



Kingsgate

Consolidated Limited

18 November 2011

Via ASX Online

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

**Chairman's Address
2011 Annual General Meeting**

Please find attached Chairman's Address at our 2011 Annual General Meeting held at 2:00 p.m. today at the Museum of Sydney on the Corner of Bridge and Phillip Streets, Sydney NSW 2000.

Yours faithfully,
KINGSGATE CONSOLIDATED LIMITED



Ross Coyle
Company Secretary

2011 CHAIRMAN'S ADDRESS

We have described the year under review as a transitional one for your company. It has been one of real achievements accompanied by many disappointments.

For a number of years we have advocated that whilst it constitutes a magnificent base we as a company must diversify from our main asset of Chatree in Thailand. This sentiment was backed by all our major shareholders. We made some attempts a few years ago that were thwarted although we emerged significantly financially better off - a \$50 million second prize as I have referred to it as.

In February this year we completed the takeover of Dominion Mining. This brought us control of the Challenger underground gold mine in South Australia. Once a darling of the stock market Dominion had lost the confidence of the market yet we saw it as a turnaround situation. Our due diligence on the Challenger Mine convinced us that it was still a very strong asset that we believe will continue to produce for another 10 – 15 years.

Our timing was unfortunate, as within a few days of taking control, the area was cut off by floodwaters from the infamous cyclone Yasi eventually flowing into central Australia. This caused many problems, including getting supplies of diesel and spares in with a consequent damaging effect on production.

Other problems arose, but we told shareholders that we expected it to take 6 -12 months for us to be able to turn things around. A number of personnel have been integrated into the management team and many operational improvements have been made at the mine and I am pleased to report that this past month, some 9 months since gaining control, the mine is operating at close to maximum capacity (i.e. e at over 10,000 ozs per month -- an annual rate of 120,000 ozs). We will maintain our projection of 95,000 -- 105,000 ozs production for this financial year but we believe operationally it has turned the corner.

Additionally further drilling continues to pinpoint the real upside at the Challenger Mine in terms of resources and reserves.

Also in February we gained 70% control of Laguna Resources NL. In recent weeks we launched a further bid for the balance of Laguna shares we did not own and have already received sufficient acceptances for us to move to compulsory acquisition and therefore will soon own 100%.

Laguna owned the Arqueros silver/gold project in the Maricunga gold belt in northern Chile. It has since purchased from Kinross the adjacent Esperanza and Chimberos deposits. The combined project has been renamed Nueva Esperanza (or New Hope) and is currently undergoing a feasibility study with a decision to mine expected to be made in the March quarter 2012. It would not surprise if further drilling on these areas does not confirm a larger resource and confirm this as one of the most astute purchases by a major company in recent times.

In September this year we completed the purchase of the Bowdens silver, lead and zinc project near Mudgee in NSW from Canadian company, Silver Standard Inc. This is a well advanced project and whilst we will undertake a comprehensive drilling programme over the next 6 - 9 months and expect to substantially increase the resource base, a feasibility study has been commenced which is expected to be completed towards the end of calendar 2012.

At Chatree production of 76,248 ozs of gold for the year was well down on our expectations due to a much delayed approval for us to mine the high grade lode of the C North deposit. This has been further delayed in the last couple of months due to the intense rainfall and the subsequent worst flooding in Thailand in the last 100 years.

As we pointed out in the last quarterly, despite the highest rainfall since we started production and the extensive flooding, although with limited access the mine continued to operate throughout.

As we have explained for a considerable time now the Chatree deposit is a very large (and expanding) but overall low grade deposit. The key to its future development, particularly over the next few years, is large scale mining of the main deposits (hence the building of the new plant) blended with higher grade deposits that do occur in and around the current mining area. The effect on cash flow and profits of an increase from the current head grade of 1 - 1.1 g /tonne to 1.25 – 1.5 g /tonne is quite dramatic. We are now into the higher grade of C North and this will start to show through in this quarter but more dramatically over the next half year.

With the settlement with our preference shareholder announced in August we are again in a position to seriously look at the prospect of listing our Thai operating subsidiary in an IPO on the Thai stock market. This will be considered over the coming months but will be dependent on a number of factors, namely, the achievement of increased production and profits over the next few months, the gold price, the general market and the Kingsgate share price.

Unfortunately the stock market does not currently reflect the true value of your company and we have got virtually no credit for the acquisitions and considerable future earning capacity they represent. As has been well documented the current market appears not to be concerned with simplistic notions of profitability, future earnings or even what a company actually does. It is captive to the high frequency traders, the hedge funds, derivatives and unfettered shorting that makes it more resemble a gambling casino than an important part of the free market system. Many are voicing their concerns. Let's hope it doesn't need some catastrophe before we see some action to re-address priorities.

As there is some criticism that not enough business people are speaking up I'd like to make some comment on what I consider to be the major moral and economic issue of our time -- the introduction of a carbon tax in Australia. For the past year or so listening to the debate on this subject in Australia has been like being part of the theatre of the absurd.

Apart from its abundance of natural resources Australia has one thing going for it internationally -- its low energy costs. To shoot oneself in the foot during the worst economic situation in our lifetime defies comprehension. The distortions and half truths used to justify the action are unbelievable.

But it is the ironies that emerge that further compound the idiocy. Is it not ironical that some of those most vocal in eliminating tariffs which are used to featherbed uneconomic and inefficient companies and industries would advocate a system that will perpetually support uneconomic and inefficient industries in the name of a supposedly greater good? Or is it not ironic that the same people who blame the creation and trading of artificial derivatives for causing the GFC would advocate the creation of artificial derivatives with their susceptibility for abuse and fraud to achieve their aims? And is it not ironic that the most avid supporters of Wiki leaks and its revelations were the most horrified at the Climate gate revelations, despite the fact that some of the information clearly showed that some of the main protagonists were most concerned that the world was not warming up at the rate their models said it should?

The other main illusory claim is the creation of all these new jobs. Apart from the urgers already out there almost any jobs created in an uneconomic and inefficient industry will be perpetually subsidised. Great economics! Then there is the adulteration of the english

language in continually referring to this carbon dioxide tax and the mining tax as economic reforms.

I would like to sincerely thank my fellow board members, Gavin Thomas and his management team and all of our people at our various locations for their efforts and great support through what has been a difficult year.

In one week's time on 24th November we will have been mining at Chatree for 10 years. In that time the mine has produced some 1,150,000 ozs of gold and 4.2 million ozs of silver. It has produced profits of over \$300 million and paid dividends to shareholders of over \$125 million. Ten years ago your company was an exploration company and emerging producer. Today it has 2 producing mines with 2 more to come on stream in the next couple of years, operating on 3 continents. An achievement of which we are justifiably proud.

The coming year will no doubt present some new challenges but the short term outlook for both Chatree and Challenger is very positive and with the 2 projects set to come on stream over the next 2-3 years we look forward to consolidating our position as the pre-eminent mid-tier gold producer on the Australian Stock Exchange.