

Update on Mining at Rose of Denmark Gold Mine

AuStar Gold Limited (ASX: AUL) ('AuStar' or 'the Company') provides an update following release of the announcement dated **9th July 2018** highlighting progress at its Rose of Denmark (RoD) gold mine, including the commencement of mining operations to extract material for processing and gold dore production.

Highlights:

- **Visible Gold locations detailed**
- **Update provided of:**
 - **RoD mining plans – targeting high grade gold drilling results**
 - **Development and Sampling process at RoD**
- **New Coarse Gold found in sampling**
- **Processing of RoD material to commence next week in AuStar's Gravity Gold Processing Plant**

Location of Visible Gold in Rise T4

Gold samples were taken from a handheld development face entitled T4. The Development face T4 is an inclined handheld rise approximately 1.8 metres by 1.2 metres in dimension. The base of the rise started within a set of quartz ladder veins within the host dyke. The rise was designed to intersect high grade drill intersections of holes entitled ROD018 and ROD017 (*refer to ASX announcement date 20 June 2018 and 19 February 2018 respectively*)

Each cut was approximately 1.8 metres in length. Visible gold was seen in cut #3 and cut #5 in the T4 rise. Photo 2 and photo 3 were gold samples seen in cut #3 and Photo 1 is the visible gold witnessed in the face of cut #5.

Figure 1 shows the location of T4 in the Rose of Denmark adit, with Figure 3 showing a more exact location of each of the samples within the rise and the location of the rise in relation to the dyke bulge, old workings and the old Rose of Denmark shaft.

Photo 1. Close-up shot of coarse gold from Cut 5 at RoD mine



Photo 2. Gold in quartz in development face highlighted by annotated circles, correlating with gold seen in diamond drill core.



Photo 3. Gold in Quartz recently mined from RoD mine.



Figure 1. Target Development locations, within the Rose of Denmark adit.

