



ASX Release

3 April 2020

AuStar Gold Limited ABN 70 107 180 441  
Registered Office: 6 Bridge Street, Woods Point VIC 3723

## AUSTAR GOLD ADVISES CONVERTIBLE NOTE ISSUANCE TO FUND MINE DEVELOPMENT

AuStar Gold Limited (ASX:AUL, AuStar Gold or the Company) is pleased to announce that it has completed the issue of convertible notes (Convertible Notes) raising \$1,400,000 (Funds Raised) (before costs).

The Funds Raised are expected to be fully settled on or before 7 April 2020 and will be used for mine productivity enhancements, in-mine drilling programs, processing enhancements and working capital purposes. The current application of funds, as determined by the Board, is expected to be as follows:

Mechanisation and other mine productivity enhancements:	A\$100,000
In-mine drilling program:	A\$300,000
Processing and recoveries enhancements:	A\$260,000
Working capital, new business and general corporate purposes:	A\$720,000
Costs of the offer	A\$20,000
<b>Total</b>	<b>A\$1,400,000</b>

AuStar Gold Chairman, Philip Amery, commented: “With the completion of this fundraising, the Company will rapidly advance further in-mine drilling at Morning Star, advance its existing operational and exploration assets while assessing further growth opportunities. The team at Morning Star is achieving excellent operational outcomes mining at a limited scale, the business now intends to identify new mining opportunities, aiming for ongoing, scaled up production from multiple headings. We look forward to keeping shareholders informed and to finally delivering on the potential AuStar’s asset base has always possessed.”

The Convertible Notes were offered to sophisticated, professional and other investors (Note Holders) who qualified under section 708 of the Corporations Act 2001 (Cth) (Corporations Act) and include entities associated with Mr Philip Amery, Mr Paul McNally and Mr Matthew Gill, directors of the Company (Participating Directors) for the following amounts:

- Mr Philip Amery \$50,505
- Mr Paul McNally \$265,000
- Mr Matthew Gill \$9,000

The grant of the rights of conversion to the Participating Directors, and the exercise of such rights of conversion, are subject to and conditional upon approval of the shareholders of the Company in accordance with Listing Rules 10.11 at a General Meeting to be called by the Company in due course (General Meeting).

Each Convertible Note:

- has a face value of \$100;
- bears interest at 7% per annum, payable quarterly in arrears;
- is an unsecured obligation of the Company;
- may be converted at the election of the Note Holder prior to 31 March 2021 (the **Maturity Date**) into Shares at an issue price of 20 cents per Share; and
- at the election of the Note Holder is repayable in cash or convertible into shares on the Maturity Date at 80% of the average daily VWAP during the 30 Trading Days prior to that date.

The Convertible Notes will not be quoted or tradable on the ASX.

Further details of the terms of the Convertible Notes are set out in Annexure 1.

AuStar would like to thank Barclay Pearce Capital as Advisor to the offer. Barclay Pearce Capital are also providing certain corporate, strategic and M&A advice to the Company.

Subject to and conditional upon shareholder approval to be sought at the General Meeting, each Note Holder will receive 200 options for each Convertible Note issued to them, exercisable at 20 cents per option on or before 30 June 2021 (**Attaching Options**).

Released by order of, and on behalf of, the board of AuStar Gold Limited.

**For Further Information:**

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**About AuStar Gold Limited:**

AuStar Gold Limited is focused on building a valuable minerals inventory to generate sustainable shareholder returns from its portfolio of advanced high-grade gold projects, which host significant infrastructure including a shaft-accessed gold mine and an adit-accessed gold mine, a gold processing plant, a large district-scale strategic tenement footprint, and current gold production.

In addition, AuStar Gold intends to develop its adjoining tenements in the Walhalla to Jamieson gold district (particularly the prolific Woods Point Dyke Swarm) into low-cost high-grade gold production projects through a program of regional exploration and development.

