



ASX Release

31 October 2019

SEPTEMBER 2019 QUARTERLY ACTIVITIES REPORT

AuStar Gold Limited (ASX: AUL) provides the following update on its activities for the quarter ended 30 September 2019.

Highlights:

- **Gold sales revenue of A\$1.44 million achieved at an average gold price of A\$2,146 per ounce**
- **Quarterly Gold production of 672.7 ounces Gold and 100.7 ounces Silver**
- **Improved gold production and mining performance has continued into October**
- **Company enters into agreement to acquire Centennial Mining Limited via Deed of Company Administration**
- **Additional McNally Reef exploration results have indicated the projected interpretation of a south-easterly striking shoot of higher-grade gold mineralisation directly down dip from current mining operations remains valid**
- **Merger Integration Planning commenced during the Quarter, becoming an increasing corporate focus in October**

Mining Operations:

Mining at the Morning Star Gold Mine continued during the Quarter with the 7 Level McNally Reef being the primary source of ore and minor contributions also coming from 8 sub Level Stone Reef. The Morning Star mine delivered 2,127 tonnes of ore feed to the mill.

Trial mining at the Rose of Denmark mine was completed early in the quarter with 215 tonnes mined and delivered to the mill and all equipment demobilized from that site. Application for approval to commence mining at the site is being prepared by the company for submission to the relevant government agencies.

Continuous mining cycle occurred in the 7 Level McNally Reef with mining initially above the rail level and later in the quarter development of down-dip scraper slot. Development of the access and ore-pass rises from 9 Level up to the 8 Sub Level Stone Reef were completed and a secondary access scraper drive developed within the Reef confirming future mining areas. Ongoing mining modifications continued to be trialed including split-firing of faces to maximise ore delivery grades.

Plant and equipment reliability have improved during the quarter as a consequence of the enhanced preventative maintenance program initiated and the continued replacement of older components within the mining fleet. The reliance on older style pneumatically operated mining equipment has still resulted in some minor unanticipated maintenance issues.

In the September quarter the Company has achieved:

- 100 metres of Development including 16m Rising
- 2,342 Ore tonnes
- 380 Waste tonnes

Processing

The AuStar Gold process plant at the Morning Star mine site utilizes standard gravity methods to recover gold from the Company's Morning Star and Rose of Denmark ores. Through the gravity process, the gold room captures approximately 65% to 75% of the gold directly to bullion, with an additional 10% to 15% of fine free gold residing in the gold bearing concentrate tails (middlings).

Unplanned maintenance issues significantly impacted the company's production during the quarter. Significant down time occurred during the quarter with breakdowns affecting the primary jaw crusher unit and a shaft failure in the VSI (Vertical Shaft Impactor) impacting production volumes.

The processing plant continued to operate on a week on / week off basis throughout the September quarter, however extended production runs have been undertaken in September and October to make up for down-time incurred.

600.3 ounces of refined gold from Dore was produced from the gravity circuit in the September quarter. During the quarter, the Company received gross proceeds of A\$1,289,658 from the sale of Dore at a realised average price of A\$2,148 per ounce.

An additional 34.4 ounces of gold was produced from the concentrate production and was sold in the September quarter generating gold sales proceeds of A\$75,586. A further 37.9 ounces of gold concentrate product produced in the June quarter was also sold in the September quarter for proceeds of A\$78,466. Significant quantities of gold in concentrate produced during the quarter remain to be leach recovered and these revenues will be recognized in the December quarter.

Total gold sales during the Quarter from all sources was 672.7 ounces for A\$1,443,710.

Processing of Morning Star concentrate product from the middlings stream by the Company's third party processor continues to take considerably longer than anticipated. The chemical process and testing continue to be adjusted. As a consequence the contained gold from the August and September concentrate production was unable to be monetised during the quarter, but will be realised in the upcoming December Quarter

There was minimal stockpiling of middlings during the September quarter as the previously installed high-speed centrifugal concentrator continued to extract additional gold and sulphides out of the middlings stream. A break-down of the unit in September resulted in a small increase in the stockpile which is readily available for processing.

The second larger high-speed concentrator installed into the tailings in the June Quarter, continues to operate as modelled, and removes further very fine gold and sulphides from the tailings line to the concentrate.

A trial parcel of mill-feed material from the near-by Centennial Mining owned A1 Gold Mine was treated in September to determine the potential to beneficiate or upgrade the mined material prior to trucking to the Maldon Processing facility. All results of the trial parcel were not available to be analysed by the end of the Quarter.