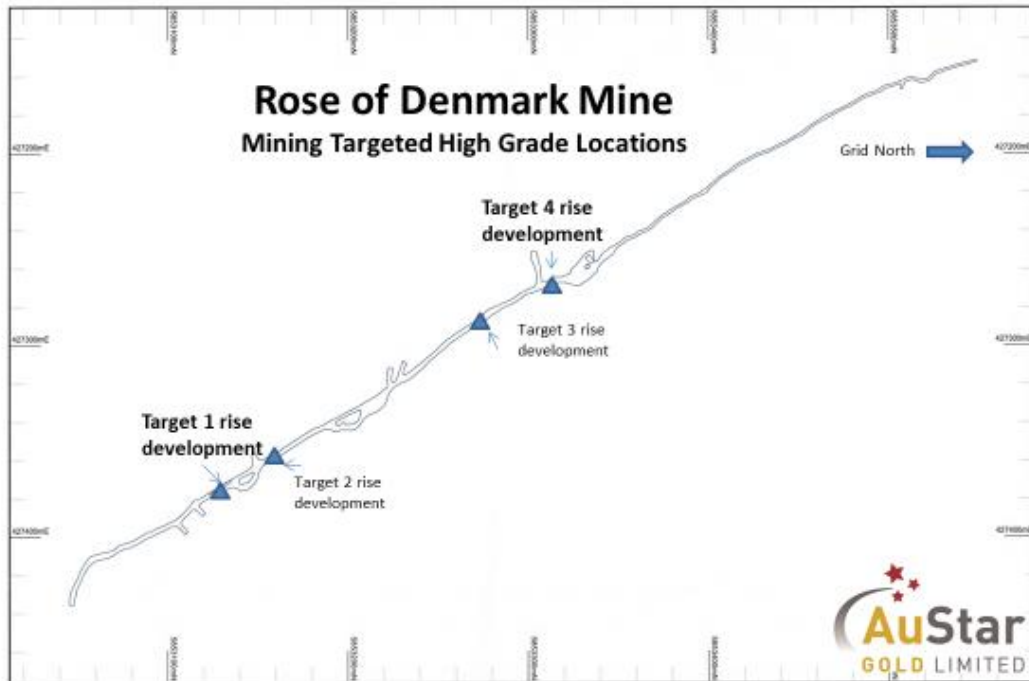
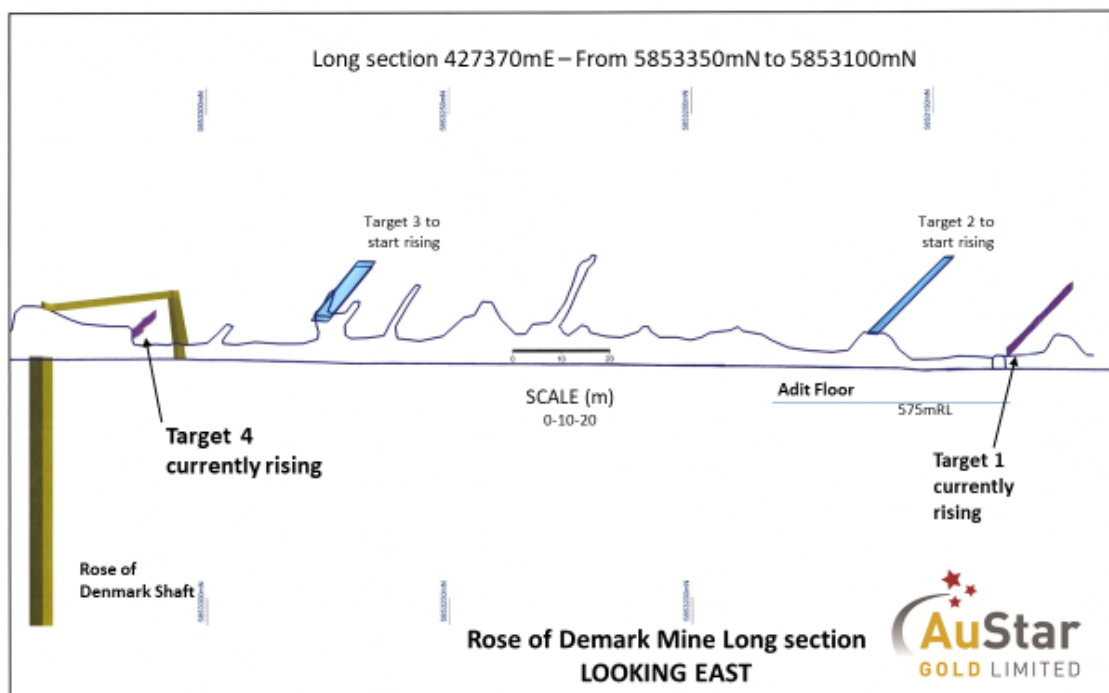
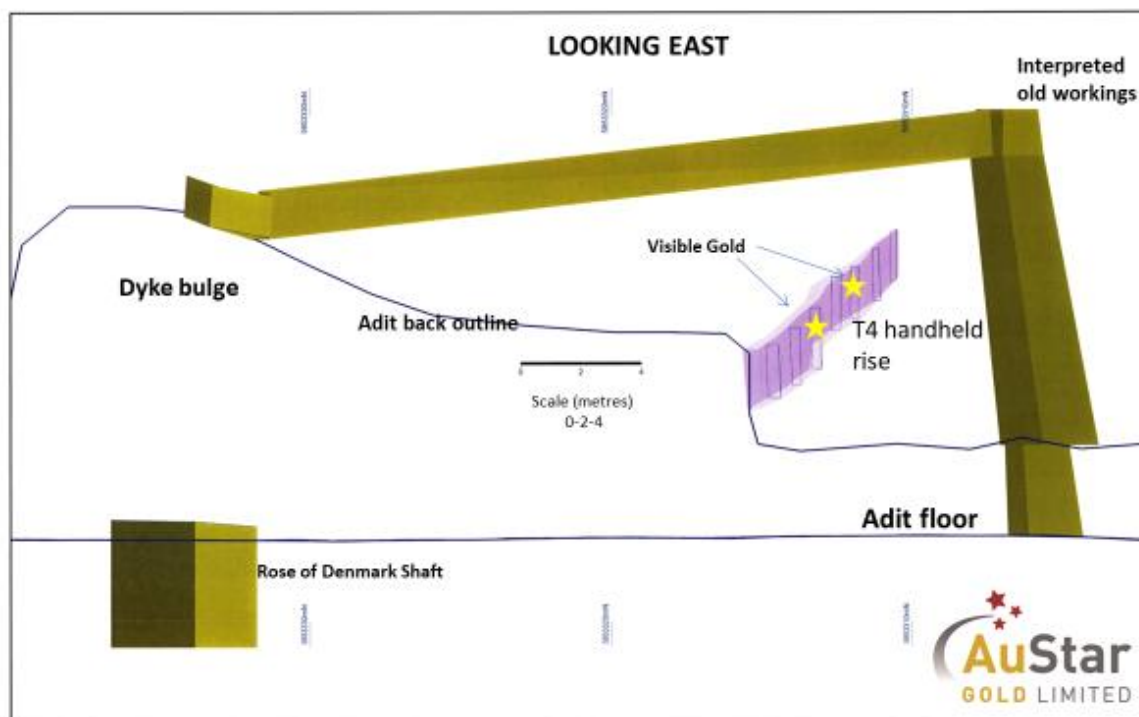


