

Augustus Proposes to Secure Third in Line Licence Application for the Mt Kare Gold Project

Highlights

- Binding share purchase agreement, subject to due diligence to the sole satisfaction of Augustus, executed to acquire 100% of the issued capital in ACM Contract Mining PNG Ltd, a company incorporated in Papua New Guinea, which holds a valid third in line license application for the Mt Kare Gold Project (there being two earlier applications made by unrelated third parties for the same project area which will be considered prior to ACMPNG's application).
- The total consideration payable by Augustus under the acquisition is \$250,000 in cash (excluding GST).
- The Mt Kare Gold Project is prospective for gold and silver, hosting a Historic Mineral Resource (JORC 2004) of 43Mt at 1.5 g/t Au for 2.1 Moz Au, 18 Moz Ag (refer to Table 1 below and Appendix 1 for further details).

Augustus Minerals Limited (ASX: AUG) ("**Augustus**" or the "**Company**") is pleased to announce that it has executed a binding share purchase agreement ("**SPA**") with ACM International Pty Ltd (ACN 167 552 034) ("**ACM**") to acquire 100% of the issued capital in ACM Contract Mining PNG Ltd ("**ACMPNG**"), an entity incorporated in Papua New Guinea ("**PNG**") which holds a valid third in line license application for the Mt Kare Gold Project in PNG ("**Application**").

Mt Kare Gold Project is located approximately 600km northwest of Port Moresby and 145km west of Mt Hagen in the Enga Province of Papua New Guinea.

The Mt Kare Project's total historical Mineral Resource is 43 Mt at 1.5 g/t Au for 2.1 Moz Au, 18 Moz Ag, with nearly 75% in the higher confidence Measured and Indicated category, based on 454 diamond drill holes (73,639 m), as at July 2013¹ (**Historical Resource Estimate**).

The Historical Resource Estimate has not been reported in accordance with the JORC Code 2012. A Competent Person has not done sufficient work to disclose the Historical Resource Estimate in accordance with the JORC Code 2012 and it is possible that, following evaluation and/or further exploration work, the Historical Resource Estimate may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012. Nothing has come to the attention of the Company that causes it to question the accuracy or reliability of the Historical Resource Estimate. However, the Company has not independently validated the Historical Resource Estimate and therefore is not to be regarded as reporting, adopting or endorsing those estimates.

¹ Refer to ASX:IDC – "IDC Measured Indicated Resource Doubles 2.5Moz Gold Equiv" dated 10 July 2013.

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Corporate

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Darren Holden
Non-Executive Director

Graeme Smith
Non-Executive Director
Andrew Ford
GM Exploration

Sebastian Andre
Company Secretary

As the Application has not yet been granted, and is contested, ACPNG does not currently have an actual or contingent right to undertake exploration and development activities, or to exploit the Historical Resource Estimate reported herein. There is no guarantee that the Application will lead to a licence being granted over the Mt Kare Gold Project. Further details with respect to the application process and the Company’s prospects with respect to grant of the Application are set out below.

ACM is an entity which is controlled by Redland Plains Pty Ltd (ACN 057 647 275), of which Mr Brian Rodan, the Executive Chairman of the Company, is the sole director and shareholder. The Company has sought and received confirmation from ASX that Listing Rule 10.1 does not apply to the transaction.

The consideration payable under the SPA (\$250,000) will be funded from the Company’s existing working capital. Based on due diligence investigations undertaken to date, which remain ongoing, the Company understands that in excess of \$2 million has been expended by ACM to date in relation to the application process. The Company also understands that ACPNG has approximately \$80,000 (in PNG Kina) in funds available, resulting in the effective purchase price being approximately \$170,000.

The board of the Company (“**Board**”) considers that the quality of the Mt Kare Gold Project places it as one of the premier gold development opportunities in the Australasia-Pacific Region. The Board has considered the purchase price, historic expenses incurred by ACM and weighed it against the risks of securing tenure (refer below for further detail) and believes that this transaction represents excellent risk-weighted value. The Board looks forward to progressing the legal avenues to secure the tenure and, if successful, moving to completing feasibility studies and development.

The acquisition of a PNG domiciled Company also provides a vehicle to potentially acquire other assets in the productive mineral corridors in PNG.

