



AuStar Gold Limited

ABN 70 107 180 441

Half-Year Financial Report

For the half-year ended

31 December 2018

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Corporate Directory

Directors

Mr Frank Terranova	Non-Executive Chairman
Mr Richard Valenta	Non-Executive Director
Mr Ian King	Non-Executive Director
Mr Matthew Gill	Non-Executive Director
Mr Christopher Wellesley	Non-Executive Director

Company Secretary

Mr Stephen Kelly

Principal Place of Business and Registered Office

Level 6
15 Astor Terrace
Springhill QLD 4000

Contact Details

Website: www.austargold.com
Email: admin@austargold.com

Tel: +61 7 3319 4120

Solicitors to the Company

GRT Lawyers
Level 2
400 Queen Street
Brisbane QLD 4000

Share Registry

Security Transfer Registrars
Alexandria House
Suite 1
770 Canning Highway
Applecross WA 6153

Tel: +61 8 9315 2333
Fax: +61 8 9315 2233

Auditors

Hall Chadwick
40/2 Park Street
Sydney NSW 2000

Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

ASX Code: AUL, AULOD

Directors' Report

The Directors of AuStar Gold Limited ("AuStar" or "the Company") submit herewith the financial report of AuStar Gold Limited and its subsidiaries (the "Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Mr Richard Valenta	Non- Executive Director
Mr Ian King	Non- Executive Director
Mr Matthew Gill	Non- Executive Director
Mr Frank Terranova	Non- Executive Director (appointed 3 August 2018)
Mr Christopher Wellesley	Non- Executive Director (appointed 17 December 2018)

PRINCIPAL ACTIVITIES

AuStar Gold Limited (ASX:AUL) is an ASX listed emerging gold miner with its principal projects (Morning Star Gold Mine and Rose of Denmark mine) located in Victoria. The Company is singularly focused on high quality gold projects, having low-cost, short start-up production capability.

Operational highlights during the half year included:

- Renewal of Rose of Denmark ("ROD") mining licence
- Discovery of McNally's Reef, a high grade gold reef in Morning Star ('MSG') gold mine
- Continued exploration success in both the ROD and MSG gold mines, the highlights being:
 - McNally's Reef: drill results from drill hole L7029 were 9.75m @66.82g/t including 0.2m @876.12g/t (28 ounces/t)¹
 - ROD drill results included 1.2m @529.00 g/t from 15.60 m up-hole from hole RDS024 and 1.20 m @171.00 g/t from 1.20m up-hole from drill hole RDS012²
- Reconciliation of Rose of Denmark processing showed an increase in grade of processed ore compared with face grade samples³.
- First trial mining campaign and gold sales from ROD.

