



ASX Release

31 January 2019

December 2018 QUARTERLY ACTIVITIES REPORT

AuStar Gold Limited (ASX: AUL) provides the following update on its activities for the quarter ended 31 December 2018.

Highlights:

- **Three high gold grade structures drilled and expanded in the quarter**
 - **Stone's Reef**
 - **McNally's Reef**
 - **Stacpoole North.**
- **A high grade, unmined area has been identified at Stone's Reef**
- **A new, unmined reef has been identified at McNally's**
- **A previously identified high grade drill intercept at Stacpoole North was tested through further drilling.**
- **Reconciliation of Rose of Denmark processing showed an increase in grade of processed ore compared with face grade samples**
- **Further diamond drilling and percussion drilling at Rose of Denmark**
- **Rose of Denmark Mining Lease renewal granted**
- **Mining and processing strategy being developed for Q1 2019.**
- **Open pit review commenced**
- **Exploration Tenement data consolidation and review completed.**

Morning Star Gold Mine

Diamond drilling in the Morning Star mine resulted in 781.7 metres drilled with 594 samples assayed. Diamond drilling was predominately focused on the two high grade reefs, McNally's and Stone's. Diamond drilling in the Stacpoole North reef area occurred early in the December quarter and will continue in the March 2019 quarter.

Drilling in both McNally's Reef and Stone's Reef has been carried out at close spacing to assure a high grade core. At least four additional diamond drill holes are planned to test the areas that have yet to be closed off from economic mining and expand the area available to be mined. To enable drilling, 9 level was accessed and rehabilitated and diamond drilling was conducted in the most southerly location to expand the known dimensions of those reefs.

