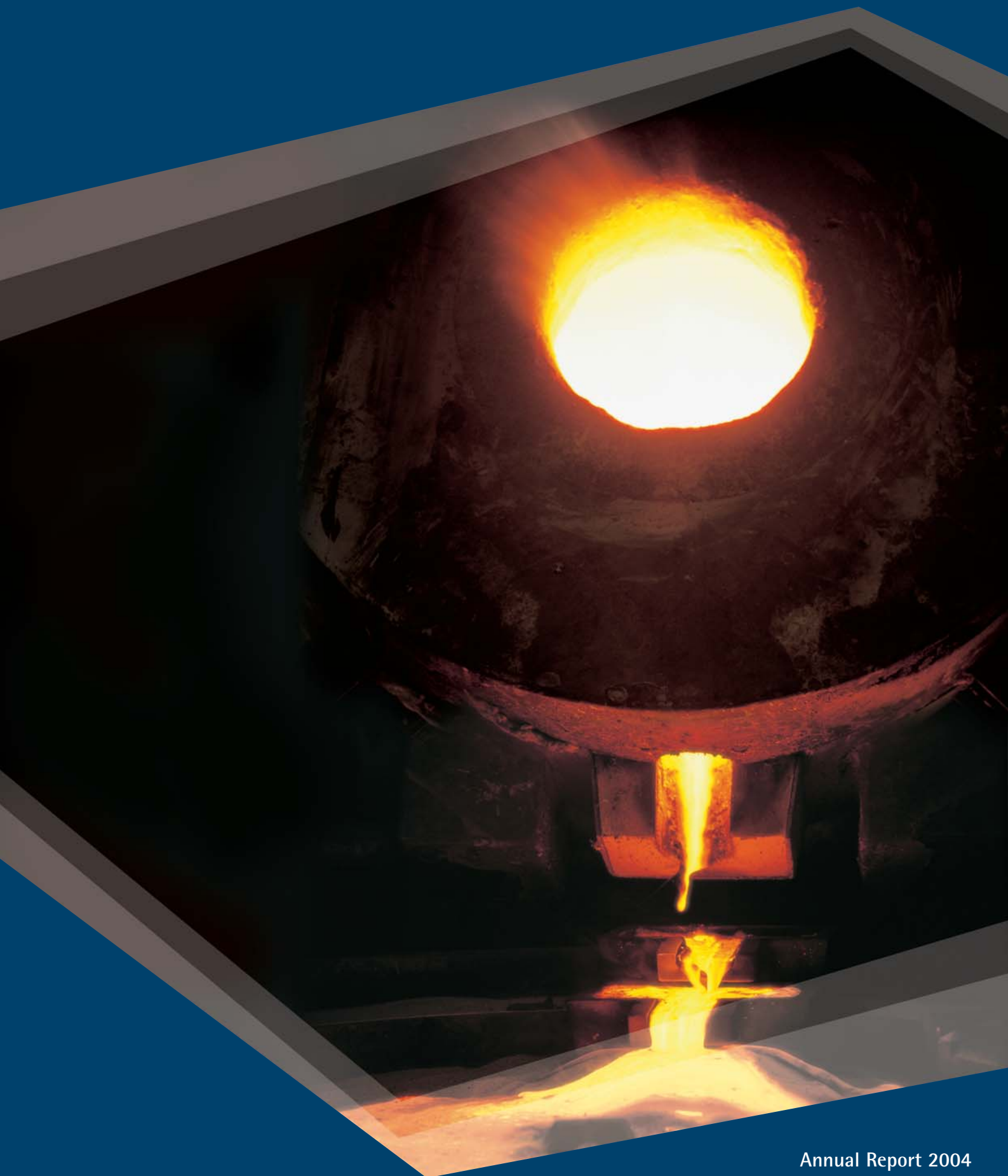




Kingsgate
Consolidated Limited



Annual Report 2004

OUR COMPANY

Kingsgate Consolidated Limited (Kingsgate) is a successful, publicly owned Australian gold mining and exploration company and its shares are traded on the Australian Stock Exchange under the code KCN.

Through its wholly-owned subsidiary, Akara Mining Limited, the company owns and operates the Chatree gold mine, Thailand's only modern gold mine. The mine has low cash costs, a strong reserve/resource position and is the principal contributor to Kingsgate's earnings.

OUR VISION

Kingsgate's vision is to be a leading mining company recognised for its profitability.

We are continually assessing new business opportunities and recognise that the strength of our relationships, our experience in Asia and our operating expertise will provide the opportunities for growth.

Thailand

The Chatree mine is located in Thailand within South East Asia. Thailand's population is 65 million people, living in an area of 514,000 sq. km similar to the size of France (about half the size of the Australian state of New South Wales). Approximately 20% of the population is located in urban areas with the capital, Bangkok, having more than 10 million residents.

Following a difficult period in 1997, Thailand successfully implemented substantial reforms in its financial sector, strengthening corporate governance, reforming lending practices, and boosting incentives for increasing competition. The resilience of the Thai economy facilitated a quick recovery. After contracting more than 10% in 1998, Thailand's economy grew at a rate of more than 4% in 1999 and 2000, and grew by 2% in 2001 despite a global slowdown. Since then growth has again accelerated with GDP just under 7% for 2003 and a range of 6 to 7% is forecast for 2004.

One of the key drivers of the Thai economy has been export growth with 18% achieved for 2003 and a 21% increase forecast for 2004. Thailand is a major exporter of computers and parts, textiles, gems and jewellery, electronic and automotive products, in addition to agricultural products. The value of exports is expected to reach US\$95 billion in 2004. Thailand's export competitiveness has resulted in it achieving a current account surplus consistently from 1998, with a US\$6 million surplus forecast for 2004.



\$37.7^M

Net profit

149,979^{oz}

Gold poured

Zero

Lost time
injuries

45.5^c

Earnings
per share

\$86.8^M

Total revenue

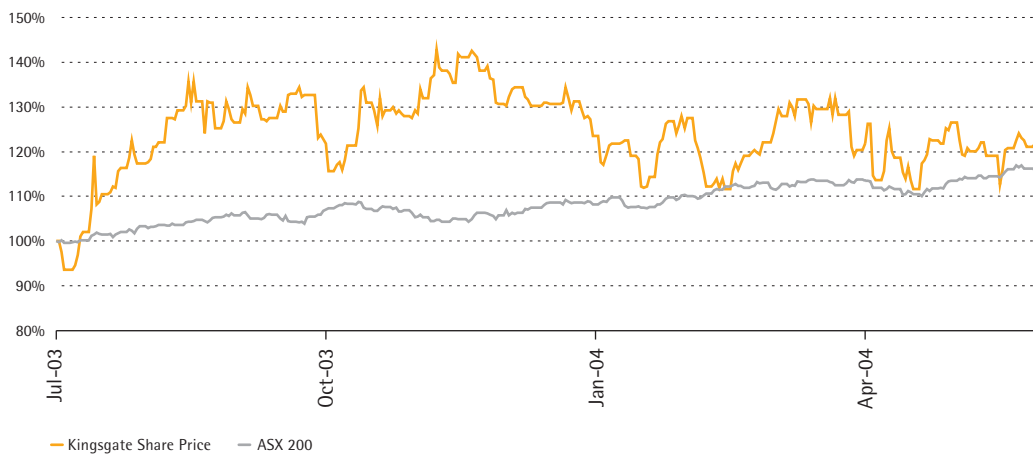
395,346^{oz}

Silver poured

1.67^{Mt}

Ore treated

KCN Share Price Performance
(Relative Performance)



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CHAIRMAN'S REVIEW



Ross Smyth-Kirk – Chairman

The 2003/04 year has been another **very successful** one for Kingsgate as the company has consolidated its position as a **significant and profitable gold producer, with improved growth potential.**

The operational and financial results reflect the completion of the plant expansion and consistent gold production of just under 150,000 ounces, complemented by exploration success near the mine site and regionally. This has resulted in the company recording a net profit of \$37.7 million, enabling the Directors to declare a total dividend for the year of 22 cents per share, of which 10 cents was paid as an interim dividend and 12 cents is a final dividend.

While operational performance was strong, the net profit after tax represents a reduction of 20% on the net profit of \$47.3 million achieved in 2002/03. The equivalent US\$ net profit after tax is US\$26.5 million and is similar to the previous year (US\$ 27.5 million), which highlights the impact the Australian Dollar appreciation of 22% has had on the results. Total revenue of \$86.8 million reduced from \$94.6 million in the previous year, with lower gold production offset by a higher realized US\$ gold price before foreign exchange impacts. Costs have increased in line with increased throughput and a higher mining strip ratio. The company has exemption from income tax in Thailand up to agreed annual production levels and there is no withholding tax on dividends remitted to Australia. Earnings per share of 45.5 cents have decreased by 30% on the 65.4 cents recorded in 2002/03.

Operating cash flow was \$49.3 million and \$24.0 million was reinvested in the business through exploration, development and plant expenditure. Dividend payments of \$17.6 million were made to shareholders. Approximately \$41.4 million was raised by the company to fund growth opportunities by means of a share placement to institutional and private investors and a Share Purchase Plan provided to shareholders. The company's financing facilities were completely repaid during the year, with no outstanding loans at the end of June 2004 and a net cash position of \$59.7 million. The company also negotiated a new financing facility of US\$32 million, which has a 3-year term.

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 recently-signed Free Trade Agreement between Australia and Thailand permits Australian companies to own up to 60% of Thai mining ventures. The company is considering the implication of this in the context of the current Board of Investment approval. The final option adopted to meet this ownership requirement will be based on generating the maximum financial return to the company.

The gold price performed well during the 2003/04 year moving from an average of US\$351 per ounce in July 2003 to US\$392 per ounce in June 2004. The price traded in a US\$85 range, during 2003/04, with a low of US\$342 in July 2003 and a high of US\$427 in April 2004. The principal factor affecting the gold price during this period was the depreciating US dollar. However, concerns over terrorism, continued producer dehedging and the extension of The Washington Accord by central banks for another five years have also been factors supporting the gold market.