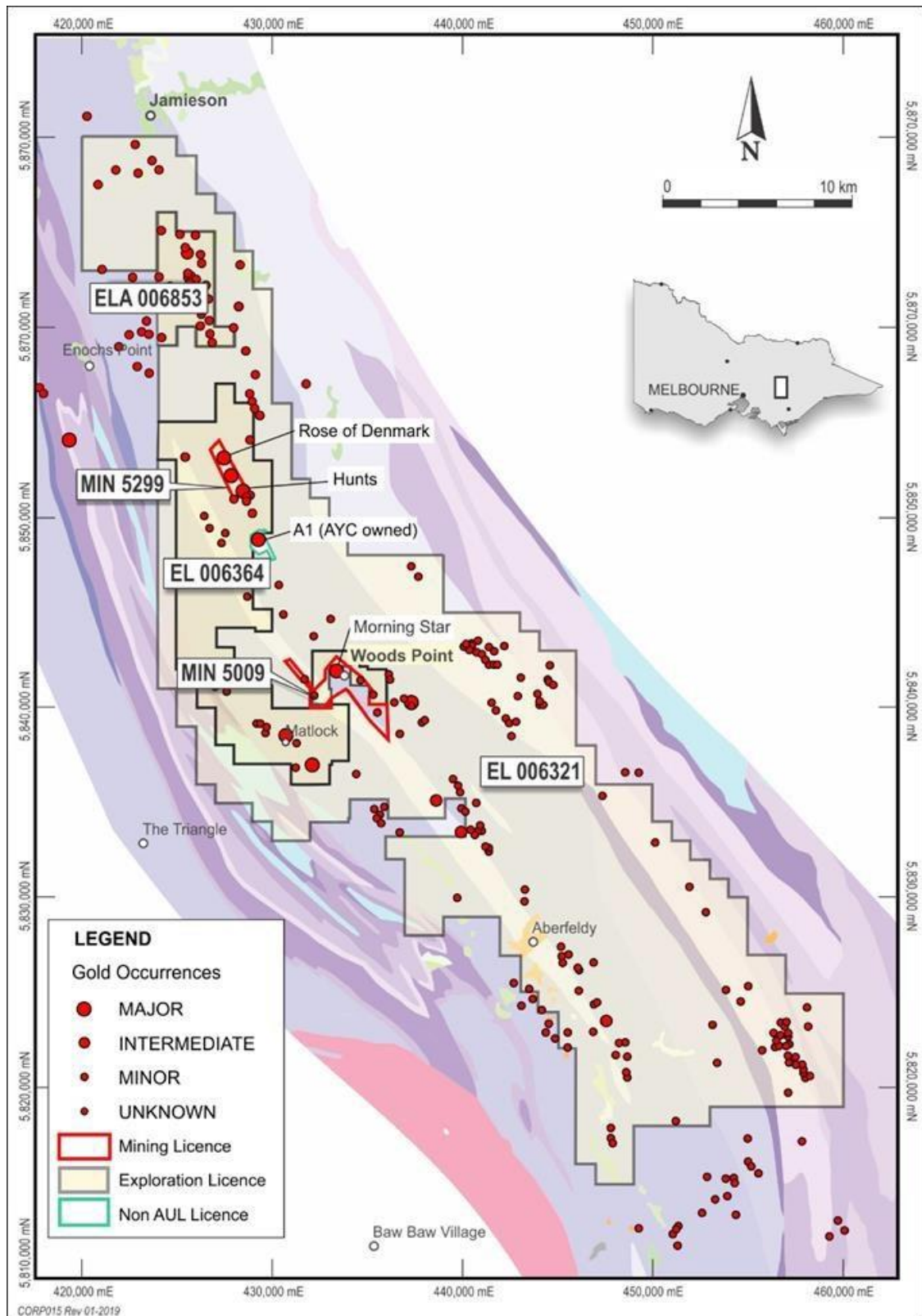
¹ Refer ASX Announcement dated 4 October 2018.

² Refer ASX Announcement dated 19 December 2018.

³ Refer ASX Announcement dated 20 November 2018.

The Company is not aware of any information or matters that materially affect the information reported in the referenced market announcements.

Figure 1. AuStar Gold tenement holdings, including application for EL006853



PROJECT OVERVIEW

Morning Star Gold Project - the Company holds a 95% interest in Morning Star Gold NL, which in turn owns the Morning Star high-grade gold project. The Morning Star project has a number of positive characteristics which demonstrate its potential to create value for AuStar shareholders:

- A fully recommissioned gravity processing plant on site.
- Mains power at the site (500 KVA line);
- A refurbished and recommissioned shaft (down to 300 metres below surface) with new winder also recommissioned for use.
- An existing paste plant attached to the gravity process plant for environmentally-friendly in-mine disposal of tailings;
- AuStar Gold is the dominant landholder in the district with 667 km² under tenement in a large region of historically-mined high grade reefs, supporting the expectation that new discoveries would be similarly high grade; and
- A local and corporate team with significant experience in the development, construction and mining of high grade underground gold deposits.

During the period, 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 is scheduled to 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.

The Stacpoole North structure was drilled from the Morning Star adit early in the period, with encouraging results. Further drilling is to be carried out in the current quarter to develop this zone into a fully prospective mining area.

Rose of Denmark Mine (RoD) – The Rose of Denmark mine is approximately 22 km by road from the Morning Star processing plant and is located north and on the same line of workings as the operating A1 mine (ASX:CTL) and is located behind the township of Gaffneys creek.

Activity at RoD during the period 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 scheduled to continue 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.

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

Directors' Report

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

Lionsville Gold Project – AuStar holds a 100% interest in EL 6074. Lionsville is an historic gold province in Northern NSW that has seen little modern exploration. This project is also designated as non-core and was in the process of divestment at the end of the reporting period.

REVIEW OF RESULTS

During the period the Group had cash outflows for capitalised exploration and evaluation expenditure totalling \$2,603,761 (2017: \$1,099,500) in relation its gold projects.

The loss of the Group for the half-year ended 31 December 2018 after providing for income tax amounted to \$1,095,350 (31 December 2017: \$150,794). The significant items affecting the loss after tax were:

- Impairment of receivables totaling \$229,200;
- Consultancy and legal expenses totaling \$262,435;
- Non-capitalised exploration expenses incurred during the period of \$258,318.