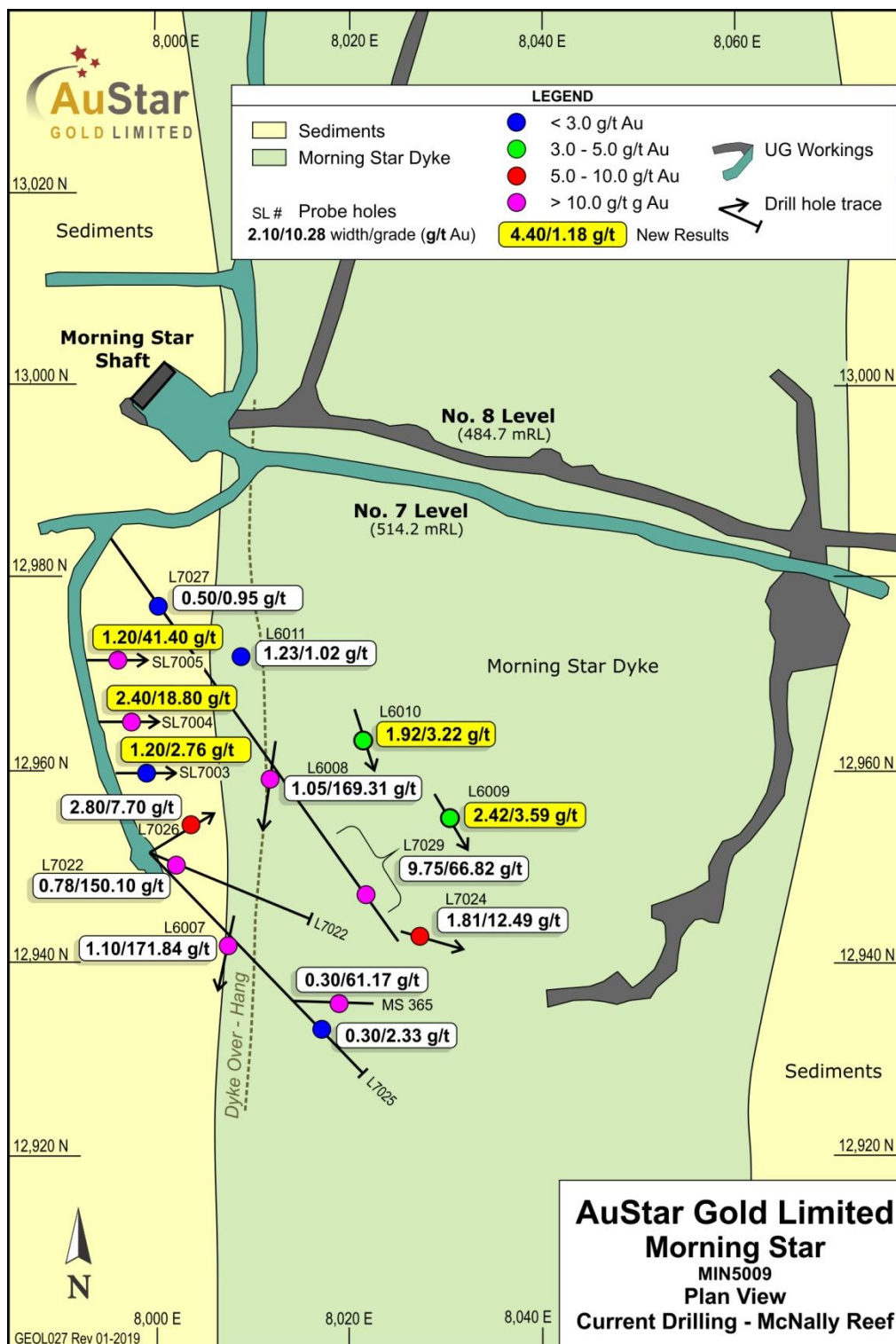


Figure 1: McNally's Reef drilling as reported to the ASX AUL: 8th January 2018

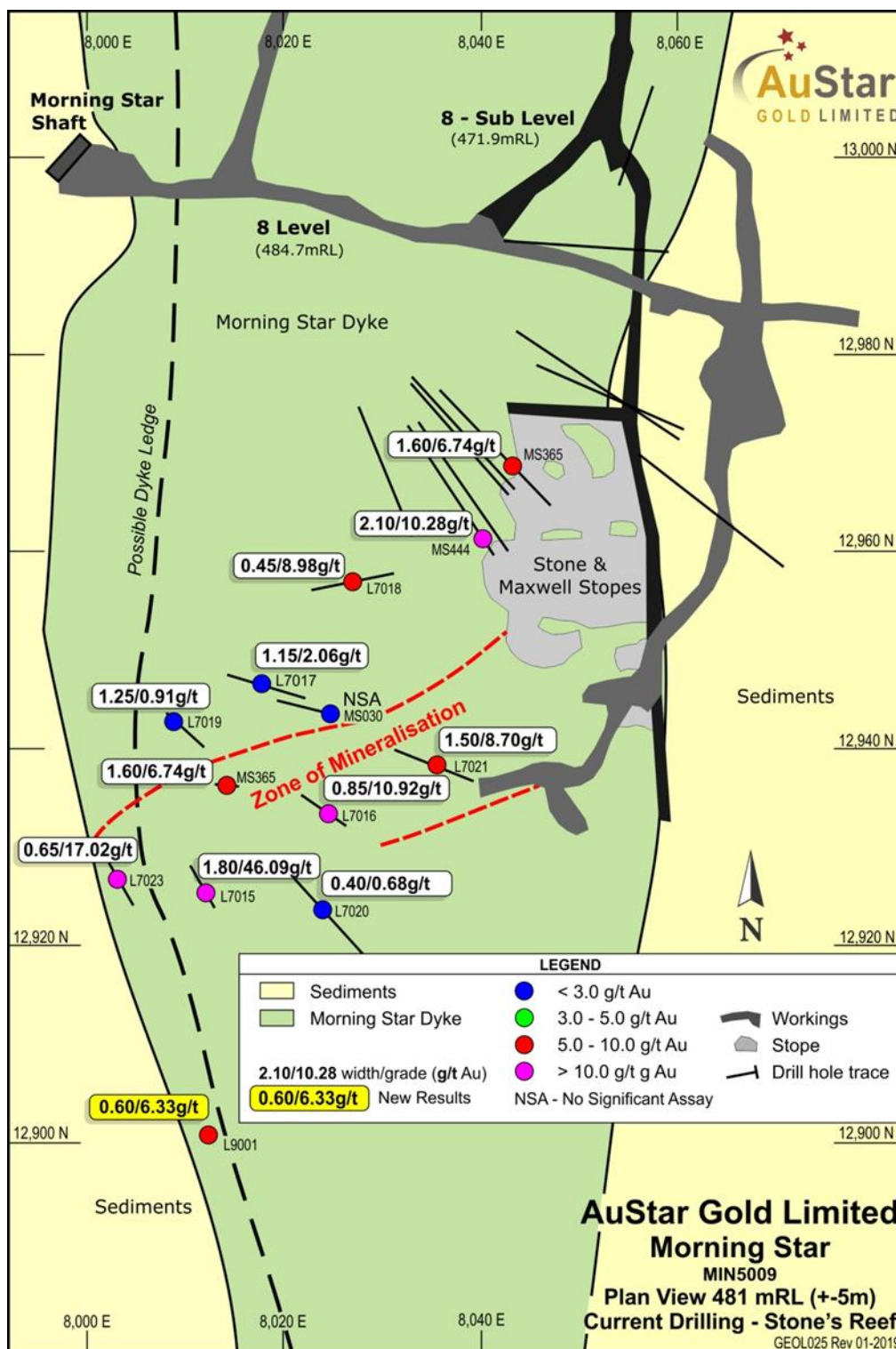


Figure 2: Stone's Reef drilling results as report to the ASX AUL: 8 January 2019

The Stacpoole North structure was drilled from the Morning Star adit early in the quarter, with encouraging results (refer to ASX release AUL: 7 November 2018). Further drilling is to be carried out in the current quarter to develop this zone into a fully prospective mining area.