The market outlook is for the price to continue to be driven by the US dollar and with swings in the level of concern over terrorism. Although gold has not regained upward momentum and challenged April's high, it is unlikely that interest in gold will wane too much. In fact, given the continued uncertainty over economic prospects, the volatile US dollar, high oil prices and the higher risk of terrorist attacks, it would not be surprising to see renewed institutional and retail investor support. Overall we expect any dip in price below US\$380 per ounce to be short-lived and seen as a buying opportunity by market participants.



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. Opportunities are being continually monitored and evaluated.

The outlook for next year is positive and current expectations are for gold production in the vicinity of 150,000 ounces at a cash cost approximately 20% higher than last year. Improvements to these projections are being targeted through a focus on cost and production initiatives and by pursuing short-term contributions from exploration. These particularly include high grade ore body extensions, which will be given processing priority as was the case in 2003/04 with Prospect P.

Key Results

Financial Summary		2004	2003	% Change
Revenue	\$'000	86,780	94,647	-8
Net Profit Before Tax	\$'000	37,679	47,323	-20
Income Tax	\$'000	-	-	-
Net Profit After Tax	\$'000	37,679	47,323	-20
Cashflow from Operations	\$'000	49,294	56,956	-13
Capital Expenditure	\$'000	12,837	5,368	+139
Exploration Expenditure	\$'000	11,160	7,512	+49
Dividends Paid	\$'000	17,631	19,927	-12
Basic Earnings Per Share	Cents	45.5	65.4	-30

Production Summary		2004	2003	% Change
Ore Treated	Tonnes	1,670,854	1,324,057	+26
Ore Grade	Au g/t	3.1	3.9	-21
Recovery	%	91.2	90.2	+1
Gold Poured	ozs	149,979	154,484	-3
Silver Poured	ozs	395,346	484,170	-18
Cash Costs per Ounce	US\$/oz	135	94	+44
Total Cost per Ounce	US\$/oz	189	143	+32

MANAGING DIRECTOR'S REPORT



Steve Reid – Managing Director

The company's excellent safety and environmental performance continued with not a single lost time injury throughout the year.

Total production at Chatree for the year was 149,979 ounces of gold and 395,346 ounces of silver at a total cash cost of US\$135 per ounce and total production cost of US\$189 per ounce of gold. These results place Chatree as one of the lowest cost operations in the world. Gold production represents a 3% decrease on the previous year as lower grades of ore were treated, partly offset by the successful completion of the plant expansion mid-year.

The expansion to the Chatree plant was completed in December 2003 and increased throughput to approximately 2 million tonnes per year, an improvement of more than 50%. The expansion is designed to maintain production levels in view of forecast declining ore grades. This expansion was completed on time and under budget and has since operated at or above design throughput of 1.8 million tonnes per year.

The company's excellent safety and environmental performance continued with not a single Lost Time Injury throughout the year. There were no significant environmental incidents and the company achieved international accreditations for ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety.

The company embarked on an accelerated exploration program and achieved immediate success near the existing pits. An extension to the H orebody was discovered and Prospect P was subsequently discovered nearby. This was mined in the June 2004 quarter, providing high grade feed to the plant. When combined with other successes at the site, this raised the total company Ore Reserves to over 1 million ounces of gold as at 30 June 2004.

As a result of the accelerated exploration effort near the mine site and in the surrounding region, the company has confirmed the area to be highly prospective. New discoveries have been made at numerous locations north and south of the existing operation, illustrating mineralisation over approximately six kilometres in strike length. A further escalation of drilling activity will see the Chatree exploration expenditure approach US\$9 million for the 2004/05 year. There will be an increased focus on converting the discoveries to Mineral Resources and a commensurate re-evaluation of the project scale as the size of the project is increased.

In the surrounding region, additional exploration licences have been applied for and Kingsgate now controls approximately 1,500 square kilometres of land along the regional geological structure. Extensive geophysical work was undertaken during the year, including an airborne IP/resistivity and TEM program. This has provided a better understanding of the geological structures in the region and has resulted in the identification of several new regional gold and base metal prospects which are being further investigated.



Above: Chantrea Pit with rehabilitated waste dump in the foreground and 'Prospect A' (the hill) in the background



Top: Chatree security personnel.

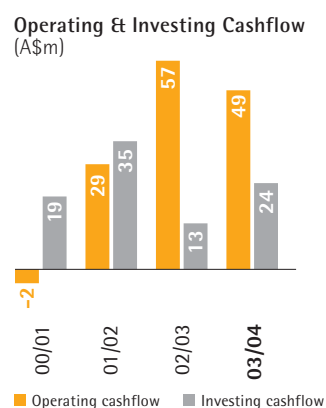
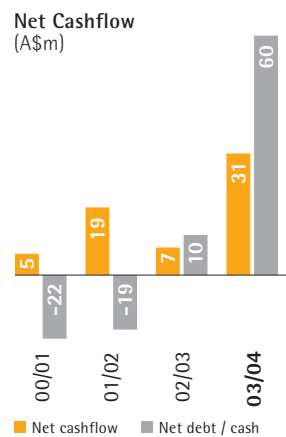


Above: Chatree processing facility.

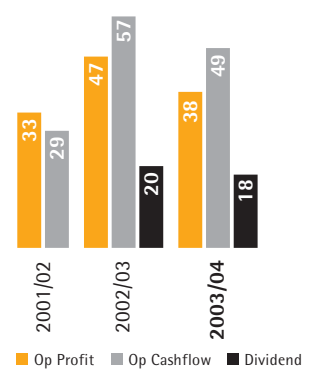
In addition to financial and operating success, Kingsgate's operating base in SE Asia provides a strategic platform for growth in the region. Consequently, in addition to numerous projects worldwide, Kingsgate has reviewed several potential prospects in China during the past year. During that time, the prospectivity of the country has been confirmed and there is a niche available to credible, mid-tier operators such as Kingsgate. China is likely to play a role in the company's mid-term future in the region.

Given the wealth of knowledge being accumulated about low-sulphidation epithermal gold deposits at the Chatree operation in Thailand, Kingsgate has moved to utilize this information for corporate growth in other relevant parts of the world. One such region of interest is South America, where not only are the deposit origins similar, but specific countries actively encourage mining. Kingsgate is moving to establish an exploration team in Chile and Peru and is currently assessing several properties there.

Kingsgate continued with its sustainability efforts during the year and is a signatory to the Australian Mineral Industry's Code for Environmental Management (2000). The second annual Sustainability Report is being issued this year 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.



Operating Profit & Cashflow
(A\$m)



Group earnings

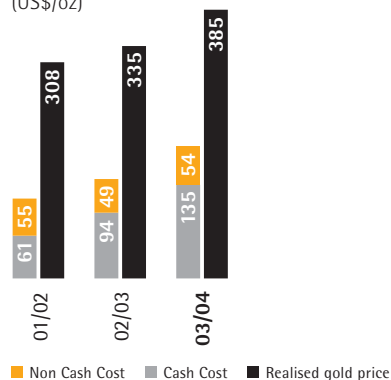
The net profit after tax for the year was \$37.7 million and represents a 20% decrease on the profit of \$47.3 million achieved in the previous year. The profit is equivalent to US\$26.5 million and is similar to that achieved in 2002/03 (US\$27.5 million). The financial performance of the company in A\$ terms was adversely impacted by the stronger A\$:US\$ exchange rate in 2003/04 of 0.71 compared with 0.58 in the previous year.

Gold production for the year was 149,979 ounces at a total cost of US\$189 per ounce. Total revenue amounted to \$86.8 million and is a decrease of 8% over the previous year. The decreased revenue resulted from lower gold production, partly offset by a higher average realized price of US\$385 per ounce before foreign exchange impacts.

The company continued with its focus on cost management and achieved unit cash costs of production of US\$135 per ounce, among the lowest in the industry. Procurement of supplies and services is increasingly being sourced within Thailand at internationally competitive prices. Including the impact of the hedge program, the company achieved a margin of US\$250 per ounce above its cash costs and a margin of US\$196 per ounce above its total production costs.

The weighted average earnings per share for the year amounted to 45.5 cents compared with 65.4 cents achieved in the previous year. Earnings per share calculations for the year include additional shares issued through capital management initiatives.

Contribution
(US\$/oz)



Group cash flow

The strong operational performance during the year is reflected in the operating cash flow which totalled \$49.3 million. Net investing cash flows for property, plant, equipment and exploration were \$24.0 million and included \$11.2 million spent on exploration activities. Further funds were applied to providers of finance, through net debt repayments of \$19.4 million and to shareholders by dividend payments of \$17.6 million.

The company negotiated a new financing facility of US\$32 million, with 4 banks participating by means of a revolving credit facility with a 3-year term from inception in December 2003. The facility was fully available at year-end. Approximately \$41.4 million was raised to fund growth opportunities by means of a share placement to institutional and private investors and a Share Purchase Plan (SPP) provided to shareholders. The company is in a strong financial position at year end with cash on hand of \$59.7 million.

Financial position

Shareholders' equity at 30 June 2004 was \$135.0 million and represents an increase of 84% on the previous year. The increase reflects principally the net profit generated during the year after payment of dividends and the share capital raised through the placement and SPP.

Income tax

The company's operation is located in Thailand and operates under approvals received from the Royal Thai Board of Investment (BOI). Subject to meeting BOI conditions, the benefits include an exemption from corporate income tax for 8 years, with a reduction of 50% of the standard rate available for 5 years thereafter. In addition, there are no withholding taxes applicable on dividends remitted to Australia during the initial exemption period.

One of the conditions of the BOI approval is that annual production does not exceed certain limits. The production ceiling for the year ended 30 June 2004 and subsequent years is set at 178,416 ounces of gold and 583,733 ounces of silver.

