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GALLERY GOLD LIMITED



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Can you outline Gallery Gold Limited's major assets and your expected growth profile?

**MD Hamish Bohannan**

Gallery is a gold producer with its major asset base in Eastern and Southern Africa. In Botswana, we have an operating mine at Mupane which is now producing in excess of 100,000 ounces per annum of gold at a cash cost of around US\$230 per ounce.

In Tanzania, we have a feasibility study well underway for a larger operation at the Buckreef project. This should be in construction by about mid next year and in production 12 months beyond that. It should be producing 140,000 ounces per annum at an estimated cash cost of US\$260 per ounce.

We have an experienced management and operations team and exciting exploration potential close to mine.

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Gallery recently completed a A\$22.3 million share placement and separate share purchase plan. How many shares will be issued under the share purchase plan? What will the funds be used for? What is your current net debt position?

**MD Hamish Bohannan**

The share purchase plan could see an additional 10-15 million shares issued depending on the level of shareholder participation.

The share placement is predominately marked for exploration. We are looking to spend about US\$11 million in Tanzania and about US\$5 million in Botswana. We believe we have tremendous exploration potential with 7,000 sq km of largely unexplored greenstone belt around Buckreef and Mupane for target generation.

Our net debt position at the moment is about US\$22 million, which all relates to the bank facility for the Mupane operation.

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Following the placement, total shares on issue will be more than 560 million. Are you comfortable with that level of issued equity?

**MD Hamish Bohannan**

We're pretty comfortable with the number of shares on issue at the moment. I think it's important to understand that the current number of shares on issue reflects the evolution of the company. Going forward I think we'll probably review that and rationalise but nothing is planned at present. Our focus, quite rightly is on a stable operating regime and exploring growth opportunities. This is a very exciting time for Gallery.

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Prior to the merger with Spinifex in October 2003, the Lion Selection Group held more than a 50% interest in Gallery and occupied a seat on your board. This has since been reduced to 32% and the board seat vacated. Why has Lion chosen to reduce its exposure?

**MD Hamish Bohannan**

We continue to enjoy a very good relationship with Lion. When their shareholding peaked at 52% it presented a serious overhang to the market and their strong register support effectively created a ceiling for us in our growth plans.

A shareholding of around 30% more than confirms Lion's strong support for the company, but isn't seen as liquidity-restrictive by the rest of the market.

Lion felt comfortable stepping off the board acknowledging Gallery had a strong and experienced board in place. The board has been further strengthened by the appointments of John Shaw, previously with Placer Dome for 30 years, Craig Munro, former Financial Director with Aquarius Platinum and most recently Peter Buck, LionOre's Exploration Director.

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The Mupane project in Botswana was recently shut down for a period following a SAG mill electrical failure. Will you still achieve your stated 100,000 ounce production target for 2005/06? What impact has this had on cash costs? What are your future cost expectations for the Mupane project as it advances?

**MD Hamish Bohannan**

Mupane was only shut down for four days following the failure of the SAG mill electrical motor. The team reacted very quickly and were able to bypass the SAG mill and feed straight into the ball mill. A new motor was sourced and online within two weeks, losing only four days production. More of an impact was some transitional ore going through the mill, but we remain on target for 100,000 ounces this year.

We're currently running at a cost of about US\$235 an ounce, despite it rising to over US\$300 during the shutdown. We expect our costs to average between US\$250 and US\$270 an ounce this year. With the higher grades we will encounter deeper in the orebody, we still forecast cash costs to average around US\$210 per ounce over the life of the project.

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Current resources at Mupane total 1.4 million ounces of gold with a mine life of 7 years. What are you doing to expand the resource footprint at Mupane? What is your current exploration commitment?

**MD Hamish Bohannan**

A substantial portion of the funds recently raised is going into drilling and further exploring the Tati Greenstone belt where Mupane is located. Further drilling should certainly develop many of the satellite geochemical and geophysical anomalies we've been targeting. We're hopeful this will lead to a substantial upgrade to our resource estimate.

