18 October 2017

Dear Option holder

NON RENOUNCEABLE ENTITLEMENT ISSUE – NOTICE TO OPTIONHOLDERS

On 10 October 2017, Ausgold Limited (ASX: AUC) (**Company**) announced that it will be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (**New Shares**) via a pro rata non-renounceable rights issue (**Offer**) on the basis of one (1) New Share for every five (5) shares held on 24 October 2017 (**Record Date**).

Shares under the Offer will be offered at 2.5 cents per New Share. The maximum number of New Shares which may be issued under the Entitlement Issue is approximately 96,191,590. The Company has made application to ASX for the quotation of the New Shares.

A prospectus relating to the Offer (**Prospectus**) was lodged with ASX yesterday, 17 October 2017 and is available on the ASX website at www.asx.com.au.

The Prospectus will be sent to Shareholders after the Record Date.

The Offer is not underwritten.

Option Holders

Holders of options are advised that eligibility for participation in the Offer is only available to shareholders of the Company, as there are no participating rights or entitlements inherent in the options themselves. Holders of shares and options are eligible to participate to the extent of their shareholding. Holders of options may only participate in the Offer following the exercise of their options, and if they have a registered address in Australia or New Zealand.

Option holders have the ability to exercise their options prior to the Record Date, being 24 October 2017, as outlined in the timetable below, which will entitle them to participate in the Offer. The relevant documentation for the exercise of options can be obtained by contacting:

The Company's Share Registry
Security Transfer Australia
T: 1300 992 916
E: registrar@securitytransfer.com.au

OR

Denis Rakich
Executive Director, Ausgold Limited
T: +61 (0)8 9220 9890
E: info@ausgoldlimited.com

The proposed timetable for the Offer is as follows:

Event	Date
Announcement of placement and rights issue and Appendix 3B	Tuesday 10 October 2017
Close and issue placement shares	Monday 16 October 2017
Lodge Prospectus for rights issue with ASX, ASIC	Tuesday 17 October 2017
Dispatch of notices to eligible and ineligible shareholders	Friday, 20 October 2017
"Ex" Date (date from which securities commence trading without the entitlement to participate in the Rights Issue)	Monday, 23 October 2017
Record Date to determine Entitlements to New Shares	Tuesday 24 October 2017
Prospectus and Entitlement and Acceptance Forms despatched	Thursday 26 October 2017
Last Day for Acceptance (Closing Date)	Monday 13 November 2017
New Shares quoted on ASX on deferred settlement basis	Tuesday 14 November 2017
Issue of New Shares and despatch of Holding Statements	Monday 20 November 2017
Trading of New Shares commences	Tuesday 21 November 2017

*These dates are subject to change and are indicative only. Subject to the Corporations Act and ASX Listing Rules the Company reserves the right to amend this timetable including by extending or bringing forward the Closing Date.

Use of Funds
The Company intends to apply the funds raised from the Offer to:

- Advance exploration at the Katanning Gold Project and the Doolgunna Station Project;
- provide additional working capital; and
- meet the costs associated with the Offer.

Overseas Shareholders
Only eligible Shareholders registered as holders of Shares at the record date with a registered address in Australia or New Zealand may participate in the Offer.

The Company considers it unreasonable on this occasion to extend the Offer to Shareholders with a registered address outside of Australia or New Zealand (**Ineligible Overseas Shareholders**), having regard to the costs of complying with legal and regulatory requirements in each of those.

For further information regarding the Offer, please contact Mr Denis Rakich, Director on (+61 8) 9220 9882.

Yours faithfully
AUSGOLD LIMITED

DENIS RAKICH
Executive Director