

15 November 2018

MARKET RELEASE

Cleansing notice under section 708A(12C)(e) of the Corporations Act 2001 (Cth)

Ausmex Mining Group Ltd ACN 148 860 299 (ASX: AMG) (Ausmex or Company) gives this cleansing notice (**Cleansing Notice**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82.

The Company hereby gives notice that:

- (a) the convertible notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

The Cleansing Notice is important and should be read in its entirety.

1. Background

As announced by the Company on 6 November 2018, the Company entered into term sheets with 2 investors for the issue of AU\$1,500,000 in convertible notes (with a further \$1,000,000 being considered by another subscriber, which is still being finalised). This announcement is in respect of the AU\$1,500,000 in convertible notes that have now been issued.

The Company has entered into Convertible Note Subscription Deeds in relation to a convertible note facility with 2 sophisticated investors (**Noteholders**) with an aggregate subscription amount of AU\$1,500,000 (**Facility**) dated 15 November 2018 (**Execution Date**) (**Deeds**). Pursuant to the Deeds, the Company has issued 15 convertible notes with an issue price of AU\$100,000 each (**Convertible Notes**) and with a face value of AU\$120,000 each (**Face Value**). The total Face Value of these notes is AU\$1,800,000.

The Company expects to issue another 10 convertible notes at a total Face Value of \$1,200,000 to another noteholder for an issue price of AU\$100,000 each (total issue price AU\$1,000,000), which will be dealt with in a separate cleansing notice.

Additionally, the Company has agreed to issue 11,250,000 options, exercisable within 48

months at an exercise price of \$0.06695 to the Noteholders.

The Directors consider that the raising of capital by the issue of the Convertible Notes is in the best interests of the Company.

2. Contents of this Cleansing Notice:

This Cleansing Notice sets out the following:

(a) in relation to the Convertible Notes:

- (i) the effect of the issue on the Company;
- (ii) a summary of the rights and liabilities attaching to the Convertible Notes;
- (iii) a summary of the rights and liabilities attaching to the options issued to the Noteholders with the Convertible Note; and
- (iv) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and

(b) any information that:

- (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
- (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - a. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - b. the rights and liabilities attaching to the Shares; and
- (iii) other information relating to the Company's status as a disclosing entity.

3. The Effect of the Issue on the structure of the Company

3.1 Effect of the issue on the Company

The principal effect of the issue of the Convertible Notes on the Company will be to:

- (a) increase the Company's cash reserves by AU\$1,500,000 to be received by the Company pursuant to the issue of the Convertible Notes, less the costs of issue of the Convertible Notes;
- (b) increase the number of unquoted Convertible Notes on issue from nil to 15;
- (c) give rise to the Company having a liability for the aggregate amount of the

Face Value of the Convertible Notes (AU\$1,800,000);

- (d) if the Convertible Notes are converted, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion; and
- (e) increase the number of options on issue.

3.2 Anticipated adjustments to the balance sheet for the Company taking into account issue of the Convertible Notes

- (a) In addition to the changes the financial position of the Company referred to in paragraph 3.1, the capital structure of the Company will be affected by the conversion of the Convertible Notes by the Noteholders, which will result in additional Shares being issued.
- (b) The actual effect of the issued share capital of the Company will depend on the percentage of the Convertible Notes are actually converted, rather than redeemed.
- (c) The statements regarding impact on the financial information is presented in an abbreviated form in this cleansing notice in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The a financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the issued capital of the Company is 404,412,399 ordinary shares.
- (b) The capital structure of the Company will be affected by both:
 - (i) the conversion of the Convertible Notes by the Noteholder by the issue of Shares; and
 - (ii) the exercise of options (exercisable for 48 months from the Execution Date),

which will each result in additional Shares being issued assuming that the options will be exercised.

- (c) Subject to limits on the conversion under the Convertible Note Subscription Deed, the Convertible Notes can be converted in specified monthly amounts up to the date of maturity (being 24 months from the date of issue (**Maturity Date**)) at the request of the Noteholders, or they will automatically be redeemed on the Maturity Date. Limits on conversion apply, depending on the market capitalisation of the Company at the relevant time.

