the most highly remunerated officers

Options over unissued ordinary shares of Kingsgate Consolidated Limited granted during or since the end of the financial year to any of the Directors or the 5 most highly remunerated officers of the company as part of their remuneration were as follows:

<i>Directors</i>	<i>Options granted</i>
Mr S Reid	150,000
<i>Other executives of Kingsgate Consolidated Limited</i>	<i>Options granted</i>
Mr S Reid	30,000
Mr N Lenahan	50,000

The options issued to other executives were granted under the Kingsgate Consolidated Limited Employee Option Plan.

Options issued to employees during the year were 55,000 at a strike price of \$2.66 and 50,000 at a strike price of \$4.44 per share.

Unissued shares of the company under option at the date of this report

<i>Date options granted</i>	<i>Expiry date</i>	<i>Exercise price of shares</i>	<i>Number of options outstanding</i>
28 November 2001	28 November 2004	\$1.48	250,000
7 May 2002	7 May 2005	\$2.21	25,000
11 July 2002	11 July 2005	\$2.66	42,000
5 February 2003	5 February 2006	\$4.44	50,000
1 April 2003	1 April 2008	\$3.74	150,000
			517,000

Shares under option

Unissued shares of the company under option at the date of this report are set out in the table below.

No option holder has the right under the options to participate in any other share issue of the company or of any other entity.

Shares issued on the exercise of options

The following ordinary shares of Kingsgate Consolidated Limited were issued during the year ended 30 June 2003 on the exercise of options granted under the Kingsgate Consolidated Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

<i>Date options granted</i>	<i>Issue price of shares</i>	<i>Number of shares issued</i>
23 December 1999	\$0.81	43,000
7 May 2002	\$2.21	964,000
11 July 2002	\$2.66	13,000
		1,020,000

There were 200,000 options exercised by Directors during the financial year and at 30 June 2003, Directors' options outstanding were 250,000 at a strike price of \$1.48.

Directors' and officers' emoluments

The company's policy for determining the nature and amount of emoluments of Board members and senior executives of the company is set by the Board's Remuneration Committee. The Committee makes recommendations to the Board concerning the remuneration of executive and non-executive Directors having regard to the company's stage of development, remuneration in the industry and performance.

Directors' report

Directors' report



The emoluments of each Director are shown in the table below. In addition, the following amounts were paid to Directors' related entities: Accounting, secretarial and taxation service fees of \$40,000 (2002 – \$35,000) were paid or payable to Carbone

Falconer & Co, Chartered Accountants, of which John Falconer is the principal. Consulting fees of \$40,000 (2002 – \$35,000) were paid or payable to Norwest Mining Consultants Ltd, of which P McAleer is an officer and Director.

Directors (\$)

Parent Entity	Salary	Director's fees	Superannuation	Other benefits	Options	Total
Mr M Diemar	320,000	–	26,266	15,810	–	362,076
Mr R Smyth-Kirk	–	60,000	5,400	–	–	65,400
Mr J Shaw	–	40,000	3,600	–	–	43,600
Mr S Reid	81,875	–	5,625	–	8,677	96,177

Other executives of the company (\$)

	Salary	Motor vehicle	Superannuation	Other benefits	Options	Total
Mr S Reid	144,375	–	16,875	–	11,433	172,683
Mr N Lenahan	95,000	–	17,500	5,270	12,873	130,643

Other executive of the consolidated entity (\$)

	Salary	Motor vehicle	Superannuation	Other benefits	Total
Mr S Udornpornwirat	100,947	1,634	6,057	577	109,215

'Other executives' are officers who are involved in, concerned in, or who take part in, the management of the affairs of the consolidated entity.



Directors' report

Directors' interest in contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in the note to the accounts.