No dividends were declared or paid during the half-year ended 31 December 2018.

SIGNIFICANT CHANGES IN AFFAIRS

During the period the Company successfully completed the following:

- Settlement of the outstanding convertible notes through the issue of 46,960,004 ordinary shares
- Raised \$5.5 million through a share placement across two tranches over which a total 1,222,222,222 ordinary shares were issued to shareholders
- Issued one attaching option for every five shares issued in the share placement, a total of 244,444,445 options
- Raised a further \$473,053 through the issue of 105,122,752 shares under a Share Purchase Plan together with 21,024,548 free attaching options
- Converted the outstanding \$500,000 equity loan to issued share capital through the issue of 111,111,112 ordinary shares and 22,222,224 free attaching options
- Issued 100,000,000 performance rights to Directors pursuant to the company's Performance Rights Plan
- Issued 25,000,000 free options to brokers in consideration for broking services provided to the Company.

Directors' Report

Table 1: AuStar's Tenement Schedule.

Tenement	Project	Name	Grant Date	Expiry Date	Area	Interest (%)
MIN 5009 ¹	Morning Star	Morning Star	21/09/1990	21/09/2023	657 Ha	95
MIN 5299 ²	Morning Star	Rose of Denmark	10/11/1981	30/08/2021	211 Ha	97.55
EL 6321 ¹	Wood Point	Morning Star	27/08/2018	26/08/2023	566 km ²	95
EL 6364 ¹	Wood Point	Morning Star	27/08/2018	26/08/2023	101 km ²	95
EL 6074	Lionsville	Lionsville	22/05/2003	26/05/2019	4 units	100

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

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Frank Terranova
Director

Dated this 15th day of March 2019

**AUSTAR GOLD LIMITED
ABN 70 107 180 441
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTAR GOLD LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 15 March 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Revenue			
Interest income		8,633	3,625
Other Income		1,108	88,131
Expenses			
Administrative expenses		(100,895)	(86,681)
Consultancy and legal expenses		(262,435)	(323,651)
Compliance and regulatory expenses		(85,715)	(87,375)
Depreciation expense		(36,309)	(41,845)
Director and employee related expenses		(99,117)	(90,219)
Exploration expenses		(258,318)	(14,797)
Interest expense		(4,030)	(311,633)
Share based payments	7	(29,072)	(88,604)
Impairment of trade and other receivables		(229,200)	-
Reversal of impairment of exploration expenditure		-	802,255
Loss before income tax expense		(1,095,350)	(150,794)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,095,350)	(150,794)
Total comprehensive loss attributable to members of the Company		(1,095,350)	(150,794)
Total comprehensive loss for the period attributable to:			
Non-controlling interests		(16,768)	(348)
Owners of the parent entity		(1,078,582)	(150,446)
		(1,095,350)	(150,794)
Basic and diluted loss per share (cents)		(0.04)	(0.01)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current assets			
Cash and cash equivalents	2	2,596,347	636,762
Trade and other receivables	3	204,235	590,816
Other current assets		34,964	30,581
Total current assets		<u>2,835,546</u>	<u>1,258,159</u>
Non-current assets			
Receivables		15,000	15,000
Property, plant and equipment		527,865	563,507
Exploration and evaluation expenditure	4	10,502,036	8,312,323
Total non-current assets		<u>11,044,901</u>	<u>8,890,830</u>
Total assets		<u>13,880,447</u>	<u>10,148,989</u>
Current liabilities			
Trade and other payables		663,233	1,330,124
Borrowings	5	7,126	229,820
Total current liabilities		<u>670,359</u>	<u>1,559,944</u>
Total liabilities		<u>670,359</u>	<u>1,559,944</u>
Net assets		<u>13,210,088</u>	<u>8,589,045</u>
Equity			
Contributed equity	6	41,319,873	35,705,052
Reserves	7	2,105,123	2,003,551
Accumulated losses		(30,385,190)	(29,306,608)
Equity attributable to the owners of the parent entity		<u>13,039,806</u>	<u>8,401,995</u>
Non-controlling interests		<u>170,282</u>	<u>187,050</u>
Total equity		<u>13,210,088</u>	<u>8,589,045</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Cash payments in the course of operations	(943,199)	(1,283,360)
Interest received	8,633	3,625
Interest paid	(4,030)	(22,908)
Net cash used in operating activities	<u>(938,596)</u>	<u>(1,302,643)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(668)	(2,095)
Payment for exploration and evaluation assets	(2,603,761)	(1,099,500)
Net cash used in investing activities	<u>(2,604,429)</u>	<u>(1,101,595)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,973,052	385,682
Repayment of borrowings	(20,174)	-
Proceeds from borrowings	-	2,500,000
Payment of equity issue costs	(450,268)	-
Net cash provided by financing activities	<u>5,502,610</u>	<u>2,885,682</u>
Net change in cash and cash equivalents	1,959,585	481,444
Cash and cash equivalents at the beginning of the period	636,762	374,035
Cash and cash equivalents at the end of the period	<u>2,596,347</u>	<u>855,479</u>

