



ASX Release

5 December 2019

AuStar Gold Limited ABN 70 107 180 441

Registered Office: 6 Bridge Street, Woods Point VIC 3723

PLACEMENT AND ENTITLEMENT OFFER TO RAISE UP TO \$7.5M

Highlights:

- ✓ **Austar to raise up to \$7.5M through an equity raising comprising:**
 - **A Placement raising \$2.5M; and**
 - **A 1 for 2 pro rata non renounceable entitlement offer to raise up to \$5M**
- ✓ **Funds raised will be used to complete the Centennial Mining acquisition, fund mine development and capital works, accelerate regional exploration and provide working capital for further growth initiatives**

AuStar Gold Limited (ASX: AUL) (Austar Gold or the Company) is pleased to announce a Capital Raising for up to \$7.5M¹ (before costs) (**Capital Raising**) through:

- a) a placement of fully paid ordinary shares (**Shares**) to sophisticated and institutional investors raising \$2.5M (**Placement**), and
- b) a 1 for 2 pro-rata non-renounceable rights issue of Shares to existing eligible shareholders to raise up to \$5M (**Offer**), which is expected to be partially underwritten for an amount of at least \$1 million.

The Offer Price for each of the Placement, the Offer and the Avior and Gandel Subscriptions (as defined below) is \$0.003 per Share (\$0.30 post consolidation) (the **Offer Price**). In addition, 1 option will be issued for every 3 Shares subscribed for under the Placement, Offer and the Avior and Gandel Subscriptions, exercisable at \$0.006 (\$0.60 post consolidation) and expiring 30 June 2022 (**New Option**).

The Offer Price represents a 25% discount to the last traded price of AuStar Shares of \$0.004 prior to their recent voluntary suspension from trading.

EL&C Baillieu have acted as Lead Manager for the Placement.

In relation to the Placement and the Offer, Avior Consulting and Gandel Metals (or their respective nominees) have provided their commitment to subscribe for Shares in AuStar up to \$900,000 (**Subscription Amount**) on the terms set out below (**Avior and Gandel Subscriptions**).

On completion of the Placement, the Offer (subject to completion of the expected partial underwriting), and the Avior and Gandel Subscriptions, AuStar will have raised a minimum of \$4.4M, satisfying one

¹ This figure excludes the Subscription Amount of \$900,000, which may be in addition to the \$7.5M in the event there is no Offer shortfall and Gandel Metals exercises its discretion to contribute by way of a special purpose placement following completion of the Offer

of the remaining conditions precedent to the acquisition of Centennial Mining Limited (**Centennial**) under the Deed of Company Arrangement (**DOCA**) issued to the creditors of Centennial².

The current conditions precedent under the DOCA are set out in the Schedule to this Release.

The date for satisfaction of the conditions precedent under the DOCA has been extended to 24 January 2020 subject to AuStar entering into a binding and enforceable (subject to its terms) underwriting agreement with Claymore Capital Pty Ltd in relation to the Offer for at least \$1 million prior to the opening of the Offer. The underwriting agreement will be subject to terms and conditions which are considered usual for underwriting agreements of this nature.

\$2.4M of the funds raised from the Capital Raising will be contributed to the closure of the DOCA, with the balance of funds to be used to for: (a) capital development at the A1 mine including a two-level decline development; (b) capital improvements at both the Maldon and Morning Star processing plants; (c) in-mine resource drilling; (d) regional exploration; (e) working capital and transaction costs; and (f) potential further growth initiatives.

It should be noted that neither all of the conditions precedent nor the formalities of closure of the DOCA are within the control of AuStar and, accordingly, it cannot guarantee transaction completion.

Consolidation of the Company's Shares on a 100 to 1 basis was approved by the Company's shareholders at the Annual General Meeting held on 29 November 2019. Consolidation is expected to be completed on or around 5 December 2019. The numbers set out in this announcement in relation to the Capital Raising are on a post consolidation basis, as allotment of Shares and New Options under the Placement, the Offer and the Avior and Gandel Subscriptions will take place after consolidation is completed.

AUL Chairman Mr Frank Terranova commented:

"Finalising the announced capital raising and associated transaction will see Austar Gold, with its partners from Centennial Mining, create a truly sustainable and scalable gold company within the region, with both current cash-generating production and significant growth potential from mining operations and exploration of the Company's world class tenement portfolio."

