



ASX Release

31 January 2018

DECEMBER 2017 QUARTERLY ACTIVITIES REPORT

AuStar Gold Limited (ASX: AUL, “AuStar” or “the Company”) provides the following update on its activities for the quarter ended 31 December 2017.

Highlights:

Morning Star Gold Mine (MSG)

- Winder and shaft recommissioning completed
- Mine development for trial mining from the Stacpoole Zone commenced
- Permitting of a conventional decline underway

Rose of Denmark Gold Mine (RoD)

- Detailed geological mapping allowing targeted drilling
- Drilling commenced with visible gold observed in drill core
- Assaying techniques reviewed and altered for nugget gold mineralisation
- Drilling ongoing at RoD
- Minjar/Shandong discussion continuing in regard to ongoing joint venture with AuStar

Corporate

- Change of name to AuStar Gold Limited to better identify with the Company’s renewed focus and strategy
- Queensland asset sales deliver successful outcome with sales of Charter Towers, Granite Castle and Norton Gold Projects announced
- Continued funding support from key shareholders

Morning Star Gold Mine

- **The Winder and Morning Star Shaft have been recommissioned.**

The Morning Star winder was recommissioned in November by AuStar's technical team and the original commissioning organisations. The winder required some adjustment, and needed additional imported parts that were not held in Australia. Both winder and shaft were successfully recommissioned during the quarter.

Qualified winder drivers and ongoing maintenance providers have been engaged to ensure that the winder is operated and maintained to statutory requirements.

Figure 1. Ore cart being loaded into recommissioned mine cage and shaft



- **Trial Mining**

A Mine Manager and a contract workforce have been hired to undertake development on 2 level with access provided from the surface and without the need to utilise the Morning Star shaft. This mine development work is being undertaken on a 7 day, dayshift only roster which requires laying rail, development around the airway and then development to the ore.

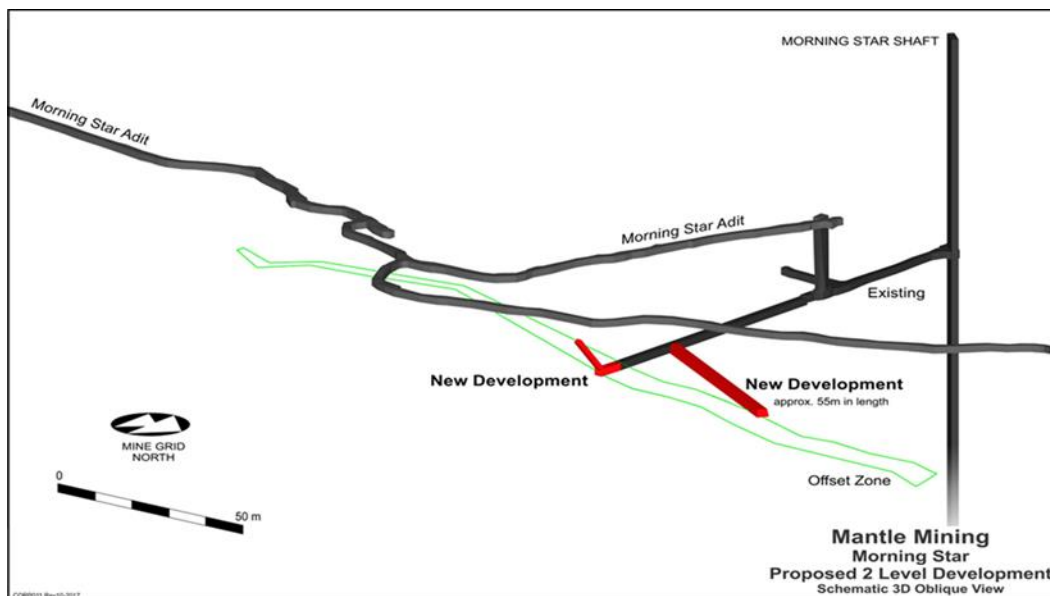
Ore is expected to be intersected in the March quarter, at which point the bulk sample and trial mining development will be undertaken in accordance with the Company's plans and geological controls.

- **Permitting of Conventional Decline**

A "transitional" work plan comprising the current work plan has been submitted to the Victorian Government's Earth Resources and Regulations (ERR) department in order to satisfy

the new approval format as administered by the department. On approval of the transitional work plan, a formal work plan submission for the decline will progress.

Figure 2. 3D view of proposed 2 level development (Red) to the Stacpoole Zone offset (Green), looking Southwest



The proposed decline site has been inspected by the primary administering government agencies such as Catchment Management Authority (CMA) and the Department of Environment, Water, Land and Planning (DEWLP). These agencies advise ERR of the adequacy of the submitted plan. The Mansfield Shire has advised that there is no requirement for planning approvals.

Rose of Denmark Gold Mine

Figure 3. Mining where the miner is "boggie" the fired rock using a rail bopper on 2 Level



- **Detailed Geological Mapping allowing targeted drilling**

Detailed mapping of the Rose of Denmark (RoD) adit by experienced geologists, familiar with Victorian gold environments has identified what may be the controlling structures that define the higher grade zones (shoots) that lie within the RoD dyke (refer to 7 December 2017 ASX:MNM Update on Rose of Denmark Gold Mine).

