



ASX Release

22 January 2020

AuStar Gold Limited ABN 70 107 180 441

Registered Office: 6 Bridge Street, Woods Point VIC 3723

CORPORATE UPDATE

AuStar Gold Withdraws from Centennial Mining Acquisition

AuStar Gold Limited (ASX: AUL, or the Company) advises

- The Agreement to acquire all of the debt owed by Centennial Mining Limited (subject to deed of company arrangement) and Maldon Resources Pty Limited (subject to deed of company arrangement) from Mining Lending Pty Limited will not be progressing; and
- The Company will not be proceeding with the deed of company arrangement (DOCA) for the acquisition of the Centennial or Maldon assets.
- The Company is withdrawing all Offers under the Prospectus (dated 12 December 2019 and lodged with ASX on 13 December 2019) which sought to raise funds to meet the DOCA contribution and to satisfy the additional capital raising condition precedent under the DOCA.
- The Company intends to issue a new Prospectus to raise capital for the ongoing development of its existing tenement portfolio through exploration and mine development.

During the past six months the Company has undertaken an intensive and protracted process which included substantial negotiations with numerous stakeholders. Despite all of the Company's good faith negotiations, the AuStar Board ultimately could not satisfy its own due diligence requirements and has therefore withdrawn from the current process.

The Company will seek to pursue its stated strategic objective of building an emerging gold company by focusing on its existing operational and exploration assets and continuing to assess various other growth initiatives. As a result, the Company will be providing further information updates relating to its operational activities and capital management initiatives in the near term which will position it to progress its overall strategy.

Chairman Frank Terranova stated, "We continue to believe that regional consolidation makes good economic sense and aggressively pursuing this merger opportunity and all it involved was justified. However, the interest of shareholders must come first and despite the considerable investment in this process, the Board could not satisfy itself of various transactional and completion risks. It is a disappointing outcome but given the Board's assessment, the correct decision for AuStar Gold shareholders."

Background:

On 3 September 2019, the Company announced to ASX that it had reached agreement to acquire via merger, 100% of Centennial Mining Ltd (subject to deed of company arrangement) (**Centennial**), owner of the A1 Gold Mine near Woods Point and the Maldon CIL processing plant near Bendigo, Victoria, via implementation of the Deed of Company Arrangement between Richard Tucker, John Bumbak and Leanne Chesser in their capacity as joint and several administrators of Centennial (**Deed Administrators**) and Maldon Resources Pty Ltd (subject to deed of company arrangement) (**Maldon**) and Avior Consulting as amended and dated 20 November 2019 (**DOCA**) in consideration of a \$2.4 million cash contribution to the DOCA and the Company acquiring all of the shares in Centennial in exchange for shares in the Company.

A capital raising by way of Placement Offer, Entitlement Offer and Subscription Offer under the Prospectus was announced on 5 December 2019 and the Prospectus for each of these Offers dated 12 December 2019 was subsequently lodged with ASX, seeking to raise funds to meet the DOCA contribution (and for other purposes), and to satisfy the additional capital raising condition precedent under the DOCA.

After lodgment of the Prospectus, the Company became aware of multiple attempts by third parties to disrupt the process and submit a competing Deed of Company Arrangement (DOCA).

The Company further became aware in early January 2020, that the major secured creditor under the DOCA, Mining Lending Pty Limited (**Mining Lending**), was seeking interest from unrelated third parties (including the Company) for the purchase of its debt and securities over Centennial and Maldon.

As a result of the above circumstances, the Company believed that it was highly unlikely that the existing DOCA would complete in accordance with its original terms, so the Company entered into a Trading Halt and immediately commenced negotiations with Mining Lending and as announced on 13 January 2020, the Company entered into an agreement to acquire the debt owed by Centennial and its subsidiary, Maldon to Mining Lending (**Mining Lending Debt**) and the associated security documents and interests held by Mining Lending (**Debt Assignment Agreement**).

AuStar Gold had progressed discussions with financiers to ensure all funding requirements could be met under the Debt Assignment Agreement, subject to it satisfying its own further due diligence requirements. Additional information suggesting significant potential legal risks were discovered and could not be resolved to the satisfaction of all key stakeholders and accordingly the Company will not be proceeding with the completion of the Agreement to acquire the Debt.

In addition, the Company understands that a third party has proposed to put forward an alternative Deed of Company Arrangement (DOCA) proposal for the purchase of Centennial Mining Ltd. An alternate funding arrangement was also being considered by the Deed Administrators for the debt owed by Centennial and its subsidiary.

The Company has determined that it will not progress its already extensive and good faith efforts with counterparties and submit an alternative DOCA proposal.

Given these changed circumstances, the Company will be withdrawing all Offers under the Prospectus and a supplementary prospectus will be lodged with ASIC later today to affect such withdrawal.

The Company intends to issue a new Prospectus to raise capital for the ongoing development of its existing tenement portfolio through exploration and mine development and will provide further information when the details of the capital raising are finalised.

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.