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 minimize 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 at 30 June 2004, price limiting positions had reduced to 330,250 ounces and price protecting positions stood at 351,450 ounces. The price limiting positions represent approximately 31% of the total ore reserves. The mark to market valuation of these positions as at 30 June 2004 was an unrealized loss of \$30.1 million, calculated by reference to the year end spot gold 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.

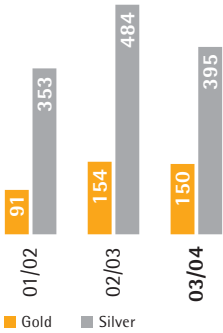
Dividends

Kingsgate's 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 12.5 cents per share was paid to shareholders during the year relating to the 2002/03 year. In addition, an interim dividend for 2003/04 of 10 cents per share was paid to shareholders in April 2004.

In view of the company's strong operational performance during the year, the favourable outlook, and the company's strong financial position, the Directors have declared a final dividend of 12 cents per share, payable on 15 October 2004. This brings the total dividend declared for the year to 22 cents per share.



Production
(oz '000)



The expansion to the Chatree plant was completed in December 2003 and increased throughput to approximately 2 million tonnes per year, an improvement of more than 50%.



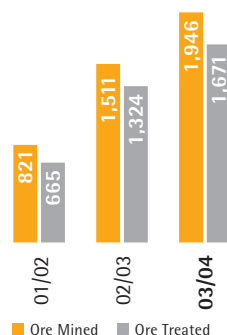
In pit drilling.

The Chatree mine performed strongly in its second full year of operation:

- Gold production of 149,979 ounces was achieved at a cash cost of US\$135 per ounce.
- Mine production was escalated to meet increased process plant throughput and waste stripping requirements.
- The process plant upgrade was completed and is operating at above design capacity.
- The excellent safety and environmental performance continued.

Mining activities continued in Tawan (C and H orebodies) and Chantra (D orebody) pits throughout the year and commenced in the smaller P pit discovered in March 2004. Total mine production was almost 2 million tonnes of ore and 11.5 million tonnes of waste. In accordance with the mine plan, the strip ratio increased as cut backs in the Tawan pit progressed.

Ore Mined & Treated (t '000)



Chatree entered into a new four year agreement 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 expanded mill as the stripping ratio increases during the forthcoming year.

Average monthly mine production increased from 800,000 tonnes per month at the start of the year to approximately 1.3 million tonnes per month at year end. It is anticipated that the mining rate will increase to approximately 17.5 million tonnes in the 2004/05 year. This quantity includes 2.0 million tonnes of ore, which current plans indicate will be processed through the plant.

The Chatree process plant continued to perform well and at throughput rates significantly in excess of design. Following successful completion of the upgrade in December 2003, the plant now has a design capacity of 1.8 million tonnes per annum and has exceeded this throughput rate consistently. The final cost of the upgrade was US\$7.95 million and was completed on time and under the budget of US\$8.1 million. The circuit now comprises a SAG mill, ball mill, 12 CIL tanks and expanded cyanide reduction capacity.

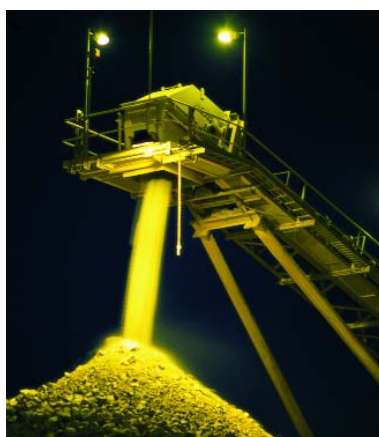
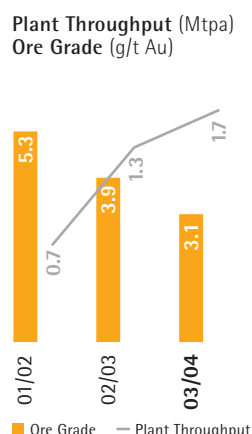
While 1.94 million tonnes were mined during the year, tonnes processed through the plant amounted to 1.67 million tonnes, with the balance of low grade placed on stockpiles. Gold grades declined as anticipated to 3.1 g/t Au and gold recovery of 91.2% was achieved throughout the year despite the increased throughput. This resulted in the mine achieving production of 149,979 ounces of gold and 395,346 ounces of silver.

A lift to the Tailings Storage Facility was completed, providing capacity for a further year. An upgrade to the water reticulation system was also finalised, involving extra valves and a tie-in to the process plant. A water bore drilling program is currently being progressed to ensure adequate supplies of fresh water are available.

The company embarked on an accelerated exploration program and achieved immediate success near the existing pits. An extension to the H orebody was discovered and Prospect P was subsequently discovered nearby. This was mined in the June 2004 quarter, providing high grade feed to the plant.

This exploration success enabled the site to record an increase in Ore Reserves of almost 10% on the previous year despite mining depletion of approximately 164,000 ounces of gold. Ore Reserves at year end totalled 1.08 million ounces of gold. Total Mineral Resources at 30 June 2004 amounted to 1.8 million ounces and have increased from the previous year's 1.66 million ounces.

OPERATIONS



Further exploration is planned on the mining leases, including a deep drilling program to test extensions of the orebody at depth.

As a result of the accelerated exploration effort near the mine site and in the surrounding region, the company has confirmed the area to be highly prospective. New discoveries have been made at numerous locations north and south of the existing operation, illustrating mineralisation over approximately six kilometres in strike length. A further escalation of drilling activity will see the Chatree exploration expenditure approach US\$9 million for the 2004/05 year. There will be an increased focus on converting the discoveries to Mineral Resources and a commensurate re-evaluation of the project scale as the size of the project is increased.

Chatree has developed a strong safety culture since it commenced construction in November 2000 with 3.9 million hours having been worked up to 30 June 2004 with only one lost time injury. For the year ended 30 June 2004 the Lost Time Injury Frequency Rate (LTIFR) was 0 compared with an industry average of 6.0 for Australian open cut mines (Minerals Council of Australia statistics). There were only two minor environmental incidents during the year and the mine remains in compliance with all regulatory requirements. The company received accreditation for ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety during the year.

Chatree is continuing to source supplies and services in the Thai domestic markets. Approximately 80% of warehouse purchases are now sourced within Thailand and a significant amount of services are also being locally supplied. The safety, environmental and operational practices at Chatree were acknowledged by industry bodies and the operation won a number of awards during the 2003/04 year. These included, in 2004, a trophy and certificate by the Ministry of Labour for its "efforts on understanding the importance in improving the quality of life for women workers". For the second year running the company was awarded the Prime Minister's "Best Practice Award for Employee Welfare" and in June 2004 the operation was awarded the 'Best Control and Prevention of Drug Problems in Phichit Province' award from the Labour Protection and Social Welfare Department in recognition of its work in this area.

In recognition of Chatree's achievements in the area of health and safety, the operation was awarded the 'Best Occupational Health Safety and Work Environment Award 2003' for Phichit Province in June 2004.

Chatree continued with its community affairs program and initiated a number of community related projects. These included installation of a water system in a local village, sponsorship of educational programs in local schools, sponsorship of a number of local festivals and sporting events.

MINERAL RESOURCES & ORE RESERVES

Mineral Resources inclusive of Ore Reserves

Mineral Resources as at 30 June 2004 (>0.7 g/t Au)

Source	Category	Tonnes (kt)	Grade		Contained Ounces	
			Gold (g/t)	Silver (g/t)	Gold	Silver
On Mining Lease ⁽¹⁾	Measured	8,027	2.0	9	518,000	2,373,000
	Indicated	6,653	1.7	8	368,000	1,611,000
	Inferred	2,886	1.8	8	166,000	768,000
	Sub-total	17,566	1.9	8	1,052,000	4,752,000
Prospect A	Measured	5,300	1.6	17	274,000	2,871,000
	Indicated	4,300	1.5	15	207,000	2,048,000
	Inferred	3,000	1.5	15	141,000	1,447,000
	Sub-total	12,600	1.6	16	622,000	6,366,000
Prospect K	Measured	0	0	0	0	0
	Indicated	1,347	1.5	8	65,000	347,000
	Inferred	1,507	1.3	9	65,000	445,000
	Sub-total	2,854	1.4	9	130,000	792,000
Overall	Measured	13,327	1.8	12	792,000	5,244,000
	Indicated	12,300	1.6	10	640,000	4,006,000
	Inferred	7,393	1.6	11	372,000	2,660,000
Kingsgate Total	Total	33,020	1.7	11	1,804,000	11,910,000

⁽¹⁾ Includes C, H, D, HS and P

Ore Reserves

Ore Reserves⁽¹⁾ as at 30 June 2004 (>0.8 g/t Au)

Pit Source	Category	Tonnes (kt)	Grade		Contained Ounces	
			Gold (g/t)	Silver (g/t)	Gold	Silver
Tawan (C/H)	Proved	3,498	2.1	9	232,000	1,028,000
	Probable	4,699	2.4	10	367,000	1,504,000
	Sub-total	8,197	2.3	10	599,000	2,532,000
Chantra (D)	Proved	127	2.0	12	8,000	49,000
	Probable	0	0	0	0	0
	Sub-total	127	2.0	12	8,000	49,000
Prospect A ⁽²⁾	Proved	4,300	1.8	19	243,000	2,626,000
	Probable	3,100	1.6	17	159,000	1,694,000
	Sub-total	7,400	1.7	18	402,000	4,320,000
Prospect K	Proved	0	0	0	0	0
	Probable	760	1.6	8	39,000	202,000
	Sub-total	760	1.6	8	39,000	202,000
Total from Pits	Proved	7,925	1.9	15	483,000	3,703,000
	Probable	8,559	2.1	12	565,000	3,400,000
	Total	16,484	2.0	13	1,048,000	7,103,000
Stockpiles		908	1.2	7	34,000	199,000
Kingsgate Total	Total	17,392	1.9	13	1,082,000	7,302,000

⁽¹⁾ Pit Designs optimised at US\$330/oz

⁽²⁾ 0.7 g/t cut-off grade

Ore Reserve Reconciliation ('000oz)

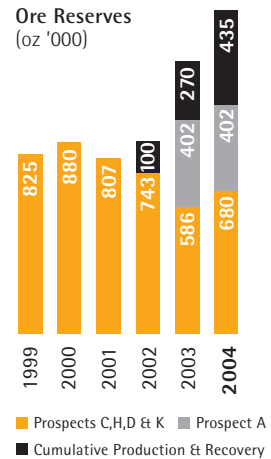
Reserves at 30 June 2003	Mined in 2003/04*	Discoveries/ Other	Reserves at 30 June 2004
987	(164)	259	1,082

* Based on annual production divided by the recovery percentage.

