



ASX and Media Release

WPG enters into exclusive Option Agreement to acquire the Challenger Gold Mine

Highlights

- Exclusive option to acquire the Challenger gold mine and South Australian exploration assets from Kingsgate Consolidated Limited (KCN)
- Acquisition includes all bonds, assets and infrastructure including the existing CIL plant, camp and airstrip
- KCN to finalise mining and processing activities by approximately 28 February 2016 under an agreed mine plan
- Mine to be placed on care and maintenance by KCN with no residual employee or contractor liabilities
- Acquisition in 50/50 JV with Diversified Minerals Pty Ltd (DMPL) with WPG appointed as manager and PYBAR Mining Services as preferred mining contractor
- Binding agreements to be executed following completion of due diligence and exercise of option to purchase Challenger
- WPG and DMPL to re-open mine after development of revised mine plan
- WPG implementing regional play strategy in the Gawler Craton and transitioning to gold production
- DMPL to subscribe for a strategic investment in WPG between \$800,000 and \$1,200,000 at 3.1 cents per share upon exercise of the option to purchase Challenger

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WPG Resources Ltd (ASX: WPG) is pleased to announce it has entered into an exclusive Option Agreement to acquire the Challenger Gold Mine and South Australian exploration assets from Kingsgate Consolidated Limited (ASX: KCN). The purchase price is \$1 million payable after milling operations recommence. In addition a royalty is payable on potential future production from the Challenger South South West (CSSW) discovery. The acquisition includes all bonds, assets and infrastructure which includes the existing CIL plant, camp and airstrip.

Diversified Minerals Pty Ltd (DMPL), an entity within the PYBAR Group (PYBAR), has agreed to enter into a 50/50 joint venture over these assets with WPG as manager when the option is exercised.

KCN will continue to operate the Challenger Gold Mine under an agreed mine plan until closure on approximately 28 February 2016 when the mine will be placed on care and maintenance with no residual employee or contractor liabilities.

Binding Agreements are to be executed following successful completion of due diligence and exercise of the option which is anticipated to be completed within 6 weeks. Completion will occur after the operation is placed on care and maintenance by KCN.

If the option is exercised, WPG and DMPL will re-open Challenger after development of a revised mining plan based on extraction of known resources focussed on the Challenger West mineralised zone.

WPG's Executive Chairman Bob Duffin said: "Challenger is an excellent asset which WPG has had its eye on for some time. WPG has already undertaken substantial technical due diligence on the Challenger mine and believe that the mine can be successfully re-opened through a combination of smaller scale mining and reducing mining dilution.

"The Challenger Gold mine has operated successfully for over 10 years and has produced in excess of 1 million ounces of gold. KCN has successfully demonstrated over the last 18 months that by controlling costs, the mine can be operated profitably and we expect further savings through minimising mining dilution and further restructuring of the mine's operating costs. We are delighted to be working with the PYBAR Group whose expertise in the efficient mining of narrow orebodies will be a key to the successful re-opening of the Challenger mine.

"After the mine is placed on care and maintenance and completion of the agreed Mine Plan by KCN we anticipate there will be over 140,000 ounces of gold remaining in resource which equates to a very attractive acquisition price of A\$7.14 per ounce. KCN significantly wrote down the resource estimate at Challenger in its 2015 Resource and Reserve report after eliminating all inferred resource below the 215 shear and a reduction in the Challenger West resource estimate.

“In addition to the existing resource envelope, mineralisation continues along plunge from current workings and excellent potential exists to develop parallel mineralised structures. Over recent months KCN has developed an exploration drive and undertaken drilling within the Challenger South South West Zone (CSSW) located some 300m to the north-east of the Challenger West orebody. This is yielding encouraging results for the potential replication of the primary M1/M2 lodes previously exploited at Challenger.

“Challenger is located close to our existing Tarcoola and Tunkillia projects in the Gawler Craton which will provide significant operating synergies to all of our assets. We are targeting the production of gold at Challenger in 2Q 2016 and in 3Q 2016 at Tarcoola.

“The acquisition also includes a substantial exploration tenement package surrounding the Challenger mine and includes the Bartons West mineral sands project.”