"Bringing together all commercial mining operations and virtually the entire Walhalla to Jamieson gold province within a single company has been a long term goal and one which we believe will richly reward shareholders."

"I would like to thank the existing and new investors in the Company who have so strongly supported the Placement, the Lead Manager and Directors who have worked tirelessly to advance the Capital Raising and transaction to this point."

Further details regarding the Capital Raising are set out below.

² Refer AUL ASX Release dated 3 September 2019 for further details regarding the conditions precedent and other terms of the DOCA

The Placement

Agreement has been reached with sophisticated and institutional investors for a Placement of 8,333,333 Shares (**Placement Shares**) and 2,777,777 New Options (**Placement Options**) in the Company to raise a total of \$2,499,999.90.

Participants in the Placement include related parties of the following Auster Directors and the issue of a total of 1,080,000 shares and 360,000 Placement Options to them is subject to shareholder approval under Listing Rule 10.11 at a general meeting of the Company's shareholders expected to be held by mid-January 2020 (**General Meeting**).

Director	Shares	New Options	Price
Mr. Philip Amery	166,667	55,556	\$50,000
Mr. Paul McNally	883,333	294,444	\$264,999.90
Mr. Matthew Gill	30,000	10,000	\$9,000
Total Subject to Shareholder Approval	1,080,000	360,000	\$324,000

The Placement Shares are within the Company's placement capacity under Listing Rules 7.1 and 7.1A, however, as the Placement Shares will be issued following the General Meeting, Shareholders approval to their issue will also be sought under Listing Rule 7.4.

Issue of the Placement Options is outside the Company's Listing Rule 7.1 and 7.1A capacity and will also be subject to shareholder approval at the General Meeting.

Shareholder approval will also be sought to approve the Avior and Gandel Subscriptions, in the event the Offer shortfall is insufficient.

A Notice of Meeting for the General Meeting is currently under preparation and expected to be dispatched in the next two weeks.

Allotment of the Placement Shares and the Placement Options will take place following the closure of the Offer and the holding of the General Meeting. The Company will make application to the ASX for quotation of the New Options.

EL&C Baillieu have acted as Lead Manager for the Placement and will be paid a management fee of 3% (+ GST) of the total amount raised under the Placement upon completion of the Placement.

The Entitlement Offer

Under the Offer, eligible shareholders will be able to subscribe for 1 New Share for every 2 Shares held by them on the Record Date at the Offer Price of \$0.30. In addition, 1 New Option will be issued for every 3 New Shares issued under the Offer, exercisable at \$0.60 (post consolidation) and expiring 30 June 2022. The Company will make application to the ASX for quotation of the New Options.

The Offer is expected to be partially underwritten. AuStar has entered into an agreement with Evolution Equities Pty Ltd (**Evolution**) in relation to the Offer, under which it is proposed that Evolution's nominee, Claymore Capital Pty Ltd, is engaged as the partial underwriter for the Offer for an amount of \$1M. The terms of the underwriting agreement are in the process of being finalised.

The Directors have reserved the right to place any shortfall above the amount underwritten at their discretion within 3 months of the closing date of the Offer. Further details regarding the terms of the partial underwriting will be provided in a Prospectus for the Capital Raising (**Prospectus**).

Entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Shareholders who do not take up their entitlements will not receive any value in respect of those entitlements that they do not take up.

In addition to being able to apply for New Shares and New Options under the Offer, eligible shareholders will also have the ability to apply for additional New Shares and receive additional New Options, in excess of their entitlement that are not subscribed for by any other eligible shareholders under Offer.

Further information on the Offer, the Placement and the Avior and Gandel Subscriptions will be set out in the Prospectus, which will be mailed to Eligible shareholders with a personalised entitlement and acceptance form. A copy of the Prospectus will also be lodged with ASX. Austar will also dispatch a letter in relation to the Offer to each holder of options. Those shareholders who Austar determines to be ineligible shareholders will also be notified.

The timetable for the Offer, the Prospectus, underwriting agreement and notice of General Meeting are currently being finalised and the Company expects to be in a position to lodge and dispatch the Prospectus and Notice of Meeting within the following two weeks, with a view to holding the General Meeting and closing the Offer and the Placement by mid-January 2020.