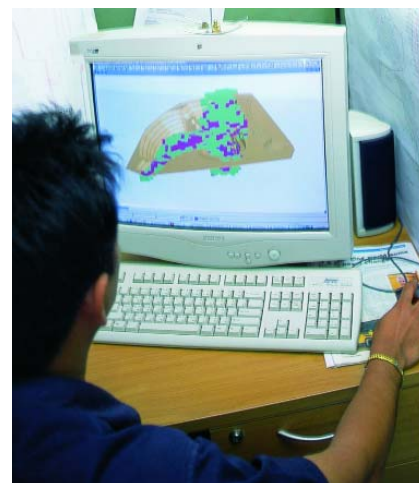
Information in this report that relates to geology, drilling, mineralisation, Mineral Resource and Ore Reserve estimates is based on information compiled by Marcus Tomkinson, Ron James and Mike Garman, employees of the Kingsgate Group, and N Johnson of Hellman & Schofield who are Competent Persons under the meaning of the JORC Code with respect to the mineralisation being reported on. All have given their consent to the Public Reporting of these statements concerning geology, drilling and mineralisation

EXPLORATION

Ore Reserves
(oz '000)



New discoveries have been made at numerous locations north and south of the existing operation, illustrating mineralisation over approximately six kilometres in strike length.



Ore body modeling.

Kingsgate has an extensive exploration area covered by Special Prospecting Licence Applications (SPLA) of over 1,500 square kilometres of the Loei Phetchabun Goldfield in the Chatree region. The capacity of the exploration division was greatly enhanced during the year to enable a comprehensive evaluation program to be undertaken. The Khao Sai exploration office has been expanded, additional geologists recruited and the exploration division has been restructured to assist the flow of projects from discovery to mining.

To facilitate exploration of this expanding land position, US\$5 million was spent on exploration in 2003/2004 and this will increase to approximately US\$9 million in the forthcoming year. Regional exploration has confirmed the prospectivity of the area for mineralised systems similar to that at Chatree, as well as other types of gold mineralisation.

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 was announced. Further mineralisation 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 was calculated during the year. Drilling in the Prospect K area has confirmed the presence of at least two zones of mineralisation representing extensions of Chantra and Tawan pits and an Ore Reserve of 39,000 ounces of gold was finalised during the year.

Further success was achieved at Prospect P, where drilling and evaluation defined another ore reserve. This pit was incorporated into the mine plan during the June quarter and resulted in high grade ore being processed through the plant.

A major geophysical program over the entire SPLA area was completed during the year. This involved a high resolution resistivity/IP survey across the mine, which produced a number of targets that are being pursued. The ground geophysical program results are proving to be extremely useful in targeting both Air Core and deeper RC drill holes and adding to the understanding of the structures in the area.

In addition, regional airborne magnetic/radiometrics and TEM surveys were undertaken during the June quarter, following receipt of the necessary regulatory approvals. Results from the program are extremely encouraging. Interpretation of the regional airborne geophysical data is in progress and will be completed early in the September 2004 quarter. Related work includes image processing and enhancing, structural and geological interpretation, target selection and ground validation.

The discovery of Prospect Q has highlighted the value of resistivity as an exploration tool at Chatree and it is now being used routinely to site drill holes. Prospect Q is a newly discovered north-south trending mineralised zone lying some 500 metres north of Prospect A. Mineralisation of varying tenor and widths has been intersected over 1,200 metres of strike and to a depth of 200 metres.

Current interpretations suggest that the mineralisation may be forming distinct high grade zones or shoots and the geophysical data suggests the presence of more than one north-south trending zone within the prospect.

Regional exploration continued during the year and several new prospects have been identified within and close to the Special Prospecting Licence Applications boundaries.

Two new gold occurrences were found by following up stream sediment anomalies which are several kilometres north of the Chatree mine.

The regional stream sediment sampling survey has been completed and all results received. A considerable number of gold anomalies have been generated, all of which are being followed up. Geological mapping and interpretation of the northern half of Kingsgate's SPLA's was completed and several targets have been identified. This information is currently being assessed and will assist development of the exploration program.

Further exploration activity is being undertaken to the east and down dip of Prospect A and the continuity of mineralisation 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.

SUSTAINABILITY



Chatree employees
& Contractors
As at 30 June 2004



■ Local Thai employees
■ Expatriates
■ Contractors

For the **second year running** the company was awarded the Prime Minister's "**Best Practice Award for Employee Welfare**".



Environmental monitoring.

Introduction

Kingsgate seeks to ensure that mining and exploration activities are consistent with and integrate two key aspects of Sustainable Development:

- That development meets the needs of the present generation without compromising the ability of future generations to meet their own needs (1987 UN sponsored Brundtland Commission "Our Common Future"); and
- That our development generates benefits from a finite resource that are sustainable beyond the life of the mine.

People

As at 30 June 2004, the Chatree operation employs 223 people, 96% of whom are Thai nationals. An additional 271 contractors are employed as mining contractors and in other service functions. The contractors are local and national Thai companies, and the vast majority of their employees are Thai.

Where possible, local community members are employed preferentially and local contractors are commissioned to undertake work at the mine or on exploration tenements. The contractors carry out open pit mining, as well as providing employee transport, cooking and eating facilities, security and other services.

Kingsgate believes that open, harmonious relationships in the workplace are conducive to high levels of employee satisfaction, productivity and quality standards.

Although modern mining methods and practices are new to the local community, the workforce has adapted well to the mining industry and the labour turnover rate for the mine was a low 4.6% in 2004. The company has a policy to improve the quality of life for women workers who comprise approximately 16% of the workforce. Although low by general industry standards, the number of women employed is relatively high for the mining industry. In 2004 the company was awarded a trophy and certificate by the Ministry of Labour for its "efforts on understanding the importance in improving the quality of life for women workers".

For the second year running the company was awarded the Prime Minister's "Best Practice Award for Employee Welfare" and in 2004 the Governor of Phichit Province and several of his officers visited the site to see at first hand some of the initiatives the mine has undertaken to win this award. During the visit, the officials were introduced to several of the site's employee relations policies including work practices, employee benefits, dispute and harassment, promotion of women and recent initiatives in the health and safety area including drug and alcohol use, health hygiene and sexual transmitted diseases. The visitors met key employees and conversed with a wide selection of the work force exchanging ideas for further development both at the mine site and in local communities.

Mine management encourages employees to participate in social functions. The mine sponsors a range of local sporting activities including a soccer competition and social tennis in addition to a number of employee social functions.

Safety performance

Safety in the workplace is integral to Chatree's operational and sustainability policies and the mine strives for an incident free environment for all employees and contractors. Chatree has developed appropriate policies, codes, procedures and ongoing training to help maintain an accident free work place. All staff and contractors are required to complete the Site Safety and Environment Induction before working on the mine site. All employees are re-inducted on an annual basis and undergo further training in relation to their specific occupations.

The good safety performance of the previous year continued in 2004 and again was better than similar gold operations in Australia. More than 1.8 million hours were achieved without a lost time injury and the Lost Time Injury Frequency Rate (LTIFR) was 0, compared with an industry average of 6.0 for Australian open cut mines (Minerals Council of Australia statistics).

Emergency response

The Chatree mine takes a pro-active approach to managing emergencies. The mine has formed an Emergency Response Unit with representation from all areas of the mine site.

The Unit trains regularly in a range of emergency procedures including fire fighting, first aid/CPR, casualty transfers, and emergency response to chemical spills.

The skills developed within the Emergency Response Team are made available to the local communities through co-ordination with the appropriate provincial authorities. Six members of the Team have attended a Public Rescuer course and received further technical training in fire control, traffic control, first-aid, patient transfer and other incident responses. As a result, they have been registered as Public Rescuers with the Phichit Province Public Rescue Service.

Training and development

Chatree's workforce is drawn from local communities with no experience in modern mining methods. Consequently, over the past two years the mine has implemented an extensive range of training programs for its employees. The program has been enormously successful as evidenced by the safety, environmental and production statistics for the mine. Performance in all aspects of the operation has been comparable with Australian mines and is a credit to the inherent skills and diligence of the Thai people.

The mine has provided basic training in all aspects of the operation but also in other areas such as risk assessment, first aid, fire fighting, chemical safety, emergency response, computers and cross cultural management. Environmental training plays an important role in securing continuous improvement.

Consequently, an extensive environmental training program has been developed and implemented at the mine.

Community Development

Chatree's activities contribute to a wide range of stakeholder's aims including business, local and national government, and community organisations. Through its community development programs, Chatree seeks to strengthen its relationships with stakeholders and introduce sustainable benefits and activities.

Chatree's community development program 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.

Fresh water is a precious resource in all parts of the world but especially in those areas that do not enjoy a reticulated supply. One of Kingsgate's sustainability aims for Chatree is to improve the reliability and quality of water supply in the local villages around the mine. Most villages do not have access to dependable supplies of clean water which is mainly obtained from surface run-off storage ponds or water bores, and resultant water quality is variable.