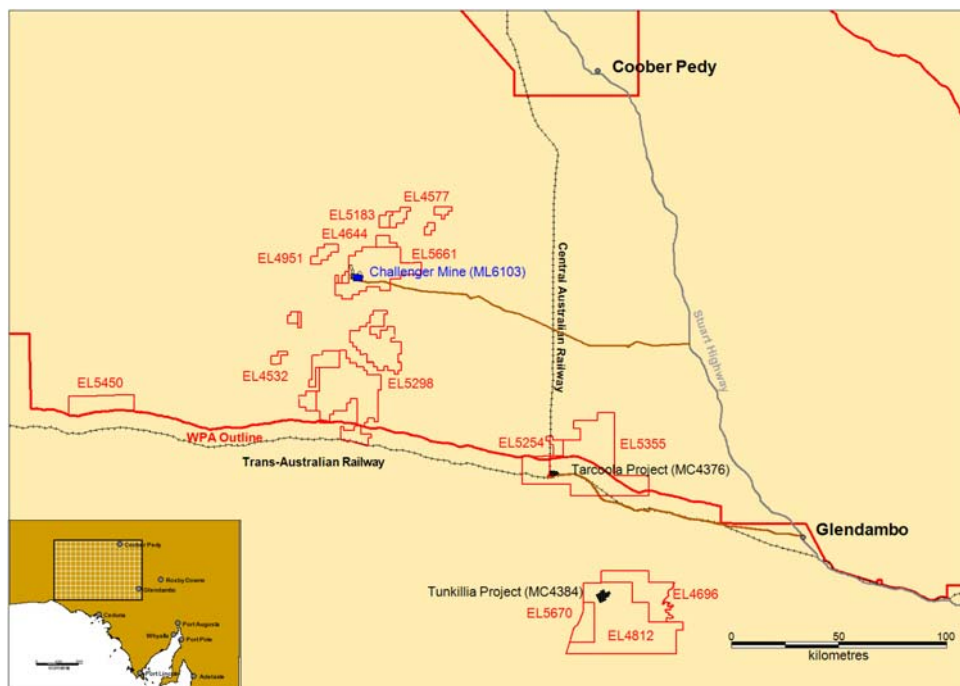


Figure 1 – Location of the Challenger gold project and tenements

DMPL Director, Mr Andrew Rouse said “DMPL is delighted to be joining with WPG and see the re-opening of the Challenger mine as a significant first step in building a longer term and strategic relationship with WPG. The PYBAR Group has strong expertise in the successful and efficient mining of narrow orebodies and believe that the economics of Challenger can be significantly enhanced by reducing mining dilution and optimised manning and equipment selection.”

Option Agreement

The Challenger Gold mine and exploration assets are held by Challenger Gold Operations Pty Ltd (CGO), a 100% owned subsidiary of KCN. Under the Option Agreement WPG and PYBAR have six weeks to finalise due diligence and to exercise the option to acquire CGO. Binding Agreements are to be executed following exercise of the option with completion to occur on approximately 28 February 2016 when KCN has finalised mining under an agreed plan and has placed the mine on care and maintenance.

WPG and DMPL paid KCN an option fee of \$25,000 on execution of the exclusive Option Agreement and a \$75,000 deposit will be paid when the option is exercised and Binding Agreements executed.

Total consideration will be \$1 million which is payable in four equal quarterly instalments with the first due within 30 days of the recommencement of milling operations at Challenger. The first payment will be offset by the \$100,000 combined option fee and deposit.

KCN will be paid a NSR royalty of \$25 per ounce on gold sold from the CSSW envelope to apply after the first 30,000 ounces of gold are produced from CSSW. No resource currently exists in the CSSW envelope. No KCN royalty applies from production from any other areas.

DMPL Share Subscription

DMPL has agreed to subscribe for between \$800,000 and \$1,200,000 in fully paid ordinary shares of WPG at an issue price of 3.1 cents per share upon completion of due diligence and the exercise of the option to acquire CGO.

PYBAR Mining Services

PYBAR is a nationwide provider of core competencies in metalliferous underground hard rock mining. Founded in 1993, PYBAR's success to date is based on safe, rapid underground infrastructure development and consistent reliable production, delivering on project from large established mining operations to greenfield developments.

Headquartered in Orange, Central NSW, and privately owned, the PYBAR Group has established infrastructure and operations across Australia.

The PYBAR Group provides a comprehensive service offering to the mining industry through a number of businesses including PYBAR Mining Services as underground contractors, HMR Drilling Services (exploration drilling) and JTMEC (mining electrical). As a wholly owned associate Company, Diversified Minerals, holds a number of PYBAR's investments in other companies and projects.

PYBAR has achieved a position of third largest underground hard rock mining contractor in Australia by focussing on productivity and the needs of their clients.

More can be found at: <http://www.pybar.com.au> or e-mail enquiries@divminerals.com.au

Challenger Resources and Reserves

The 30 June 2015 published resource estimate for the Challenger gold mine is a total of 0.81 million tonnes at an average grade of 7.47 g/t gold for 0.19 million ounces of contained gold. Further details are set out in the table below. The information is extracted from the report entitled “Kingsgate 2015 Mineral Resources and Ore Reserves” created on 23 October 2015 and is available to view on www.asx.com.au. WPG has not undertaken any work on the project that would impact this published resource estimate.

Mineral Resource Category	Tonnage (Million)	Grade (g/t Au)	Gold (M oz)
Measured	0.38	5.15	0.06
Indicated	0.37	9.70	0.12
Inferred	0.06	8.41	0.02
Total	0.81	7.47	0.19

The 30 June 2015 published ore reserve estimate for the Challenger gold mine is a total of 0.59 million tonnes at an average grade of 4.05 g/t gold for 0.08 million ounces of contained gold. Further details are set out in the table below. The information is extracted from the report entitled “Kingsgate 2015 Mineral Resources and Ore Reserves” created on 23 October 2015 and is available to view on www.asx.com.au. WPG has not undertaken any work on the project that would impact this published ore reserve estimate.

Ore Reserves Category	Tonnage (Million)	Grade (g/t Au)	Gold (M oz)
Proved	0.40	4.28	0.06
Probable	0.19	3.58	0.02
Total	0.59	4.05	0.08

Further Information

For further information please contact WPG’s Managing Director & CEO, Martin Jacobsen or CFO Wayne Rossiter on (02) 9251 1044.