Figure 2. Long section Of Rose of Denmark adit, with active rises and planned rises



Development and Sampling at Rose of Denmark

Figure 3. T4 Rise, with Visible gold locations cut 3 and cut 5



Hand held development is concurrently being mined at Rise T4 and Rise T1. The location of Rise T1 is also shown on Figure 1 and Figure 2. Figure 4 shows the location within rise T1 where a 10 kg sample was taken at the 5th development cut which was then crushed on site and panned, with coarse gold becoming apparent. Refer to Photo 4.

The development at Rose of Denmark is presently being undertaken as handheld development, with each cut having its location measured, geologically mapped and structure widths measured, photographed and assayed by structure, which is then weighted by its width to give a weighted face grade. The samples are sent to an independent laboratory for assaying.

Photo 5 of Rise T4 identifies the location of visible gold in cut 5 in the face. Photo 5 also highlights the process of marking the face for geological mapping, sampling by structure and structure width.

When the rock produced from the development is transported to surface stockpiles, a grab sample is also taken and sent for assaying. Once a sizeable stockpile is produced, it will be trucked to the Morning Star processing plant where it is again sampled as a head grade, middlings grade, tails grade and gold recovered. The processing assays will then be compared and reconciled to the geological assays.

Trucking to the Morning Star process plant will commence the week of the 23rd July 2018

Photo 4. Gold crushed in a traditional dolly pot, from a 10KG sample.



Figure 4. Target Rise T1 showing location of 10 KG sample and traditional dolly and pan sampling