A major Chatree water supply initiative was the installation of a water storage tank and pumping system for the village of Ban Dong Long to the east of the mine. This was followed by the installation of water filtering and cooling machines at several schools in the vicinity of the Chatree mine.

These projects fit with Kingsgate's sustainability policy which promotes improvements to the quality of life in areas where it operates.

The Environment

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 a fully accredited Environmental Management System (EMS) based on ISO 14001, the international standard for such systems.
- Implementing world best practice in cyanide destruction after extracting gold.
- Carrying out an extensive range of internal and independent external environmental auditing programs.
- Constructing a Tailings Storage Facility that incorporates state-of-the-art design features.



Left: Operator training.

Above: Emergency Response Team training.

Above right: Mine site catering contractors.

Right: Environment Team in the field.

A safe and enjoyable working environment is a minimum requirement for all business activities conducted by the company. Kingsgate actively instils 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)

The mine's Environmental Management System (EMS) is based on ISO 14001, the international standard for such systems. In December 2003, the EMS was formally reviewed and accredited as achieving the ISO 14001 standard, a major achievement for a mining operation in any jurisdiction. The EMS describes the organisational structure, responsibilities, practices, processes and resources for implementing and maintaining environmental management.

Initial environmental aspects and impacts relevant to Chatree were identified through an extensive environmental impact assessment process. The continual refinement of this process 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)

The Environmental Management Plan (EMP) developed for Chatree facilitates compliance with relevant licenses, legislation and targets for the site. It outlines specific procedures to aid the implementation of the EMP, such as revegetation trials and waste rock emplacement trials and contains specific plans for water management and waste management. The EMP was implemented during the first year of production and updated during this year to meet the needs of the processing plant expansion. A site specific monitoring manual also exists to help the local management team monitor the performance of environmental management programs.

Environmental auditing and review

Chatree's environmental team implements and monitors environmental performance at the mine under the supervision of the General Manager and with the assistance of external consultants. Objectives and targets are set to ensure compliance with licence conditions and to drive continuous improvement. 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 Kingsgate Board of Directors to ensure regular review of management strategies and potential environmental impacts. Further checks and balances are employed by the Kingsgate Board by commissioning an annual independent environmental audit of the Chatree operations.

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.

Accordingly, Chatree carries out a range of environmental auditing and review programs 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.

Code for Environmental Management

Kingsgate is a signatory to the Australian Mineral Industry's Code for Environmental Management (2000). Essentially, the Code requires signatories to commit to and demonstrate continual improvement, and to annually audit and report their performance against the Code. The Code is divided into seven principles and a company's performance is scored against a number of criteria under each principle.

The Code is currently under review and signatories were not required to report performance for 2004. However, Kingsgate voluntarily carried out an external audit of its performance in order to continue the momentum for improvement and to determine its progress following the 2003 audit. Chatree showed a significant improvement in scores in several Code principles. Not only did the operation show substantial improvement over the



Above left: Mine production meeting.

Above: Thai farmer transplanting rice seedlings.

first audit but overall performance was rated well above the average for all companies reporting under the Code in 2002.

The Code for Environmental Management (2000) is currently under review to align it more to the principles of the Global Reporting Initiative (GRI). The review is scheduled for completion at the end of 2004 at which time Code signatories will be required to report against a number of GRI indices.

Environmental training

Kingsgate 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 environmental awareness workshops, including training of environmental personnel on-site by local and foreign consultants and off-site at conferences and workshops.

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 Audit Program for the Chatree Gold Mine

Audit Type	Audit Scope	Auditor	Frequency
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 Australian Mineral Industry's Code for Environmental Management	Independent Australian environmental consultant	Annual
ISO 9001	Compliance of Quality Assurance Program with ISO 9001	Independent international consultant	Semi-annual
ISO 14001 certification audit	Compliance of the Chatree gold mine EMS with ISO 14001	External certification body	Achieved accreditation in late 2003. Semi-annual
OHSAS 18001 certification audit	Compliance of the Chatree gold mine Safety Management System (SMS) with OHSAS 18001	External certification body	Achieved accreditation in late 2003. Semi-annual

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

Kingsgate Consolidated Limited (the company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework was completed in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The company's framework was largely consistent with the recommendations and exceeded them in some areas. However, a few changes were made as a result of this review and other recent governance developments. The company and its controlled entities together are referred to as the group in this statement.

The relationship between the Board and senior management is critical to the group's long term success. The Directors are responsible to shareholders for the performance of the company in both the short and the long term and seek to balance sometimes competing objectives in the best interests of the group as a whole. The focus of the Directors is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives as set out in the group's delegations policy. These delegations are reviewed on an annual basis.

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 recognizes 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 investor 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 5 members – 4 non-executive Directors, including the Chairman, and one executive Director, Steve Reid.

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

Name	Appointed	Non-Executive	Independent	Retiring in 2004	Seeking re-election in 2004
Ross Smyth-Kirk	1994	Yes	Yes	NA	NA
Steve Reid	2003	No	No	NA	NA
John Falconer	1995	Yes	Yes	Yes	Yes
Peter McAleer	2000	Yes	Yes	NA	NA
John Shaw	2000	Yes	Yes	NA	NA

The qualifications of the current Directors are as follows:

Ross Smyth-Kirk B Com, CPA, ASIA

Aged 57. 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.

John Falconer FCA, ASIA

Aged 56. 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. He is Director of TZ Limited and Tarragon Property Fund.

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



Kingsgate Board of Directors, clockwise from back left: John Shaw, Steve Reid, John Falconer, Ross Smyth-Kirk and Peter McAleer.

John Shaw BSc, F AusIMM, MCIM, FAICD, SME

Aged 64. 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 building and operating both open cut and underground mines for gold, silver, tungsten and copper. He is Chairman of Gallery Gold Limited, Lodestone Exploration Limited and Tri Origin Minerals Limited and was, until his retirement five 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)

Aged 61. 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, SME

Aged 48. 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 27 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.

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 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.

CORPORATE GOVERNANCE



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 10 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.

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 regular feature at Board meetings.

Performance assessment

The Board is in the process of developing an annual assessment of collective performance of the Board, its committees and the executive. This process will be undertaken by the nomination committee.

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;
- recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity; and
- oversee the company's transition to International Financial Reporting Standards (IFRS).

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.



Far left: Fire assaying in mine laboratory.

Left: Metallurgical laboratory.

Above: Health and Safety personnel.

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 lodgement 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 recognized 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 and received accreditation for ISO 9001:2000 on Quality Control, ISO 14001 on Environmental matters and ISO 18001 on Occupational Health and Safety.



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 and opportunities for improvement. 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.

External auditors

The company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in May 1989.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 26 to the Full Financial Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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 (2000). The company has developed an effective Environmental Management Systems (EMS) which has ISO 14001 certification.

Reviews of the company's environmental performance have included:

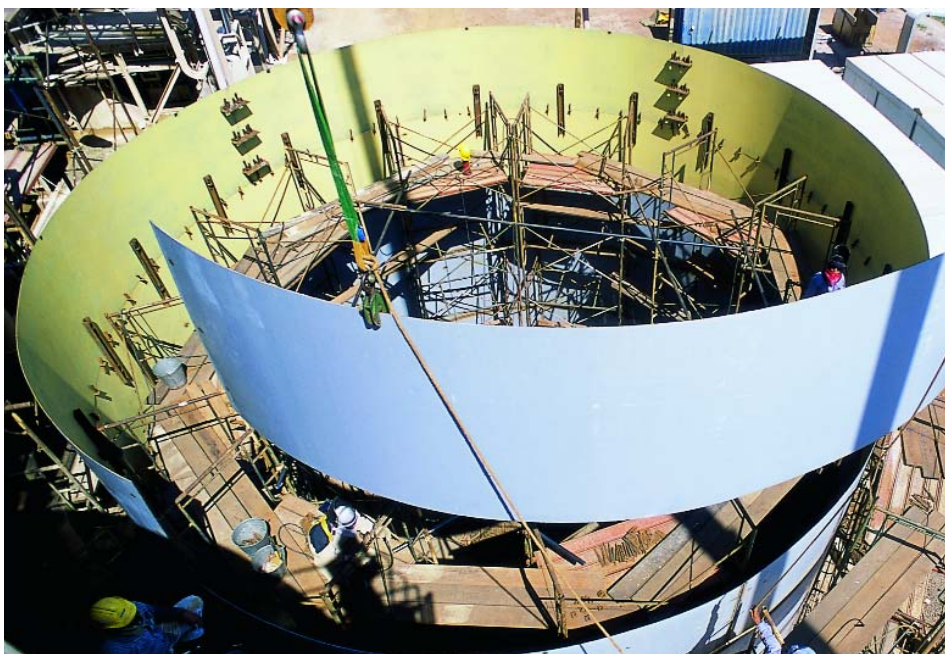
- external regulatory inspections at the operating site and exploration areas;
- internal area inspections at these operations; and
- an annual review of these sites by an external consultant.

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. Further details are available in the Sustainability Report issued by the company annually.

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.



Far left: Tank foundation.
Left: Plant expansion in progress.
Above: In pit geological mapping.

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

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The parent entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team has prepared a timetable for managing the transition to Australian equivalents to IFRS and is currently on schedule. To date the project team has analysed the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, which are being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

Exploration Expenses

Exposure draft ED 6 Exploration for and Evaluation of Mineral Resources has been issued but the exact form that this standard will take is uncertain. For this reason it is not yet possible to identify or quantify the impact on the consolidated entity.

Financial Instruments and Hedge Accounting

Under the Australian Equivalent to IAS 39 (Financial Instruments – Recognition & Measurement), there may be a major impact as a result of gold and foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. These contracts will be measured at fair value and included as assets or liabilities with changes in the fair value between reporting dates being recognised directly in equity until the hedged transaction occurs. Currently, the costs or gains arising upon entry into a contract together with any realised gains or losses are included in assets or liabilities as deferred losses or gains until the hedged transaction occurs.

