



Kingsgate Consolidated NL

ACN 000 837 472

QUARTERLY REPORT for the PERIOD ENDING 31st DECEMBER, 1999

CHATREE GOLD PROJECT THAILAND

1. INTRODUCTION

Chatree Gold project is located on the eastern edge of the Tertiary Chao Phraya Basin in gently undulating farmland 280 km north of Bangkok, on the border of Petchabun and Pichit Provinces.

The project represents a greenfields discovery of metallurgically clean shallow gold mineralisation in a logistically simple terrain. Total Measured, Indicated and Inferred Resources are currently 38 tonnes of gold and 175 tonnes of silver. Gold occurs in an adularia-sericite epithermal system within quartz-calcite-adularia veins, breccias and stockworks. Host rocks are volcanic arc porphyritic latite-trachyte flows, their pyroclastic equivalents and volcanoclastics of upper Permian to upper Triassic age.

The project consists of five defined prospects (A,B,C,D and H) within an alteration area of 7.5km by 2.5km, 3 of which have been drilled to resource and reserve status.

Road access, grid power and water are all available adjacent to the site.

Chatree is scheduled for construction after mining lease grant in the next few months.

It will be one of the lowest cost producers in the world.

Work done during the quarter included completion of a Definitive Feasibility Study, considerable progress in the mining lease applications, completion of independent due diligence for the project funding and completion of a series of geochemical exploration programs.

2. RESOURCES and RESERVES

A summary of the resource estimate for Chatree released to the ASX on 13 September, 1999 is shown in Table 1 following. Note that all figures are rounded.

Table 1. Total Resource Estimate (including dilution). C/H and D Prospects. Measured, Indicated and Inferred categories.

Category	Grade Range	Tonnes	Au. g/t	Ag. g/t	Ounces Au	Ounces Ag
Total high grade	>1g/t Au	11,700,000	3.0	13	1,114,000	4,952,000
Total low grade	0.8 - 1.0 g/t Au	2,700,000	0.9	6	79,000	492,000
Total all grade	>0.8 g/t Au	14,500,000	2.6	12	1,173,000	5,444,000

The following Ore Reserve statement was released to the ASX on 30th September, 1999.

A gold price of US\$260 was used in the pit designs.

Table 2. Ore Reserve Statement. C/H and D Prospect Pits. 0.8 g/t cutoff grade US\$260/oz Au

Pit	Reserve Category	Mill Tonnes	Grade g/t Au	Grade g/t Au	Contained	Contained
Total C/H	Prov/Prob	6.5	3.1	14	639,000	2,974,000

Total D	Prov/Prob	1.7	3.1	15	168,000	851,000
Total C/H+D	Prov/Prob	8.2	3.1	14	807,000	3,825,000

A significantly increased tonnage of ore will fall within the pit shell at the current gold price of US\$284 per ounce. Further drilling during the construction phase within and adjacent to the pit outlines is expected to convert some of the Inferred mineralisation to a higher category thus allowing it to become reserve.

3. CHATREE DEVELOPMENT PARAMETERS. (Released to ASX on 11th October, 1999).

A Definitive Feasibility Study based on the mining of C, H and D Prospects with milling commencing at 1.0 million tonnes per year and increasing in year 3 to 1.5 million tonnes per year was completed in the October, 1999.. The feasibility was compiled by Lycopodium from data derived from resource, mining, metallurgy, tailings dam, financial water and environmental consultants as well as Lycopodium itself.

The project will involve the mining of two open cut pits, C+H and D, using a Thai mining contractor and processing through a standard carbon-in-leach (CIL) plant, with a flowsheet including primary crushing, SAG milling, CIL extraction of gold and destruction of cyanide to 20ppm prior to the tailings dam as shown in the project layout below. Capital costs are based on all new equipment.

The Chatree Project mine and mill production schedule has been determined as follows.
Low grade ore in the range 0.8 - 1.0 g/t Au will be stockpiled and processed in years 6 and 7.

Table 3. Annual Production Schedule

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Mill Feed Million tonnes/year	0.9	1.0	1.4	1.5	1.5	1.5	0.4	8.2
Gold equivalent recovered (oz x 1000)	138	140	152	107	122	91	10	759

Gold equivalent is the gold with a credit added for the silver.
Waste to ore ratio will be 2.9:1.

