

1 July 2003
1226:tol

The Companies Announcements Office
Australian Stock Exchange Ltd
20 Bond Street
Sydney NSW 200

Lodged via ASX Online

Dear Sir

Attached is an announcement regarding the restructuring of Sons of Gwalia Ltd's Perth Office and Gold Operating Divisions.

The announcement will be available on the Company website (www.sog.com.au) later today.

Yours faithfully

A handwritten signature in black ink, appearing to read "Stephen Pearce".

Stephen Pearce
Company Secretary

Att

MARKET Release



SONS OF GWALIA LTD. ANNOUNCES RESULTS AND OUTCOMES OF STRATEGIC REVIEW OF ITS GOLD DIVISION AND PERTH OFFICE STRUCTURE

Sons of Gwalia Ltd. ("the Company") today announced the outcomes of the strategic review of its Gold Division and Head Office structure and overhead. The Company said that the review was conducted by external consultants in conjunction with senior Company personnel and had involved wide-ranging discussions with Head Office and site-based staff.

KEY OUTCOMES OF THE STRATEGIC REVIEW

- A new Operating Model for the gold business with most ancillary functions moved to and centralised in Perth office.
- Minesites to focus on achieving physical production of gold in line with agreed forecasts and targeted costs.
- Sustainable cost efficiencies to be implemented and achieved from a new Operating Model. Cost savings of \$10 million anticipated in 2003 - 2004 financial year with additional performance related benefits in the future.
- Reduction of approximately 100 personnel in the Gold Division and Head Office resulting in a one time redundancy provision of approximately \$3 million before tax in the 2002-2003 financial year.
- Re-structuring of Exploration and Resource Development with both divisions to be amalgamated and based in Perth and a renewed commitment to exploration on the Company's key landbanks and mines.
- Improved capital expenditure guidelines and policies to be implemented.
- New Executive Management structure and senior personnel changes.
- Composition and structure of the Board of Directors to be reviewed over the next three months to ensure ongoing compliance with Corporate Governance standards.

NEW OPERATING MODEL FOR GOLD BUSINESS AND HEAD OFFICE

The Company's Executive Chairman, Mr Peter Lalor, said: "Over the last two - three years, many ancillary functions have incrementally moved to our gold Minesites. Under the new model, functions such as longer term mine planning, feasibility studies and exploration will be carried out at Head Office. This will enable our Minesite-based teams to concentrate on achieving gold production targets and costs and to ensure greater control of capital and operating costs from Head Office."

"Moving forward, we want to concentrate on a leaner, performance-based model driven by a team-based strategy."

SUSTAINABLE COST EFFICIENCIES

The Company anticipates significant cost savings and other financial benefits from a new Operating Model. This will result from a combination of a substantial reduction of approximately 100 people in the Gold Division and Head Office and performance related benefits which will flow from the implementation of the new Operating Model.

Mr Lalor said: "Our costs in our Gold Division have simply been too high and our returns from investment less than anticipated. The challenge is to reduce our costs and we are targeting a 10 per cent reduction in our cash costs per ounce over the next 12 months."

Key areas to be targeted are site-based overheads and staffing levels, roster arrangements and costs, supply chain procurement programmes, productivity improvements from installation and updating of information technology infrastructure and improved grade to reserve reconciliation resulting from improved operating practices.

"We anticipate cost savings of approximately \$10 million in the 2003-2004 year resulting from the redundancies and related overhead reductions. We would anticipate further financial benefits will flow from improved operating performance in the Gold Division, both from cost reductions and improved grade to reserve reconciliation", Mr Lalor said.

EXPLORATION AND RESOURCE DEVELOPMENT TO BE AMALGAMATED

Currently, these two functions operate separately from both Minesites and Head Office. Mr Lalor said: "The amalgamation of these two functions, based out of Perth, will result in reduced personnel costs and overheads and a much greater focus on our key targets and objectives."

"We have renewed our commitment to exploration in our main areas of interest and will have a greater focus on exploring and increasing resources at our mines and existing landbanks" he said.

IMPROVED CAPITAL EXPENDITURE GUIDELINES AND CONTROLS

Another of the key initiatives to be implemented as a result of the strategic review is the establishment of much clearer capital expenditure guidelines and controls. These will focus on management of capital expenditure in terms of amount, timing and return on funds employed.

INFORMATION TECHNOLOGY UPGRADE

An integral part of the new Operating Model will be a substantial investment by the Company in information technology and infrastructures. This will increase both the quality and level of information technology throughout the Group with particular emphasis on the on-line capacity and communication levels between the Minesites and Perth Office in respect of relevant data.

GOLD DIVISION PLAN FOR 2003-2004 YEAR

The Company is yet to finalise the 2003-2004 Gold Division plan pending the finalisation of the current drilling programme and evaluation at the Tarmoola Mine. These results and the outcomes from the strategic review will both be incorporated into the plan as soon as possible.

NEW EXECUTIVE MANAGEMENT STRUCTURE

Mr Lalor said: "We have simplified our top line of Management and created two new key positions. One will be responsible for Operations and the other for the discovery, delineation and economic evaluation of our Resources. These are areas where we need to improve and hopefully the implementation of this new management structure, with emphasis on these areas, will provide improved performance and results."

A new Managing Director will be appointed as soon as possible and six Executive General Managers will report to the Managing Director under the new operation. This will include the two new appointments in Operations and Resources. The new structure will be:

- Executive General Manager - Operations (TBA)
- Executive General Manager - Resources (TBA)
- Executive General Manager - Finance (Stephen Pearce)
- Executive General Manager - Business Development and Marketing (David Paull)
- Executive Director - Services (Chris Lalor)
- Executive General Manager - Human Resources (Jeff Mackie)

The Managing Director and the six Executive General Managers will constitute an Executive Committee which will work closely with the Board of Directors.

CORPORATE GOVERNANCE

The Company will review the composition and structure of its Board of Directors over the next few months to ensure compliance with Corporate Governance guidelines. The Company envisages changes in this area which will result in an increased number of non-executive Directors and a non-executive Chairman, in due course.

CONCLUSION

The Company said that it was confident that the strategic initiatives outlined would significantly improve the performance of the Company and its gold business. Mr Lalor said: "These initiatives are practical, aimed at improved performance and will provide immediate benefits. The challenge for all of our staff is to implement these changes as soon as possible and to achieve the outcomes we have set ourselves over the next financial year."

For more information please contact:

Peter Lalor, Executive Chairman

David Paull - General Manager, Business Development & Marketing

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Or our home page on www.sog.com.au

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