The Avior and Gandel Subscriptions

Avior Consulting (or its nominee) has committed to subscribe for Shares in AuStar in the amount of \$400,000 by way of a placement from the Offer shortfall, if any, or by way of a special purpose placement following completion of the Offer if the Offer Shortfall is insufficient (**Avior Subscription**).

Gandel Metals (or its nominee) has committed to subscribe for Shares in AuStar up to the amount of \$500,000, by way of a placement from the Offer shortfall, if any, of the amount required for the total of the Capital Raising (including the amount of the Avior Subscription) to be a minimum of \$4.4 million, or at the discretion of Gandel Metals, in excess of the \$4.4 million, by way of a special purpose placement following completion of the Offer, if the Offer Shortfall is insufficient (**Gandel Subscription**).

In addition, Avior Consulting and Gandel Metals will receive 1 free attaching New Option for every 3 shares subscribed for under the Avior Subscription and the Gandel Subscription, respectively.

The Avior Subscription and the Gandel Subscription (if required) will take place following completion of the Placement and the Offer, by way of a placement from the Offer shortfall, if any, of the amount required for the total of the capital raising from the Offer and the Placement to be a minimum of \$4.4 million.

In the event that:

- a) in the case of the Avior Subscription, there is no Offer Shortfall; and
- b) in the case of the Gandel Subscription:
 - (i) the total funds raised from the Placement and the Offer exceeds a minimum of \$4.4 million,
 - (ii) there is no Offer shortfall, and
 - (iii) Gandel Metals exercises its discretion to contribute \$500,000 by way of a special purpose placement following completion of the Offer,

the Avior Subscription and the Gandel Subscription will be completed by way of a special purpose placement following completion of the Offer.

The following table sets out the number of Shares and New Options that will be issued to each of Avior Consulting and Gandel Metals (or their respective nominees) in such event and the maximum amount to be raised in addition to the \$7.5 million raised by the Placement and the Offer.

Subscriber	Shares	New Options	Amount raised
Avior Consulting	1,333,334	444,445	\$400,000
Gandel Metals	1,666,667	555,556	\$500,000
Total	3,000,001	1,000,001	\$900,000

The Board of AuStar would like to thank all shareholders and participants in the Placement for their support at this important and exciting time for the Company.

The trading suspension in the Company's shares can now be lifted.

Authorised by the Board of Austar Gold Limited.

For more information please contact:

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Schedule

The Current Conditions Precedent under the DOCA are set out below (the highlighted conditions have been met or conditionally met)

Completion Date	Conditions Precedent
<u>To be satisfied by Deed Administrator</u>	
Conditionally Approved	Convene a meeting of the Companies' creditors to approve the amendments to the Varied DoCA
Conditionally Approved	Obtain leave from the Court pursuant to section 444GA of the Corporations Act ('Act') to transfer Centennial Shares in accordance with the Amended Varied DoCA
At completion	Obtain written consent from Mining Lending for the conversion of its debt to equity
Ongoing	Obtain confirmation from secured creditors that they will release and discharge all security interests in the Companies upon transfer of their allocated shares in Centennial
Completed 20 November 2019	Obtain relief pursuant to section 606 of the Act from ASIC
<u>To be satisfied by Austar Gold Limited ('Austar')</u>	
Ongoing	Obtain a recommendation from Austar's board for any approvals required for the recapitalisation
24 January 2020	Obtain any of the shareholder or other approvals necessary to undertake the recapitalisation transaction
28 November 2019	Commit to a consolidation of its issued capital at the rate of 100:1 resulting in Austar not more than 33,903,104 of total shares on issue
24 January 2020	Complete a new capital raising of not less than \$4.4 million at an issue price of 30 cents per share (post consolidation)
24 January 2020	Pay the Deed Administrators \$2.4 million at the conclusion of the above capital raising to be used to fund the DoCA contribution
24 January 2020	Austar agreeing to issue shares to the future shareholders in Centennial as documented in the Amended Varied DoCA
<u>To be satisfied by the Proponent (Avoir Consulting)</u>	
Completed 22 November 2019	Introduce investors to participate in Austar Gold's capital raising for a minimum of \$400,000
24 January 2020	Pay the Deed Administrators \$100,000 to be used in part to fund the DoCA contribution
<u>To be satisfied by the Gandel Parties</u>	
24 January 2020	Pay the Deed Administrators \$650,000 to be used in part to fund the DoCA contribution