



REPUBLICGold

ASX : RAU



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#### Registered Office

Level 3  
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#### Directors

Ray Shorrocks	Chairman
Mark Gillie	Managing Director and CEO
Dr David King	Non-executive Director
Peter Wicks	Non-executive Director
David Hannon	Non-executive Director

#### Company Secretary

Nick Geddes  
Australian Company Secretaries Pty Ltd  
Level 3, 70 Pitt Street  
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Australia

#### Australian Stock Exchange Listing

Ordinary Shares: RAU

#### Issued Capital

Ordinary Shares: 384,478,960

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## Republic Gold

### Sale of African Stellar Mozambique

#### Highlights

The board of directors ("**Board**") of Republic Gold Limited (ASX:RAU) ("**Company**" or "**Republic**") is pleased to announce:

- the conclusion of the Company's strategic business review;
- the change in strategy resulting from the Company's strategic business review in which the business will, subject to shareholder approval, cease operating directly as an explorer for gold in Mozambique through its subsidiary African Stellar Mozambique Limitada ("**ASMoz**");
- the divestment of ASMoz to Auroch Minerals NL ("**Auroch**") for shares and options in Auroch, subject to certain conditions precedent, including the approval of the Company's shareholders; and
- that the Board continues to review business opportunities to set the business on a new path, and will inform the market as soon as possible and as required under the Company's continuous disclosure obligations when a suitable opportunity has been approved by the Board.

#### Strategic review

As advised in the Company's March Quarterly Activity Report, the Board had directed management to perform a strategic review in response to the prevailing capital markets and operational environment.

While having a healthy cash balance in excess of \$2m and positive drill results as at the end of 2013, in light of the current market the Board did not wish to place the Company in a situation where it had used its excess cash balance of \$2m but had made insufficient progress or results to support a further capital raise, especially if the \$2m was insufficient to fully explore the potential of the Company's existing prospective tenements. The Board considers the ASMoz portfolio of tenements is one that in the right hands and with appropriate capital reserves shows upside in both hard rock and alluvial gold mining.

The results of Auroch's exploration on the adjacent tenement to ASMOz' Mucuramadzi tenement shows the gold-hosting potential of the immediate region. However, the Board did not get the required degree of comfort on the Company's ability to prove up sufficiently the tenements from the \$2m of available capital and it does not believe it is in the best interest of shareholders to proceed with further exploration in an uncertain capital market in the future.

The Board has therefore resolved to sell the Company's stake in ASMOz and cease its operations as a gold explorer in that region currently.

In coming to this position the Board observed the capital market and particularly reflected on the low shareholder uptake of the underwritten bonus issue of options in which only 5% of shareholders, excluding the underwriters, had taken up their rights.

### **Sale of ASMOz**

The terms of the divestment of ASMOz to Auroch are:

- Auroch will acquire 100% of the shares (or "quotas" under Mozambique law) in ASMOz;
- the consideration for the sale of the ASMOz shares will be:
  - the issuance to the Company of 6,538,462 ordinary shares of Auroch;
  - the issuance to the Company of 6,538,462 options to acquire ordinary shares of Auroch, each option being exercisable into 1 ordinary share of Auroch at a strike price of \$0.15 per share expiring 31 December 2016; and
  - the novation by the Company to Auroch of two existing loan agreements between the Company and ASMOz.
- the completion of the sale of the ASMOz shares will be conditional on:
  - no material adverse changes prior to completion in the business, operations, properties, prospects, assets or condition of the Company or Auroch;
  - the novation of the two existing loan agreements between the Company and ASMOz by the Company to Auroch and the continuation of the existing loan arrangements or the execution by Auroch of a new loan agreement between Auroch and ASMOz; and
  - all necessary governmental and regulatory approvals and consents in Mozambique, Hong Kong and Australia;
- Auroch will fund ASMOz by way of a loan from the time of signing to financial close.

The divestment of ASMOz to Auroch is also conditional on the transaction being approved by the Company's shareholders. A notice of meeting and explanatory memorandum concerning the transaction will be mailed to shareholders as soon as available.

Republic's Chairman Ray Shorroks stated "While disappointed that we could not bring our prospective Mozambican tenements to maturity because of the capital required to do so and in light of the prevailing

capital market conditions, we are nonetheless pleased that shareholders will be able to participate in the upside of our tenements through the ongoing linkage with Auroch and the benefit Auroch derives from the amalgamation of its current tenements and our own.”

### **Auroch Minerals NL**

Like Republic, Auroch is an ASX listed Australian junior gold explorer operating in Mozambique and has adjacent tenements to the Company’s Mucuramadzi tenement. Auroch has JORC resources of 2.8m ounces gold (refer to Auroch’s ASX announcement “Updated Mineral Resource Estimate, Manica Gold Project” released on 4 March 2014). Further information about Auroch will be provided in the explanatory memorandum which will accompany the notice of meeting to be mailed to the Company’s shareholders. In the meantime, shareholders are invited to read about Auroch’s operations on their website [www.aurochminerals.com](http://www.aurochminerals.com) or via their announcements released to the ASX at [www.asx.com](http://www.asx.com).

Striking the deal for a mix of Auroch shares and options exercisable into Auroch shares will allow Republic shareholders to benefit from the inherent value in the ASMoz tenements in the hands of Auroch, due to Auroch’s scale and proximity, that may not have been available in a sale to a third party. Further, should the ASMoz tenements prove up as expected under Auroch’s ownership, the potential resulting increase in share price of the Auroch stock will also benefit Republic shareholders.

Auroch will not only acquire from Republic the Mucuramadzi tenement adjacent to its Guy Fawkes site, but it will also acquire the two other fully owned tenements in the region (Gondoloa and Sussendenga). ASMoz has a further four tenements currently under application with the Mozambique Minister of Mines. A key tenement is also located next to the existing Auroch tenement and ASMoz’ Mucuramadzi tenement. When considered with Auroch’s existing and joint ventured tenements in the region, Auroch has very extensive coverage of a significant portion of the Mutare greenstone belt in Mozambique.

### **Business strategy moving forward**

The Board continues to evaluate business proposals which would be suitable to pursue in execution of the Company’s business and operational objectives, and will inform the market with any updates as required by the continuous disclosure obligations of the ASX listing rules. Depending on the nature of the business proposal being considered, approval by the Company’s shareholders may be required before any transaction may be formally concluded.

### **Treatment of Auroch consideration shares and options**

The Board has decided to retain the Auroch shares and options received as consideration for the sale of ASMoz, as it believes that this may potentially offer shareholders greater value in the medium to long term. Doing so is also aligned with the Board’s view that the combined ASMoz and Auroch tenement holding will generate scale and mining plan benefits significantly stronger than each business working independently.

**Shareholder vote**

The notice of meeting and explanatory memorandum will be mailed to shareholders as soon as available.

Yours sincerely

Ray Shorrocks

Chairman