We're already drilling the Kite and Golden Eagle prospects on the Shashe lease from which we expect to start production next year. We're drilling at Jim's Luck, which we also anticipate as having open cut potential. We're also going to be testing the deeper underground potential beneath the main Tau open pit.

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At July 27 2005, you announced a preliminary resource of 1.91 million ounces at the Buckreef project in Tanzania. What is the completion date for the project feasibility study? When do you anticipate first production? What are the expected capital costs? How will you fund the development of the Buckreef project?

**MD Hamish Bohannan**

We're still open ended on the Buckreef resource where we'll concentrate our drilling effort over the next six months to ensure the feasibility study is completed in the first half of calendar 2006.

The 1.9 million ounce recently reported was almost a 1 million ounce increase on the previous figure. This was achieved at a very low finding cost of around US\$6.50 an ounce over a 12 month period.

Construction is scheduled for the third quarter 2006 and expected to take about twelve months. So we're talking mid-2007 for our first production, which we anticipate being about 140,000 ounces per annum.

Capital costs at the moment are estimated at about US\$55 million, and we don't foresee any changes there, having benchmarked ourselves against Barrick's new Tulawaka mine 40km to the west. Cash operating cost is expected to be about US\$260 an ounce even at current fuel prices.

Funding will likely come from a mix of debt and equity, with the final decision taken when we get closer to the feasibility study delivery date.

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Gallery has all its current projects in Africa. Is there still an inherent sovereign risk to working in Botswana and Tanzania? Why have you pursued Africa over Australia?

**MD Hamish Bohannan**

Unfortunately sovereign risk is overstated in many areas of Africa and generalised as applying to the whole continent. Botswana carries the same risk rating as Queensland. This is illustrated by the fact that no sovereign risk insurance was required for our debt facility for the Mupane project.

Tanzania is slightly more exposed than Botswana, but is clearly past that early development stage. I would put it on a par with Ghana or Burkina Faso to operate in.

We're operating in stable and supportive parts of Africa where there aren't as many issues. One of the big attractions of Botswana is that the Government is absolutely committed to growing the local resources industry. Similarly in Tanzania, the government is extremely supportive of mining developments and international investment.

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Gallery currently has a hedgebook totalling 320,000 ounces. Over what period is gold delivered through the hedgebook? Can you take advantages of positive changes in the spot price of gold?

**MD Hamish Bohannan**

We currently have about 300,000 ounces hedged and we pay into that hedge at about 20,000 ounces a quarter, or 75% of our quarterly production. We can push that out if needed, but the reality is the hedgebook is a requirement of our bank loan.

Our plan is pay off that hedge for each quarter as quickly as we can and then take advantage of the spot gold price with the balance of our production.

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What are the short and medium objectives for Gallery Gold?

**MD Hamish Bohannan**

Going forward, we hope to capitalise on our strong operational performance at Mupane and our exploration success to date.

Short term, we want to maximise Mupane's value by extending mine life; adding extra resources and reserves and increasing production by sourcing high grade ore feed from existing exploration leases.

The second priority is to complete the Buckreef project feasibility study with the aim to reach production as quickly as possible. Our operations in Tanzania are located within highly prospective mineralisation areas alongside AngloGold-Ashanti's Geita operation, Barrick's Bulyanhulu and Tulawaka mines and Resolute's Golden Pride, so we're certainly in the right street address.

Our longer term goal is to fully develop our exploration assets. We have over 7,000 sq. km. of prospective greenstone area with some exciting exploration results to date. Using our technical and regional experience we want to develop that exploration ground and turn it into mines with real value and long term mine life.

The last twelve months have been enormously satisfying for Gallery. We continue to see excellent production and resource growth potential in Botswana from Mupane. The safety and environmental performance from the operations has been first class. Our addition of 1 million ounces to known resources in Tanzania underscores the long term prospectivity of the Buckreef project, and our regional exploration program is driving significant upside opportunities. We are focused on continued cost management and believe our on-ground experience will augur well in positioning Gallery into its next growth phase.

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Thank you Hamish

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For further information on Gallery Gold Limited visit [www.gallerygold.com.au](http://www.gallerygold.com.au) or call Hamish Bohannan or Michael Anderson on (08) 9321 8643.

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