

AUSTAR GOLD RAISES \$5.5 MILLION TO ACCELERATE DEVELOPMENT AND EXPLORATION PROGRAM

AUSTAR GOLD LIMITED (ASX: AUL) ('**AuStar Gold**' or the '**Company**') is pleased to announce that it has successfully arranged a placement of A\$5.5m to fund development and further exploration at the Company's Morning Star and Rose of Denmark gold mines (Victoria, Australia), and for future growth initiatives.

The capital raising was strongly supported by Australian and United Kingdom based professional and sophisticated investors. The Company was extremely pleased with the level of interest shown in its assets and strategy.

The Company is also providing an opportunity for existing shareholders to participate through a Share Purchase Plan, on identical terms to the placement.

Highlights:

- **Share Placement:** binding commitments have been received from professional and sophisticated investors to raise \$5.5 million in two tranches ('**Placement**'):
 - The First tranche is unconditional with the second tranche conditional on shareholder approval at a general meeting of shareholders.
 - Investors in the Placement will (subject to shareholder approval) be issued one (1) attaching option for every five (5) shares, exercisable at 1.0 cent and expiring 2 years after the date of grant ('**Attaching Options**').
- Strong support for the Placement was received from both new and existing shareholders, with a number of professional and sophisticated investors welcomed to the register. These new investors substantially broaden the shareholder base.
- **Share Purchase Plan ('SPP'):** in order to provide an opportunity for the Company's loyal shareholder base to participate in the capital raising, the Company intends to conduct an offer to raise \$1.0 million (with the ability to accept oversubscriptions for a further \$1.0 million) at the same price as the Placement, together with Attaching Options.
- Net proceeds raised are to be used for:
 - An accelerated resource exploration/definition program at the Morning Star and Rose of Denmark gold mines;
 - Accelerated trial mining and production activity at the Rose of Denmark and Morning Star gold mines;
 - A regional exploration program across the Company's extensive ~667 square kilometre tenement package, comprising the bulk of the Walhalla/Woods Point gold trend; and
 - For general corporate and working capital purposes (including future growth initiatives).

AuStar Gold Chief Executive Officer **Mr. Tom de Vries** commented:

"This is a transformational capital raising for the Company, which will enable AuStar Gold to accelerate its immediate trial mining activities, intended to both prove concept as well as deliver economic gold production outcomes to the Company. With trial mining underway at Rose of Denmark and excellent drilling and face sampling results continuing to be delivered at Morning Star, I am confident grade reconciliation work over the next several weeks, in line with continuing production, will demonstrate the effectiveness of AuStar's development strategy."

"The AuStar team has worked both hard and effectively over the last several months, with successful recommissioning of the Company's production facility, high recovery factors and drilling success all being achieved in a short space of time and against the backdrop of sound environmental and health and safety outcomes."

"Our significantly strengthened balance sheet will also support an accelerated program of exploration, both at the Company's key mining projects and in the broader regional gold trend, an area which in our view contains enormous potential and which is substantially held within the Company's existing tenement portfolio."

AuStar Chairman **Mr. Frank Terranova** commented:

"I am very pleased with the level of investor interest shown in AuStar. The Company is now totally focused on delivering, for shareholders, on the exceptional potential apparent in its position as a well funded, production-ready gold operation in a region with huge exploration upside. I am looking forward to working with Tom and the team on this delivery, as well as evaluating the attractive growth and corporate opportunities that are apparent, given the Company's enviable financial position and asset base."

"I would like to thank the AuStar board, Joint Lead Managers APP Securities and Patersons Securities, as well as new and existing shareholders for the support and confidence shown by this highly successful capital raising."

Capital Raising Details

AuStar Gold has received binding commitments for a Placement of 1,222,222,222 shares at 0.45 cents per share to raise \$5.5 million to new professional and sophisticated investors from Australia and overseas. The raising was strongly supported and the placement closed over-subscribed, requiring scaling back of interest from some participants.

The Placement is being conducted in two tranches.

- **Tranche 1** – comprising 173,282,272 shares, utilising the Company's existing placement capacity under ASX Listing Rules 7.1 (92,223,574 shares) and 7.1A (81,058,698 shares); and
- **Tranche 2** – comprising 1,048,939,950 shares, subject to shareholder approval.