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The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2018

	Contributed equity	Reserves	Accumulated losses	Non- Controlling interests	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	31,402,555	1,712,031	(28,611,355)	197,967	4,701,198
Total comprehensive loss for the period	-	-	(150,446)	(348)	(150,794)
Shares issued	2,512,421	-	-	-	2,512,421
Share issue costs	(116,877)	-	-	-	(116,877)
Share options issued	-	-	-	-	-
Share based payment	-	128,163	-	-	128,163
Balance at 31 December 2017	<u>33,798,099</u>	<u>1,840,194</u>	<u>(28,761,801)</u>	<u>197,619</u>	<u>7,074,111</u>
Balance at 1 July 2018	35,705,052	2,003,551	(29,306,608)	187,050	8,589,045
Total comprehensive loss for the period	-	-	(1,078,582)	(16,768)	(1,095,350)
Shares issued	6,176,503	-	-	-	6,176,503
Share issue costs	(561,682)	-	-	-	(561,682)
Share based payments	-	101,572	-	-	101,572
Balance at 31 December 2018	<u>41,319,873</u>	<u>2,105,123</u>	<u>(30,385,190)</u>	<u>170,282</u>	<u>13,210,088</u>

The accompanying notes form part of these financial statements.

1. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by AuStar Gold Limited during the interim reporting half-year.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting half-year except for the adoption of new and amended standards as set out below.

In the reporting period, the Group has adopted all the new and revised accounting standards and Interpretations that are relevant to its operations and effective for the current financial year including AASB15 Revenue from Contracts with Customers and AASB9 Financial Instruments. The adoption of these new and revised accounting standards and interpretations did not have any material effect on the financial results or financial position of the Group or the Company for the reporting period.

Going concern

As at 31 December 2018 the Company had cash reserves of \$2,596,347, net working capital of \$2,165,187 and net assets of \$13,210,088. The Company incurred a loss for the half year ended 31 December 2018 of \$1,095,350 and had net cash outflows from operating activities of \$938,596.

The ability of the Company to continue as a going concern is principally dependent upon the following:

- the ability of the Company to generate cash flow from mining operations;
- the ability of the Company to raise additional funding in the future; and
- the successful exploration and subsequent exploitation of the Company's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

Based on the success of previous capital raisings combined with the potential to attract farm-in partners for projects and the potential sale of the current portfolio of exploration assets held, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

The Directors are confident of securing funds as and when necessary to meet the Company's obligations as and when they fall due.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2018

2. Cash and cash equivalents

For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

	Consolidated 31 December 2018 \$	30 June 2018 \$
Cash at bank and in hand	481,047	521,462
Cash on deposit	2,115,300	115,300
	<u>2,596,347</u>	<u>636,762</u>

3. Trade and other receivables

Trade receivables	49,200	49,200
Research and development incentive	-	287,255
GST receivables	204,235	124,362
Other receivables	180,000	130,000
	<u>433,435</u>	<u>590,816</u>
Provision for impairment	<u>(229,200)</u>	<u>-</u>
	<u>204,235</u>	<u>590,816</u>

Other receivables relates to outstanding application monies in relation to capital raisings undertaken by the Company.

4. Exploration and evaluation expenditure

Opening balance	8,312,323	4,748,394
Exploration incurred during the period	2,189,713	3,432,570
Reversal of impairment	-	802,255
Tenement interest acquired	-	301,197
Research and development tax offset	-	(47,093)
Sale of tenements	-	(925,000)
Exploration expenditure	<u>10,502,036</u>	<u>8,312,323</u>

The ultimate recoupment of capitalised exploration and development expenditure is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest. The Company's continued development of its mineral property interests is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations, successfully complete its exploration and development programs and the attainment of future profitable production.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

5. Borrowings

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Borrowings	7,126	229,820

During the period the convertible notes were settled through the issue of the following equity instruments:

- On 31 July 2018 22,771,025 ordinary shares were issued as a result of the conversion of 68,037 convertible notes totalling \$100,648 at a conversion price of \$0.004420 per share.
- On 29 August 2018 24,188,979 ordinary shares were issued as a result of the conversion of 68,037 convertible notes totalling \$102,803 at a conversion price of \$0.00425 per share.