Production rate years	1.0-1.5	million tonnes per annum
Average Gold Recovery in CIL Plant	89.7	%
Average Silver Recovery in CIL Plant	52.2	%
Pre-production Capital Costs (new equipment)	US \$29.8	million
Sustaining Capital	US \$6.0	million
Hedged Gold Model * *		
Total Revenue	US \$277	million
Net Cashflow	US \$148	million
Internal Rate of Return	117.9	%
NPV at 8% discount	US \$111.0	million
Payback Period	10	months
Spot Price Gold Model **		
Total Revenue	US \$242	million
Net Cashflow	US \$115	million

Internal Rate of Return	95.6	%
NPV at 8% discount	US \$84.8	million
Payback Period	12	months
Cash Costs Years 1, 2 and 3	US \$91	Per oz Au equivalent
Cash Costs Total Project	US \$117	Per oz Au equivalent
Production Cost Total Project	US \$169	Per oz Au equivalent

Cash costs include royalties. Production cost per ounce includes depreciation and off site refining but no interest. Gold equivalent includes silver credits. The net cashflow, IRR and NPV are calculated on earnings before interest and tax (EBIT). * 75% of gold hedged as flat forward from a base of US\$320 over 7 years to give a weighted average of US\$368 per ounce for project. ** Spot gold price fixed at US\$320.

Macquarie Bank of Australia has agreed to fund 100% of the project capital cost of US\$30 million by pure debt. In addition they have provided a US\$2 million pure debt facility for Kingsgate.

4. MINING LEASE APPLICATIONS

Applications for mining leases over C/H and D Pits and the processing and waste areas were made to the Department of Mineral Resources Thailand (DMR) in December, 1998.

The application process is well advanced now with only a couple of bureaucratic steps to be completed before it goes to the Minister of Industry for granting.

To date a high level of cooperation has been received from the bureaucracies and progress has been very satisfactory.

5. NEXT RESOURCE TARGET

A Prospect is located 1 km north of the proposed C/H Pit and contains similar low sulphidation epithermal mineralisation. Broadly spaced drilling to date has resulted in the definition of mineralisation over a length of 1300 metres. The most promising intersections are shown in Table 5 below. These results have been released to the ASX previously. Further resource drilling will be completed as soon as possible.

Table 5. A Prospect. Best Results to Date

Line	Hole	Intersection (m)	Grade Au (g/t)	
Line20,749mN	RC107	16.00	2.09	
	RAB29	13.00	2.11	
Line20,287mN	RC111	38.00	2.35	&
		8.00	3.33	
	DDH301	8.10	3.63	&
		7.20	5.24	&
		7.85	22.55	&
		5.10	42.72	
Line20,200mN	DDH39	12.80	3.17	
Line20,106mN	RCD114	10.00	3.47	
	DDH304	3.30	9.17	
Line20,000mN	DDH38	31.00	1.60	
	DDH36	58.00	1.39	
Line20,006mN	RC112	30.00	2.16	
Line19,800mN	DDH32	5.00	4.34	&

	2.32	18.13	&
	1.15	51.00	
DDH307	13.93	4.32	

6. OTHER POTENTIAL

Three main areas of further potential exist at Chatree.

- (i) Immediately adjacent to C/H and D Pits approximately 350,000 ounces of gold occurs in the Measured, Indicated and Inferred resource categories. Further drilling and a gold price above US\$260/oz gold prices can be expected to translate some of these ounces to reserve.
- (ii) 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.
- (iii) A number of partly drill-defined prospects on other structures occur within 3 kilometres of the proposed plant site, between C/H and D Prospects as shown on the adjacent figure.

Figure 2. Prospect location and geochemistry

7. ONGOING PROGRAMS

Exploration including regional and local geochemical programs are under way in the Chatree area with the object of defining drill targets to be tested during the project construction period. In addition, an evaluation of the inferred resource blocks close to and within the designed pits is in progress so that they can be infill drilled and added to reserve after mining lease grant.

A detailed geotechnical drilling program will be undertaken during February in the areas of the proposed Chatree processing plant site and tailings dam to allow completion of foundation engineering design.

8. CONCLUSION

The Chatree Gold Project in central Thailand continues to strengthen and will be one of the lowest cost gold producers in the world.

Considerable progress was been made in the last quarter with completion of the definitive feasibility study and advancement through the bureaucracies of the mining lease applications.

The very powerful performance of the project in years 1 to 3 is the financial driving force of the Chatree Project.

The project is fully debt funded by Macquarie Bank.

Construction will commence immediately upon mining lease grant due with the next few months.

Exploration and further resource drilling will recommence after lease grant.

Information in this report relating to resources, reserves and feasibility studies is based on information compiled by the Competent Persons nominated in the referenced ASX releases. This report accurately reflects the information compiled by them and is released with their permission

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