Insurance of officers

During the financial year, the company paid premiums to insure Directors and officers of the company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

Environmental regulations

The company is subject to environmental regulation with respect to its gold mining operations in Thailand. For the year ended 30 June 2003, the consolidated entity has operated within all Thai environmental laws and there were no known contraventions at the date of this report. The performance in respect of environmental regulations is discussed on pages 13 to 15 of this annual report and the company also issues a Sustainability Report.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

R Smyth-Kirk
Director

Sydney
28 August 2003



KINGSGATE
achieved earnings
of 65.4 cents
per share and
paid total
dividends for the
year of 25 cents
per share.

Consolidated statements

Consolidated statement of financial performance

For the year ended 30 June 2003

Consolidated
statements

	Notes	2003 (\$'000)	2002 (\$'000)
Revenue from ordinary activities	3	94,647	56,506
Changes in inventories of finished goods and work in progress		(998)	4,732
Direct costs of mining and processing		(23,539)	(12,193)
Rehabilitation expenses		(392)	(151)
Employee benefits expense		(3,536)	(2,073)
Depreciation and amortisation expenses		(13,293)	(8,620)
Borrowing costs expense		(2,003)	(2,566)
Foreign exchange losses		(4)	(131)
Other expenses from ordinary activities		(3,559)	(2,092)
Profit from ordinary activities before income tax expense		47,323	33,412
Income tax expense		–	(390)
Profit from ordinary activities after related income tax expense		47,323	33,022
Net Profit attributable to members of Kingsgate Consolidated Limited		47,323	33,022
Net exchange differences on translation of financial reports of foreign controlled entities		(9,039)	(361)
Total revenues, expenses and valuation adjustments attributable to members of Kingsgate Consolidated Limited recognised directly in equity		(9,039)	(361)
Total changes in equity attributable to members of Kingsgate Consolidated Limited other than those resulting from transactions with owners as owners		38,284	32,661
		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	6	65.4	48.5
Diluted earnings per share	6	65.3	45.9

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

Consolidated statement of financial position

As at 30 June 2003

	2003 (\$'000)	2002 (\$'000)
Current assets		
Cash assets	28,914	25,262
Receivables	8,677	7,502
Inventories	4,190	4,732
Other	1,190	750
Total current assets	42,971	38,246
Non-current assets		
Receivables	–	5,643
Mine property, plant and equipment	53,336	57,976
Total non-current assets	53,336	63,619
Total assets	96,307	101,865
Current liabilities		
Interest bearing liabilities	17,195	22,224
Payables	3,340	4,003
Provisions	989	11,772
Total current liabilities	21,524	37,999
Non-current liabilities		
Interest bearing liabilities	1,499	22,224
Total non-current liabilities	1,499	22,224
Total liabilities	23,023	60,223
Net assets	73,284	41,642
Equity		
Parent entity interest		
Contributed equity	31,471	28,986
Reserves	(8,374)	665
Retained profits	50,187	11,991
Total equity	73,284	41,642

Consolidated
statements

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

Consolidated statement of cash flows

For the year ended 30 June 2003

Consolidated
statements

	2003 (\$'000)	2002 (\$'000)
Cash flows from operating activities		
Receipts from customers	94,506	49,264
Payments to suppliers and employees	(36,334)	(17,982)
Interest received	606	219
Borrowing costs	(1,822)	(2,564)
Net cash inflow/(outflow) from operating activities	56,956	28,937
Cash flows from investing activities		
Payments for exploration	(7,512)	(1,304)
Payments for mine development	–	(33,180)
Loans to others (net)	–	(606)
Payments for property, plant and equipment	(5,368)	(24)
Net cash (outflow)/inflow from investing activities	(12,880)	(35,114)
Cash flows from financing activities		
Proceeds from issue of shares	2,495	6,799
Share issue costs	(10)	(374)
Proceeds from borrowings	–	35,945
Repayment of borrowings	(19,984)	(17,561)
Dividends paid	(19,927)	–
Net cash (outflow)/inflow from financing activities	(37,426)	24,809
Net increase/(decrease) in cash held	6,650	18,632
Cash at the beginning of the financial year	25,262	6,279
Effects of exchange rate changes on cash	(2,998)	351
Cash at the end of the financial year	28,914	25,262

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

Notes to the consolidated financial statements

For the year ended 30 June 2003

Discussion and analysis of:

A. Consolidated statement of financial performance

Revenue from ordinary activities increased by 67% to \$94,647,000 resulting from the first full year of production from the Chatree gold mine (compared with seven months in the previous financial year) and a higher realised gold price.

