

AUSTAR GOLD TO COMMENCE PRODUCTION AT HISTORIC VICTORIAN GOLD MINES

Highlights:

- Gold mining and processing to commence at Morning Star and Rose of Denmark mines
- Mining at Morning Star to focus on recently discovered high grade McNally's and Stone's Reefs
- Exploration activity to continue at both Morning Star and Rose of Denmark mines to provide ongoing source of high-grade plant feed

AuStar Gold Limited (ASX: AUL) is to commence production from its historic Morning Star and Rose of Denmark gold mines in Victoria eastern goldfields. This marks a major milestone in AuStar's history and is the culmination of an effective exploration program and successful development, mining and processing initiatives undertaken during 2018.

As foreshadowed in its ASX release dated 11 December 2018, the commencement of mining was targeted for the March 2019 quarter and the Company has now gained a requisite level of confidence in its minerals inventory estimation and mine planning to start production. This decision is also consistent with the strategy outlined by the Board of identifying economic ore bodies and utilising the Company's production-ready infrastructure to generate value.

Mining is to commence at both mines with ore to be processed at the Morning Star gravity processing plant. The bulk of the material for plant feed initially will come from the newly discovered McNally's Reef and from the nearby Rose of Denmark mine (RoD), while development is completed to access Stone's Reef.

Mining at the Rose of Denmark gold mine will access material recently identified using percussion drilling and diamond drilling undertaken in the adit (refer to ASX release of 19 December 2019).

Recent drilling has produced the following high grade intervals:

McNally's Reef ⁽¹⁾:

- 1.10m @ 171.84 g/t Au. including:
 - 0.20m @ 937.5 g/t Au
- 1.05m @ 169.31 g/t Au. Including;
 - 0.40m @ 103.29 g/t and 0.65m @ 209.93 g/t Au
- 9.75m @ 66.82 g/t Au. Including;
 - 0.20m @ 876.12 g/t Au
 - 0.55m @ 734.31 g/t Au
 - 0.75m @ 33.74 g/t Au
 - 0.70m @ 29.42 g/t Au
- 0.78m @ 150.68g/t Au

(1) See ASX Releases of December 5 and 4 October 2018. The Company is not aware of any new information or data that materially affects the information contained in those announcements.

Stone's Reef ⁽²⁾

- 0.65m @ 17.02 g/t Au including;
 - 0.30m @ 29.36 g/t Au
- 0.50m @ 9.10 g/t Au
- 1.50m @ 8.70 g/t Au
- 1.80m @ 46.09 g/t Au including;
 - 0.60m @ 34.41 g/t
 - 0.60m @ 102.39 g/t
- 0.75m @ 10.92 g/t Au;

(2) See ASX Releases of 25 July, 26 July, August 30 and September 21, 2018. The Company is not aware of any new information or data that materially affects the information contained in those announcements.

Exploration activity including diamond drilling will continue at both RoD and Morning Star Gold mines to replace the material processed through the plant and add to mining inventory.

AuStar Gold CEO Mr Tom de Vries said the decision to commence production reflected the excellent progress that had been achieved with recent exploration activity.

"We have repeatedly witnessed diamond drill core with visible gold and accompanying outstanding high grade assay results, which gives us confidence that mining can be undertaken successfully.

"Our process plant is proven, the infrastructure is all well tested, and our exploration work gives us confidence that we have high grade material available for mining. We have conducted extensive work internally to assess potential production rates and costs and the Board and Management are confident the decision to commence production will generate positive results for shareholders. While initial throughput rates will be modest, further exploration success will enable increased production over time," he said.

AuStar Gold's mine development plan will initially focus on exposing the reef at McNally's and thereafter develop along the structure then targeting the stoping on the highest grade drill holes (refer to Figure 1 below).

Following an initial pre-development stage, a similar approach will be taken to the selective mining of Stone's Reef, targeting zones where high grade gold drill holes proliferated, as set out in Figure 2.

AuStar Gold will commence development in the first week of February with logistics and procurement activity underway. Processing is expected to commence before the end of February. AuStar Gold has identified an initial gold mineral inventory to sustain production over the next 6 months, with the objective of continuing to replace and add to the current mineral inventory via ongoing success from further exploration activity. The plant will initially operate at approximately 85tpd throughput on a week on/week off basis, which is expected to increase in the next six months.

Details on production and costs cannot be reported publicly due to ASX and ASIC disclosure restrictions pertaining to the JORC Code 2012, however AuStar Gold will provide further detail and results as mining progresses. Further updates relating to exploration results, regional exploration and other value enhancing activities that are occurring in parallel to mining and processing will also be reported on a regular basis.