**Disclaimer:**

Statements in this document that are forward-looking and involve numerous risk and uncertainties that could cause actual results to differ materially from expected results are based on the Company's current beliefs and assumptions regarding a large number of factors affecting its business. There can be no assurance that (i) the Company has correctly measured or identified all of the factors affecting its business or their extent or likely impact; (ii) the publicly available information with respect to these factors on which the Company's analysis is based is complete or accurate; (iii) the Company's analysis is correct; or (iv) the Company's strategy, which is based in part on this analysis, will be successful.

## Annexure 1 – Terms of Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes as set out in Convertible Note Agreements entered into by the Company with each Note Holder. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Note Holders.

Maturity Date	31 March 2021
Maturity Price	80% of the average daily VWAP during the 30 Trading Date immediately prior to the Maturity Date
Face Value	\$100
Interest	Interest is payable at 7% per annum, will accrue daily and is payable quarterly in arrears commencing on and from 30 June 2020
Attaching Options	Subject to shareholder approval, each Note Holder will receive 200 options for each Convertible Note issued to them, exercisable at 20 cents per option on or before 30 June 2021
Early Conversion	A Note Holder may elect to convert all amounts outstanding in respect of the Convertible Notes held, including interest ( <b>Amount Outstanding</b> ), into Shares at the price of 20 cents per Share ( <b>Base Price</b> ) prior to the Maturity Date
Election at Maturity	On the Maturity Date, each Note Holder must elect whether to: <ul style="list-style-type: none"> <li>- redeem the Amount Outstanding in cash; or</li> <li>- to convert the Amount Outstanding into Shares at the Maturity Price</li> </ul>
Early Redemption by the Company	Prior to the Maturity Date, the Company may redeem all outstanding Convertible notes for the 105% of Face Value ( <b>Redemption Amount</b> ) plus all accrued and unpaid interest owing at the date of redemption.  Early redemption by the Company may only be given on the first Trading Day of a calendar month, where the 5 day VWAP for the 5 Trading Days prior to that date is less than the Base Price.
Ranking	The Convertible Notes constitute unsecured obligations of the Company; rank equally with all other unsecured obligations of the Company; and rank behind secured obligations of the Company.  Shares issued upon conversion of the Convertible Notes will rank equally in all respects with existing ordinary shares of the Company.
Quotation	The Convertible Notes will not be listed on ASX.  The Company will apply to the ASX for listing of all Shares issued upon conversion of the Convertible Notes.
Shareholder Approval	Shareholder Approval will be sought to issue of the Attaching Options for the purpose of Listing Rules 7.1 and for all other purposes.  Where shareholder approval is required for the conversion of the Convertible Notes or issue of securities under the terms of the Convertible Notes, the

	Convertible Notes will not be able to be converted and the Securities will not be issued, unless and until such approvals are obtained.
Warranties and Representations	The Company has provided representations and warranties to Note Holders usual in transactions of this nature.
Negative Covenants	For so long as there is any Amount Outstanding the Company must not: <ul style="list-style-type: none"> <li>- consolidate its share capital;</li> <li>- change the nature of its business;</li> <li>- make an application under section 411 of the Corporations Act; or</li> <li>- grant any general Security Interest over all of its assets (excluding hire purchase of similar agreements or general Security Interests not exceeding \$500,000 in respect of ordinary working overdraft facilities or as required by law.</li> </ul>
Default	<p>Events of Default include failure to pay moneys due, removal of the Company from listing on ASX, a change of control or the Company or material adverse effect occurring in relation to the Company's operations, assets, liabilities or business.</p> <p>Upon occurrence of an Event of Default a Note Holder, at its election, may redeem the Convertible Notes for the Redemption Amount or convert the Amount Outstanding into Shares at the Maturity Price.</p> <p>In the event that the Company fails to redeem or convert the Convertible Notes following an Event of Default, the Company has agreed to grant to Note Holders a Security Interest over the assets of the Company and all Group Companies securing repayment of the Amount Outstanding, with each Convertible Noteholder ranking equally with the others in terms of priority.</p>