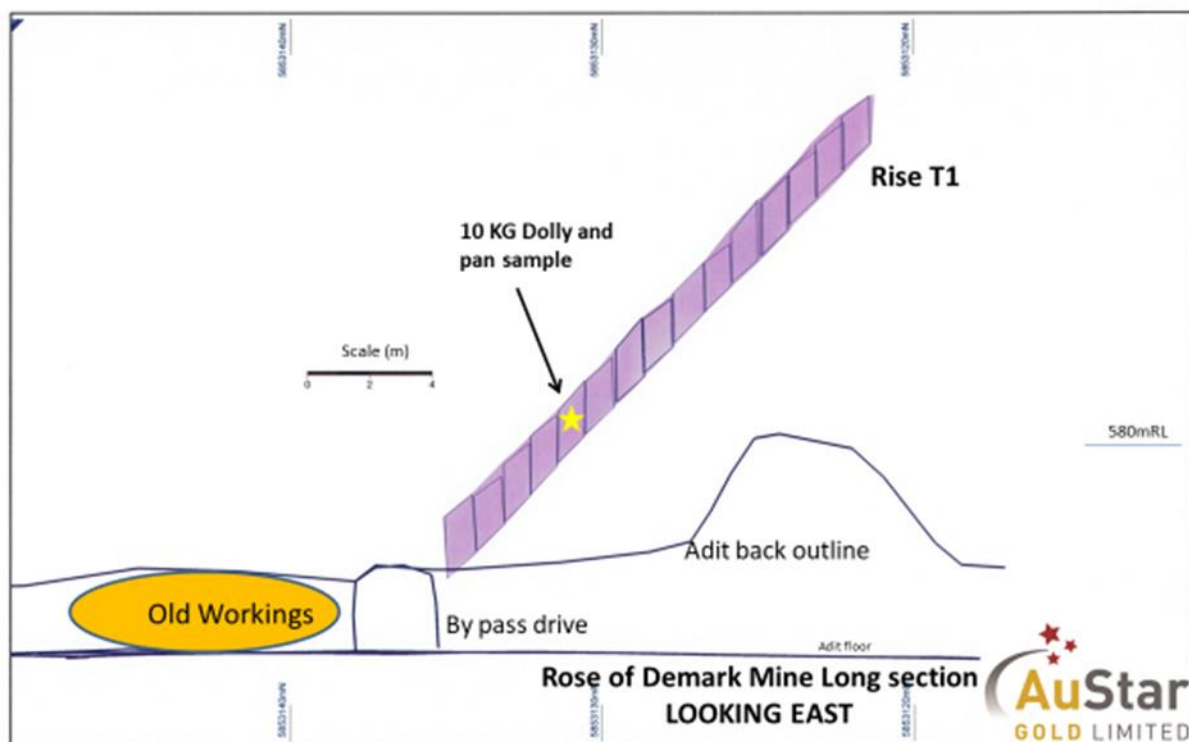


Photo 5. Rise T4 Development rise, showing quartz ladder veins, Geological sample interval and location of coarse visible gold in the face at cut 5.



About the Rose of Denmark

Historical gold production at Rose of Denmark ceased in 1926 and totaled approximately 37,000 ounces at 12.5 g/t and was sourced from underground ore shoots that outcropped on the surface and from a deeper internal production shaft (~200m deep).

Historical research and work completed by Morning Star Gold NL in 2012 had identified a significant walk up target available for short term development.

The current program will assist the Company in gaining a clearer understanding of the geology and structures controlling the gold mineralisation which in turn will assist mine development design to target higher grade zones identified from recently completed drilling as well as historical data.

The RoD is now 100% controlled by AuStar Gold, with Shandong recently transferring ownership for equity in AuStar (refer to ASX announcement dated 13 June 2018).

About AuStar Gold Limited:

AuStar is focused on the return to production of the Morning Star mine and its environs - **an advanced high-grade gold project, with significant infrastructure including processing plant, a strategic tenement footprint, and prospectively, well positioned for near-term trial mining.**

In addition, AuStar intends to develop its adjoining tenements in the Walhalla to Jamieson gold district (particularly the prolific Woods Point Dyke Swarm) into low cost high grade gold production projects.