Mt Kare Project

The Mt Kare Project is an exploration project discovered in 1987 by Conzinc Riotinto of Australia located in Papua New Guinea and is prospective for gold and silver. The Mt Kare Project has had prior expenditure of approximately A\$75 million. The Project lies 15 kilometres southwest of Barrick (Niugini) Limited’s 31-million-ounce Porgera gold mine¹, which has historically produced over 500,000 ounces of gold per year.



Figure 1: Mt Kare Location Map (Mt Kare Gold Project represented by a red star).

¹ Hay, J.P., Haydon, M.M., Robert, F., Chapter 27: Geology of the Porgera Gold Deposit; in *Geology of the World’s Major Gold Deposits: Special Publication of the Society of Economic Geologists* (28) 2020.

The Mt Kare deposit is hosted by Mesozoic and late Tertiary sedimentary rocks originally deposited on the Australian craton. Following continental collision, folding and thrusting in the Papuan Fold Belt and subsequent uplift, late Miocene-Pliocene (6.0Ma) alkaline intrusive bodies were emplaced. At Porgera and Mt Kare, intrusive complexes, about which subsequent precious metal mineralisation has been centred, are focused at the intersections of a deep-seated transverse fault. Indochine's exploration activities identified two high-grade zones (WRZ North and BZ) (Figure 2).

