



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

27 April 2004

**Via ASX Online  
(10 pages including cover letter)**

FOR PUBLIC RELEASE

The Manager  
Announcements  
Company Announcements Office  
Australian Stock Exchange Limited

Dear Sir/Madam

## **Quarterly Report Ended 31 March 2004**

We enclose the Quarterly Report on activities for three (3) months to 31 March 2004.

KINGSGATE CONSOLIDATED LIMITED

**STEVE REID**  
Managing Director and CEO

**SUMMARY OF ACTIVITIES FOR THE QUARTER**

**PRODUCTION**

- Gold production at Kingsgate's Chatree Gold Mine in Thailand for the March quarter was **35,538 ounces** and 98,000 ounces year-to-date.
- Plant feed grades were 2.4g/t and will improve dramatically in the June quarter with the mining of the recently discovered "P Pit".
- Total cash cost of production was **US\$162 per ounce** for the quarter and US\$135 per ounce for the year-to-date, as higher volumes of waste material were mined and lower grade ore was treated.
- As expected, Chatree plant throughput increased following completion of the expansion in December 2003:
  - 512,414 tonnes were processed during the March quarter, equivalent to **2.0 Mtonnes/yr**;
  - Operational refinements continue to be made to the plant;
  - Expenditure on the plant expansion was under budget at US\$7.95 million.

**EXPLORATION**

- Exploration drilling on or close to the Chatree site continues to yield positive results:
  - A very high grade discovery of 73,000 ounces was made at Prospect P;
  - A new zone of mineralization north of Prospect A has been discovered - Prospect Q;
  - High grade extensions to the pit in C North have been identified;
  - Continuous mineralization capable of generating a resource and reserve have been defined for Prospect K to the north of C pit.
- The accelerated exploration program has been fully implemented:
  - High resolution IP/resistivity is being used to identify potential targets;
  - Soil geochemistry and mapping has identified a new regional prospect for evaluation;
  - Stream sediment sampling has identified additional anomalies for follow up;
  - Airborne geophysics commenced early in April following receipt of regulatory approvals.

**CORPORATE**

- The interim dividend of **10 cents per share** was paid to shareholders on the 2<sup>nd</sup> April 2004:
  - Approximately \$0.9 million (11%) of the total amount payable of \$8.5 million was satisfied through the issue of new shares under the Dividend Reinvestment Plan.
- Following discovery of **Prospect P**, estimated gold production for the year to June 2004 has been upgraded to approximately 155,000 ounces at a cash cost of US\$120 per ounce and the estimated profit after tax has been increased to approximately US\$30 million.

Steve Reid  
Managing Director & CEO  
27 April 2004

## PRODUCTION

Following commissioning of the processing plant expansion, gold production at Chatree for the March quarter was an improvement on the December quarter as higher plant throughput more than offset a decline in the ore grade.

Chatree Mine	Units	Mar. 2004 Quarter	Dec. 2003 Quarter
Waste mined	BCM	1,260,955	1,153,783
Ore mined	BCM	152,116	193,621
Waste:ore ratio		8.3	6.0
Ore mined	Tonnes	378,219	477,513
Ore treated	Tonnes	512,414	338,651
Head grade	Au g/t	2.4	3.5
	Ag g/t	11	19
Gold recovery	%	91.0	91.2
<b>Gold poured</b>	<b>Ounces</b>	<b>35,538</b>	<b>34,126</b>
Silver poured	Ounces	100,496	108,780

During the quarter, ore was again sourced from the Tawan and Chantra pits and the extension to the H orebody. Ore mining volumes were unfavourably impacted due to low availability of haul trucks and drill rigs, but these are now performing to expectations.

The grade of ore treated declined in accordance with the mining schedule as additional waste material was mined and lower grade stockpiled material supplemented the plant feed. Construction of a lift on the Tailing Storage Facility has commenced and was approximately 50% complete by quarter end.

The gold processing plant performed at greater than nameplate capacity following completion of the upgrade in December and is capable of treating in excess of 2.0 million tonnes per year, depending on ore types. A hydro-geological review has recommended the installation of additional water bores in order to ensure adequate water supplies for the higher plant throughput during the dry season. These recommendations are being pursued.