End

For Further Information:

Tom de Vries
Chief Executive Officer
AuStar Gold Limited
info@austargold.com

Competent Persons Statement

The information in this report that relates to exploration, exploration results, and ongoing underground production is based geological information compiled by Mr Peter de Vries, (BAppSc) (Geol.) a consulting geologist, on behalf AuStar Gold Limited. Mr de Vries is a member of the Australasian Institute of Mining and Metallurgy (MAIMM) and the Australian Institute of Geoscientists (MAIG) and is a Competent Person as defined by the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in this report, and to the activity for which he is accepting responsibility. Mr de Vries consents to the publishing of the information in this report in the form and context in which it appears.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple. 	<ul style="list-style-type: none"> Each individual development cut is taken by the use of air-leg and drilling machine is in the range of 1.6 to 1.8m in depth and between 1.2 to 1.5m wide and 1.8 to 2.0m in height. The face is divided up perpendicularly by geologist into individual sub-sections based upon the observed lithology (Photo 5.) Sample intervals are approximately 0.3 to 0.5 metres as the mineralization consists of multiple narrow veins within a diorite host. Several continuous channel samples are taken perpendicularly across the interval to create a bulk sample of approximately 2.0kg in weight for each interval. Individual assay results for entire length of the face sampled are weight - averaged based upon resultant assays multiplied by length and then divided by the total length. Assays are dispatched to On Site Laboratory Services (Bendigo). Entire 2.0kg sample is pulverized to 90% passing P80. A subsample of 50g is taken for Fire Assay analysis with AAS finish.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> N.A.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists 	<ul style="list-style-type: none"> N.A.

Criteria	JORC Code explanation	Commentary
	<i>between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Development faces are initially washed down and marked up by the mine geologist. Pre-numbered sample bags are assigned to each interval to be sampled. The sample bag numbers are spray-painted onto the face (Photo 5.). Height, width and advancement are recorded for the total face. The face is photographed for future reference. A hand – drawn plan of the face is also made showing any geological characteristics for each individual interval section such as dip, strike, faulting, vein width, presence of sulphides, presence of visible gold etc.). Sample of each interval are then taken as explained in the Sampling Criteria Section.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Several continuous channel samples are taken perpendicularly across each interval to create a bulk sample of approximately 2.0kg in weight. Assays are dispatched to On Site Laboratory Services (OSLS) (Bendigo) for analysis. The entire 2.0kg sample is oven dried at the laboratory. The sample is then pulverized to 90% passing P80. A sub-sample of 50g is taken for Fire Assay analysis with AAS finish. An AUL internal company procedure to visually check for the presence of coarse gold is to take a larger sample of around 10kg. This sample is passed through a jaw crushed set at 10mm gap setting. All material then passed three times through a small hammer mill and material screen off at 1mm sieve setting. Sieved material oversize is visually inspected for coarse gold. Undersized material is panned off and a visual inspection taken to determine presence of sulphides and visible gold (Photo 4).
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) 	<ul style="list-style-type: none"> Internal standards and blanks sample are randomly inserted by OSLS. OSLS Standard data is supplied to AUL for review with each batch dispatched. The production data generated is NOT considered of sufficient level to be used for JORC reporting purposes but is considered sufficient for day-to-day mining operations as the data is produced to give a guide to production and allow for internal reconciliation between mining and milling.