Chairman Frank Terranova added: "The objective for AuStar Gold is to generate cash flows from its operations, to enable ongoing development and exploration activities across its portfolio. Over the past months the exploration and operations teams have achieved outstanding success in identifying new high grade reefs and drill targets, and have increased our metal inventory to commence successful production and the Board is confident the team can continue to build on this recent success".

Figure 1: Plan Showing Location of Drilling Results on McNally's Reef as presented ASX: AUL 8 January 2019

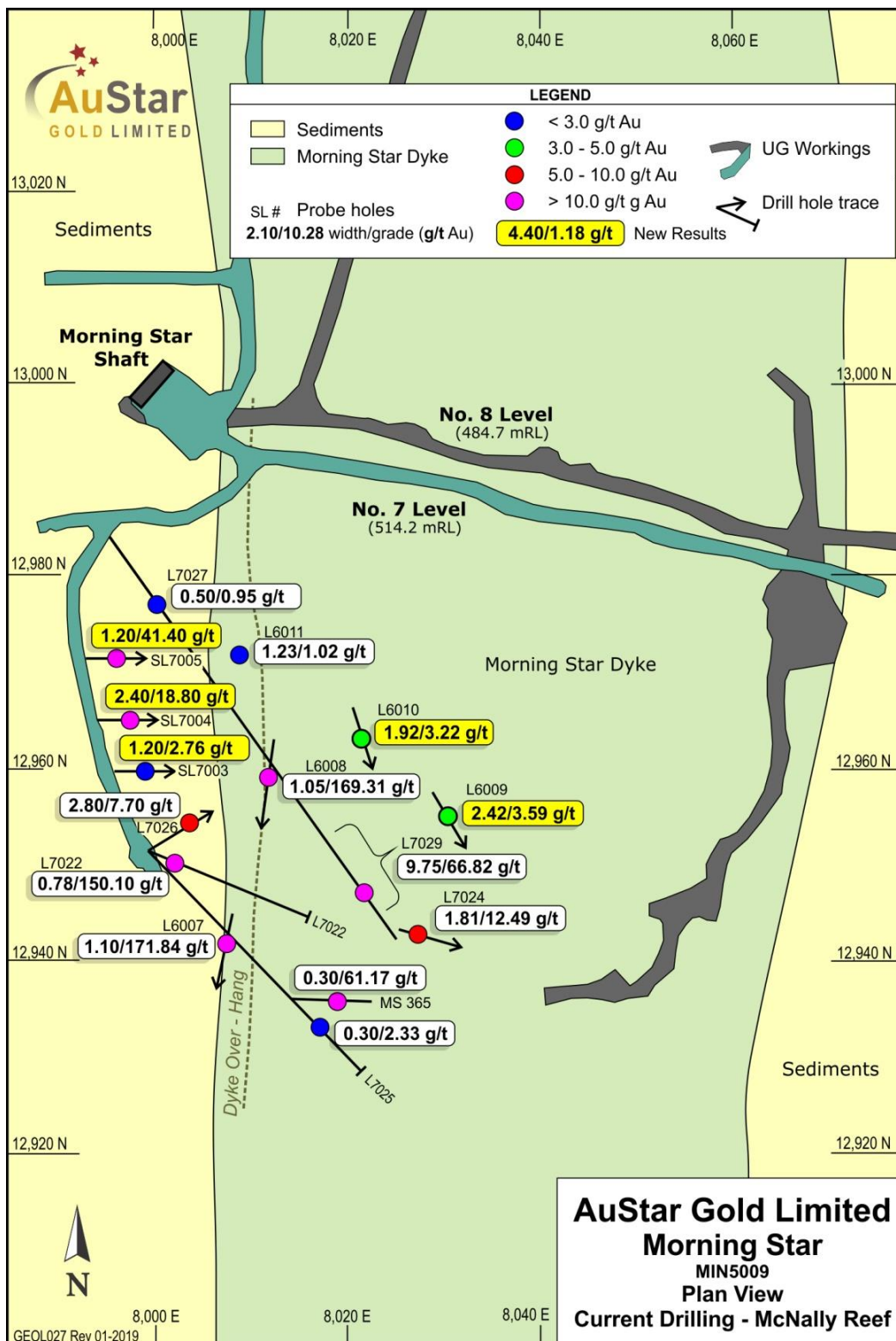
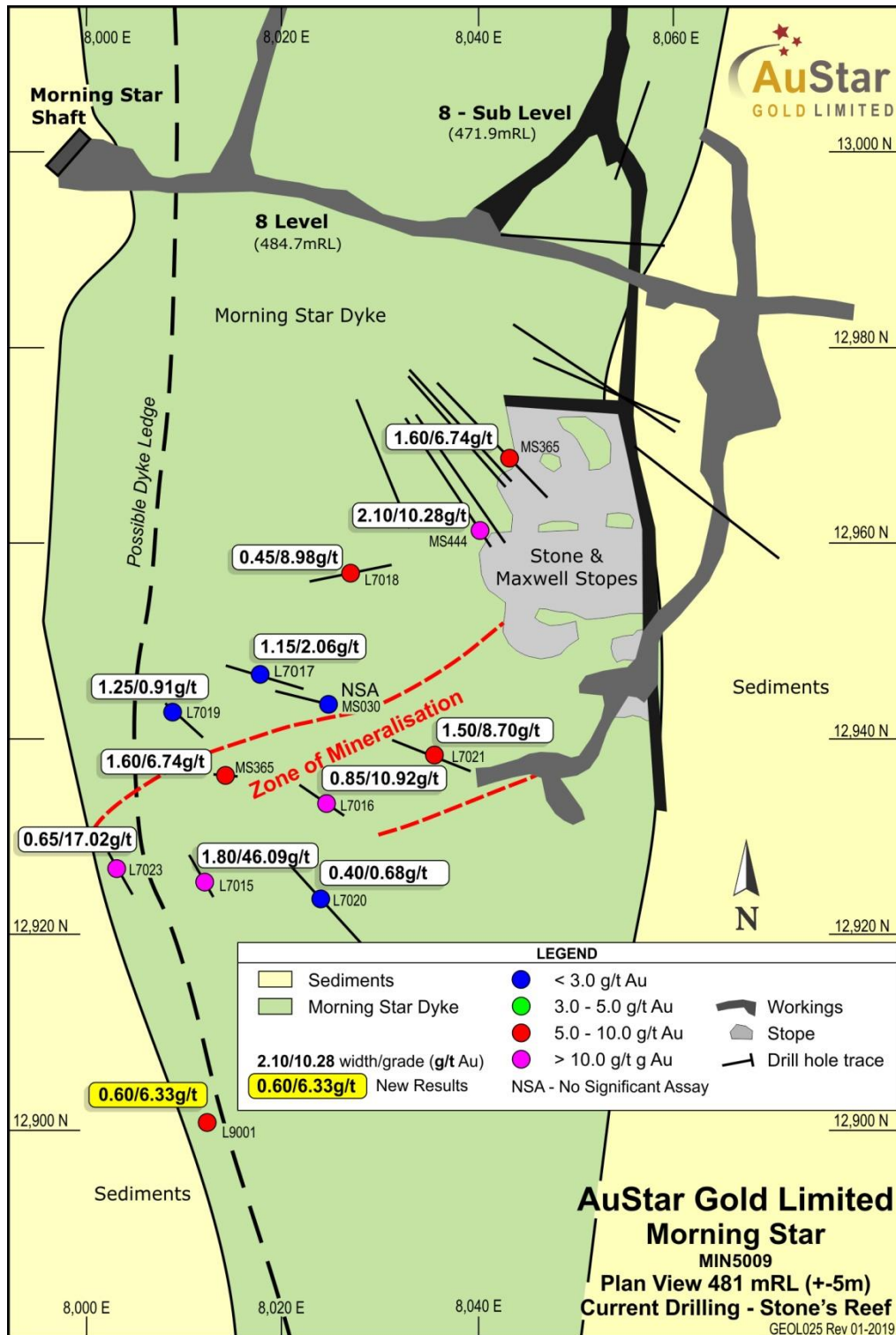


Figure 2: Plan Showing Location of Drilling Results on Stones reef as presented ASX: AUL 8 January 2019



About AuStar Gold Limited:

AuStar Gold is an emerging gold producer focused on achieving sustainable production and increasing economic minerals inventory from its portfolio of high-grade gold projects on existing mining leases, utilising its significant infrastructure located at Woods Point in Victoria.

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.

For Further Information:

Tom de Vries
Chief Executive Officer
AuStar Gold Limited
info@austargold.com
P: +61 408 45325

Frank Terranova
Executive Chairman
AuStar Gold Limited
info@austargold.com
+61 448 187 557