Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

KINGSGATE CONSOLIDATED LIMITED

ABN

42 000 837 472

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Executive options
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	640,000
3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Please refer to attachment A

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Not applicable
5	Issue price or consideration	Nil
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Executive Incentives and Rewards Package
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	28 October 2005

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable)	85,769,008	Ordinary shares

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable)	Please refer to Attachment B	

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements *in full* through a broker?	Not applicable
31	How do +security holders sell *part* of their entitlements through a broker and accept for the balance?	Not applicable

+ See chapter 19 for defined terms.

32	How do +security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	+Despatch date	Not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) ☐ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	
39	Class of +securities for which quotation is sought	
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	

		Number	+Class
42	Number and +class of all +securities quoted on ASX (*including* the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: .... Date: 26 October 2005.
(~~Director~~/Company secretary)

Print name: John Falconer
....

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ATTACHMENT A

KINGSGATE CONSOLIDATED LIMITED
TERMS AND CONDITIONS OF OPTIONS 720,000 EXECUTIVES OPTIONS

1. Entitlement

(a) The terms and conditions set out in this Annexure apply to the issue of 640,000 options to Executives of Kingsgate Consolidated Limited and subsidiaries ("**Option Holders**").

(b) Executives of Kingsgate Consolidated Limited and subsidiaries shall be issued with 640,000 options with the following exercise prices, expiry dates and vesting periods:

Number of options	Exercise price	Expiry date	Vesting
50,000	$3.00	26 October 2010	26 October 2005
30,000	$4.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
80,000	$5.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
80,000	$6.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
25,000	$3.25	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
50,000	$4.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
100,000	$5.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
100,000	$6.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
125,000	$7.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008

(d) Subject to option terms 8, 9 and 10 each option entitles the registered Option Holder to subscribe for and be allotted one ordinary share in the capital of Kingsgate Consolidated Limited ("**Company**"), credited as fully paid.

(e) The Company must, as soon as it is reasonably practicable to do so, allot shares on exercise of the option in accordance with the listing rules ("**Listing Rules**") of the Australian Stock Exchange Limited ("**ASX**") and register the Option Holder or its nominee as a shareholder in the register of members in respect of the shares so allotted. No option may be exercised if to do so would contravene the *Corporations Act 2001 (Cth)* ("**the Act**") or the Listing Rules.

(f) Shares issued on exercise of the options will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue.

2. Exercise of Options

(a) An option is exercisable by the registered Option Holder lodging the notice of exercise of option in the form set out below together with payment, subject to option terms 8, 9 and 10 the exercise price for each share to be issued on exercise and the relevant option certificate, at any office of the Company's share registry. The exercise of some options only does not affect the registered Option Holder's right to exercise other options at a later time.

(b) Remittances must be made payable to the Company and cheques should be crossed "not negotiable".

(c) The various types of options vest and may be exercised at any time on or after 9.00 am on the Vesting Date shown in paragraph 1(b) above.

3. Lapse of Options
If the Executive resigns any options that have not vested at the termination date will be cancelled. The Executive shall have 3 months from the termination of employment to exercise vested Options, all unexercised Options shall lapse after this 3 months period.

If the Executive's termination of employment is in the event of a Change Of Control in the Company then all options will vest in full on the termination date. The Executive shall have 3 months from the termination of employment to exercise vested Options, all unexercised Options shall lapse after this 3 months period.

Otherwise, Options not exercised by 5:00pm of the expiry date will lapse.

4. Transfer

Options are not transferable.

5. Option certificates

No exercise of an option represented by an option certificate may be registered until that certificate is surrendered to the Company or the Option Holder provides the Company with a statutory declaration, in a form satisfactory to the Company, to the effect that the certificate has been lost or destroyed and indemnifies the Company against any loss or damage if the original certificate is found.

If the Option Holder exercises less than all options represented by a certificate then the Company will cancel the certificate and issue a new certificate for the balance.

6. Quotation

Quotation of the options on the ASX will not be sought by the Company. The Company must apply to the ASX for official quotation of the shares issued on any exercise of an option.

7. Dividends

Shares issued on any exercise of an option will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of each issue.

8. Bonus Issue

If the Company makes a bonus issue of shares or other securities pro rata to holders of ordinary shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

An option had not been exercised in full; or

An option had been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

Then the number of shares over which the option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

9. Rights issue

If the Company makes an offer of ordinary shares pro rata to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where (S+D) (as defined below) exceeds P (as defined below) at a time when:

- an option has not been exercised in full; or
- the option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue.

Then the Exercise Price per share will be reduced according to the following formula:

$$O1 = \frac{O - E\,(P - S + D)}{N + 1}$$

Where:

O1 = the new Exercise Price per share

O = the old Exercise Price per share

E = the number of shares into which one option is exercisable

P = the average market price of fully paid ordinary shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the 5 trading days before the ex rights date or ex entitlements date.

S = the subscription price (application money plus calls) for new shares issued under the rights issue.

D = if the ordinary shares are trading on the ASX on a ex dividend basis, the (if any) dividends (on a per share basis) which have been declared but not yet paid is existing shares (except those to be issued under the rights issue)

N = number of shares required to be held to receive a right on one new share.

The number of shares which the Option Holder is entitled to subscribe for on exercise of the option shall remain unchanged.

10. Reconstruction

The rights of an Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

12. Advice

The Company must give notice to the Option Holder of any adjustment to the number of shares which the Option Holder is entitled to subscribe for or be issued on exercise of the option or the exercise price per share in accordance with the Listing Rules.

13. Right to participate in future issues

The Option Holder may only participate in new issues of securities to holders of shares to the extent the option has been exercised, if that is permitted by its terms, and the shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give notice to the Option Holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.

ATTACHMENT B

Number and class of all securities not quoted on the ASX (including the securities in clause 2 if applicable)

Number of options	Class
50,000	$4.44 Option expiring 5 February 2006 (KCNAI)
2,560,000	$2.69 to $7.00 expiring 1 April 2010 (KCNAK)
40,000	$4.16 expiring 28 August 2006 (KCNAS)
180,000	$3.93 expiring 29 January 2007 (KCNAU)
50,000	$3.00 expiring 26 October 2010
30,000	$4.00 expiring 26 October 2010
80,000	$5.00 expiring 26 October 2010
80,000	$6.00 expiring 26 October 2010
25,000	$3.25 expiring 1 August 2010
50,000	$4.00 expiring 1 August 2010
100,000	$5.00 expiring 1 August 2010
100,000	$6.00 expiring 1 August 2010
125,000	$7.00 expiring 1 August 2010