## PRODUCTION COSTS

Cost Category *	Mar. 2004 Quarter US\$/oz Gold Produced	Dec. 2003 Quarter US\$/oz Gold Produced
Direct mining expense	167	120
Refining and transport	2	2
By product credit	(17)	(15)
<b>Cash Operating Cost</b>	<b>152</b>	<b>107</b>
Royalty	10	10
<b>Total Cash Cost</b>	<b>162</b>	<b>117</b>
Depreciation/Amortisation	69	54
<b>Total Production Cost</b>	<b>231</b>	<b>171</b>

Total Cash Costs increased as expected, as higher volumes of waste material and lower grade ore were mined during the quarter.

Chatree continues to be one of the world's lowest cost producers of gold with Total Cash Costs for the year-to-date of only US\$135 per ounce produced.

*Kingsgate reports unit costs in accordance with the Gold Institute Standard. Silver is accounted for as a by-product at Chatree whereby revenues from silver are deducted from operating costs in the calculation of cash costs per ounce.*

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

## SAFETY AND ENVIRONMENT

The company's excellent safety and environmental record continued during the March quarter with no lost time injuries incurred at the Chatree operation. Two minor Lost Time Injuries were incurred at the exploration division.

There were no environmental incidents during the quarter.

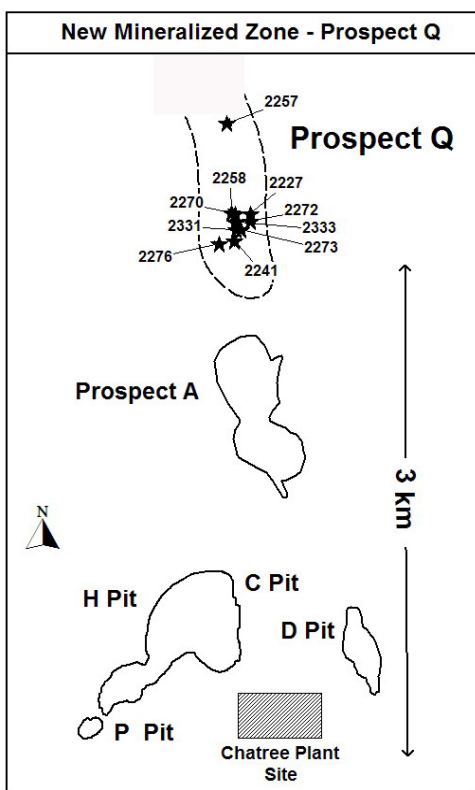
## CHATREE PROCESS PLANT EXPANSION

The Chatree process plant expansion was completed one month ahead of schedule and under budget. The Stage II expansion project, designed to increase throughput to a nameplate capacity of 1.8 million tonnes per year, was successfully commissioned during December 2003 at a cost of US\$7.95 million. The plant has since performed consistently in excess of this higher throughput level and operational refinements continue.

## EXPLORATION

The focus on understanding the geological controls on mineralization at Chatree in conjunction with the high resolution IP/resistivity data set collected over the mine has resulted in further exploration success. This has included the discovery of a previously unknown zone of mineralization Prospect Q, some 3 kilometres north of the Chatree plant and 500 metres north of the Prospect A mineralization. Early indications are that gold mineralization of variable tenor extends for at least 1200 metres along strike and 200 metres down dip.

Discovery of Prospect P, a zone of extremely high grade gold mineralization along the trend of the H orebody to the south, has also strengthened the observations that the mineralization at Chatree can contain bonanza grades over economic dimensions.



### PROSPECT Q

Prospect Q is a newly discovered north - south trending mineralized zone lying some 500 metres north of Prospect A. Mineralization of varying tenor and widths has now been intersected over 1,200 metres of strike and to a depth of 200 metres.

Significant intersections encountered along this trend include:

Hole Number	From (m)	To (m)	Interval *	Gold (g/t)
2227	121	134	13	9.33
2273	53	63	10	5.78
2270	101	117	16	1.95
2276	80	88	8	3.82

\* Intersections may not be true thickness.

Current interpretations suggest that the mineralization 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.