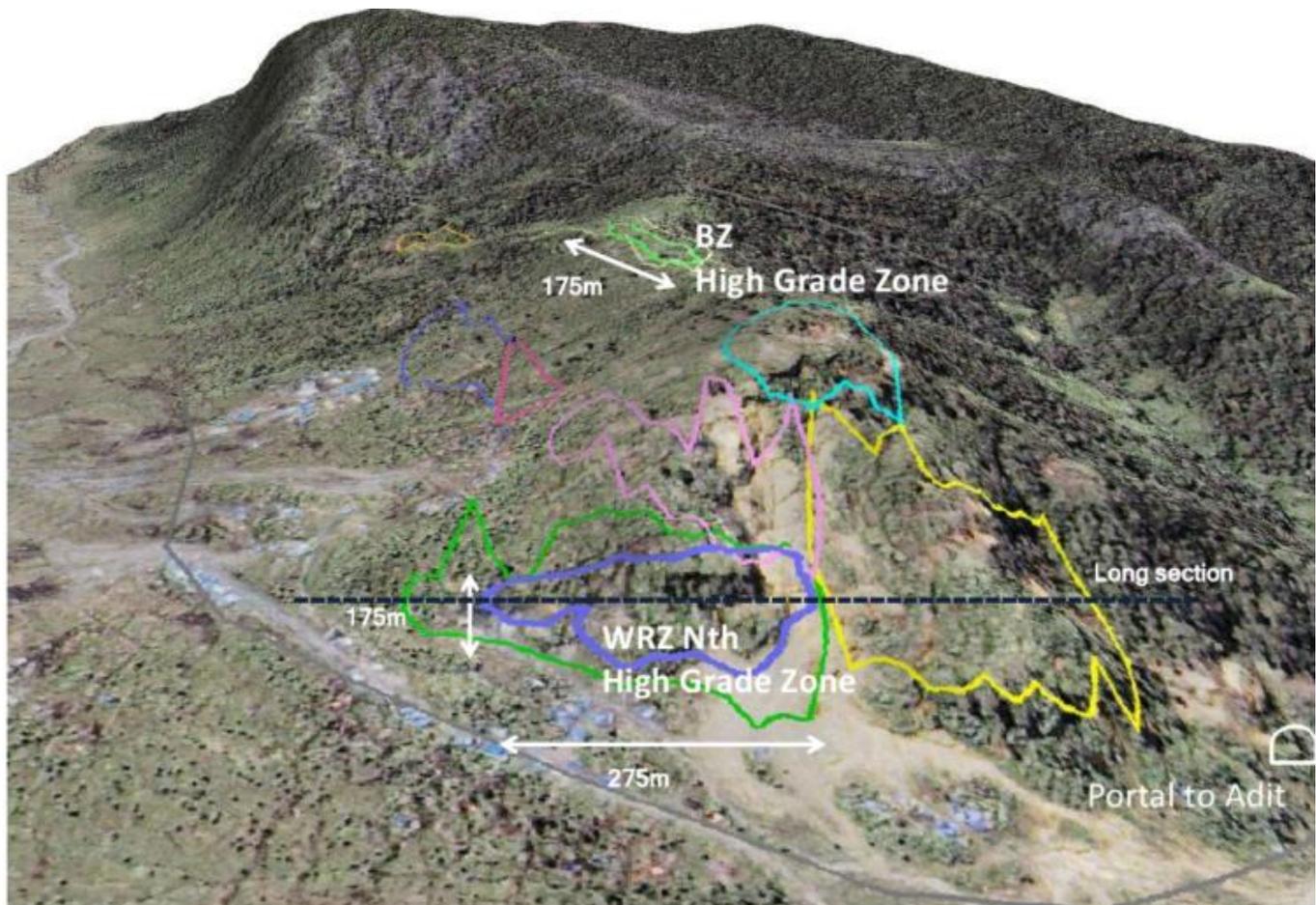


Figure 2: View looking south east over Mt Kare identifying high grade zones identified by Indochine.

In September 2010, Indochine Mining Limited (ASX:IDC) (now Summit Gold Limited) ("**Indochine**" or "**Summit**") worked on a bankable feasibility study at the Mt Kare deposit. By late 2012, Indochine announced the results of a pre-feasibility study on Mt Kare. However, Augustus is not adopting or endorsing the outcomes of the pre-feasibility study prepared by Indochine and has therefore elected not to disclose the study outcomes. Further drilling continued and an updated mineral resource estimates was completed by AMC Consultants Pty Ltd following the reporting guidelines of the JORC Code (2004).

In 2011, Indochine exercised an option to acquire the project and in 2013 announced a historical (JORC 2004 compliant) Mineral Resource Estimate summarised below in Table 1. These resources were reported in accordance with JORC Code 2004 in Indochine's ASX announcements dated 10 July 2013. Refer to the cautionary statement below.

In summary, between 2011 and 2014, Indochine drilled a total of 16,104m from surface down to about 350m below surface. Much of the drilling was confirmatory re-drilling of historical holes in known zones of mineralisation to establish confidence in the Historic Resource Estimate. Infill drilling was also undertaken to increase drill hole coverage and reduce drill hole spacing to upgrade areas of Inferred to Indicated and Measured categories.

For metallurgical test work, a total of 56 holes (5,345 m) were drilled in 2012, mostly twinning previous significant gold and silver intercept. A further 556 m was drilled in 2014 for metallurgical test work.

Table 1: Mt Kare Project – JORC 2004 Historical Mineral Resource Statement (July 2013)* Cut-off 0.5g/t gold

Resource Classification	Million Tonnes	Gold g/t	Silver g/t	Gold Moz	Silver Moz
Measured Resource	20.2	1.84	20.9	1.19	13.5
Indicated Resource	8.3	1.29	8.1	0.34	2.2
Inferred Resource	14.1	1.27	6.0	0.57	2.7
Total Mineral Resource	42.5	1.54	13.5	2.11	18.4

*The historical Mineral Resource was originally compiled and announced by Indochine and last restated in their ASX announcements dated 10 July 2013, utilising parameters from the 2004 JORC Code. Augustus believes that this information has not materially changed since it was last reported.

Refer to Indochine ASX announcements dated 10 July 2013¹ and, Indochine presentation dated 15 December 2014² and Appendix 1 for additional information pursuant to the requirements of ASX Listing Rule 5.12 regarding the use of historical estimates contained in this announcement in respect of the Mt Kare Project.

Geologically, the Mt Kare Project shares many similarities with the nearby Porgera gold mine, with the same host rocks, similar geological structures, mineralisation types and the same age of mineralisation. This indicates the large potential for growth in the current Mt Kare resource.

Mt Kare Application

The Mt Kare Application is overseen by the Papua New Guinean Mineral Resources Authority (“**MRA**”).

The Mt Kare project was formerly owned by Summit Development Limited (a company incorporated in PNG), a wholly owned subsidiary of Indochine). Indochine sought to renew the licence making up the Mt Kare project prior to its expiry, however on 14 December 2015 the MRA refused to grant that extension and notified Indochine of that decision on 18 January 2016. Since expiry of that licence, the MRA has accepted and registered 13 applications from different parties for the Application, including ACPNG’s third in line application lodged on 22 February 2016.

