



Kingsgate

Consolidated Limited

ABN 42 000 837 472

30 October 2015

**Via ASX Online
(2 pages)**

FOR PUBLIC RELEASE

Manager
Company Announcements Office
Australian Securities Exchange

Proposed Divestment of Challenger Gold Mine

Kingsgate Consolidated (ASX:KCN) is pleased to announce that it has executed an “Option Agreement” to sell its 100% owned Challenger Gold Mine in South Australia to a 50/50 Joint Venture between Diversified Minerals Pty Ltd (a 100% owned associate of the PYBAR Group) and WPG Resources Limited (“Purchasers”), at the completion of the current life-of-mine plan and exhaustion of reserves in February 2016.

“The sale of Challenger is a key plank in our strategy of reinvigorating the company,” Kingsgate Chief Executive Officer, Mr Greg Foulis said.

“It gives us the opportunity to refocus our priorities and pursue meaningful new business and mine development opportunities.”

“Kingsgate retains a \$25 per ounce royalty on the Challenger South South West Zone as a key part of the agreement, which will ensure we can capitalise on any future exploration upside with the Purchaser taking on the full closure and rehabilitation liabilities.”

Key terms of the Heads of Agreement include:

- The Purchasers will have the option, which is exercisable by no later than 31 December 2015, to purchase all of the shares in Challenger Gold Operations Pty Ltd the entity that owns the Challenger Gold Mine and associated assets;

- During the option period the Purchasers will finalise their legal, regulatory and technical due diligence and the parties will complete and execute a Share Purchase Agreement;
- Kingsgate will operate the mine up until completion of commercial production in February 2016, with the mine then placed on Care and Maintenance;
- Kingsgate will be responsible for all expenditures and liabilities up to the point of Care and Maintenance;
- The Purchasers will assume all ongoing closure liabilities;
- Kingsgate will receive a cash consideration of A\$1 million to be paid in equal quarterly instalments from the commencement of mill operations by the Purchasers ; and
- Kingsgate will retain a A\$25 per ounce revenue royalty on the Challenger SSW Zone that takes effect after the first 30,000 ounces of production.

Kingsgate estimates that 20,000 to 25,000 ounces of gold will be produced between the end of the September quarter and the completion of commercial production in February 2016.

The current Group production forecast for FY16 of 165,000 to 180,000 ounces was predicated on the February closure and therefore, the full-year forecast remains unchanged.

This portfolio rationalisation will see Kingsgate focus activities around its core strategic assets being the Chatree Gold Mine in Thailand, and the prospective Nueva Esperanza development project in Chile.

"I firmly believe our development project at Nueva Esperanza, and South America more broadly, are keys to the future for Kingsgate and will enable the rebuilding of shareholder returns." Mr Foulis said.



Greg Foulis
Chief Executive Officer
Kingsgate Consolidated Limited

For further information, please contact:
Greg Foulis, Chief Executive Officer
Ph: +61 2 8256 4800

For investor relations enquiries, please contact:
Jamie Gibson, Senior Manager Corporate Affairs
Ph: +61 2 8256 4800 or jgibson@kingsgate.com.au