## PROSPECT P

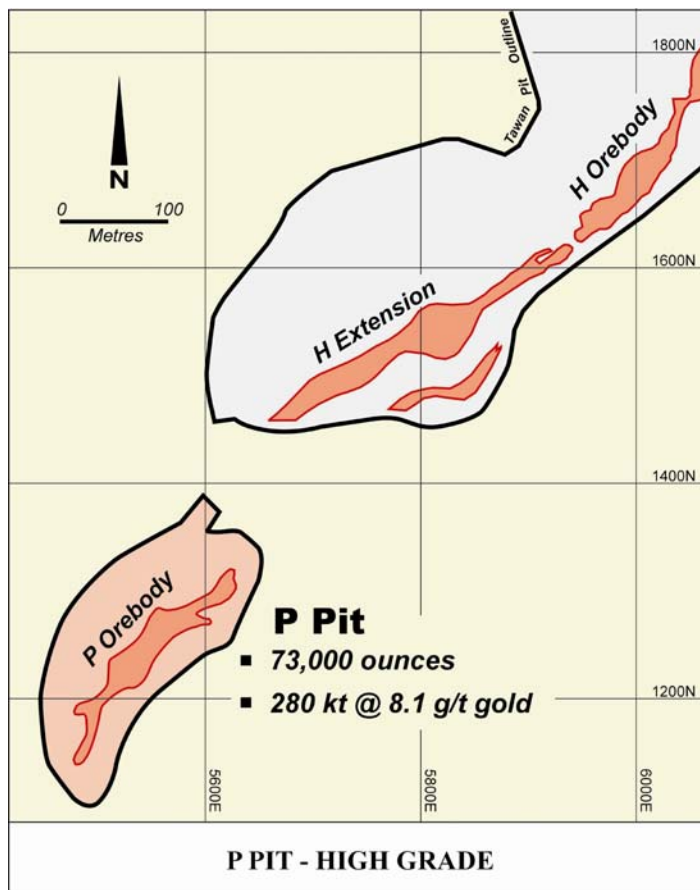
During grade control drilling along the SW extensions of the H orebody, a separate zone of extremely high grade gold mineralization was encountered close to surface. Geological investigation, mine planning and process testwork has been undertaken to quantify the impact of the discovery.

The P Pit contains:

- 280,000 tonnes at 8.1 g/t gold and 35 g/t silver (including 19,300 tonnes at 69 g/t gold);
- 73,000 ounces of gold and 313,000 ounces of silver.

The mineralization contains many intersections over 100 grams per tonne gold. Given the very high grades, the material will take several months to process entirely.

The small size and high grade of this new discovery has led to a reappraisal of the geometry of the Chatree mineralization and it has implications for discovery of further high grade zones.



## C NORTH

The main "C" orebody has been confirmed to extend under the road to the north of the Mining Lease. Mine planning work remains in progress to investigate the most appropriate means and timing of mining this material.

## PROSPECT K

Drilling continues to confirm the extension of the mineralization of the D and H trends to the north of the road bounding the existing Mining Lease. Significant intersections encountered during the quarter included:

Hole Number	From (m)	To (m)	Interval *	Gold (g/t)
2216	88	93	5	20.30
2215	63	76	13	3.03
2201	2	14	12	2.97

Initial orebody modelling yields an Indicated Resource of 92,000 ounces at K West and an Inferred Resource of 38,000 oz for K East. Drilling remains in progress to understand the geometry of the two zones.

## **GEOPHYSICS**

The high resolution resistivity/IP survey across the mine area continues to produce a number of targets all of which are being vigorously pursued by means of aircore and RC drilling. 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 drillholes.

All necessary permits for the regional airborne magnetic/radiometrics and TEM surveys planned for the area have now been obtained and flying commenced during April.

## **REGIONAL EXPLORATION**

Follow up of regional soil geochemistry and detailed mapping 11 kilometres to the north of Chatree has revealed a zone of gold bearing quartz-sulfide veins which may be sufficiently well developed to provide additional feed to Chatree Mine. No drilling has yet been carried out on this prospect known as Nok Kaeo and further geological assessment is underway to determine the economic viability or otherwise of this mineralization.

A major regional stream sediment sampling survey has been completed and a considerable number of gold anomalies have been generated, all of which are being followed up.

Interpretation of existing remotely sensed data suggest a number of clear regional controls on the Chatree mineralization and potential for repetitions of these controls elsewhere in the area covered by Kingsgate's Special Prospecting License Applications. The airborne geophysical programmes recently commenced will aid in resolving these targets and guiding further regional work.

## **CORPORATE**

### **FINANCE**

At 31 March 2004, the group had net cash on hand of US\$39.0 million, of which A\$40.9 million is denominated in Australian dollars. The company also has in place a revolving credit facility for US\$32 million, with 4 banks participating.