Criteria	JORC Code explanation	Commentary
	<i>and precision have been established.</i>	
Verification of sampling and assaying	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> 	<ul style="list-style-type: none"> All reported data was subjected to validation and verification prior to release Laboratory standards are tabled and compared to stated value Data from logging and assay is being entered into excel and imported into a 3D modeling program (Micromine) for modeling and geological analysis.
Location of data points	<ul style="list-style-type: none"> <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> <i>Specification of the grid system used.</i> <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> All face samples were located by direct measurement from underground survey points. Contract surveyors will pick up development on an ongoing basis. The coordinates used are GDA 94 The topography control is of a high standard
Data spacing and distribution	<ul style="list-style-type: none"> <i>Data spacing for reporting of Exploration Results.</i> <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> Sampling data is undertaken on each development cut taken. Data is used for internal company analysis only and is used as a guide for ongoing guidance, and assigning approximate values of material prior to mill processing. Face weighted sample compositing is undertake on each face to determine an expected face value
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> Face development is occurring perpendicular to the previously defined stacked quartz ladder veining. This has been taken into account in such a way as to eliminate sampling bias. No significant sample bias based on face orientation is noted The mineralisation at Rose of Denmark plunges north at ~40 degrees and drilling is predominantly south at ~70 degrees to drill across the general trend (or north at +70) + / - 10 degrees
Sample security	<ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> The chain of custody for samples was managed by AuStar Gold Ltd, with an established set of procedures designed to maintain sample security.
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> No independent review has been undertaken of the face samples. Material is currently being mined is stock-piled underground and on the surface at the mine. All surface stockpiles are resampled on a basis of one grab per approximately 20 tonnes. Sample results will ultimately be used as reconciliation against the final mill delivered calculated grade.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Rose of Denmark lies wholly within MIN5299 and is 100% owned by Morning Star Gold N.L.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The Rose of Denmark ceased production in 1926 and was dormant until 2012 when Morning Star Gold enacted the JV and opened the Rose of Denmark adit, stripping the adit to ~2 metres width and undertaking mapping sampling, several diamond drillholes and bulk sampling before the company ceased work in late 2012. AuStar Gold has this data.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The project area lies within the Woods Point – Walhalla Synclinorium structural domain of the Melbourne zone, a northwest-trending belt of tightly folded Early Devonian Walhalla Group sandy turbidites. The domain is bounded by the Enoch's Point and Howe's Creek Faults, both possible detachment-related splay structures that may have controlled the intrusion of the Woods Point Dyke Swarm and provided the conduits for gold-bearing hydrothermal fluids. The local structural zone is referred to as the Ross Creek Faults Zone (RCFZ) Most gold mineralisation in the Woods Point to Gaffney's Creek corridor occurs as structurally-controlled quartz ladder vein systems hosted by dioritic dyke bulges. Rose of Denmark exhibits all these characteristics
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. 	<ul style="list-style-type: none"> N.A.
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material 	<ul style="list-style-type: none"> In all previous ASX releases concerning exploratory drilling the assays are given 'un-cut' unless otherwise stated & weighted averaging of results is used: in which the average grade is the sum of the products of length and grade for each sample in the interval, divided by the total length of the interval.

Criteria	JORC Code explanation	Commentary
	<p><i>and should be stated.</i></p> <ul style="list-style-type: none"> Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> No grades are made mention of in this release. The location of observed visible gold has been shown in a schematic plan and section to allow the reader to make an assessment of the balance of the presence of coarse gold in the ongoing development. Metal equivalents are not used.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> Mineralized structures at Rose of Denmark are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths. Exploration results have been reported as an interval with 'from' and 'to' stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported. The Rose of Denmark is being tested as a bulk mining target and as such, the grades of quartz veins or quartz breccias, are not being specifically sought although it should be noted that these features are not absolutely planar and considerable anastomosing of fine veinlets does occur, with variable strike and dip. All of the veining is contained within or closely proximal to the dyke vein.
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> See attached figures and plates.
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> No grade values have been announced in the release.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> Results are reported in context of ongoing production at the mine and are presented in some of the diagrams in this release. These diagrams are schematic in nature based on field observations yet to be fully digitized in 3D space (this work is ongoing)
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests 	<ul style="list-style-type: none"> Further development and on-going mining underground is occurring along with face sampling and bulk sampling in order to

Criteria	JORC Code explanation	Commentary
	<p><i>for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <ul style="list-style-type: none"> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<p>gain confidence regarding drilled grades.</p> <ul style="list-style-type: none"> Gaining a correlation between drilled grades and recovered grades from large scale sampling is a key aim of this program and will be a significant factor in reporting resources and reserves to appropriate standards.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Section 3 does not pertain to this report.

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Section 4 does not pertain to this report.