

Kingsgate clears major Thai hurdle

Elisabeth Behrmann | *April 30, 2008*

KINGSGATE Consolidated has cleared a major hurdle in the process to secure key mining leases for its Chatree North gold mine project.

In December, the Thai government delayed granting certain licences for [Kingsgate](#) (ASX: KCN: [quote](#)), prompting concern for the company's future production as gold output at its existing Chatree operation is coming to an end.

At the moment, Kingsgate is treating remaining ore, which will last until at least August, while awaiting outstanding permits for Chatree North.

"We have been granted forestry licenses, which is one of the last, and key, approvals, and it is a clear indicator that we are on the home straight," chief executive officer Gavin Thomas told *Dow Jones Newswires* in an interview.

He declined to name an exact timetable.

These licences clear the way for the land to be used for mining.

Shares of Kingsgate were up 53c, or 12.8 per cent, at \$4.67 by mid-afternoon. The benchmark S&P/ASX 200 Index was 0.34 per cent lower.

Delays to new mines because of unforeseen government decisions, changes to mining laws and slow progress in getting permits are on the rise as miners move to operate in new jurisdictions in the hunt for ore bodies, and governments seek to secure their share in the resources boom.

One example is Ivanhoe Mines' huge Oyu Tolgoi copper-gold mine in Mongolia, where [Rio Tinto](#) (ASX: RIO: [quote](#)) made an initial investment of \$US303 million (\$324 million), had to be put back a year to 2011 because there's still no investment pact with the government.

If Kingsgate's leases are granted, gold output will jump in stages to 300,000 troy ounces from about 2010, from a forecast range of 65,000 to 80,000 ounces this fiscal year ending June 30.

Previously, Kingsgate said the mine expansion will be delayed until mid-2009 because of the delays in permits, from the beginning of next year.

Depending on the eventual outcome in granting permits for Chatree North, analysts rate Kingsgate shares a buy or a sell.

There's an option to extend mining ore from the existing operation beyond August, but that will need an extension to permits for the mine.

For Chatree North, Thailand's Department of Primary Industries & Mines still needs some minor paperwork before assembling a committee to decide on granting the licenses - which typically meets once a month - and ministerial approval.

Since the country's change of government in December, with a new cabinet in place since February, there has been a marked change in business climate, Mr Thomas said.

New Industry Minister Suwit Khunkitti has been working to improve lack of confidence among foreign investors, Mr Thomas said.

"We're buoyed by what's going on and very happy with the new minister," he said.

Late last year, the government suspended a number of licences in response to concerns from communities and activists that the environmental impact of gold mining could outweigh the economic benefits, but later said Kingsgate's applications were still being processed.