Equity Based Compensation Benefits

Under the Australian Equivalent to IFRS 2 (Share-based Payments), equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting practice, under which no expense is recognised for equity based compensation.

Foreign Currency Translation Reserve

Under the Australian Equivalent to IAS 21 (The Effects of Changes in Foreign Exchange Rates), on the disposal of a foreign entity the cumulative amount of the exchange differences, which have been deferred in equity until disposal are to be recognised as income or expense in the income statement. This will result in a change to the current accounting practice, which requires that the cumulative amount of the exchange differences, which have been deferred in equity, be transferred to retained profits in the reporting period in which the disposal is recognised.

Income Tax

Under the Australian Equivalent to IAS 12 (Income Taxes), deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amount of the group's assets and liabilities in the balance sheet and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

CORPORATE GOVERNANCE



This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit and deferred taxes cannot be recognised directly in equity.

Restoration and Rehabilitation Expenditure

Under the Australian Equivalent to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) an asset and liability should be recorded for the estimated, discounted future rehabilitation cost required.

Currently restoration costs are accrued over the life of the mine. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian Equivalents to IFRS, as some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transitions to Australian Equivalents to IFRS on the consolidated entity's financial position and reported results.

Executive Team

1 Steve Reid B AppSc Min Eng, F AusIMM, MCIM, SME
Managing Director and
Chief Executive Officer

Aged 48. 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 27 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.

2 Niall Lenahan B Comm (Hons), MBA, FCA (Ireland)
Chief Financial Officer

Aged 51. Niall has over 25 years experience in commercial environments, of which the majority have been spent in industries associated with mineral resource development. Before joining Kingsgate, he was the CFO and Company Secretary of AurionGold Limited and Goldfields Limited and prior to that worked for the RGC Limited group. Niall has broad international experience in financial matters, particularly in corporate structuring and reorganisations, M&A, capital raisings in debt and equity markets, investor relations and corporate affairs. He joined Kingsgate as CFO in February 2003.

3 Phil MacIntyre B Sc (Hons), F AusIMM, MCIM, SME
General Manager – Chatree Gold Mine

Aged 52. Phil has over 29 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand. He joined Kingsgate as the General Manager of Chatree Gold Mine in July 2001. He has a metallurgical background and was the Mine General Manager at the Kidston Gold Mine in Queensland, Australia prior to joining Kingsgate. Prior to Kidston, Phil was Mill Superintendent at the Porgera Joint Venture in Papua New Guinea and at the Royal Oak Giant Mine, Westmin Resources Myra Falls Mine and Premier Gold Project and others in Canada.

4 Marcus Tomkinson B Sc (Hons), PhD, F AusIMM
General Manager – Exploration and
Resource Development

Aged 44. Marcus has over 23 years of experience in both mine and exploration geology. Before joining Kingsgate he was General Manager – Project Generation for AurionGold Limited and before that for Delta Gold Limited. He also worked for Normandy and Pasminco in Australia and Avmin in South Africa.

Marcus has familiarity with an extensive number of mineralised terrains and individual mineral deposits and specialises in project generation, structural geology and alteration / vein relationships. His experience ranges from project generation and grassroots exploration to resource definition and management at executive level. Marcus has considerable experience and in-depth practical knowledge of the geology, prospectivity and business/cultural climate in Europe, Africa, South America, USA, Canada and India.

5 Surapol Udompornwirat B Sc (Geology), Dip. in Minex
Vice President – Akara Mining Limited

Aged 45. Surapol has over 20 years technical and management experience in both the Thai government and private sector. This includes 11 years as an exploration geologist for the Thai Department of Mineral Resources and 3 years as a mineralogist of the South-East Asian Tin Research and Development Centre in Malaysia. Before joining Kingsgate, Surapol was the Exploration Manager of Banpu Plc, a major coal miner and power plant operator in Thailand. Surapol has been associated with the Chatree Gold Project since 1992 and joined Kingsgate as Vice President in April 1998. He is a registered Member of the Geological Society of Thailand and a committee member of the Thai Mining Council.

DIRECTORS' REPORT



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 2004.

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)
Steve Reid (Managing Director and CEO)
John Falconer (Company Secretary)
John Shaw
Peter McAleer

Dividends

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

	2004 \$'000	2003 \$'000
Final dividend for the year ended 30 June 2003 of 12.5 cents (2002-15 cents) per share paid on 1 October 2003	9,125	10,820
Interim dividend of 10 cents (2003 - 12.5 cents) per share paid on 2 April 2004	8,506	9,107
Total dividend payment	17,631	19,927

In addition, since the end of the financial year, the Directors have recommended the payment of a final dividend of \$10.2 million (12 cents per share) to be paid on 15 October 2004 in respect of the year ended 30 June 2004.

Review of operations and results

A review of Kingsgate Consolidated Limited's operations and the results for the financial year ended 30 June 2004 is set out on pages 2 to 13 of this Annual Report.

Earnings per share

	2004 cents	2003 cents
Basic earnings per share	45.5	65.4
Diluted earnings per share	45.5	65.3

Information on Directors is contained on pages 20 to 22 of this Annual Report.

Principal activities

During the year the principal continuing activity of Kingsgate Consolidated Limited was mineral exploration and mining. There have been no other significant changes in the principal activities of the company during the financial year.



Far left: Process sampling.

Left: Workshop expansion.

Above: Construction welder.

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 24 August 2004, the Directors of the consolidated entity declared an unfranked final dividend of 12 cents per share to be paid on 15 October 2004.

Except for the above, no other matter or circumstance has arisen since 30 June 2004 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.

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 and a continuation of the expanded exploration program both near mine site and regionally within the mineralised corridor.

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.

Environmental regulation

The consolidated entity is subject to environmental regulation in respect to its gold mining operations and exploration activities in Thailand. For the year ended 30 June 2004, 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 15 to 18 of this annual report and the company also issues a separate annual Sustainability Report which provides further information on this subject.

Directors' attendance at meetings (1 July 2003 to 30 June 2004)

During the financial year, 10 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting and 1 Remuneration Committee meeting were held. The table below shows information on Board members and their attendance (including attendance by telecommunication) at Board and Committee meetings during the year.

Name	Appointed	Independent	Board Meetings Held & Attended	Audit Committee Held & Attended	Nomination Committee Held & Attended	Remuneration Committee Held & Attended
Ross Smyth-Kirk	1994	Yes	10	2	1	1
Steve Reid	2003	No	10	NA	NA	NA
John Falconer	1995	Yes	10	2	1	1
Peter McAleer	2000	Yes	10	NA	1	1
John Shaw	2000	Yes	10	2	1	1

Remuneration report

Principles used to determine the nature and amount of remuneration

The company's policy for determining the nature and amount of emoluments of Board members and senior executives 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



The main objective of the company's executive reward program is to ensure reward for performance is competitive and appropriate for the results delivered. The Board has regard to the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the company seeks to structure an executive remuneration program that is market competitive and complementary to the reward strategy of the organisation, and ensures:

alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to shareholder growth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The program provides a mix of fixed and variable pay, and a blend of short and long-term incentives, as appropriate. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive Directors

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 October 2003 is \$250,000.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board also has regard to the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Retirement allowances for Directors

There are no retirement allowances for non-executive Directors.

Executive pay

The executive pay and reward program is comprised of four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in an option plan; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

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

Base pay

This is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration



Geology and mining at Chatree.

consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Benefits

Executives receive benefits including car allowances and car parking.

Short-term incentives

Short term bonus payments are made to executives at the discretion of the remuneration committee, based on exceptional performance. The remuneration committee has engaged an independent remuneration consultant to advise on formalising a short-term incentive (STI) for all executives in future years.

Details of remuneration

Details of the remuneration of each Director of Kingsgate Consolidated Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, for the year ended 30 June 2004 are set out in the following tables.

Directors of Kingsgate Consolidated Limited

Name	Primary			Post-employment		Equity	Total \$
	Cash, salary and fees \$	Cash Bonus \$	Non-monetary benefits \$	Super- annuation \$	Retirement benefits \$	Options \$	
Ross Smyth-Kirk	90,000	–	–	8,100	–	–	98,100
Steve Reid	410,746	100,000	–	38,629	–	51,045	600,420
John Falconer	50,000	–	–	4,500	–	–	54,500
Peter McAleer	50,000*	–	–	–	–	–	50,000
John Shaw	50,000	–	–	4,500	–	–	54,500
Total	650,746	100,000	–	55,729	–	51,045	857,520

* Consulting fees of \$50,000 (2003 - \$40,000) were paid or payable to Norwest Mining Consultants Ltd, of which Peter McAleer is an officer and Director.

Specified executives of Kingsgate Consolidated Limited

Name	Primary			Post-employment		Equity	Total \$
	Cash, salary and fees \$	Cash Bonus \$	Non-monetary benefits \$	Super- annuation \$	Retirement benefits \$	Options \$	
Niall Lenahan	255,500	–	13,414	27,000	–	27,374	323,288
Phil MacIntyre	98,979	11,234	61,065	–	–	8,192	179,470
Marcus Tomkinson	190,953	–	–	10,092	–	17,138	218,183
Surapol Udompornwirat	113,096	28,274	7,505	6,143	–	8,192	163,210
Arthur Ellis	134,839	–	–	12,000	–	4,096	150,935
Total	793,367	39,508	81,984	55,235	–	64,992	1,035,086

DIRECTORS' REPORT

Share-based compensation – Options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are in accordance with the Kingsgate Employees and Contractors Option Plan.

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.

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each Director of Kingsgate Consolidated Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Number of options vested during the year
Directors of Kingsgate Consolidated Limited						
Ross Smyth-Kirk	150,000	–	150,000	–	–	–
Steve Reid	17,000	150,000	–	167,000	67,000	50,000
Peter McAleer	100,000	–	–	100,000	100,000	–
Specific executives of the consolidated entity						
Niall Lenahan	50,000	40,000	–	90,000	50,000	50,000
Marcus Tomkinson	40,000	40,000	–	80,000	–	–
Surapol Udompornwirat	–	40,000	–	40,000	–	–
Phil MacIntyre	–	40,000	–	40,000	–	–
Arthur Ellis	25,000	20,000	25,000	20,000	–	–

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.