Direct costs of mining and processing \$23,539,000, rehabilitation expenses \$392,000, employee benefits expense \$3,536,000 and depreciation and amortisation expenses \$13,293,000 are all higher than 2002 reflecting the first full year of production and a higher mining strip ratio at the Chatree gold mine. The mine produced 154,484 ounces of gold in 2003 compared to 91,185 ounces in 2002.

Borrowing costs expense of \$2,003,000 was a reduction from 2002 reflecting the reduction in borrowings outstanding. Other expenses from ordinary activities of \$3,559,000 increased from 2002 reflecting a higher level of corporate activity.

Income tax expense was nil for the financial year as the group is not currently subject to income tax in Thailand.

B. Consolidated statement of financial position

Assets

Total assets have decreased by 5% to \$96,307,000 reflecting an increase in depreciation and amortisation expense of \$4,673,000 in 2003 associated with the first full year of production together with movements in foreign currency exchange rates.

Liabilities

Total liabilities decreased by 62% to \$23,023,000 reflecting a \$25,754,000 reduction in borrowings and the change in accounting for dividends (note 2) of \$10,800,000.

Equity

Contributed equity increased by \$2,485,000 due to new shares being issued following the exercise of options.

Reserves decreased by \$9,039,000 resulting from a negative movement in the foreign currency translation reserve due to the appreciation of the Australian dollar affecting the translation of foreign controlled entities.

Retained profits grew substantially due to the reinvestment of profits not paid as dividends and the change in accounting for dividends – see comment above under liabilities and note 2.

C. Consolidated statement of cash flows

Cash flows from operating activities

The increase in receipts from customers and the increase in payments to suppliers and employees reflected the first full year of operations of the Chatree gold mine.

The lower borrowing costs resulted from the repayment of borrowings during the financial year.

Cash flows from investing activities

With the Chatree gold mine commencing production in November 2001, payments for mine development ceased and payments for property, plant and equipment in 2003 related to replacement and expansion capital.

Payments for exploration have increased with the group's scaled up activity and focus on adding resources and reserves to the Chatree gold mine.

Cash flows from financing activities

The group's strong cash flow was utilised to retire debt \$19,984,000 and commence dividend distributions to shareholders \$19,927,000. Proceeds from the issue of shares declined as there was a rights issue in 2002 not repeated in 2003.

Consolidated
statements

Notes to the consolidated financial statements

For the year ended 30 June 2003 (continued)

Note 1. Basis of preparation of the concise financial report

This concise financial report relates to the consolidated entity consisting of Kingsgate Consolidated Limited and the entities it controlled at the end of, or during, the year ended 30 June 2003. The accounting policies adopted are consistent with those of the previous year, except as described in note 2 below.

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

Note 2. Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044: Provisions, Contingent Liabilities and Contingent Assets released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

An adjustment of \$10,800,000 was made against the consolidated retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the Directors between the end of that financial year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the financial year by \$10,800,000 with corresponding increases in net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

The restatements of consolidated retained profits, provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

Notes to the consolidated financial statements

For the year ended 30 June 2003 (continued)