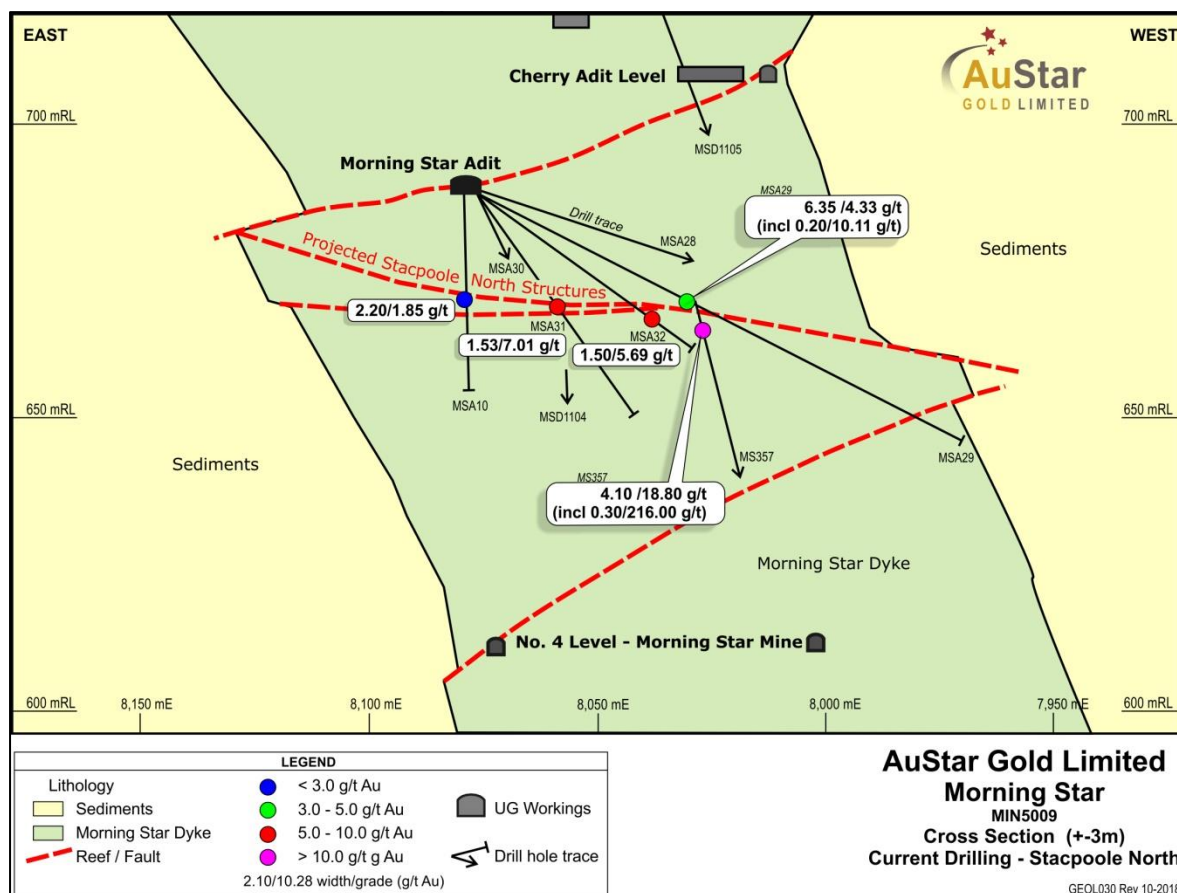


Figure 1: Cross section along line of drillhole MSA29 through Stacpoole North Structure

Rose of Denmark (RoD)

Activity at RoD consisted of diamond drilling from prepared hanging wall drill cuddies to drill to depth for the full length of the adit as well as North of the dyke bulge. A total of 513 metres was drilled with 204 diamond core samples assayed. This drilling is continuing in the March 2019 quarter.

In addition to the longer diamond holes, 733 metres of percussion/sludge holes were drilled with 613 samples assayed. The sludge sampling showed that there was further mineralisation available to be mined above the adit level at RoD. Percussion drilling was confirmed as a useful method of identifying high grade mineralisation trends.



Photograph 2: Borehole camera shot of high grade percussion intersection, refer to ASX AUL: 19 December 2018

A detailed review of reconciliation of RoD mining and processing performance was conducted (ASX AUL: 20 November 2018) by comparing diamond drilling, mining and then processing results. This demonstrated that processed ore grades were 191% higher than geological face sampling. Composite face sampling grades were found to be much closer to diamond drill hole grades, however results were heavily skewed by high grade outliers in the diamond drill assays and face sample assays, demonstrating the nuggety nature of the mineralisation.

The trial mining program demonstrated a need for denser geological information for grade estimation, due to the presence of high grade nuggety gold, and it also confirmed the ability to process RoD material through the Morning Star Gravity Processing plant.

The first step toward applying for an Approved Mine Work Plan is to achieve approval from EPA Victoria for “commercial” water discharge. To this end AuStar Gold has undertaken significant tests and is in discussion with the EPA. It is expected that approval for discharge will be achieved near the end of the March Quarter. This does not restrict any mining above the adit level that has been identified by the recent drilling.

Processing

During the quarter, various process improvements have been tested at a bench test level to identify ways to lift recoveries. As a result additional equipment is being hired to assess improved recovery opportunities in a full plant trial.

Particular attention is being given to the middlings product that is presently not being treated and monetized. The implementation of this income stream is expected to be completed in the current quarter.

Tenements and Exploration

AuStar Gold applied for an extension to the Rose of Denmark Mining Lease in July 2018, and the approval was received in October 2018, granting a three year extension of Mining Licence MIN5299.

In addition, Exploration Licences EL006321 and EL0006364 have been granted for five year terms. Prospecting Licences PL006332, PL006334, and PL006335 have been absorbed into Exploration Licence EL006364, removing the specific work requirements on those areas.

Mining License MIN5560 has expired as no mining activity occurred and there was no JORC Mineral Resource on the property. The license has now been absorbed into Exploration License EL006364.