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.

Share Holdings

Particulars of Director's interest in shares of Kingsgate Consolidated Limited at the date of the Directors' Report are as follows:

Name	Balance at 25 August 2004
Ross Smyth-Kirk	4,252,380
Steve Reid	1,000
John Falconer	145,741
Peter McAleer	280,000
John Shaw	113,074

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.

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



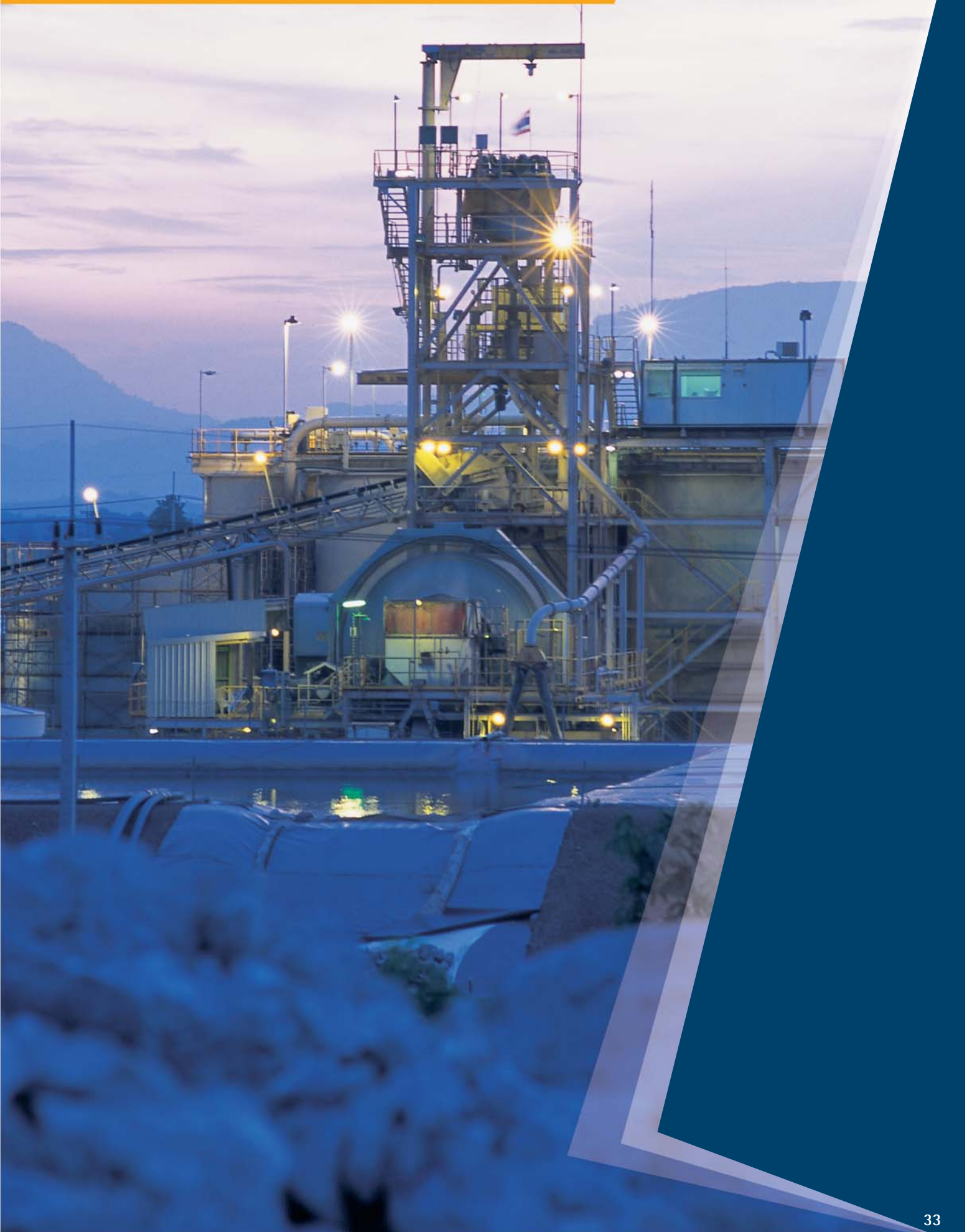
Steve Reid
Director



John Falconer
Director

Sydney
25 August 2004

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	86,780	94,647
Changes in inventories of finished goods and work in progress		2,096	(998)
Direct costs of mining and processing		(31,012)	(23,539)
Rehabilitation expenses		(667)	(392)
Employee benefits expense		(4,760)	(3,536)
Depreciation and amortisation expenses		(11,323)	(13,293)
Borrowing costs expense		(2,416)	(2,003)
Foreign exchange gains / (losses)		1,645	(4)
Other expenses from ordinary activities		(2,664)	(3,559)
Profit from ordinary activities before income tax expense		37,679	47,323
Income tax expense		–	–
Profit from ordinary activities after related income tax expense		37,679	47,323
Net Profit attributable to members of Kingsgate Consolidated Limited		37,679	47,323
Net exchange differences on translation of financial reports of foreign controlled entities		(968)	(9,039)
Total revenues, expenses and valuation adjustments attributable to members of Kingsgate Consolidated Limited recognised directly in equity		(968)	(9,039)
Total changes in equity attributable to members of Kingsgate Consolidated Limited other than those resulting from transactions with owners as owners		36,711	38,284
		Cents	Cents
Basic earnings per share	5	45.5	65.4
Diluted earnings per share	5	45.5	65.3

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 2004

	2004 \$'000	2003 \$'000
CURRENT ASSETS		
Cash assets	59,696	28,914
Receivables	5,854	8,677
Inventories	6,511	4,190
Other assets	1,797	1,190
TOTAL CURRENT ASSETS	73,858	42,971
NON-CURRENT ASSETS		
Mine property, plant and equipment	65,689	53,336
Other assets	3,866	–
TOTAL NON-CURRENT ASSETS	69,555	53,336
TOTAL ASSETS	143,413	96,307
CURRENT LIABILITIES		
Interest bearing liabilities	–	17,195
Payables	4,776	3,340
Provisions	868	989
Other liabilities	1,095	–
TOTAL CURRENT LIABILITIES	6,739	21,524
NON-CURRENT LIABILITIES		
Interest bearing liabilities	–	1,499
Other liabilities	1,628	–
TOTAL NON-CURRENT LIABILITIES	1,628	1,499
TOTAL LIABILITIES	8,367	23,023
NET ASSETS	135,046	73,284
EQUITY		
Parent entity interest		
Contributed equity	74,153	31,471
Reserves	(9,342)	(8,374)
Retained profits	70,235	50,187
TOTAL EQUITY	135,046	73,284

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 2004

	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	86,194	94,506
Payments to suppliers and employees	(37,764)	(36,334)
Interest received	1,991	606
Borrowing costs	(1,127)	(1,822)
NET CASH INFLOW FROM OPERATING ACTIVITIES	49,294	56,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration	(11,160)	(7,512)
Payments for property, plant and equipment	(12,837)	(5,368)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(23,997)	(12,880)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	43,865	2,495
Share issue costs	(1,183)	(10)
Proceeds from borrowings	13,274	-
Repayment of borrowings	(32,693)	(19,984)
Dividends paid	(17,631)	(19,927)
NET CASH INFLOW /(OUTFLOW) FROM FINANCING ACTIVITIES	5,632	(37,426)
NET INCREASE IN CASH HELD	30,929	6,650
Cash at the beginning of the financial year	28,914	25,262
Effects of exchange rate changes on cash	(147)	(2,998)
CASH AT THE END OF THE FINANCIAL YEAR	59,696	28,914

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 2004

Discussion and analysis of:

(a) Consolidated statement of financial performance

Revenue from ordinary activities decreased by 8.3% to \$86,780,000 resulting from the appreciation of the Australian dollar and a 2.9% reduction in gold produced partly offset by a higher realised US dollar gold price.

Direct costs of mining and processing \$31,012,000, rehabilitation expenses \$667,000 and employee benefits expense \$4,760,000 are all higher than 2003 reflecting an increase in the rate of mining and processing at the Chatree gold mine.

Depreciation and amortisation expenses \$11,323,000 reduced from 2003 due to an increase in reserves allowing mine buildings, plant and equipment to be written off over a longer period and the appreciation of the Australian dollar.

Borrowing costs expense of \$2,416,000 increased compared to 2003 reflecting exchange losses on foreign currency borrowings offset by a reduction in interest expense as a result of the repayment of borrowings outstanding.

(b) Consolidated statement of financial position

Assets

Total assets have increased by 48.9% to \$143,413,000 reflecting expenditure on the processing plant expansion, a higher level of expenditure on exploration and evaluation activities which was capitalised and a \$30,782,000 increase in cash assets. Cash increased due to a share placement and share purchase plan which raised \$41,450,000 and positive operating cash flow.

Liabilities

Total liabilities decreased by 63.7% to \$8,367,000 resulting principally from the repayment of all outstanding borrowings.

Equity

Contributed equity increased by \$42,682,000 due to new shares being issued following a share placement, a share purchase plan, exercise of options by Directors and employees and the introduction of a dividend reinvestment plan.

Reserves decreased by \$968,000 resulting from a negative movement in the foreign currency translation reserve due to the appreciation of the Australian dollar effecting the translation of foreign controlled entities. Retained profits increased in line with the profit achieved during the year.

(c) Consolidated statement of cash flows

Cash flows from operating activities

The decrease in receipts from customers reflected lower gold production and the appreciation of the Australian dollar partly offset by a higher US dollar realised gold price. Payments to suppliers and employees increased with the higher level of mining and processing activities at the Chatree gold mine.