As the applications are processed, ACPNG (the 3rd in-time applicant) will, in accordance with the Mining Act 1992 (“**Mining Act**”), have the opportunity to object to each of the prior in-time applications. The first in time application was made by Global Mining Group Limited (“**GMG**”) on 18 December 2015. ACPNG will object to the GMG application on the basis that the MRA accepted GMG’s application in breach of section 30 of the Mining Act, which specifically prohibits an application for a new licence being made or accepted within the period of 30 days immediately following the expiry of the licence.

The second in time application was made by New Britain Lime & Cement Limited (now named Tribune Mt Kare Gold Limited) (**Tribune**) on 27 January 2016. ACPNG may also object to the Tribune application, on the basis that ACPNG considers it will be better placed to explore and develop the Mt Kare Project, given the proposed Acquisition will result in ACPNG having access to capital markets to raise the necessary funding for any proposed exploration and development programs. The Company understands that Tribune sought to set aside the GMG application

The fourth in time application was made by Summit Development Limited (a subsidiary of Summit) (**Summit Dev**). Brian Rodan (Executive Chair of the Company) is also the chairman of Summit and is a director of Summit Dev. Notwithstanding this, it is possible that Summit may object to the application made by ACPNG. However, as Summit Dev has been involved in litigation with the MRA with respect

¹ <http://www.asx.com.au/asxpdf/20130710/pdf/42gzdxt0s607q4.pdf>; and
<http://www.asx.com.au/asxpdf/20130710/pdf/42gzdkzx234tm.pdf>

² <https://announcements.asx.com.au/asxpdf/20141215/pdf/42vh85c9p9cg6f.pdf>

to non-renewal of its former licence, the Company considers that there could potentially be opposition to the Summit Dev licence application.

ACMPNG has held preliminary discussions with representatives of Tribune and may seek to negotiate a commercial transaction whereby ACMPNG and Tribune would collaborate with a view to jointly developing the Mt Kare project. Given the intimate knowledge of Summit and the significant value of the historic exploration data held by it, the Company also intends to discuss a potential collaboration with Summit with respect to its application for the Mt Kare project.

The Company notes that any potential transaction with Tribune and/or Summit are at a preliminary stage of consideration and the potential terms of such a transaction are unknown at this time. There is no guarantee that commercial terms will be agreed with either party.

Further, any potential transaction would need to be implemented in accordance with the Corporations Act and the ASX Listing Rules, including ASX Listing Rule 11.1, in respect of which submissions would be made to ASX prior to any binding agreement(s) being entered into. ASX may consider that any such transaction, when aggregated with the Acquisition and any accompanying capital raising, triggers ASX Listing Rule 11.1.2 (requiring shareholder approval) and/or ASX Listing Rule 11.1.3 (requiring that the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules).

The Company does not have sufficient information with respect to the balance of the applications to comment on the likelihood of their merits or any potential objection those parties may make to earlier in time applications made by GMG, Tribune, ACMPNG or Summit Dev.

The following procedures will apply to the awarding of the new licence:

- (a) All applications are reviewed by MRA and, if they are compliant, the applications are approved for processing and registered. This step has already occurred, resulting in 13 applications having been registered;
- (b) The applications are processed in the order they were received by MRA. There is no guarantee however that the first in time applicant will be granted the new licence.
- (c) For each application, commencing with the first-in-time application, this process involves the following:
 - (i) MRA prepares an initial report on the application for the Mining Advisory Council ("**MAC**");
 - (ii) a warden's hearing is conducted on site with the local landowners present;
 - (iii) the warden submits a report on the hearing to MAC;
 - (iv) MAC considers the application, the various reports submitted to it and any objections to the application;
 - (v) in the case of an exploration licence, MAC also considers the work programme submitted with the application.
 - (vi) MAC then makes a recommendation to the Minister concerning the grant or refusal of the application;
 - (vii) the Minister may, on recommendation of MAC, approve or refuse to approve the application or approve the application subject to conditions;
 - (viii) the applicant is notified of the Minister's decision;
 - (ix) where the Minister refuses the application, the above process commences again for the next-in-time application and is repeated until an application is approved or all the applications are refused; and
 - (x) where the Minister approves the application, the Registrar of Mining Tenements records the grant of the tenement in the register of mining tenements.