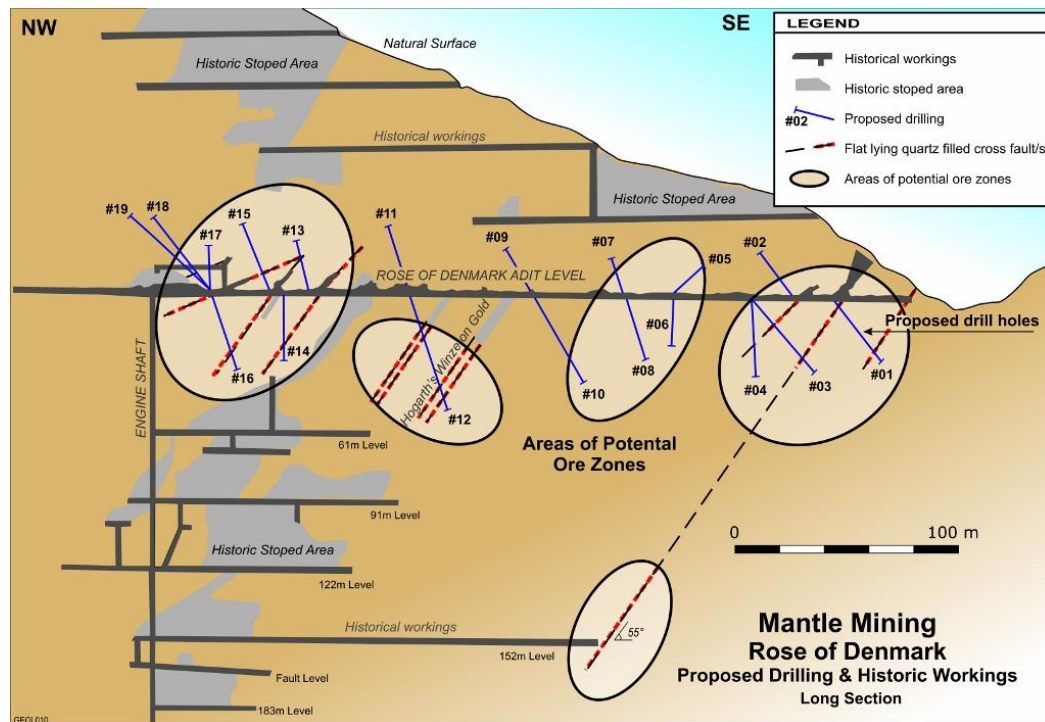
The Board approved a limited first phase drilling program to test the identified gold bearing zones with a targeted drilling program. Drilling results have been encouraging with visible gold regularly seen. (refer to 18 December ASX:AUL Multiple Visible Gold in Drill holes), confirming the initial geological interpretation.

The assay results to date demonstrate that the higher grade zones or shoots are continuous above and below the adit with the drilling confirming of these zones (as shown in Fig. 4) resulting in short runs of high grade and visible gold. The regular occurrence of visible gold in the drill core has caused AuStar to undertake Leachwell assaying with a fire assay (FA) tail to ensure a more accurate assessment of the grade in these high grade zones.

- **Ongoing Drilling**

By the end of the December quarter, the diamond drill contractor had drilled holes ROD11, 12, 20, 20A 13, 13A and 15, with more than 17 additional holes planned to drill as a result of seeing visible gold in the initial holes. 144.8 metres have been drilled in a proposed 600 metre program, as outlined in Fig 4. Geological logging and assaying of these holes is ongoing.

Figure 2. Original Proposed drilling at RoD in and along the dyke



Minjar/Shandong¹

Discussion with Minjar, the JV partner at RoD, is ongoing with the aim to deliver an outcome in the best interests of both parties.

Corporate

- **Entry into new corporate phase as AuStar Gold (ASX:AUL)**

During the quarter the Company held its Annual General Meeting at which all resolutions were passed, including the change of name to AuStar Gold Limited which took effect on 18 December 2017. This symbolic change is important to signify both the Company's renewed focus and strategy, as well as to reflect the results of a significant turn-around phase for the Company. Since late 2016, the Company has sought to simplify its business strategy, dispose of non-core assets, build an experienced Board and management team, and focus on developing its cornerstone asset at the high-grade Morning Star gold mine and proximate gold projects within our tenements (including the exciting Rose of Denmark mine).

¹ Shandong is listed on the Shanghai Stock Exchange under the code 600807. Minjar is an Australian gold explorer, developer and producer.

- **Queensland Asset divestment program delivers successful outcomes with sales of Charter Towers, Granite Castle and Norton Gold Projects announced**

Consistent with our core strategy focusing on the development of the Morning Star mine and proximate gold projects, the Company announced the sale of its non-core Queensland Asset portfolio in two separate sales during the quarter.