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

Cash flows from investing activities

Payments for property, plant and equipment in 2004 increased over 2003 due to the expansion of the Chatree processing facility.

Payments for exploration have increased with the group's scaled up activity and focus on the region surrounding the Chatree gold mine.

Cash flows from financing activities

The group's strong cash flow was utilised to retire all outstanding debt of \$19,419,000 and to make dividend distributions to shareholders of \$17,631,000.

Proceeds from the issue of shares increased due to new shares being issued following a share placement, a share purchase plan and the introduction of a dividend reinvestment plan during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2004

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 2004. The accounting policies adopted are consistent with those of the previous year.

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.

2 SALES REVENUE

	2004 \$'000	2003 \$'000
Sales revenue included in revenue from ordinary activities	84,410	94,020

3 DIVIDENDS

Final unfranked dividend of 12.5 cents per share (2003 – 15 cents) paid on 1 October 2003 (2003 – 28 October 2002)	9,125	10,820
Interim unfranked dividend of 10 cents per share (2003 – 12.5 cents) paid on 2 April 2004 (2003 – 17 April 2003)	8,506	9,107
Total dividends provided for or paid	17,631	19,927

4 EVENTS OCCURRING AFTER REPORTING DATE

Dividend

On 24 August 2004, the Directors of Kingsgate Consolidated Limited declared a final unfranked dividend of 12 cents per share. The record date for the dividend is 10 September 2004 with payment due on 15 October 2004.

5 EARNINGS PER SHARE

	2004 Cents	2003 Cents
Basic earnings per share	45.5	65.4
Diluted earnings per share	45.5	65.3

	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	82,808,422	72,368,432
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	82,879,220	72,521,233

6 SEGMENT INFORMATION

Primary reporting – business segments

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

Secondary reporting – geographical segments

	2004 \$'000	2003 \$'000
Sales to external customers:		
Asia Pacific	86,780	94,647
Segment assets:		
Asia Pacific	143,413	96,307

7 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 +61 2 8256 4800. Alternatively, both the Full Financial Report and the Concise Financial Report can be accessed via the internet at: www.kingsgate.com.au.

DIRECTORS DECLARATION

For the year ended 30 June 2004

The Directors declare that in their opinion, the Concise Financial Report of the consolidated entity for the year ended 30 June 2004 as set out on pages 34 to 39 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 2004.

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 7, is available on request.

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



Steve Reid
Director



John Falconer
Director

Sydney
25 August 2004

INDEPENDENT AUDIT REPORT

to members of Kingsgate Consolidated Limited

For the year ended 30 June 2004

Matters relating to the electronic presentation of the audited concise financial report

This audit report relates to the Concise Financial Report of Kingsgate Consolidated Limited (The Company) for the financial year ended 30 June 2004 included on Kingsgate Consolidated Limited web site. The Company's directors are responsible for the integrity of the Kingsgate Consolidated Limited web site. We have not been engaged to report on the integrity of this web site. The concise audit report refers only to the Concise Financial Report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the Concise Financial Report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited Concise Financial Report to confirm the information included in the audited Concise Financial Report presented on this web site.

Audit opinion

In our opinion, the Concise Financial Report of Kingsgate Consolidated Limited for the year ended 30 June 2004 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 2004.

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 2004. Our audit report on the Full Financial Report was signed on 27 August 2004, 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 Concise Financial Report.

Independence

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

PricewaterhouseCoopers
Sydney
27 August 2004

Peter Buchholz
Partner

5 YEAR SUMMARY

For the year ended 30 June 2004

	2004	2003	2002	2001	2000
PRODUCTION					
Ore mined ('000 tonnes)	1,946	1,511	821	–	–
Ore treated ('000 tonnes)	1,671	1,324	665	–	–
Head grade – Au g/t	3.1	3.9	5.3	–	–
– Ag g/t	15.0	22.0	42.0	–	–
Gold recovery (%)	91.2	90.2	90.8	–	–
Gold poured (ounces)	149,979	154,484	91,185	–	–
Silver poured (ounces)	395,346	484,170	353,146	–	–
PROFIT AND LOSS (A\$'000)					
Sales revenue	84,410	94,020	54,688	–	–
Other revenue	2,370	627	1,818	63	28
Total Revenue	86,780	94,647	56,506	63	28
Operating expenses	34,343	28,465	9,685	–	–
Administration & other costs	1,019	3,563	2,223	1,890	624
EBITDA	51,418	62,619	44,598	(1,827)	(596)
Depreciation & amortisation	11,323	13,293	8,620	34	30
EBIT	40,095	49,326	35,978	(1,861)	(626)
Borrowing costs	2,416	2,003	2,566	504	138
Operating profit/(loss) before income tax	37,679	47,323	33,412	(2,365)	(764)
Income tax expense/(credit)	–	–	390	–	–
Operating profit/(loss) after income tax	37,679	47,323	33,022	(2,365)	(764)
BALANCE SHEET (A\$'000)					
Current assets					
Cash	59,696	28,914	25,262	6,279	539
Other	14,162	14,057	12,984	416	24
Non-Current assets	69,555	53,336	63,619	42,925	17,479
Total assets	143,413	96,307	101,865	49,620	18,042
Total debt	–	18,694	44,448	28,509	1,336
Other liabilities	8,367	4,329	15,775	7,755	1,054
Total liabilities	8,367	23,023	60,223	36,264	2,390
Shareholders' equity	135,046	73,284	41,642	13,356	15,652
OTHER INFORMATION					
Average realised gold price (US\$/ounce)	385	335	308	–	–
Cash cost (US\$/ounce)	135	94	61	–	–
Total cost (US\$/ounce)	189	143	116	–	–
Operating cashflow (A\$000)	49,294	56,956	28,937	(2,391)	(591)
Dividends paid (A\$000)	17,631	19,927	–	–	–
Number of issued shares (000) – Ordinary	85,329	72,869	71,649	61,233	59,473

SHAREHOLDER INFORMATION

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

Holder	No. of shares held as disclosed in notices to the company
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Gold 2000 Ltd	5,144,295
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Distribution of equity securities as at 19 August 2004

Size of Holding	Number of Shareholders Fully paid Ordinary Shares	Number of Option- holders Employees Plan	Number of Option- holders Directors
1 – 1,000	676	–	–
1,001 – 5,000	1,266	–	–
5,001 – 10,000	409	–	–
10,001 – 100,000	353	6	1
100,001 –	68	–	1
	2,772	6	2

91 shareholders have less than a marketable parcel of ordinary shares.

20 Largest Shareholders of Quoted Ordinary Shares as at 19 August 2004

	No. of shares	Percentage
1 National Nominees Limited	16,612,338	19.47
2 ANZ Nominees Limited	15,102,512	17.70
3 Westpac Custodian Nominees	5,876,059	6.89
4 J P Morgan Nominees Australia	3,863,846	4.53
5 Arinya Investments Pty /Ltd	3,808,487	4.46
6 Bruce Clayton Bird	3,207,110	3.76
7 Citicorp Nominees – CFS Wholesale Global Res	2,165,127	2.54
8 Citicorp Nominees Pty Limited	1,619,174	1.90
9 Willow Bend Station P/L	1,401,408	1.64
10 Investment Queensland	1,156,170	1.35
11 Whinners Pty Ltd	901,460	1.06
12 Gaffwick Pty Limited	710,466	0.83
13 AMP Life Limited	596,053	0.70
14 Christopher Komor	551,407	0.65
15 Frederick Shepp Grimwade	550,000	0.64
16 CSFB Third Nominees	500,000	0.59
17 HSBC Custody Nominees	475,118	0.56
18 Maminda Pty Ltd	433,533	0.51
19 Bindibango Pty Ltd	410,269	0.48
20 Boom Australia Pty Ltd	380,000	0.45
Total	60,320,537	70.71

Unquoted equity securities as at 19 August 2004

There were six option holders holding 295,000 options under the Kingsgate Consolidated Limited Employees option plan.

There were 267,000 options issued to two Directors.

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.

CORPORATE INFORMATION

Registered Office and Principal Business Office

Level 17, 33 Bligh Street,
Sydney, New South Wales, 2000
Tel +61 2 9223 5273
Fax +61 2 9223 9775
Email info@kingsgate.com.au

On 18 September 2004 the Principal Business Office will move to:

Level 8, 14 Martin Place
Sydney, New South Wales, 2000

Tel +61 2 8256 4800
Fax +61 2 8256 4810

Secretary

John Falconer

Share Registry

Security Transfer Registrars Pty. Ltd.
770 Canning Highway
Applecross, Western Australia, 6953
Tel +61 8 9315 0933

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 8, 14 Martin Place
Sydney, New South Wales, 2000

Tel +61 2 8256 4800
Fax +61 2 8256 4810

BANGKOK OFFICE

21st Floor
No.1 Soi Sifa
Phaholyothin Road
Phayathai
Bangkok 10400
Thailand

Tel +66 2 617 0771
Fax +66 2 617 0773

CHATREE GOLD MINE

No. 99 Moo 9
Khao Chet Luk
Thap Khlo
Phichit 66230
Thailand

Tel +66 56 614 195
Fax +66 56 614 190

CALENDAR OF EVENTS

2004/2005

Event	Expected Date
September 2004 Quarterly Activities Report	26 October 2004
Annual General Meeting (Sydney)	26 October 2004
Half Year End	31 December 2004
December 2004 Quarterly Activities Report	25 January 2005
December 2004 Half Yearly Results Announcement	22 February 2005
March 2005 Quarterly Activities Report	26 April 2005
Financial Year End	30 June 2005
June 2005 Quarterly Activities Report	26 July 2005
June 2005 Full Year Results Announcement including final dividend and record date	23 August 2005



Kingsgate
Consolidated Limited

Kingsgate Consolidated Limited

Level 8, 14 Martin Place,
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Website www.kingsgate.com.au