



A1 Consolidated Gold

ASX Release – 13 May 2015

Convertible Note Terms Agreed \$2.0m Private funding committed

A1 Consolidated Gold Ltd
ABN 50 149 308 921

ASX:AYC

Investment Highlights:

Advanced project on granted mining lease – fully operational mine site including underground development & infrastructure

Mineral Resources in accordance with the JORC Code (2012)

Indicated – 250,000 t @ 5.1 g/t for 41,200 oz Au

Inferred – 1,170,000t @ 6.4 g/t for 240,000 oz Au

Board of Directors:

Chairman

Dale Rogers

Managing Director

Dennis Clark

Non-Executive Director

James Cullen

Company Secretary

Dennis Wilkins

Capital Structure:

276,683,539 Ordinary Shares

143,383,293 Listed Options

9,000,000 Unlisted Options

Contact:

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A1 Consolidated Gold Limited (ASX:AYC) (**A1 Consolidated Gold** or the **Company**) is pleased to announce it has reached agreement with Munderoo Resources Pty Ltd (**Munderoo**) to provide \$2m out of the total of the recently announced \$2.5m convertible note placement.

The introduction of this major Australian resource house will also see the appointment of Dr John Clout as a technical advisor to the board of the Company. Dr Clout will provide support as the A1 Mine moves towards cash flow in the second half of this year. Once cash flow is achieved, he will assist in maximising the potential of the A1 Mine, Maldon Gold Operations and the Company's tenement holdings.

Managing Director, Dennis Clark commented, "The cash injection from a well-funded and highly respected group in Munderoo should be welcomed by all Shareholders. It is a significant vote of confidence in the Company and our assets. More importantly, it brings extremely well-credentialed people to the table as we look towards a much bigger future for the Company".

Legal, binding and formal documentation in respect of the convertible notes has been executed following site visits, technical and data reviews and other due diligence and is a welcome outcome to A1 Consolidated Gold's funding requirements.

The completion of the convertible note issue, which is subject to various conditions precedent including shareholder approval, will allow A1 Consolidated Gold to meet the funding condition precedent of the Share Sale Agreement with Octagonal Resources Ltd.

The additional technical knowledge will provide the resources to develop the group's strategic thinking around the existing Maldon mineral interests (Maldon Gold operations), to be acquired as a result of the Octagonal transaction. The Union Hill Mine has the potential to be a significant source of additional gold production supplementing the production scheduled from the A1 Mine.





Shareholder meeting materials will be dispatched as soon as possible and it is currently anticipated that the shareholders meeting to consider the Octagonal transaction and the convertible note issue will be held in late June 2015.

A summary of the convertible notes terms and conditions are attached. Patersons Securities Limited acted as Lead Manager to the convertible note issue.

For further information

Dennis Clark
Managing Director

dennis@a1consolidated.com

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TERMS AND CONDITIONS OF CONVERTIBLE NOTES

Below are the material terms and conditions of the Convertible Note Agreements and General Security Deed and Mining Mortgage (“**Transaction Documents**”) upon which **A1 Consolidated Gold Limited** proposes to issue convertible notes in the amount of A\$2,500,000.

Issuer:	A1 Consolidated Gold Limited (the “ Company ” or “ Issuer ”)
Form:	First ranking convertible notes (the “ Notes ”)
Amount:	A\$ 2.5m
Issue Price:	3.5 cents per Note (the “ Issue Price ”)
Closing Date:	Contemporaneously with or immediately after completion of the Octagonal Transaction.
Maturity:	3 years from the date of issue (the “ Maturity Date ”).
Interest:	12.50% per annum. Interest will be payable quarterly in arrears calculated on the basis of a 360-day year consisting of twelve 30-day months. The holder of the Notes (“ Holders ”) can elect for interest to be paid in cash or equities (“ Interest Shares ”) at a conversion price of a 5% discount to the VWAP for the preceding 5 trading days on ASX at the date the interest payment is due. If the Company does not pay all interest due and payable in any two quarters (whether consecutive or not) the Holder is entitled to enforce security.
Conversion Price:	The Notes will be convertible at the option of the Holders, in whole or in part, at any time after issue into fully registered and freely tradable ordinary shares of the Company (the “ Conversion Shares ”) at the ratio of one Conversion Share being issued for each Note held.
Redemption at Maturity:	If the Holder has not exercised its option to convert the Notes into Conversion Shares prior to the Maturity Date, the Company must redeem the Notes at maturity upon payment of the total Issue Price, plus any accrued and unpaid interest and any other monetary liabilities of the Company to the Noteholder that are outstanding pursuant to the Transaction Documents.
Early Redemption Premium:	An additional 50% of the aggregate of the monetary value of the Notes and any accrued and unpaid interest.