- (d) The conversion price is the lesser of 90% of the average of 5 daily VWAPs chosen by the Noteholders for the 20 Trading Days immediately prior to the Conversion Notice and \$0.06695 per Share (**Floor Price**), where the Floor Price was calculated as 130% of the VWAP for the 20 Trading Days immediately prior to 6 November 2018, being the date of the term sheet executed by the Noteholders. Where the conversion price is less than the Floor Price, the Company at its option may either convert the convertible notes or repay the Face Value of any convertible notes subject of a conversion notice. If the Noteholders convert the maximum number of Convertible Notes at the Floor Price, then 26,885,736 new shares would be issued, where all conversion prices are at the Floor Price. The actual effect of the share capital of the Company will depend on how many Convertible Notes are converted, the conversion price and whether the Company exercises the option to repay the Face Value instead of converting where the conversion price is less than the Floor Price. The effect on the issued share capital of the Company on conversion of all the Convertible Notes is set out in the table below. This is based on a conversion price equal to the Floor Price (Refer to ASX Announcement dated 6 November 2018).

Shares	Number	% pre-conversion	% post conversion
Shares issued on the date of this Cleansing Notice	404,412,399	100	93.8
Shares issued upon conversion of the Convertible Notes	26,885,736	0	6.2
Total Shares	431,298,135	100	100

- (e) In addition to the Convertible Notes, the Noteholders have been granted 11,250,000 options in total, exercisable for 48 months with an exercise price equal to the Floor Price (at a total exercise price of \$753,187.50):

Options	Number	% pre-issue	% post issue
Options on issue at the date of this Cleansing Notice	82,779,412	100	88.0
Options issued under the Convertible Noted Subscription Deed	11,250,000	0	12.0
Total Options on issue following conversion of all Convertible Notes	94,029,412	100	100

Under the Deeds, (subject to the conversion price and the Company's discretion to buy-back the convertible notes in a number of scenarios) the total number of shares that could be issued from the conversion of Convertible Notes and full exercise of the options is 38,135,736 shares.

4. Rights and liabilities attaching to the Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definite statement of the rights and liabilities of the Noteholders:

Term and Maturity Date	24 months from the Execution Date.
Total Face Value of Convertible Notes	AU\$1,800,000
Security	The Convertible Notes are unsecured
Issue Price	The Issue price is \$1,500,000
Issue date of Convertible Notes	The Convertible Notes will be issued on 16 November 2018 of this Cleansing notice.
Conversion Limits	<p>The following limits apply on conversion:</p> <p>(a) The first 3 months from the Execution Date is a lock-up period (no conversions)</p> <p>(b) Between 3 months and 12 months from the Execution Date, each sophisticated investor is limited to converting 10% of the issue price relevant to that sophisticated investor per month.</p> <p>(c) Between 12 months and 24 months from the Execution Date no conversion limits apply.</p>
Exceptions to Conversion Limits	The conversion limits specified above do not apply where the market capitalisation of the Company is less than AU\$10,000,000 or more than AU\$30,000,000 on the relevant date of a Conversion Notice.
Conversion Price	<p>Means the lesser of:</p> <p>(a) 90% of the average of 5 daily VWAPs (in terms of trading day, the volume weighted average price) volume weighted chosen by the Noteholders from the daily VWAPs for the 20 Trading Days immediately prior to the Conversion Notice; and</p> <p>(b) the Floor Price (\$0.06695 per Share).</p>

Conversion	Where the Noteholder gives a Conversion Notice and the Conversion Price is less than the Floor Price, the Company may (at its option), in lieu of issuing the Conversion Shares to the Noteholders, pay the Noteholders in immediately available funds 104.1667% of the Conversion Amount (being 125% of that part of the Issue Price referable to the relevant Conversion Notice).
Floor Price	\$0.06695 per Share
Buy-Back Rights	The Company has sole discretion to buy-back any part of the outstanding balance of the Face Value of the Convertible Notes. If the Company exercises this discretion, the Noteholders may require conversion of up to 25% of the Face Value of the Convertible Notes on issue, and the balance of the Face Value will be bought back.
Options	In addition to any other consideration under the Convertible Note Subscription Deed, the Company is to issue 11,250,000 options (being 70,000 options with each Convertible Note) over Shares in the capital of the Company to the Noteholders, exercisable in the period 48 months from the day the Options are issued, with an exercise price per Share equal to the Floor Price.
Redemption and Redemption on Maturity Date	On the Maturity Date, the Company must buy-back any Convertible Notes still on issue. All Convertible Securities that are redeemed or converted are automatically cancelled on buy-back, redemption or conversion and may not be re-issued.
Transferability	Convertible Notes may be transferred with the prior written approval of the Directors by any common form of written transfer instrument, and to a person or entity that has executed and delivered to the Company and undertaking to observe, perform and be bound by the terms of the Convertible Note Subscription Deed.
Change in capital structure	If the Company undertakes any Share consolidation, subdivision or pro-rata cancellation of the Company's issued capital, or any payment of a dividend in ordinary shares of the Company or distribution of ordinary shares of the Company to holders of its outstanding ordinary shares, the Floor Price will be reduced or increased in the same proportion as the issued capital of the Company is, as the case may be, consolidated, subdivided or cancelled. Such adjustments will be made in the same manner as specified in the Listing Rules, if any manner as specified.