Exploration/Geology

Morning Star

As a consequence of the decision to enter into the agreement to acquire 100% of Centennial Mining, drilling has been temporarily suspended at the Morning Star mine and the contractors demobilised from site. AUL is undertaking a review to identify and prioritise the most effective drill targets across the AUL and Centennial projects as part of its merger integration planning.

Prior to the demobilisation a total of fifteen (15) diamond drill holes had been completed for 1,010.55 metres of core. Drill targets included the southern extension of the McNally structure; in

the extreme southern end of the mine and testing of the Gap Zone and Kenny's structure at the northern end.

Better results for the quarter (as previously announced) included;

- L9011 **0.30m @ 6.36 g/t Au** uphole (McNally's Reef).
- L9016 **0.20m @ 2,540.11 g/t Au** uphole (visible gold observed in core) (McNally's Reef), interpreted as **0.65m @ 782.2 g/t Au**.
- L9017 **0.41m @ 71.55 g/t Au** uphole (McNally Reef) including:
 - **0.16m @ 152.43 g/t Au** (visible gold observed in core).
- L9019 **2.30m @ 3.12 g/t Au** down hole (Gap Zone)
- L9022 **0.57m @ 4.14 g/t Au** uphole (McNally's reef)
- L9027 **0.10m @ 4.28 g/t Au** uphole (McNally's Reef)
- L9028 **0.75m @ 10.39 g/t Au** uphole (McNally's Reef)
- L9029 **0.38m @ 23.62 g/t Au** uphole (McNally's Reef)

Austar Gold's interpretation of these results is as follows:

- McNally's reef continues on a gentle dip 20° – 25° to the south-east (mine grid) and continues below the No. 7 Level.
- A second section of the McNally Reef appears to be mineralised along the western contact of the Morning Star dyke (drilling results within this release).
- Stone's Reef development has now been completed and has identified a mineable pay-run.
- Additional exploration drill targets have been identified up-dip within the Gap Zone structure.

Corporate

Corporate Activity

- On 8 July 2019, The Company announced the proposed consolidation of AuStar capital with a conversion of every 100 existing shares into 1 share. With the conclusion of agreements to acquire the assets of Centennial Mining Limited (the A1 Mine and Maldon Processing Plant), this meeting was subsequently deferred with a further update to shareholders to be provided in due course.
- On 23 July 2019 Mr. Paul McNally was appointed a Non-Executive Director and Mr Ian King resigned as a Non-Executive Director. Mr. Philip Amery agreed to act as Executive Director of the Company on an interim basis and was appointed Director of AuStar's key operating subsidiary Morning Star Gold NL.

- On 3 September the Company announced that it had entered into Agreement to acquire all the assets of Centennial Mining Limited from administration, via Deed of Company Arrangement (DOCA). The completion of the acquisition is subject to conditions precedent including AuStar raising new equity to a minimum of \$4.4m, AuStar completing a 100 for 1 consolidation of its equity securities and completion of DOCA formalities. A meeting of CTL creditors approved the DOCA on 27 August 2019. Certain variations to the DOCA have occurred, that are not material to AuStar's interest in the transaction, with final variations expected to be approved by Centennial creditors in mid-November. The merger is currently expected to complete by mid-December.
- Consistent with the announcement of 3 September the Company is finalising the terms of details of a Capital Raising of at least A\$4.4m to support the transaction and provide appropriate working capital to (i) substantially increase gold production from the A1 mine, (ii) undertake a program to increase tailing capacity and plant upgrade at Maldon and (iii) progress AuStar's regional exploration program, which the Company believes possesses very significant potential. AuStar is very pleased with the interest shown in the Company and the planned asset combination and is confident any such raising will be closed successfully.

Compliance Statements:

This announcement includes information that relates to Exploration Results prepared and first disclosed under the JORC Code (2012). The information was extracted from the Company's previous ASX announcements as follows:

- ASX announcement dated 30 August 2018
- ASX announcement dated 21 September 2018
- ASX announcement dated 4 October 2018
- ASX announcement dated 5 December 2018
- ASX announcement dated 8 January 2019
- ASX announcement dated 13 March 2019
- ASX announcement dated 17 June 2019
- ASX announcement dated 30 July 2019
- ASX announcement dated 30 October 2019

Copies of these announcement are available on the company's website: Austargold.com

The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements. 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.

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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
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
EL 5294	Bacchus Marsh	In Renewal and in process of being transferred	154 (ha)	23/03/11	22/03/16

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.

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

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.

Competent Persons Statement

The information in this report that relates to exploration activities and exploration results is based geological information compiled by Mr Peter de Vries, (BAppSc) a consulting geologist, on behalf of 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.