

DECEMBER 2019 QUARTERLY ACTIVITIES REPORT

AuStar Gold Limited (ASX: AUL) is pleased to provide the following update on its activities for the quarter ended 31 December 2019.

Highlights:

- **Gold sales revenue of A\$1.813 million** (inclusive of a small silver credit of ~\$2,700) achieved at an average gold price of A\$2,173 per ounce, an increase of 26% quarter on quarter (QOQ). The gold price for the quarter was modestly higher than the \$2,146/Oz realised in the previous quarter;
- **Quarterly gold production was 835.8 Oz Au (+ 24% QOQ) Oz fine Gold and 107.89 Oz silver (+ 7% QOQ);**
- Minor milling interruptions occurred in November due to mechanical failures and site ceased activities 20th December for a two week Christmas break;
- Realised grade from the McNally's and Stones reefs continued to perform to forecast expectations over the quarter with drilling operations planned in Q1 2020 to identify additional mining inventory. Though highly variable, feed grade averaged in excess of 15 g/t for the Quarter;
- **Improved gold production has continued into January** with milling operations now achieving close to nameplate productivity with minimal operational downtime;
- There were **nil lost time incidents**, OHS or material environmental events for the quarter with AuStar Gold maintaining a high standard of Environmental, Safety and Community (ESC) outcomes;
- The Company completed a consolidation of its securities in December;
- The Company undertook substantial corporate activity in the quarter in connection with the acquisition of the Centennial and Maldon assets that were subject to a Deed of Company Arrangement (DOCA). Deed of Company Arrangement (DOCA) proposed by Avior Consulting Limited over Centennial Mining Limited, however subsequent to the quarter the Company announced the changed circumstances in relation to the DOCA and that it would not be proceeding with the acquisition.
- Subsequent to the quarter mining and processing operations have continued strongly with the Company's focus now turning to in-mine and regional exploration.

Mining:

Mining at the Morning Star Gold Mine continued during the Quarter with the 7 Level McNally reef and the 8 sub Level Stone reef contributing equally to the overall production.

For the Quarter, the Morning Star mine delivered 2,737 tonnes of ore feed to the mill. Waste development metres were zero and waste hoisted from underground was only 28 tonnes, with the Company continuing to minimise waste development.

Mining on the 7 Level McNally reef continued with the development of down-dip scraper slots along a south easterly strike. This process creates multiple scraper slots to assist in maintaining production while up dip scraping is occurring and permitted continued following of the McNally reef down-dip with a limited loss of productivity. Ongoing mining modifications continued to be practiced in both stoping areas including split-firing of faces to maximise ore delivery grades. Waste generated from split-firing was stored into stope voids rather than hoisted. This mining approach is expected to continue as McNally reef is further developed.

The Company is also considering options to partially mechanise haulage and production off of rail as part of the future mining strategy at McNally.

Mining continued in Stones via the access and ore-pass rises from 9 Level to the 8 Sub Level which were completed in the September quarter. A secondary access scraper drive developed within the reef continued along strike which confirmed future mining extensions. Available production from Stones is expected to be concluded in the current quarter.

Plant and equipment reliability continued to remain within expectations 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 which are currently being addressed.

In the December quarter the Company delivered:

- Nil development metres
- 2,737 gold-bearing mill feed tonnes hoisted
- 28 waste tonnes hoisted

Processing:

The AuStar Gold process plant at the Morning Star mine site utilises standard gravity methods to recover gold from the Company's Morning Star 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 impacted the company's production during the Quarter after a strong start in October. Significant down time occurred in November with 5 days being lost due to power outages beyond the control of the Company and a shaft failure in the VSI (Vertical Shaft Impactor).

Re-engineering of the VSI by the AuStar Gold maintenance team has resulted in a resolution of mechanical issues giving rise to prior shaft failures and an enhanced, proactive plant maintenance program has delivered excellent outcomes into January and the current quarter.

The processing plant continued to operate on a week on / week off basis throughout the December quarter, however extended production runs were undertaken in October and December to compensate for down-time incurred.

779.3 ounces of refined gold from Dore was produced from the gravity circuit in the December quarter.