The remaining balance relates to an insurance funding agreement, to be settled by 30 March 2019.

6. Contributed equity

a) Issued capital

Ordinary shares, fully paid	41,319,873	35,205,052
Equity loan	-	500,000
	<u>41,319,873</u>	<u>35,705,052</u>
Movements in share capital	Number	\$
Balance at beginning of period	1,904,894,304	35,205,052
Share placements (i)	1,222,222,222	5,500,000
Conversion of convertible notes (ii)	46,960,004	203,451
Conversion of convertible loan (iii)	111,111,112	500,000
Share purchase plan (iv)	105,122,752	473,052
Share issue costs	-	(561,682)
Balance at end of period	<u>3,390,310,394</u>	<u>41,319,873</u>

The following share issues were made during the period:

- Raised \$5.5 million through a share placement in two tranches:
 - Tranche 1 – 173,282,272 shares issued at 0.45 cents per share on 17 August 2018
 - Tranche 2 – 1,048,939,950 shares issued at 0.45 cents per share on 5 October 2018
- During the period the convertible notes were settled through the issue of the following equity instruments:
 - On 31 July 2018 22,771,025 ordinary shares were issued as a result of the conversion of 68,037 convertible notes totalling \$100,648 at a conversion price of \$0.004420 per share.
 - On 29 August 2018 24,188,979 ordinary shares were issued as a result of the conversion of 68,037 convertible notes totalling \$102,803 at a conversion price of \$0.00425 per share.
- On 5 October 2018 issued 111,111,112 ordinary shares for conversion of the outstanding unsecured equity loan of \$500,000
- Raised a further \$473,053 through the issue of 105,122,752 shares under a Share Purchase Plan on 8 October 2018.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

6. Contributed equity (continued)

b) Share options

	Exercise price	Expiry date	Balance at beginning of year Number	Granted during the year Number	Exercised during the year Number	Expired or forfeited during the year Number	Balance at end of year Number	Options exercisable at end of year Number
31 December 2018								
Unlisted options	0.030	30/11/18	197,678,572	-	-	(197,678,572)	-	-
Unlisted options	0.018	08/09/21	30,000,000	-	-	-	30,000,000	30,000,000
Unlisted options	0.015	30/11/18	25,000,000	-	-	(25,000,000)	-	-
Unlisted options	0.015	30/11/19	30,000,000	-	-	-	30,000,000	30,000,000
Unlisted options	0.02	30/11/21	15,000,000	-	-	-	15,000,000	15,000,000
Listed options	0.01	30/09/20	-	312,691,217	-	-	312,691,217	312,691,217
			297,678,572	312,691,217	-	(222,678,572)	387,691,217	387,691,217

	Exercise price	Expiry date	Balance at beginning of year Number	Granted during the year Number	Exercised during the year Number	Expired or forfeited during the year Number	Balance at end of year Number	Options exercisable at end of year Number
30 June 2018								
Unlisted options	0.030	30/11/18	166,250,000	31,428,572	-	-	197,678,572	197,678,572
Unlisted options	0.018	08/09/21	30,000,000	-	-	-	30,000,000	30,000,000
Unlisted options	0.015	30/11/18	-	25,000,000	-	-	25,000,000	25,000,000
Unlisted options	0.015	30/11/19	-	30,000,000	-	-	30,000,000	30,000,000
Unlisted options	0.02	30/11/21	-	15,000,000	-	-	15,000,000	15,000,000
Listed options	0.015	30/11/17	160,148,425	-	-	(160,148,425)	-	-
			356,398,425	101,428,572	-	(160,148,425)	297,678,572	297,678,572

7. Reserves

	Consolidated	
	31 December 2018	30 June 2018
Equity reserve	2,105,123	2,003,551

The Share based payment reserve is used to record the fair value of share-based payments made by the Company. The following expenses arising from share-based payment transactions were recognised during the period:

Options issued pursuant to the Share Placement (i)	-
Options issued pursuant to Share Purchase Plan (ii)	-
Options issued to Equity loan holder (iii)	-
Performance rights issued to Directors (iv)	29,072
Options issued to Brokers to equity issue (v)	72,500
Total share-based payments for the year	101,572
Share based payments recognised as capital raising costs	(72,500)
Share-based payments expense	29,072

7. Reserves

Issue of options relates to the following:

- (i) Issued one attaching option for every five shares in the Share Placement, exercisable at 1.0 cent and expiring 30 September 2020
 - Tranche 1 – 34,656,454 free attaching options on 5 October 2018
 - Tranche 2 – 209,787,991 free attaching options on 5 October 2018

The options have been issued to shareholders of the company and therefore do not fall within the scope of AASB 2 *Share-based payment*. Accordingly, the options have a \$nil value.

- (ii) Issued 21,024,548 free attaching options under the Share Purchase Plan for nil consideration. The options are exercisable at 1.0 cent and expiring 30 September 2020. The options have been issued to shareholders of the company and therefore do not fall within the scope of AASB 2 *Share-based payment*. Accordingly, the options have a \$nil value.
- (iii) On 5 October 2018 issued 22,222,224 free attaching options for conversion of the outstanding unsecured equity loan. The options are exercisable at 1.0 cent, expiring 30 September 2020. The options have been issued to shareholders of the company and therefore do not fall within the scope of AASB 2 *Share-based payment*. Accordingly, the options have a \$nil value.
- (iv) On 5 October 2018 the Company issued 100,000,000 performance rights to Directors of the Company pursuant to the Company's Performance Rights Plan approved by Shareholders on 28 September 2018. The performance rights were issued with the following performance conditions:
 - Series 1: Vest on meeting the 1 cent VWAP condition i.e. if the VWAP of the Company's shares over any 10 Trading Day period is at least 1 cent
 - Series 2: Vest on meeting the 1.5 cent VWAP condition i.e. if the VWAP of the Company's shares over any 10 Trading Day period is at least 1.5 cent

The Performance Rights will not be quoted on ASX and accordingly have no readily identifiable market value. The fair value of the rights at grant date has been estimated using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. In accordance with AASB 2 *Share-based payment*, the market based vesting conditions have been taken into account when assessing the fair value. The following assumptions were used:

Expected volatility	163%
Risk-free interest rate	2.18%
Expected life of share options (years)	4
Grant date share price	\$0.004
Fair value per option – series 1	\$0.00388
Fair value per option – series 2	\$0.00381
Vesting period – series 1 (years)	2.98
Vesting period – series 2 (years)	3.35

The options have been recognised as share based payments expense.

- (v) On 5 October 2018 the Consolidated Entity issued 25,000,000 free options to brokers in consideration for broking services provided to the Company. The options were issued with an exercise price of 1.0 cent and an expiry date of 30 September 2020.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2018

8. Reserves

The fair value of the options at grant date has been estimated using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The following assumptions were used:

Exercise price	\$0.01
Expected volatility	163%
Risk-free interest rate	2.18%
Expected life of share options (years)	2
Grant date share price	\$0.0045
Fair value per option	\$0.0029

The options have been recognised as a share issue cost (refer Note5(a))

9. Segment reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity operates as a single segment which is mineral exploration within Australia. The consolidated entity is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located.

Operating revenues of approximately Nil (2017: Nil) and all the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

10. Contingent assets and liabilities

The Company did not have any material contingent assets or liabilities as at 31 December 2018.

11. Commitments

Exploration expenditure commitments

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Within one year	902,900	892,550
After one year but not more than five years	163,400	925,900
	<u>1,066,300</u>	<u>1,818,450</u>

The above exploration expenditure commitments assume no relinquishments or reductions during the period.

12. Events subsequent to balance date

No matter or circumstance has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent periods.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out in this half-year financial report, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Frank Terranova
Director

Dated this 15th day of March 2019

**AUSTAR GOLD LIMITED
ABN 70 107 180 441
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AUSTAR GOLD LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AuStar Gold Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of AuStar Gold Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Intra Energy Corporation Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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 **PrimeGlobal**

AUSTAR GOLD LIMITED
ABN 70 107 180 441
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AUSTAR GOLD LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AuStar Gold Limited is not in accordance with the Corporations Act 2001 including:

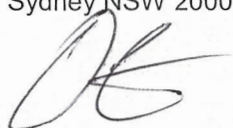
- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$1,095,350 and had a net cash outflows from operating activities of \$938,596 during the half-year ended 31 December 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Dated: 15 March 2019