



## Kingsgate Consolidated NL

ACN 000 837 472

30 July, 1999

The Manager  
AnnouncementsCompany Announcements Office FOR PUBLIC RELEASE  
Australian Stock Exchange Limited  
By Facsimile 1300 300 021 (Page 1 of 9)

Dear Sir

### QUARTERLY REPORT for the PERIOD ENDING 30<sup>th</sup> JUNE, 1999 CHATREE GOLD PROJECT THAILAND

#### INTERIM FEASIBILITY STUDY see ASX release dated 29 June, 1999.

Lycopodium Pty Ltd, the lead engineer for the feasibility study, has completed a preliminary feasibility study based on the mining of C, H and D Prospects with milling commencing at one million tonnes per year. The data was derived from lresource, mining, metallurgy, tailings dam, financial and water consultants as well as Lycopodium itself.

The project is based on two open cut pits, C+H and D pits, with a mineable resource of 9.6 million tonnes @ 2.7 g/t Au for 825,000 ounces Au (at 0.8 g/t Au cut-off grade). This resource contains 10% of recoverable gold ounces in the Inferred Resource category, however infill drilling now completed, is expected to convert it to Indicated or Measured categories thus allowing it to be included in reserves. This figure was revised by further pit optimisation in June 1999 as shown in Table 1.

The operation will be undertaken using a Thai mining contractor and processing through a standard carbon-in-leach (CIL) plant with a flowsheet including primary crushing, SAG milling, gravity separation of coarse gold, CIL extraction of gold and destruction of cyanide to 20ppm prior to the tailings dam.

Capital costs are based on all new equipment.

Two separate production scenarios are under consideration.. This model provides for 1,000,000 tonnes throughput for two years increasing to 1,500,000 tonnes in years 3 to 7.

A flat 750,000 tonnes per year processing model resulted in a less robust project.

A summary of the Interim Feasibility follows;

Table 1. Production by year. Interim Feasibility Study

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Mill feed (million tonnes/year)	1.0	1.0	1.5	1.5	1.5	1.5	1.7	9,700,000
Au recovered (thousand oz)	121	128	128	113	114	105	40	748,000

<b>Ag recovered (thousand oz)</b>	393	406	340	302	286	326	127	2,178,000
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Table 2. Project Parameters. Interim Feasibility Study

Average gold recovery in CIL plant	90.6	%
Average silver recovery in CIL plant	55.1	%
Total Operating Costs.	US\$ 99	million
Pre-production capital costs (new equipment)	US\$27.2	million
Sustaining capital.	US\$ 4.4	million
<b>HEDGED GOLD MODEL**</b>		
Total revenue.	US\$ 242	million
Net cash flow.	US\$ 104	million
Internal Rate of Return	91.5	%
NPV at 10% discount	US\$70.1	million
Payback period	12	months
<b>SPOT PRICE GOLD MODEL**</b>		
Total revenue.	US\$ 216	million
Net cash flow.	US\$ 79	million
Internal Rate of Return	73.9	%
NPV at 10% discount	US\$52.2	million
Payback period	14	months
Cash costs years 1 and 2	US\$ 86	Per oz Au equivalent
Cash costs total project	US\$ 134	Per oz Au equivalent
Production cost	US\$ 174	Per oz Au equivalent

Gold equivalent includes silver credits. The net cash flow, IRR and NPV are calculated on earnings before interest and tax. (EBIT) \*75% of Measured and Indicated gold hedged forward from a base of US\$275 over 7 years to give a weighted average of US\$309 per ounce for project. \*\*Spot gold price fixed at US\$275/oz.

Based on the March1/4 industry cost curves from The World Gold Analyst, the project cash costs are in the lowest 11% of international costs and the production costs are in the lowest 2% of international costs.

Final testwork to fine tune the design of the process route and plant is nearing completion.

#### FURTHER POTENTIAL

Three main areas of potential exist.

Down dip and along strike of the existing orebodies. These orebodies are contained within major structures only part of which have been tested to date.

A number of partly drill-defined prospects on other structures occur within 3 kilometres of the proposed plant site.

Both of these categories of target will be explored in the next 12 months.

A number of prospective areas in northern Thailand are known to Kingsgate and are being explored already or will be explored in the next 12 months.

## FINAL FEASIBILITY STUDIES

Testwork is nearing completion and has continued to support the robustness of the project.

Final definition drilling has been completed in C,H and D Prospects.

A total of 501 holes were drilled for 38,759 metres. This was comprised of 23,317 metres of cor and 15,140 metres of RC. Much of the RC metreage was drilled in barren overburden with the mineralised zone below being cored to ensure high sample accuracy. Results for the final few resource drill holes are appended to this report.

Resource trenching is also complete with 5,708 metres being dug and sampled in 107 trenches.

Sterilisation drilling has been completed with 1,525 metres in 35 holes under the proposed plant site, waste dumps and tailings dam.

Three fully fitted out production water bores were completed and pump tested for ground water modelling and water supply determination.

10 fully cored geotechnical holes were completed to aid in pit slope and foundation design and three PQ cored holes were drilled to obtain comminution samples for SAG mill testwork.

26 pits were excavated to test the foundations of the proposed CIL plant site and tailings dam.

25 long term leach tests were carried out to aid in the characterisation of waste rock based on its potential for acid generation during oxidation.

The final resource estimate and associated due diligence will be completed in August.

The definitive feasibility study is still on track for completion in September.

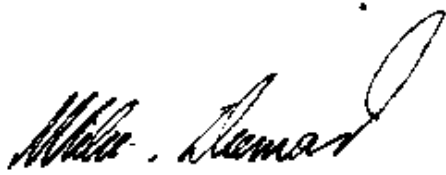
## CONCLUSION

The impact of the implementation of the Chatree Project, with a net cash flow of US\$104 million (with gold hedging) and a discounted NPV of US\$71 million, on Kingsgate, a company with an issued capital of 53 million shares and 5 million options, will be strong, even at the current gold price.

Information in this report relating to interim feasibility studies was assembled by Lycopodium Pty Ltd from work completed by a range of industry consultants. This report accurately reflects the information supplied by Lycopodium Pty Ltd and is released with its permission.

Yours faithfully

Kingsgate Consolidated NL

A handwritten signature in black ink, appearing to read "Mike Diemar". The signature is written in a cursive style with a large, looping flourish at the end.

**Mike Diemar**  
**Managing Director**

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[Kingsgate Consolidated N.L.](#)

Quarterly Report June 1999