18 October 2017

Dear Shareholder

NON RENOUNCEABLE ENTITLEMENT ISSUE

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.

In addition to being able to apply for New Shares, shareholders who subscribe for their full Entitlement will also have the opportunity to apply for New Shares that are not subscribed for by other shareholders under the Offer (**Additional Shares**). The offer to subscribe for Additional Shares is separate to the Offer.

The issue price of any Additional Shares shall be 2.5 cents per share, being the price at which the New Shares have been offered to shareholders pursuant to the Prospectus. As permitted by the ASX Listing Rules, the Directors reserve the right to issue the Additional Shares at their discretion including to investors who are not currently shareholders. Accordingly, the Company does not guarantee that shareholders will receive any Additional Shares that are applied for.

The Additional Shares are offered on the basis of the Prospectus.

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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
Despatch 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