Announced on 7 November 2017, a sale agreement was signed for the disposal of the Charters Towers and Granite Castle tenements for \$400,000. Funds are held in trust until the appropriate government authorities approve the transfer. Completion expected in the coming weeks.

Subsequently, on 30 November 2017, the Company announced that it had signed a sale agreement for its 90% sale of the Norton Gold Project. The total consideration is \$525,000 in cash, with funds to be deposited in trust until completion. Completion of the sale is subject to the exercise of a pre-emption right by the 10% joint venture partner and the Company receiving all necessary regulatory approvals to transfer the tenements to the buyer.

- **Continued funding support from key shareholders**

Late in the quarter, the Company received an injection of \$400,000 from key shareholders by way of a private Placement, which was supplemented by the issue of the second tranche of \$500,000 convertible notes under the Convertible Note Agreement with MEF I L.P (Magna).

These inflows have seen the cash balance at the end of the quarter remain at \$855,377. The Company expects cash inflows from the completion of its asset sales in the March quarter and retains the ability under the Convertible Notes Agreement to issue a further \$500,000 tranche of convertible notes at its discretion up to the current expiry date of 28 February 2018.

For further information, please contact:

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Competent Persons Statement:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Cahill BSc MAIG, a competent person, Mr Cahill is a member of the Australasian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cahill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Contains Forward Looking Statements

This presentation includes statements deemed to be "forward-looking". Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ. The Company, its directors, officers, agents, employees or advisors, do not represent, warrant or guarantee that the information in this presentation is complete or accurate.

Table 1: AuStar Gold Tenement Schedule.

Tenement	Project	Name	Grant Date	Expiry Date	Area	Interest %
MIN 5009 ²	Morning Star	Morning Star	21/09/1990	Renewal	657 Ha	95
MIN 5299 ³	Morning Star	Rose of Denmark	10/11/1981	30/08/2018	211 Ha	47
MIN 5560 ²	Morning Star	Wallaby	17/12/2013	16/12/2018	10 Ha	95
EL 6364	Woods Point	Morning Star Sth.	Application	N/A	101 km ²	95
EL 006321	Woods Point	Morning Star Nth	Application	N/A	566 km ²	95
PL 6332 ⁴	Woods Point	Eldorado	Application	N/A	5 (Ha)	95
PL 6334 ⁴	Woods Point	Alhumbra	Application	N/A	5 (ha)	95
PL 6335 ⁴	Woods Point	All Nations	Application	N/A	5 (Ha)	95
Tenements Being Sold						
ML 80035 ¹	Norton	Norton ⁵				
EPM 14388	Charters Towers	Charters Towers ⁵				
EPM 14179	Granite Castle	Range Creek ⁵				
EPM 15527	Granite Castle	Oakey Creek ⁵				
MDL 2005	Granite Castle	Range Creek ⁵				
EL 6074	Lionsville	Lionsville				

¹. Norton is 10% held by Avanti Mining Contracting Pty Ltd.

² Morning Star is 100% owned by Morning Star Gold NL. in turn held 95% by AuStar Gold Limited.

³. MIN 5299 is a joint Venture where Morning Star Gold NL is the manager and holds 49%.

⁴. PL are prospecting licences placed to protect the EL during the application transition.

⁵. These tenements are subject to sale agreements.

AuStar Gold's Mineral Resources:

Table 2: Morning Star Mineral Resource (95% held by AuStar).

For information on the existing resource, please refer to the report entitled "910,000 Ounces Gold JORC Resource" created on 30 July 2008, which is available to view at www.asx.com.au under ASX code MCO.

AuStar Gold's Mineral Resources (assets subject to sale agreements)

Table 3: Norton Mineral Resource (90% held by AuStar).

Class	Tonnes	Au (g/t)	Au (oz)	Ag (g/t)	Ag (oz)
Indicated	107,000	6.2	21,100	15	50,300
Inferred	141,000	3.9	17,700	12	52,600
Total	248,000	4.9	38,800	13	103,000

The information in Table 3 is extracted from the report entitled "Norton Gold Mine Resource Estimate" created on 15 May 2015 and is available to view on www.austargold.com

Table 4: Granite Castle Mineral Resource.

Class	Tonnes	Au (g/t)	Au (oz)	Ag (g/t)	Ag (oz)
Measured	111,000	4.3	15,500	58	205,800
Indicated	250,000	3.6	28,800	71	567,900
Inferred	403,000	2.5	32,900	56	727,200
Total	765,000	3.1	77,200	61	1,500,900

The information in Table 4 is extracted from the report entitled "Improved Confidence Levels for Granite Castle Resource" created on 28 May 2008 and is available to view on www.austargold.com

Table 5: Charters Towers Mineral Resource.

Class	Tonnes	Au (g/t)	Au (oz)		
Inferred	1,535,000	2.2	109,000		
Total	1,535,000	2.2	109,000		

The information in Table 5 is extracted from the report entitled "Disclosure Document" created on 2 October 2006 and is available to view on www.austargold.com

In relation to Tables 3 through 5, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.