

=DJ UPDATE:Kingsgate Wins Key Thai Mine Lease, May Become Target

(Adds company and analyst comment and closing share price) By Alex Wilson Of
DOW JONES NEWSWIRES

MELBOURNE (Dow Jones)--Gold miner Kingsgate Consolidated Ltd. (KCN.AU) received a major boost Tuesday after Thailand's government finally granted a long-awaited lease for a key mine, sending the company's shares surging and sparking talk that the company is now a potential takeover target.

Analysts said the granting of the license, which had originally been expected in 2006, would encourage gold majors to look at Kingsgate and is a positive sign for miners considering making a move into Thailand.

Kingsgate said Thailand's deputy prime minister and minister for industry, Suwit Khunkitti, had approved the long-awaited mining lease for its Chatree North project and mining on the new leases will commence within the next few weeks.

Time had been running out for Kingsgate, which had been forced to use lower grade material from its Chatree mine while it awaited the lease and had warned that it would have to cease operations in August if the license was not granted.

Chief Executive Gavin Thomas said Tuesday the granting of the lease is a "landmark decision" for the company and the access to higher grade ores would allow it to boost its cashflows.

Kingsgate has an open share register and Thomas said it could now become a target for gold majors looking to replace their gold reserves.

"The resource and the reserve is so big that of course we are going to be looked at as a potential target, but we have not been approached nor are we talking to anyone at this stage," he told Dow Jones Newswires in an interview.

News that the lease had been granted sent Kingsgate shares surging 28.8% to A\$6.04, the highest level since April 2006, in an Australian market that ended down 0.1%.

The use of lower grade Chatree ore has meant ore feed to Kingsgate's processing plant has been about one gram of gold per metric ton in recent times, but Thomas said access to higher-grade material from Chatree North will now see this rise significantly.

"We will select the nearest highest-grade ore to be processed first, so we expect the grades to jump to about double," he said.

Kingsgate will also immediately step up its exploration program as it works to further boost its resources, Thomas said.

"I expect a pretty good flow of information over the next two to three quarters as we get out and drill some of these new discoveries," he said.

When Kingsgate had previously been carrying out exploration it had been boosting its resource base by about a million ounces a year, and Thomas said he could see no reason why it couldn't restart that rate of discovery now.

He conceded Thailand had a "complex and convoluted" mining approvals process, but said it was far from the worst in the world and the Chatree North approval had been further delayed by political upheaval in recent years.

On the other hand, Thomas said Thailand isn't subject to the labor shortages that have hurt mining companies in some countries and Kingsgate's operations are 99% locally run, with workers having high levels of education.

Southern Cross Equities analyst Peter Chapman said the granting of the lease could now make Kingsgate a target and would also be welcomed by mining companies considering a move into Thailand.

"There have been a lot of eyes on it, not only on Kingsgate as a corporate entity, but also on the ability generally to get leases granted in Thailand," he said.

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July 22, 2008 03:25 ET (07:25 GMT)