	2003 (\$'000) (Restated)	2002 (\$'000) (Restated)
Restatement of retained profits		
Previously reported retained profits at the end of the previous financial year	11,991	(9,205)
Change in accounting policy for providing for dividends	10,800	–
Restated retained profits at the beginning of the financial year	22,791	(9,205)
Net profit attributable to members of Kingsgate Consolidated Limited	47,323	33,022
Total available for appropriation	70,114	23,817
Transfer to general reserve	–	(1,026)
Dividends paid (see below)	(19,927)	–
Restated retained profits at the end of the financial year	50,187	22,791
Restatement of current liabilities – provisions		
Previously reported carrying amount at the end of the financial year	989	11,772
Adjustment for change in accounting policy	–	(10,800)
Restated carrying amount at the end of the financial year	989	972
Restatement of dividends provided for or paid		
Previously reported total dividends provided for or paid during the financial year	19,927	10,800
Adjustment for change in accounting policy	–	(10,800)
Restated total dividends provided for or paid during the financial year	19,927	–

Consolidated
statements

Note 3. Sales revenue

	2003 (\$'000)	2002 (\$'000)
Sales revenue included in revenue from ordinary activities	94,020	54,688

Notes to the consolidated financial statements

For the year ended 30 June 2003 (continued)

Note 4. Dividends

	2003 (\$'000)	2002 (\$'000)
Final unfranked dividend of 15 cents per share paid on 28 October 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 2)	10,820	10,800
Interim unfranked dividend of 12.5 cents per share paid on 17 April 2003	9,107	–
Total dividends provided for or paid	19,927	10,800

Note 5. Events occurring after reporting date**Dividend**

On 20 August 2003, the Directors of Kingsgate Consolidated Limited declared a final unfranked dividend of 12.5 cents per share. The record date for the dividend is 3 September 2003 with payment due on 1 October 2003.

Restructure of hedge book

On 8 July 2003, a restructure of the consolidated entity's gold hedge book was completed. Hedge commitments were reduced by 14%, from 414,000 ounces to 356,400 ounces with the strike prices on committed ounces reduced marginally.

Note 6. Earnings per share

	2003 (Cents)	2002 (Cents)
Basic earnings per share	65.4	48.5
Diluted earnings per share	65.3	45.9

Weighted average number of shares used as the denominator

	2003 (number)	2002 (number)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	72,368,432	68,083,589
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	72,521,233	71,903,334

Notes to the consolidated financial statements

For the year ended 30 June 2003 (continued)

Note 7. Segment information

Primary reporting – business segments

The consolidated entity operates exclusively in the business segment of gold mining and exploration.

Consolidated
statements

Secondary reporting – geographical segments

	2003 (\$'000)	2002 (\$'000)
Sales to external customers		
Asia Pacific	94,647	56,506
Other	–	–
Total	94,647	56,506
Segment assets		
Asia Pacific	96,307	101,865
Other	–	–
Total	96,307	101,865

Note 8. Full financial report

Further financial information can be obtained from the full financial report which is available from the company, free of charge, on request. A copy may be requested by calling (02) 9223 5273. Alternatively, both the full financial report and the concise financial report can be accessed via the internet at:

www.kingsgate.com.au.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in note 8, is available on request.

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

Directors declaration

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2003 as set out on pages 34 to 41 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.



R Smyth-Kirk
Director

Sydney
28 August 2003

Independent audit report to the members of Kingsgate Consolidated Limited

Audit opinion

In our opinion, the concise financial report of Kingsgate Consolidated Limited for the year ended 30 June 2003 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the Directors' declaration for Kingsgate Consolidated Limited (the company) for the year ended 30 June 2003.

The Directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2003. Our audit report on the full financial report was signed on 28 August 2003, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Independence

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

PricewaterhouseCoopers

Peter Buchholz, Partner
Sydney, 28 August 2003

Corporate information

Secretary

John Falconer

Registered Office and Principal Business Office

Level 17, 33 Bligh Street,
Sydney, New South Wales, 2000
Tel (02) 9223 5273
Fax (02) 9223 9775
Email: info@kingsgate.com.au

Senior Management

Steve Reid

Managing Director and CEO

Niall Lenahan

Chief Financial Officer

Phil MacIntyre

General Manager, Chatree gold mine

Marcus Tomkinson

General Manager, Exploration

Surapol Udompornwirat

Vice President, Akara Mining Limited

Share Registry

Security Transfer Registrars Pty. Ltd.
770 Canning Highway
Applecross, Western Australia, 6153
Tel (08) 9315 0933

Substantial Shareholders

Substantial shareholders and their associates who have notified the company are listed below.

<i>Holder</i>	<i>No. of shares held as disclosed in notices to the company</i>
R Smyth-Kirk	4,093,932
Gold 2000 Ltd	3,992,295

Corporate and
shareholder
information

Distribution of equity securities as at 18 August 2003

<i>Size of Holding</i>	<i>Number of Shareholders Fully paid Ordinary Shares</i>	<i>Number of Option holders Employees Plan</i>	<i>Number of Option holders Directors</i>
1–1,000	529	–	–
1,001–5,000	874	–	–
5,001–10,000	272	–	–
10,001–100,000	324	4	1
100,001 and over	65	–	2
Total	2,064	4	3

73 have less than a marketable parcel of ordinary shares.

20 Largest Shareholders of Quoted Ordinary Shares as at 18 August 2003

	<i>No. of shares</i>	<i>Percentage</i>
1 National Nominees Limited	12,244,637	16.80%
2 ANZ Nominees Limited	9,957,075	13.66%
3 Arinya Investments Pty Ltd	4,043,600	5.55%
4 Bird Bruce Clayton	3,205,702	4.40%
5 Westpac Custodian Nominees	3,171,660	4.35%
6 Citicorp Nominees Pty Limited	2,852,209	3.91%
7 J P Morgan Nominees Australia	2,130,410	2.92%
8 Gaffwick Pty Limited	1,727,528	2.37%
9 Willow Bend Station P/L	1,400,000	1.92%
10 Sydney Equities Pty Ltd	1,400,000	1.92%
11 HSBC Custody Nominees	1,052,983	1.45%
12 Whinners Pty Ltd	900,052	1.24%
13 Ilwella Pty Limited	891,403	1.22%
14 Commonwealth Custodial Sv	784,792	1.08%
15 Grimwade Frederick	660,000	0.91%
16 Conaught Pty Ltd	583,333	0.80%
17 Komor Christopher	549,999	0.75%
18 Capx Limited	507,500	0.70%
19 Maminda Pty Ltd	432,125	0.59%
20 Bindibango Pty Ltd	410,269	0.56%
Total	48,905,277	67.10%

Unquoted equity securities as at 18 August 2003

There were four option holders holding 117,000 options under the Kingsgate Consolidated Limited Employees option plan.

There were 400,000 options issued to various Directors and there were three option holders.

Voting Rights

A. Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

B. Options

No voting rights.

Mining leases

Mining leases covering the Chatree gold mine were granted by the Thai Ministry of Industry.

EPM application 12409 is held 100% by the company. It is located east of Cloncurry in Queensland and includes gold mineralisation previously explored by the company.

Kingsgate Tenements Held

Akara Mining Limited: Chatree gold mine, Thailand: 100% – flow through interest for gold.

Kingsgate Offices and mine site

Sydney Office

Level 17
33 Bligh Street
Sydney NSW 2000
Tel 02 9223 5273
Fax 02 9223 9775

Bangkok Office

21st Floor
Maison Maneeya Building
No.1 Phaholyothin 9
Phaholyothin Road
Phayathai
Bangkok 10400
Thailand
Tel (662) 617 0771
Fax (662) 617 0773

Chatree Gold Mine

No. 99 Moo 9
Khao Chet Luk
Thap Khlo
Pichit 66230
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Tel (66) 0 5661 4500
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Corporate and
shareholder
information