The interim dividend of 10 cents per share was paid to shareholders on the 2<sup>nd</sup> April 2004. The dividend amounted to \$8.5 million and \$0.9 million was paid by means of 275,707 shares issued in accordance with the Dividend Reinvestment Plan.

A Free Trade Agreement (FTA) negotiated between Australia and Thailand includes provision for Australian companies to own up to 60% of mining ventures. It is not possible to predict at this stage if this will have any positive impact upon Kingsgate's current Board of Investment approvals. It is expected that the FTA will be signed by the respective governments by July 2004.

Following discovery of the high grade Prospect P during the March quarter, estimated production for the year has been increased to 155,000 ounces of gold and the net profit estimate has been revised upwards to approximately US\$30 million (on the basis of US\$400/oz gold price).

Category	Units	Mar. 2004 Quarter	Dec. 2003 Quarter
Average prevailing spot gold price	US\$/oz	395	395
Average gold price received	US\$/oz	397	401
Gold sold	Ounces	<b>35,745</b>	<b>34,641</b>
Silver sold	Ounces	100,495	108,780
Revenue from metal sales	US\$M	14.9	14.5

## GOLD HEDGE POSITION

The average gold price received by Kingsgate for the March quarter was US\$397 per ounce, compared with an average spot price of US\$395 per ounce.

Hedge commitments outstanding at 31 March 2004 were 337,100 ounces compared with 345,300 ounces at 31 December 2003.

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

There was a negative mark to market valuation of US\$25.6 million for the hedge book based on a spot price of US\$420.5 and an exchange rate of US\$0.7593 on 31 March 2004.

The Group is not exposed to any margin calls from hedge counterparties. In the event that the spot gold price is below US\$300 or AU\$570, a proportion of production can be delivered to US\$ and AU\$ puts. The company is constantly reviewing the hedge book with a view to reducing commitments, while preserving a degree of price protection.

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

## STEVE REID

Managing Director & CEO  
Kingsgate Consolidated Limited

*Information in this report that relates to geology, drilling, mineralization and Mineral Resource 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 mineralization being reported on. All have given their consent to the Public Reporting of these statements concerning geology, drilling and mineralization.*



## SUPPLEMENTARY INFORMATION - A

Drill Intersections greater than 10 gram metres obtained during the March quarter included;

Prospect Q									
Hole No.	Easting (mE)	Northing (mN)	Azimuth UTM	Dip (degrees)	Hole Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)
2257	676450	1805300	270	55	108	12	17	5	2.32
2227	676600	1804700	270	55	151.35	121	134	13	9.33
2258	676480	1804700	90	55	151.75 Incl.	68.75	81.00	12.25	2.29
						77	81	4	4.91
2270	676505	1804700	90	55	162.80	101	117	16	1.95
2338	677000	1804700	90	55	102	66	72	6	2.28
2340	676479	1804700	90	65	174.60	56.00	69.25	13.25	1.66
						77	82	5	2.03
						116.00	119.15	3.15	3.30
2272	676615	1804650	270	55	151.17	140	148	8	1.54
2333	676500	1804650	90	55	188	74	81	7	3.59
						128	132	4	4.91
2273	676538	1804600	90	55	102	53	63	10	5.78
2331	676512	1804600	90	55	168	72	83	11	2.56
2241	676500	1804518	270	55	148	108	113	5	2.11
2276	676402	1804497	90	55	87	80	88	8	3.82

Prospect H									
Hole No.	Easting (mE)	Northing (mN)	Azimuth UTM	Dip (degrees)	Hole Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)
2194	815	5350	90	60	114	63	68	5	2.69
						72	75	3	4.69

Prospect K									
Hole No.	Easting (mE)	Northing (mN)	Azimuth UTM	Dip (degrees)	Hole Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)
2201	676854	1802640	270	55	30	2	14	12	2.97
2214	676546	1802566	90	55	72	29	48	19	1.58
2215	676518	1802566	90	55	102	63	76	13	3.03
2216	676493	1802566	90	55	120	60	62	2	8.81
						88	93	5	20.30
2208	677005	1802534	270	55	138	132	134	2	7.49
2209	676959	1802450	270	55	108	2	8	6	1.82
2205	677058	1802405	270	55	115.9	40.0	42.5	2.5	4.13
2196	677175	1802215	270	55	48.0	0.0	11.0	11.0	2.71
						13.0	15.0	2.0	3.27

Gram metres = length of intersection in metres, multiplied by gold grade in grams/tonne.  
Grades are uncut.  
Intersections may not be true thickness.  
Collar co-ordinates may be local grid.