Investors in Tranche 1 and Tranche 2 of the Placement will also be entitled to receive 244,444,444 Attaching Options, subject to shareholder approval and to be issued alongside the issuance of Tranche 2 shares. The Company will give consideration to listing the Attaching Options at a later date.

The Placement issue price represents a discount of:

- 24.5 % to the 5 day VWAP ending Tuesday, 7 August 2018 of 0.5960 cents;
- 24.4 % to the 15 day VWAP ending Tuesday, 7 August 2018 of 0.5953 cents; and
- 25.3 % to the 30 day VWAP ending Tuesday, 7 August 2018 of 0.6021 cents.

New shares issued under the Placement will rank equally with existing ordinary shares on issue.

Share Purchase Plan

In conjunction with the Placement and subject to shareholder approval, AuStar Gold will offer eligible shareholders the opportunity to participate in an SPP on the same terms as the Placement to raise up to \$1.0 million (with the ability to accept oversubscriptions for a further \$1.0 million).

The SPP will enable AuStar Gold's retail shareholder base to participate in the growth of the Company at the same price and terms as the Placement, including the allocation of Attaching Options.

The SPP will, subject to shareholder approval, provide eligible shareholders, being shareholders who were recorded on the share register as at 7.00pm (Sydney time) on Friday 10 August 2018 with a registered address in Australia or New Zealand, with an opportunity to acquire up to \$15,000 worth of fully paid ordinary shares at an issue price of 0.45 cents per share and a 1 for 5 Attaching Option without incurring brokerage or any other transaction costs.

All new shares issued under the SPP will rank equally with existing ordinary shares in the Company.

The SPP is expected to close on 27 September 2018.

Australian Securities and Investment Commission class order relief does not extend to options issued under an SPP and accordingly, a prospectus will be sent to eligible shareholders in connection with the SPP offer. AuStar Gold will reserve the right to place any shortfall from the SPP with allocation at its discretion.

Shareholder approval

A notice of meeting will be despatched to shareholders to convene an extraordinary general meeting to be held on or around 24 September 2018 to seek:

- Shareholder ratification of prior issues of shares (including Tranche 1 of the Placement shares); and
- Shareholder approval of the issue of Tranche 2 of the Placement shares, the Attaching Options and the securities to be issued under the SPP.

Use of Funds

As outlined above, the net proceeds of the capital raising will be used to fund:

- Accelerated resource exploration/definition at the Morning Star and Rose of Denmark gold mines;
- Accelerated trial mining and production activity at the Rose of Denmark and Morning Star gold mines;
- A regional exploration program; and
- For general corporate and working capital purposes.

Indicative Timetable

Event	Date
Record Date for eligible shareholders to participate in the SPP	Friday, 10 th August 2018
ASX announcement of Placement, SPP and resumption of trading	Monday, 13 th August 2018
Issue and trading of Tranche 1 Placement shares	Friday, 17 th August 2018
Lodgement of Prospectus with the ASIC and ASX	Monday, 20 August 2018
SPP opens	Monday, 27 August 2018
General Meeting	Monday, 24 September 2018
SPP offer closes	5:00pm Sydney time, Thursday 27 September 2018
Issue and trading of Tranche 2 Placement shares	Thursday 27 September 2018
Grant of Attaching Options	Thursday 27 September 2018
Despatch of holding statements for SPP shares and Attaching Options	Tuesday, 2 October 2018

An updated corporate presentation will also be available on AuStar's home page located at <http://www.austargold.com/investors/presentations>

This announcement ceases the Voluntary Suspension of the Company's securities on the ASX.

About AuStar Gold:

AuStar Gold 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 and a strategic tenement footprint.**

In addition, AuStar Gold 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.

For Further Information:

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Disclaimer:

Statements in this document that are forward-looking and involve numerous risk and uncertainties that could cause actual results to differ materially from expected results are based on the Company's current beliefs and assumptions regarding a large number of factors affecting its business. There can be no assurance that (i) the Company has correctly measured or identified all of the factors affecting its business or their extent or likely impact; (ii) the publicly available information with respect to these factors on which the Company's analysis is based is complete or accurate; (iii) the Company's analysis is correct; or (iv) the Company's strategy, which is based in part on this analysis, will be successful.