ACMPNG's current understanding is that the above process is expected to be completed within the next 6 months. However, given the complexities associated with the application process and competitive nature of the application process, this process may be drawn out further.

While there is a significant risk of the Company being unsuccessful in securing tenure to the Mt Kare project, the Company considers that the relatively low purchase price and strategic relationships of ACMPNG in both Australia and PNG provide a compelling opportunity to acquire a potentially significant project.

Summary of the material terms of the SPA

The material terms of the SPA are as follows:

- (a) **Acquisition:** ACM agrees to sell 100% of the issued capital of ACMPNG ("**ACMPNG Shares**") and Augustus agrees to purchase the ACMPNG Shares.
- (b) **Conditions Precedent:** Settlement under the SPA is subject to and conditional upon the satisfaction (or waiver) of:
 - (i) the completion of due diligence by Augustus on the Application and ACMPNG, to the satisfaction of Augustus (in its absolute discretion);
 - (ii) ACM delivering to Augustus evidence that all loans by ACM to ACMPNG have been forgiven and discharged (or will, on and from settlement, be forgiven and discharged), and provide confirmation that ACMPNG will have no outstanding liabilities to ACM as at Settlement; and
 - (iii) both parties obtaining all necessary legal, regulatory, shareholder and other third-party approvals, consents, or waivers, that are required to allow the parties to lawfully complete the acquisition,("Conditions Precedent").
- (c) **Settlement:** Settlement will occur on the date that is three business days after the date that the Conditions Precedent are satisfied or such other date as agreed between Augustus and ACM.
- (d) **Consideration:** At Settlement, Augustus will pay to ACM a cash payment of \$250,000.

Next Steps

Following completion of the Acquisition, Augustus intends to actively pursue the Application and grant of an exploration license at Mt Kare. This may include objecting to other license applications or negotiating with other applicants with a view to consolidating the various applications to expedite the grant process.

– ENDS –

This announcement has been authorised for release by the board.

For more information, please visit our website, or contact:

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About Augustus Minerals (ASX:AUG)

Augustus is a mineral explorer committed to exploring its two prospective projects with a focus on gold and critical minerals in Western Australia. The **Ti-Tree project** - Augustus has 100% ownership of **~1,700km²** of tenements located in the Gascoyne Region of Western Australia with an array of high-quality drill targets which is highly prospective for copper, gold, lithium, uranium and rare earths. The **Music Well Project** - Augustus has 100% ownership of **>1,345 km²** of tenements located 25km North of Leonora, Western Australia with an array of high-quality drill targets which is highly prospective for gold, gold copper VMS and lithium, and rare earths.

The Company is led by directors and senior executives with significant experience in exploring, finding, developing and operating both open pit and underground mines.

Forward Looking Statements

This announcement may contain certain forward-looking statements and projections. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. Readers can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “risk,” “should,” “will” or “would” and other similar expressions. Forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved. Risks, uncertainties and other factors may cause Augustus Minerals Limited's actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include, but are not limited to, the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for coal and base metal materials; fluctuations in exchange rates between the U.S. Dollar, and the Australian dollar; the failure of Augustus' suppliers, service providers and partners to fulfil their obligations under construction, supply and other agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labour shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements.

Augustus Minerals Limited does not make any representations and provides no warranties concerning the accuracy of the projections and disclaims any obligation to update or revise any forward-looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither Augustus Minerals Limited or any of its directors, officers, agents, employees or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement.

Competent Person Statement

The information in this report that relates to the historical Mineral Resource Estimates at Mt Kare, PNG, was reviewed and verified by Dr Michael Cunningham. Dr Cunningham confirms that the information in this announcement relating to the Mt Kare project is an accurate representation of data and studies for the Mt Kare Project. Dr Cunningham is a Principal Consultant of SRK Consulting (Australasia) Pty Ltd. He has sufficient experience relevant to the assessment and of this style of mineralisation to qualify as a Competent Person as defined by the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)”. Dr Cunningham consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

APPENDIX 1 – ASX LISTING RULES AND JORC DISCLOSURES

Additional information pursuant to the requirements of ASX Listing Rule 5.12 regarding the use of the Historical Resource Estimate contained in this announcement in respect of the Mt Kare Project is set out below:

