

AUSTAR GOLD JULY OPERATIONS AND PRODUCTION UPDATE

Highlights:

- **Substantial operational free cash flow achieved, delivering positive cash flow at group level**
- **Provisional reconciliations indicate an impressive mined grade of ~16.5g/t (fully diluted) was maintained for the month**
- **Concentrate agreement negotiation finalised with maiden shipment concluded**
- **Monthly concentrate sales are expected to contribute to ongoing improvements in group performance (including July)**

AuStar Gold Limited (ASX: AUL, or the Company) is pleased to advise shareholders that July delivered another successful month of operations, with excellent grade control from mining and a continued focus on cost control. These aspects, combined with robust availability on processing plant, have delivered positive free cash flow from Morning Star, and, taking into account all annualised corporate and listing costs, positive cash flow at the Group level.

\$673,474 of gold was sold for month (256 Oz) at an average gold price of \$2,606. Taking into account all site operational costs, positive operational cash flow of >\$100,000 was achieved at Morning Star.

These numbers **exclude** concentrate produced for the month of 661kg, estimated to grade at ~1,800g/t Au. Concentrate sales will be recognised in production outcomes once sold through the Company's next concentrate shipment. Once recognised, group positive cash flow for the month should materially increase.

The above numbers **also exclude** concentrate proceeds of \$228,000 USD (~\$320,000 AUD) received in July as a provisional (part) payment for the Company's maiden concentrate shipment (all concentrate shipped in July represented material produced from prior processing periods). Around one tonne of high grade concentrates, in addition to July and August production, remain to be monetised. (see AuStar Gold ASX release *AuStar Gold Concludes Concentrate Sales Agreement* 3 August 2020).

Mining and Processing:

Mining hoisted 664 tonnes of mill feed in July (reconciled to 612 dry tonnes) with nil waste development requiring haulage. Despite shaft maintenance downtime impacting operations for several days, well controlled stope development delivered an estimated grade of 16.5 g/t Au (fully diluted) for July mill feed, resulting in approximately 8kg of refined gold sold.

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A further 661 kg of high grade concentrate was stockpiled in the month.

Notwithstanding limited tonnage processed (684 tonnes), Mill uptime performance was sound and the team were able to allocate time to further preventative maintenance and preparation for the installation of the recently purchased additional recovery circuit (see AuStar Gold ASX releases *June 2020 Market Update* 3 June 2020 and *June 2020 Quarterly Activities Report* 31 July 2020).

In-Mine Drilling:

Underground diamond drilling by the Company's drilling team continued for the month. Initial drill holes testing the Age of Progress structure from the Morning Star Adit (see AuStar Gold ASX release *Drilling Recommences at Morning Star* 23 July 2020) were completed in early July with Rig 1 mobilised to 8 Level in Morning Star mine to test extensions and further work areas surrounding the McNally and Stones reefs.

Drilling continues from 8 Level with around four holes remaining in the current program before testing of additional zones as outlined in the drilling program announced 23 July. The Company expects to update shareholders on initial drilling results in late August.



Fig (1): Underground diamond drilling operations, 8 Level, Morning Star (11 August, 2020)

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Capital Investments:

During July the Company took delivery of upgraded air compressor units and a fleet of dual synchronised Cummins generators. These investments provide the Morning Star operation with compressed air capacity sufficient for all planned production increase scenarios and also safeguard operations from any interruption in main grid power supply to site.

As outlined in the Company's *June 2020 Quarterly Activities Report*, Morning Star suffered several days of power supply interruption in 2019, which had an impact on production revenues during the late winter period.

Additional on-site power generating capacity also provides the site with the capability to scale up operations beyond the power draw currently available to Woods Point from the state grid.



Fig (1): Cummins Generator Units awaiting installation on site (L), Kaishan Air Compressor Units at Morning Star (R)

Regional Exploration:

The Company has commenced regional exploration planning for the remainder of the financial year including prioritisation of initial and medium term activities.

Discussions continue at an advanced stage with a number of qualified counterparties in relation to potential farm-in/joint venture agreements over sections of the Company's extensive tenement portfolio (see AuStar Gold ASX releases *June 2020 Quarterly Activities Report* and *Company Presentation 2 June 2020*). The Board is examining all options with regards to regional exploration in order to maximise value for shareholders.

The Board is mindful of the substantial long term value reflected in the aggregated tenement package under its control, reflecting the majority of the historically prolific Walhalla/Woods Point gold province.



ASX Release

13 August 2020

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AuStar Gold Chair Philip Amery said: *“July was a pleasing month for the Company with operational improvements realised in the June quarter continuing to drive performance. Robust cost control and a strong effort from all members of the site and corporate team has meant AuStar Gold is now consistently delivering incremental improvement in all areas of its operations.*

Achieving sustained positive cash flow for the month at both operational and group levels is an important milestone – particularly given this was achieved without accounting for the contribution of concentrate revenues. As these revenues are recognised in the Company’s accounts in future periods, I am confident sustained positive cash flow from operations will be demonstrated.

The team is now firmly focused on growing production revenue from Morning Star, while also ensuring the value of our very significant regional exploration package is unlocked for shareholders.”

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

AuStar Gold welcomes shareholder communication and invites all interested shareholders to make contact at any time.

For Further Information:

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About AuStar Gold Limited:

AuStar Gold is focused on building a valuable minerals inventory to generate sustainable economic production from its portfolio of advanced high-grade gold projects - with significant infrastructure including processing plant, a strategic tenement footprint, and current production from Morning Star. 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.

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.