An additional 56.5 ounces of gold was gained from the concentrate production and was sold in the December quarter. Significant quantities of gold in concentrate produced during the quarter remain to be leach recovered and these revenues will be recognised in the March quarter.

For the quarter, total gold and silver sales, after payment of refining costs and from all sources was 835.8 ounces generating A\$1,813,356.

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 in concentrate for the December quarter was unable to be fully monetised during this quarter, but is expected to be realised in the March quarter.

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

As at the end of quarter the middlings stockpile was surveyed at 935 tonnes, with an estimated grade of 6 g/t. This material remains to be processed by the Company.

No third-party material was processed at the Morning Star processing facility during the quarter. A trial parcel of mill-feed from the near-by Centennial Mining owned A1 Gold Mine was treated in September. The results showed that the A1 ore has similar recovery characteristics to the Morning Star ore. A review of recovery data during the quarter identified that overall processing recovery from the gravity plant can be enhanced by the installation of additional gravity tabling on the tailing circuit. Planning for this project is well advanced and expected to be delivered in H1 of this year.

Exploration/Geology:

Morning Star:

As a consequence of the decision to enter into the agreement to acquire 100% of Centennial Mining, drilling was temporarily suspended at the Morning Star mine in the September quarter and the contractors demobilised from site.

During the December quarter, AUL undertook a review to identify and prioritise the most effective drill targets across the AUL and Centennial projects as part of its then merger integration planning.

With the decision to cease engagement in the Centennial process, this work has provided clear line of sight to a near term in-mine exploration program and for future regional exploration.

Corporate:

Appointment of senior executives and officers:

- On 24 October, the Company announced the appointment of Bill Frazer as Chief Executive Officer (CEO) and the transition of Peter de Vries from the role Acting CEO to a senior role in exploration management. On the same date, Toni Griffith was appointed Chief Financial Officer (CFO) reporting to the board and CEO;
- On 18 December, the Company announced the appointment of Sue-Ann Higgins to the Company Secretary role.
- Subsequent to the end of the quarter, Mr. Frank Terranova left the Company and Mr. Philip Amery assumed the role of Chairman.

Centennial Mining (in administration):

- On 18 November, the Company announced that Centennial Mining Limited ACN 149 308 921 and Maldon Resources Pty Ltd ACN 090 458 665 (both in administration), held a meeting on 15 November in which the creditors unanimously approved the proposed Deeds of Company Arrangement (DOCA) of both companies;
- On 24 November, the Company announced the completion of transaction conditions precedent pursuant to the DOCA as approved by the Centennial Mining Limited (CTL) creditors on 15 November. Subsequent to that approval, CTL obtained an order from the Court pursuant to section 444GA of the Corporations Act 2001 (Cth) approving the Proposed Acquisitions of CTL and ASIC granted the Administrator, KordaMentha relief from section 606 of the Corporations Act 2001 (Cth) to enable the completion of share and option transfers as contemplated under the DOCA;
- On 5 December, the Company announced its intention to raise \$7.5 million through an equity raising comprising a placement raising of \$2.5 million and a 1 for 2 pro rata non renounceable entitlement offer to raise up to \$5 million;
- Subsequent to the end of the quarter it became apparent to the board of AuStar Gold that certain conditions precedent to the DOCA, outside of the control of AuStar Gold, were unlikely to be fulfilled; accordingly the Company sought a trading halt to its securities on 9 January to enable comprehensive negotiations with the DOCA proponent and the Administrators to occur;
- On 13 January the Company announced that it had reached agreement with Mining Lending Pty Ltd to acquire all of the debt owed to it by CTL and Maldon and the associated security interests;
- On 20 January the Company entered into a Voluntary Suspension of trading of its securities.

- On 22 January the Company announced that the proposed acquisition of debt from Mining Lending would not be progressing; that the Company would not be proceeding with the acquisition of the Centennial or Maldon assets; and all Offers under the Prospectus were subsequently withdrawn.

Other:

- On 29 November shareholders approved a 100 for 1 consolidation of the Company's ordinary shares and options, with the consolidation being completed by 11 December.

The Company remains in voluntary suspension until the earlier of an announcement to the market in relation to a revised capital raising, or the commencement of trading on Wednesday 26 February 2020.

ENDS

Released by order of, and on behalf of, the board of AuStar Gold Limited.

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