
COMPANY ANNOUNCEMENT

28 August 2018

SALE OF WONMUNNA IRON ORE PROJECT - UPDATE

Ascot Resources Limited (“Ascot” or “the Company”) provides the following update in relation to the sale of the Wonmunna Iron Ore Project (the “Project”).

Sale background

In March 2018 Ascot announced that it had signed a terms sheet for the sale of the Project to Australian Aboriginal Mining Corporation Pty Ltd (“AAMC”).

In June 2018, the Company announced that Ascot and AAMC had executed a Share Sale Agreement (“SSA”) pursuant to which AAMC will acquire the shares in Wonmunna Iron Ore Pty Ltd (“WIO”), Ascot’s wholly owned subsidiary that is the legal and beneficial owner of the Project (“Transaction”).

This Transaction, if it completes, will see AAMC will pay Ascot a total of A\$20m in instalments as follows:

- a deposit of A\$250,000 which is currently held in an escrow account pending completion of the Transaction (“Completion”);
- A\$7,000,000 (which includes the release of the deposit) on Completion;
- the following payments to the Company or its nominee, upon AAMC achieving the following milestone events:
 - A\$5,500,000, as Production Payment 1, by no later than 12 consecutive calendar months after the Date of Commercial Production¹;
 - A\$5,500,000, as Production Payment 2, by no later than 24 consecutive calendar months after the Date of Commercial Production; and
 - A\$2,000,000, as Production Payment 3, on or before the date which is the later of 36 consecutive calendar months after the Date of Commercial Production and the Production Payment 3 Date.

AAMC will also assume the obligation to pay existing royalties payable to third parties.

At Completion, AAMC and its subsidiary WIO, will grant securities in favour of Ascot in order to secure payment of the deferred Production Payments which securities will be subordinated to any senior creditor securities granted by AAMC and WIO in favour of their project financiers.

Conditions Precedent

The Transaction is subject to the satisfaction of a number of conditions precedent (“Conditions Precedent”) including:

1. AAMC arranging funding to develop the Project and obtaining shareholder for the Transaction;
2. a waiver of all future claims by Ochre relating to the liability of Ascot for future payments required under the September 2014 Sale and Purchase Agreement (“2014 SPA”) between Ascot and Ochre, pursuant to which Ascot acquired the Project;
3. Ascot obtaining the agreement of major shareholder Gunvor, to terminate a consultancy agreement made between Ascot, WIO and Gunvor relating to the marketing of product from the Project (“Gunvor Consultancy Agreement”);
4. The Company procuring a release of the securities granted to RCF by Ascot and WIO under the RCF 2016 Convertible Note, to be effective on the Company’s repayment of this secured financing at Completion; and
5. Ascot obtaining shareholder approval for the Transaction.

¹ Defined as the date which is 60 days following the date on which an aggregate amount of 35,000 wet tonnes or more of iron ore product has been produced from the Project and delivered or made available to a purchaser of the iron ore product.

Conditions Precedent 2, 3, 4 and 5 above must be satisfied by Ascot. The status of those Conditions Precedent is as follows:

Conditions Precedent 2 – Waiver by Ochre

The Company acquired the Project from Ochre in 2014 pursuant to the 2014 SPA. The 2014 SPA provided for an amount of Additional Consideration to be paid by Ascot to Ochre following completion of the first sale of product from the Project, on the terms set out in the 2014 SPA. In order to discharge this contingent liability to Ochre, one of the Conditions Precedent to the Transaction is that the Company obtains a waiver of all existing and future claims from Ochre relating to the liability of the Company for the Additional Consideration.

On 20 August 2018, Ochre and the Company entered into an Implementation Deed to facilitate the waiver of all claims to the Additional Consideration by Ochre. The Implementation Deed is itself subject to a condition precedent that the Company expects to satisfy shortly. Once this condition precedent to the Implementation Deed has been completed, the Company will have satisfied this Condition Precedent to the Transaction.

Conditions Precedent 3- Termination of Gunvor Consultancy Agreement

In September 2014, the Company and WIO entered into the Gunvor Consultancy Agreement, in which WIO appointed Gunvor as an exclusive service provider to provide consultancy services as its agent in order to enter into ore sale agreements and shipping contracts. WIO's obligations under the Consultancy Agreement were guaranteed by the Company. The Consultancy Agreement is linked to the Project and, in addition, Gunvor claimed that WIO and the Company owed certain unpaid amounts to Gunvor under the Consultancy Agreement. One of the Conditions Precedent to the Transaction is that the Gunvor Consultancy Agreement is terminated and the Company and WIO are released from all claims and liabilities arising from the Gunvor Consultancy Agreement.

On 20 August 2018, Gunvor and Ascot entered into a Settlement Deed to facilitate the termination and release of the Gunvor Consultancy Agreement. Accordingly, the Company has now satisfied this Condition Precedent.

Conditions Precedent 4 - Release of securities held by RCF

As set out in the Company's Notice of Meeting for its 2016 Annual General Meeting, the Company entered into the RCF 2016 Convertible Note in October 2016. The terms of the RCF 2016 Convertible Note are summarised in Schedule 2 of that Notice of Meeting. The RCF 2016 Convertible Note is scheduled to mature on 13 December 2018. It is secured by way of securities over the Company and WIO's assets, including the tenements comprising the Project. The Company intends to repay RCF the sum of approximately A\$3,000,000 on Completion out of the proceeds received by the Company from AAMC. To ensure that the Company is able to sell WIO free from all encumbrances, one of the Conditions Precedent is the release of such securities in favour of RCF, which is to be effective on the Company's repayment of the RCF 2016 Convertible Note on Completion.

The Company expects to shortly receive from RCF all necessary documentation to release the securities and satisfy the Condition Precedent relating to the release of RCF security, conditional only on repayment of the RCF 2016 Convertible Note at Completion.

Conditions Precedent 5 - Company Shareholder Approval

The Transaction is subject to approval by Ascot shareholders. A General Meeting of shareholders will be convened shortly to seek the necessary approval. Further details of the terms of the agreements with AAMC, Ochre and Gunvor described above will be provided in the Notice of Meeting.

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