AuStar Gold has applied for Exploration License ELA006853 which fills a gap in the Company's Walhalla to Jamieson region holdings. The license is in the Kevington area (Refer to Figure 3 below).

The Company has applied to vary MIN5299 and MIN5009 to allow tailings disposal from these licenses, which will allow waste rock to be used as general construction material with-in the broader community, improving the operation's waste disposal capacity.

A detailed review of exploration data, including geophysical and geochemical exploration of the past 30 years, has been compiled and reviewed by an independent third party expert. The review provides recommendations for priority exploration and an estimated budget for further preliminary activity. The report is subject to review in the March quarter.

As part of a broader review of mining potential on all of AuStar Gold tenements, a tier one mining consultancy company has been commissioned to review the possibility of open pit mining of the Morning Star dyke at Woods Point. This study is due to be completed in the March quarter of 2019.

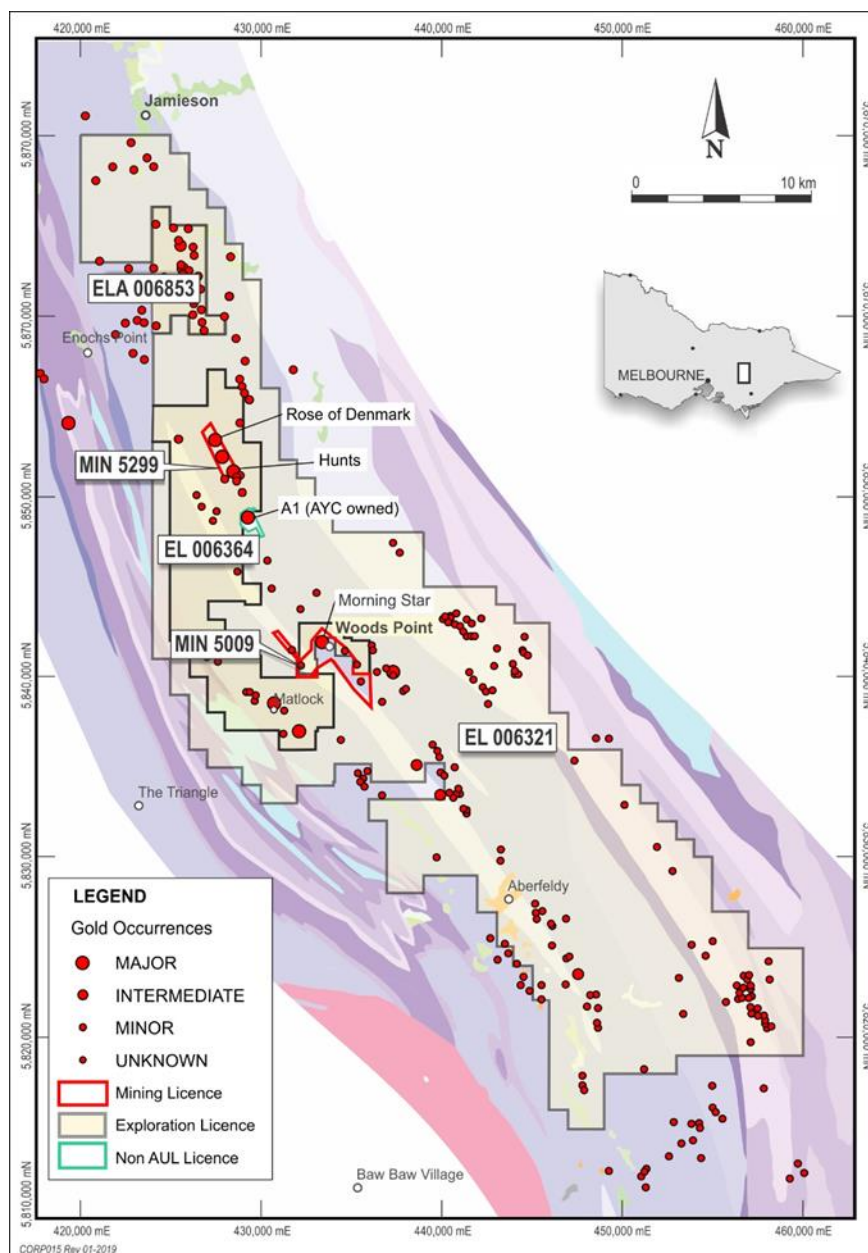


Figure 2. AuStar Gold tenement holdings, including application for EL006853

Corporate Update:

Board Appointments and Changes Implemented

Lord Christopher Wellesley was appointed as a UK based non-executive director of the Company in December 2018. Lord Wellesley is a highly experienced banking and capital markets executive with experience on a variety of boards and not for-profit organisations over the past three decades. He has held senior roles within tier-one institutions in London and Hong Kong, working with clients in the resources, energy and funds management sectors.

In addition, he has:

- An extensive network of relationships across UK capital markets;
- Demonstrated capital raising, corporate and financial markets expertise; and
- A deep commitment and involvement in a range of private philanthropic activities

Effective from 11 December 2018 the Board composition was further enhanced with Mr Frank Terranova assuming the role of Executive Chairman and the announcement that Mr Tom de Vries will continue as CEO of AuStar Gold until completion of operational objectives in Q1 of 2019 where at such a point where appropriate he will assume the role of Managing Director.

Both Mr Terranova and Mr de Vries will convert a percentage of their annual remuneration to equity, to be priced at the same price as the latest capital raising.

Cash Position

As announced on 9 October 2018, the Company successfully completed Tranche 2 of a two Tranche capital raising which included a Placement to Australian and United Kingdom based professional and sophisticated investors which raised a combined amount of AU\$5.4m (net of fees) including the Share Purchase Plan (SPP) to existing shareholders which raised AU\$473k.

As at 31 December 2018, the Company held a closing balance of available funds of AU\$2.6m as outlined in this quarters Appendix 5B.

Results of Annual General Meeting

The Company held its Annual General Meeting on the 30 November 2018 with all Resolutions passed unanimously on a show of hands. A summary of proxy votes was released to the ASX on the same date.

Exploration results

The exploration results shown were previously released to the market in ASX releases under AuStar Gold limited (ASX:AUL). The Company confirms that it is not aware of any new information or data that materially effects the information included in this announcement.

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.

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Table 1: AuStar Gold Tenement Schedule.

TENEMENT	PROJECT	STATUS	AREA (GRATICULES)	DATE OF GRANT	DATE OF EXPIRY
MIN 5299 ²	Woods Point	Current	211.19 (ha)	10/11/1981	30/08/2021
MIN 5009 ¹	Woods Point	Current	657.91 (ha)	21/01/1990	21/09/2023
MIN 5560	Woods Point	Expired	5(ha)		
EL006364 ¹	Woods Point	Current	101	27/08/2018	26/08/2023
EL006321 ¹	Woods Point	Current	566	27/08/2018	26/08/2023
ELA006853	Woods Point	Under Application	190	TBA	TBA
PL006332	Woods Point	Surrendered	5 (Ha)		
PL006334	Woods Point	Surrendered	5 (ha)		
PL006335	Woods Point	Surrendered	5 (Ha)		
EL 5294	Bacchus Marsh	In Renewal and in process of being transferred	154 (ha)	23/03/11	22/03/16
EL6704	Lionsville	Lionsville	4 grat	22/05/2003	6/05/2019

¹ Tenements 100% owned by Morning Star Gold NL. in turn held 95% by AuStar Gold Limited.

² Rose of Denmark is 97.55% owned by AuStar Gold

Application has been made to vary MIN 5299 and MIN5009 to allow the licensee to dispose of tailings from these licences

MIN5560 - This licence has expired and application has been made to amalgamate the area of this licence into EL006364 as provided by Regulation 35. The matter is before the tenements committee.

PL's 006332, 006334 and 006335 have been surrendered and the area of these licences has been amalgamated into EL00636

ELA006853 has been applied for and is subject to review by the state of Victoria.

AuStar Gold Mineral Resources:

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

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.