- The Historical Resource Estimate was released to ASX by Indochine (ASX:IDC) on 10 July 2013. Refer to Indochine's ASX announcements both dated 10 July 2013 available at <http://www.asx.com.au/asxpdf/20130710/pdf/42gzdxt0s607q4.pdf> and <http://www.asx.com.au/asxpdf/20130710/pdf/42gzdzkzx234tm.pdf>.
- This information was prepared and first disclosed under the JORC Code 2004 and therefore the reporting of those estimates may not conform to the requirements of the JORC Code 2012. The JORC Code 2004 uses the same categories of mineralisation (Inferred, Indicated and Measured) as the JORC Code 2012.
- The Historical Resource Estimate for the Mt Kare Project is a historical estimate pursuant to JORC (2004). A Competent Person (as that term is defined under JORC Code) has not done sufficient work to classify the Historical Resource Estimate as current mineral resources or mineral reserves and Augustus is not treating the historical estimate as current mineral resources or mineral reserves. It is not possible at this time to report to JORC Code (2012) guidelines given that the application process has been ongoing since at least 2016 and no significant work has been done to be able to report it in accordance with the JORC Code (2012).
- The Competent Person has reviewed the Historical Mineral Resource.. The original estimates were conducted by consultants from Snowden, using robust methodologies including grade capping, compositing, variography, domain modelling of 5 zones, and ordinary kriging estimation using realistic density measurements for the different material types e.g. oxide, transition. No fatal flaws were identified in the data used or the methodology of generation of the Historical Mineral Resource. However, not all the information regarding the work programs conducted was available for review. Information available included the Historical Mineral Resource announcements, which described the data used in the estimate. In undertaking its review, the Competent Person has considered modifying factors including Reasonable Prospects of Eventual Economic Extraction ("RPEEE") included in the pre-feasibility pit shells reported by Indochine based on a gold price of US\$1500 and US\$1250 per ounce. Given the current gold price, and current industry best practice techniques, the Historic Resource Estimate is considered reasonable for presentation in this form.
- The Historic Resource Estimate comprises 5 zones and is supported by a pre-feasibility study completed by Indochine. The gold prices were based on \$1,500 per ounce, with the first 3-4 years being near surface carbon in leach. Mining would be open pit with a Main Pit and East Pit. This could be followed by a sulphide flotation and treatment of the flotation concentrate. While the Company notes the existence of the pre-feasibility study supporting the Historic Resource Estimate, the Company does not adopt the pre-feasibility study, nor does it endorse the outcomes presented therein, and as such the Company has not reported the outcomes of the pre-feasibility study.
- Based on publicly available information, the Historic Resource Estimates was based on a total of 454 diamond drill holes, auger soil grid sampling, pit sampling, wacker sampling and rock chip sampling. Augustus is not aware of the availability of any more recent estimates or data relevant to the reported mineralisation. All drilling undertaken by Indochine (details of which are set out above) was diamond drilling. Gold assays were completed by ALS laboratories and a significant number of drill holes were also assayed by SGS Laboratories. The Competent Person considers that the QA/QC controls implemented in respect of the Indochine assays were to an appropriate standard and indicate a high degree of confidence. However, there is limited data on other pre-Indochine drilling and assays from pre-Indochine drilling therefore carry a lesser level of confidence.
- If ACMPNG is successful in obtaining the exploration licence at Mt Kare, a Mineral Resource review will be conducted by Augustus. Augustus is not yet in a position to assess the veracity or adopt

Indochine's Historic Resource Estimate. In the event the Mt Kare exploration licence is granted to ACPNG, Augustus intends to immediately reinstate security arrangements at the project and commence on ground exploration activities within 90 days. A review of the Historic Resource Estimate would commence immediately and is anticipated to be completed within 2 to 3 months, with a drilling program to be planned and commenced concurrently with the review. .

- Subject to a successful review of the Historic Resource Estimate and drilling program, Augustus will make a decision whether to proceed with a full feasibility study or preliminary feasibility study. The study would investigate the application of more optimal mine designs, a review of metallurgical work, re-organisation of waste dumps and infrastructure and rescheduling the mining program. The work is anticipated to be completed within 15 months of commencement. The review and feasibility study are currently anticipated to be funded from existing cash reserves.
- A Competent Person's statement is set out above.