



Kingsgate

Consolidated Limited

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CHALLENGER TO FOCUS ON HIGHER GRADE CHALLENGER WEST ORE BODY

Kingsgate Consolidated Ltd (ASX: KCN) advises that following the implementation of a new mine plan operations at the Challenger Gold Mine will transition to a focus on the higher grade Challenger West ore body. This is expected to result in an annual production rate of 70,000 to 80,000 ounces.

Challenger will continue to focus on lowering costs, with the “Kingsgate Lean” program that was introduced across the Group, and the new mine plan is expected to substantially reduce capital and operating expenditure through:

- A 30% reduction in mine development costs;
- A new mining contract with materially lower mining costs is to be implemented from 1 August 2013, following the end of the current mining contract;
- Mining of higher grade ore from Challenger West that has delivered a grade of 6.7g/t gold from mining to date; and,
- Fewer employees due to reduced underground development and the potential move to batch processing.

After a transition period of three months, Challenger is forecast to be cash flow positive after all operating and capital expenditure at current spot prices. To provide greater certainty to the operating plan and to minimise the revenue risk related to the volatility in the A\$ gold price, a gold hedging program is being considered during the interim mining period.

The new mine plan is the result of a strategic review of the Challenger Gold Mine in response to recent gold price volatility and the operating performance over the last 12 months.

The key conclusions of the review are:

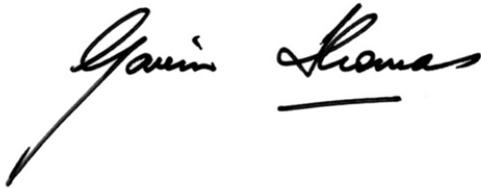
- 1) The mining operation will shift focus solely to the higher grade Challenger West ore body following a transition period over the next three months. Ore is currently sourced from a combination of Challenger West, Challenger Main and Challenger Deeps.
- 2) An interim mine plan will be implemented for the balance of the 2013/14 fiscal year to facilitate the move of mining operations to Challenger West. This will provide the time and flexibility to undertake a six month drill program to confirm the continuity of the Challenger West structure over the indicated 900 metres of plunge extension that also remains open at depth.
- 3) Following the transition to Challenger West, and a successful delineation of the down plunge extension of the ore body during the interim mining period, the new mine plan has the potential to produce at an annualised rate of between 70,000 and 80,000 ounces for the next two to three years,

The new Challenger West operating plan and the current uncertainty in metal prices will likely result in a significant change to the Ore Reserves estimate at Challenger. A new resource and reserve estimation is currently underway and is expected to be completed within the next two months.

Given the new life-of-mine plan, the operational changes at Challenger and the lower gold price environment, it is likely that a significant non-cash impairment charge in the order of A\$300 million will be made against the carrying value of Challenger as part of Kingsgate's 2012/13 financial accounts.

Gavin Thomas, Kingsgate's Managing Director and Chief Executive Officer, said "the new strategic plan highlights the operational flexibility in the Challenger mine and the opportunity available to adapt to changing market conditions.

Whilst there is still significant work to be completed on Challenger West, the mining and exploration results completed to date highlight the potential for this to support a more sustainable mining operation at Challenger".



Gavin Thomas
Managing Director & CEO
KINGSGATE CONSOLIDATED LIMITED