*Information in this report that relates to geology, drilling, mineralization and Mineral Resource 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 mineralization being reported on. All have given their consent to the Public Reporting of these statements concerning geology, drilling and mineralization*



## SUPPLEMENTARY INFORMATION - B

Indicated and Inferred Resources for Prospect K:West:

Category	Grade Range	Thousand Tonnes	Grade Au (g/t)	Grade Ag (g/t)	Contained Ounces Au	Contained Ounces Ag
Measured & Indicated	>0.7 g/t Au	1347	1.5	8	65,000	347,000
Inferred	>0.7 g/t Au	607	1.4	8	27,000	156,000
<b>Total</b>	<b>&gt;0.7 g/t Au</b>	<b>1954</b>	<b>1.5</b>	<b>8</b>	<b>92,000</b>	<b>503,000</b>

Inferred Resources for Prospect K:East:

Category	Grade Range	Thousand Tonnes	Grade Au (g/t)	Grade Ag (g/t)	Contained Ounces Au	Contained Ounces Ag
Measured & Indicated & Inferred	>0.7 g/t Au	900	1.3	10	38,000	289,000
<b>Total</b>	<b>&gt;0.7 g/t Au</b>	<b>900</b>	<b>1.3</b>	<b>10</b>	<b>38,000</b>	<b>289,000</b>

*NB: Due to rounding figures may not add correctly.  
 Cut off 0.7 g/t ounces gold.*

*Information in this report that relates to geology, drilling, mineralization and Mineral Resource 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 mineralization being reported on. All have given their consent to the Public Reporting of these statements concerning geology, drilling and mineralization.*

## SUPPLEMENTARY INFORMATION - C

### Gold Hedging Positions as at 31 March 2004

		2003/04	2004/05	2005/06	2006/07	2007/08	Total
<b>Put Options Purchased</b>							
US\$ denominated	'000 oz	20.0	79.0	82.8	58.5		240.3
ENRP (average) <sup>(1)</sup>	US\$/oz	300	300	304	300		301
AU\$ denominated	'000 oz	5.6	32.2	38.5	31.5	14.0	121.8
ENRP (average) <sup>(1)</sup>	AU\$/oz	570	570	570	570	570	570
<b>Call Options Sold (no barriers)</b>							
US\$ denominated	'000 oz	15.0	30.0	11.3			56.3
Strike price (average)	US\$/oz	310	310	352			318
<b>Call Options Sold (with barriers)</b>							
US\$ denominated	'000 oz		39.0	71.5	58.5		169.0
Strike price (average)	US\$/oz		315	316	317		316
Barriers (average) <sup>(2)</sup>	US\$/oz		300	301	302		301
AU\$ denominated	'000 oz		21.0	38.5	31.5	14.0	105.0
Strike price (average)	AU\$/oz		610	611	614	615	612
Barriers (average) <sup>(2)</sup>	AU\$/oz		550	552	557	560	554
<b>Spot Deferred Contracts</b>							
US\$ denominated	'000 oz	6.8					6.8
Strike Price	US\$/oz	352					352
<b>Total Hedged</b>							
	'000 oz	368.9					
<b>Total Committed (no barriers)</b>							
	'000 oz	63.1					
<b>Total Committed (with barriers)</b>							
<sup>(2)</sup>	'000 oz	274.0					
<b>Grand Total (Committed) <sup>(3)</sup></b>							
	'000 oz	337.1					

(1) ENRP (Estimated Net Realisable Price) is after making allowance for gold lease fees. Gold lease fees for US\$ puts are fixed funded out to 31 December 2004 and for A\$ puts out to 31 March 2005. Thereafter floating gold lease fees are prepaid at 1.0% on the amortised face value of the put options.

(2) When active the barrier on the call option is triggered by a single trade at or below the respective barrier level, with all associated ounce commitments knocked out. If gold trades below all relevant barriers after 15 March 2005, all of the remaining call options with barriers will be cancelled and the committed ounces with barriers will reduce to zero.

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

(4) The company is not exposed to any margin calls by counterparty banks in times of higher spot gold prices.