5. Rights and liabilities attaching to Shares issued under the Convertible Notes (and options)

The Shares issued to the Noteholder on the conversion of the Convertible Notes under the Convertible Securities Agreement will rank equally in all respects with all of the Company's existing Shares. The rights and liabilities attaching to the Shares, including new Shares to be issued to the Noteholder on the conversion of the Convertible Notes, are set out in the Company's constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law. The Company's constitution can be inspected free of charge, at the Company's registered office during normal business hours.

The Company intends to apply to ASX for quotation of the Shares issued on conversion of any Convertible Notes.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

General meetings	Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.
Voting rights	<p>Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:</p> <ul style="list-style-type: none">• each Shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and• on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).
Dividend rights	Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the

	Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.
Winding-up	If the Company is wound up, the Shares participate equally in the distribution of the surplus assets of the Company.
Shareholder liability	As the Shares to be issued on the conversion of the Convertible Notes will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.
Transfer of Shares	Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.
Future increase in capital	The allotment and issue of any new Shares is under the control of the Directors. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Company's constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue securities as they shall, in their absolute discretion, determine.
Variation of rights	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is wound up, may be varied with the consent in writing of the holders of 75% of the issued shares of that class or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.
Alteration of constitution	In accordance with the Corporations Act, the Company's constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

The following is a broad summary of the rights, privileges and restrictions attaching to the options to be issued to the Noteholders. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of option holders.

Exercise price	The exercise price is the Floor Price.
Exercise period and expiry date	The options may be exercised in whole, or in part, at any time between the date of issue and the date that is 48

	months from the date of issue.
Quotation	The options will not be quoted on ASX.
Transfer	The options are transferable subject to compliance with the Corporations Act and ASX listing rules.
Participation and entitlements	There are no participating rights and entitlements during the option term and the holder is not entitled to participate in any new issues of security.
Bonus issues	If the Company makes a pro rata issue of shares to Shareholders for no consideration, the number of options will be increased in the same manner as if the holder had exercised the options before the date of bonus issue.
Reorganisation of capital	In the event of a reorganisation of capital including any Share consolidation, subdivision or pro-rata cancellation of the Company's issued capital, or any distribution of ordinary shares of the Company to holders of its outstanding ordinary shares, the exercise price will be adjusted in the manner as specified in the Listing Rules.

6. Compliance with disclosure obligations

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2018;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
09/11/18	Drilling Confirms Fourth Historic High-Grade Gold Mine
06/11/18	Reinstatement to Official Quotation
06/11/18	\$2.5 Million Convertible Notes
05/11/18	Suspension from Official Quotation
01/11/18	Trading Halt
01/11/18	Pause in Trading
01/11/18	Pause in Trading
31/10/18	Quarterly Activities Report
31/10/18	Quarterly Cashflow Report
31/10/18	Appendix 4G - Corporate Governance
30/10/18	Burra 3D MT Model Update – Commencement of Target Identified
29/10/18	Notice of Annual General Meeting/Proxy Form
29/10/18	Amended Announcement – 26 October 2018
26/10/18	Retraction of Statement in Announcement
26/10/18	High-Grade Gold Drilling expands Mt Freda Complex
25/10/18	Change in substantial holding
16/10/18	MT Survey Completed at Burra-Drilling Target Identified
15/10/18	Change of Director's Interest Notice
11/10/18	Change of Director's Interest Notice
08/10/18	Further High-Grade Gold Drilling Results Identified
04/10/18	Independent Expert Validates Potential World Class IOCG
28/09/18	Full Year Statutory Account (Annual Report)

7. Information Excluded from Continuous Disclosure Notices

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes under the Convertible Note Subscription Deed and the Shares.

For more information, please contact the Company Secretary by email on mientzet@ausmexgroup.com.au or by phone on +61 2 8315 3268.

Yours sincerely



Mientze Tang

Company Secretary

Ausmex Mining Group Limited