



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

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**FOR PUBLIC RELEASE**

Manager, Company Announcements Office  
Australian Stock Exchange

Dear Sir or Madam,

## **Fulfillment of Thai Ownership Obligations**

### **Funding of Chatree Growth**

#### **1. Summary**

Kingsgate Consolidated Ltd ("Kingsgate") is pleased to announce a major strategic initiative in Thailand as the company continues the development of its gold mining interests held through Akara Mining Ltd ("Akara").

The key components of the initiative are as follows:

- Kingsgate has fulfilled its Thai ownership obligations for Akara as required by the Thai Board of Investment ("BOI") through the issue of new shares in Akara to Thai interests, namely Empire Asia Co. Ltd ("Thai Interests").
- Kingsgate has appointed TMB Macquarie Securities (Thailand) Ltd to arrange debt financing to fund the development of the Chatree North mining lease and expansion of the current processing facilities. Credit committee endorsement has been obtained from a major Thai bank for the provision of a funding facility of up to Baht 3.8 billion (~ US\$100 million).

Both components of this strategic initiative demonstrate Kingsgate's ability to work with Thai investors and institutions to maximize the returns to all stakeholders from operating and growing the Chatree Mine.

These events represent the first part of a two step process aimed at ensuring Akara and its shareholders can continue to share in the long term benefits of operating Thailand's largest gold mine. The second step in the process is the proposed initial public offering ("IPO") of Akara on the Stock Exchange of Thailand. It is expected that the IPO would be launched within the next 2-3 years.

#### **2. Fulfillment of Thai Ownership Obligations**

At the time of approval for the Chatree mine development, in addition to the tax-exemption privileges granted by the BOI, Kingsgate was granted a 5-year exemption from the requirements for the mine to be at least 51% owned by Thai nationals. This ownership exemption period expires on 27<sup>th</sup> November 2006. The tax-exemption privileges remain in place.

In meeting the BOI ownership obligation, Akara has issued new non-transferable shares that has resulted in the Thai Interests acquiring a ~52% stake in Akara. These additional shares carry with them certain rights, including a predetermined dividend and limited voting privileges that provide a financial return to the Thai Interests. This transaction allows Kingsgate shareholders to maintain their existing economic interest and management control in Akara.

Kingsgate will continue to remain as the operator of the Chatree Gold Mine. However, the Thai Interests have been granted the right to representation on the board of Akara, which will be in addition to the current appointees from Kingsgate. Through this new representation, the Thai Interests will be able to share their valuable business experience in Thailand and will assist Kingsgate in maximizing the returns from developing Chatree.

Fulfilling the Thai ownership obligation will ensure that Akara continues to enjoy all the fiscal incentives as offered by the BOI at the time of approval. Akara has received approvals from the Ministry of Commerce for the transaction and confirmation on the fulfillment of Thai ownership obligations from the BOI.

### **3. Funding the Chatree Growth Initiative**

Kingsgate is continuing to work with the Thai authorities to obtain approval for the Chatree North mining leases. In this regard, the Environmental Impact Assessment for Chatree North is in the final stages of the approval process. Once this milestone is achieved, the lease granting process will then be predominately procedural.

Kingsgate is in the process of completing the feasibility study for developing the Chatree North deposits, finalising outstanding land parcels and expanding the processing plant to a nameplate capacity of 5mt pa. To fund this growth initiative, Kingsgate has been working with TMB Macquarie Securities (Thailand) Ltd to arrange a debt facility from Thai financial institutions of up to Baht 3.8 billion (~US\$100 million). The size of the debt facility will be largely determined by the final cost of the expansion and other associated commitments.

Akara is now finalising the debt facility, including obtaining board approvals, completion of technical due diligence, legal documentation and satisfaction of all Condition Precedents with a major Thai bank that has given credit committee endorsement to finance this project. The arrangement of the debt facility is expected to be completed in line with Akara's planned development of the Chatree North mining lease.

### **Background Information**

Empire Asia Co., Ltd is a private company registered in Thailand and wholly owned by Thai national shareholders. The company was established by a group of prominent Thai business persons as an investment company.

TMB Macquarie Securities (Thailand) Ltd is a 51%/49% joint venture between TMB Bank Public Co Ltd and Macquarie Bank Ltd involved in equity brokerage and investment banking businesses. TMB Macquarie has been retained by Kingsgate to advise on the transaction.

TMB Bank is a leading private sector commercial bank and financial services company in Thailand. TMB Bank commenced operations in 1957 to serve members of the Thai military and has since expanded to serve a wide variety of corporate and individual customers. In September 2004, TMB Bank completed a merger with DBS Thai Danu Bank and The Industrial Finance Corporation of Thailand, creating the fifth largest bank in Thailand in terms of assets. As of 30 June 2006, TMB Bank has total assets of US\$ 21 billion and a market capitalization of US\$ 1.5 billion. Today, TMB Bank has more than four million customers and over 8,000 employees working in 464 branches in Thailand. TMB Bank's principal business activities include corporate, SME and consumer banking services. TMB Bank is dedicated to developing new and innovative products and services to serve this broad customer base.

Yours faithfully,



Ross Smyth-Kirk  
Chairman