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<p>Early Redemption at the Option of the Issuer:</p>	<p>At any time following 18 months from the date of issue of the Notes, the Company can redeem all of the Notes by paying the Early Redemption Premium in addition to the monetary value of the outstanding portion of the Notes and any accrued and unpaid interest.</p>
<p>Security:</p>	<p>The Company will grant to the Holders a first ranking general security agreement over all the assets of the Company together with a first ranking mortgage over all the tenements of the Company pursuant to the terms of the General Security Deed and Mining Mortgage and other additional security documentation to be entered into once the Octagonal Transaction is completed with respect to certain mining licenses held by Maldon Resources Pty Ltd and Highlake Resources Pty Ltd and shareholder approvals have been obtained pursuant to section 620B of the Corporations Act (the “Security”). The General Security Deed and Mining Mortgage is on customary terms for a transaction of this nature.</p> <p>The Security is to relate to all of the Notes issued by the Issuer.</p>
<p>Debt Service Reserve (Sink) Account:</p>	<p>The Company must make minimum quarterly repayments into a Debt Service Reserve Account out of any positive cash flow from operations from the first anniversary of the date on which the Notes are issued and until such time as the accumulated reserve is sufficient to cover such amount as is required to redeem the Notes at the Maturity Date, including any accrued and unpaid interest.</p>
<p>Covenants/Events of Default:</p>	<p>The Transaction Documents contain covenants and events of default customary for the issue of securities of this nature.</p> <p>The covenants include, but are not limited to: the provision of financial and other reporting information, conduct of business, maintenance of insurance and necessary permits.</p> <p>The events of default include, but are not limited to: non-payment of any amount due under the Transaction Documents, including the non-payment of interest by the Company in any two quarters (See the summary of “Interest” above); misrepresentation; and usual insolvency events. It will also be an event of default if the Company fails to enter into the additional security documentation that is required with respect to certain mining licenses held Maldon Resources Pty Ltd and Highlake Resources Pty Ltd, or if the Company has not obtained shareholder approval pursuant to section 620B of the Corporations Act, on or before 30 November 2015.</p>

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<p>Anti-dilution</p>	<p>Upon a dilution event, an adjustment will be made to the number and issue price of Shares to which a Noteholder is entitled upon conversion of the Notes so that the value of the Notes is not adversely affected by the dilution event. The dilution events include those considered customary for an issuance of this nature, but do not include an issuance of securities as consideration for an acquisition of a mining related project or business.</p>
<p>Change of Control Event:</p>	<p>Upon a change of control event (“Change of Control Event”), which will include, but is not limited to;</p> <ul style="list-style-type: none"> (a) any one shareholder owning or controlling a relevant interest of more than 50% of the Company or otherwise exerting effective control over the Company, which control represents a material change from the current control of the Company; (b) the sale of all or more than 50% of the assets of the Company; (c) a takeover bid is made for the Company which is recommended by the Board; and (d) shareholders of the Company approve a merger of the Company with another company, <p>the Holders will have the right to:</p> <ul style="list-style-type: none"> (a) require the Company to redeem the Notes in cash for the Issue Price plus accrued and unpaid interest thereon, if any, up to but excluding the date of the Change of Control Event, plus the Early Redemption Premium and the present value of all future interest payments and accretion on the Notes through the Maturity Date (“Change of Control Make-Whole”) or (b) convert some or all of the Notes into Conversion Share following delivery of a notice of the Change of Control Event by the Company, and the Holders will receive the Change of Control Make-Whole in respect of all Notes so converted. <p>In the event that the Holder elects to convert part or all of its Notes, the Company will have 3 business days to elect to redeem the Notes at their converted value on the third day following such election by the Holder. The parties acknowledge that the Octagonal Transaction is not a Change of Control Event.</p>
<p>Choice of Law and Jurisdiction:</p>	<p>The Documentation shall be governed by the laws of Western Australia and the parties agree to submit to the non-exclusive jurisdiction of the Courts of Western Australia.</p>

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<p>Opportunity to participate in future raisings:</p>	<p>For a period of 18 months commencing on 21 April 2015 Minderoo has the right to invest another A\$1 million in the Company on the same terms as set forth in the Convertible Note Agreement ahead of:</p> <ul style="list-style-type: none"> • any issue of (or agreement to issue, grant or create) securities by the Company; or • the Company incurring any further liabilities in respect of any borrowings or financial accommodation. <p>Minderoo will have 5 business days to exercise this right upon notice from the Company.</p>
<p>Break Fee:</p>	<p>To the extent that the Shareholders do not approve the placement of Notes or the Company notifies Minderoo that such approval is incapable being satisfied by 30 June 2015, then the Company shall pay to Minderoo a fee of 10% of the amount payable ("Break Fee") by issuing Shares ("Break Fee Shares") to Minderoo calculated by dividing the Break Fee by the VWAP for the 5 trading days after the notice of termination is issued. If the Company is unable to issue the relevant number of Break Fee Shares within 10 business days of the Break Fee becoming payable then any outstanding amount of the Break Fee must be paid by the Company to Minderoo in cash at the end of that 10 business day period.</p>
<p>Conditions Precedent:</p>	<p>The issue of the Notes is subject to certain conditions precedent, including the following which remain unsatisfied:</p> <ul style="list-style-type: none"> • Minderoo obtaining investment approval in respect of the transactions from the Chairman of Minderoo, at his sole discretion; • The absence of a material adverse effect; • The Company raising at least A\$450,000 and up to A\$500,000 by issuing Notes (which must replace in full any borrowings extended by PSL or clients of PSL prior to the issue of the Notes) to PSL or to clients of PSL, and raising \$2,000,000 by issuing the notes to Minderoo; • The Company receiving shareholder approvals for the issue of the Notes, the Options, any Shares to be issued pursuant to the Options, the Interest Shares and the Conversion Shares; • The Company obtaining a waiver from ASX in respect of Listing Rule 7.3.2; and • Shareholders approving the Company's entry into the Share Sale Agreement and all other conditions in the Share Sale Agreement (except for the Fundraising) being satisfied.

