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## JUNE 2019 QUARTERLY ACTIVITIES REPORT

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

### Highlights:

- Total Gold produced from Dore of 1,057 ounces for the Quarter, marking a significant milestone in the history of AuStar Gold.
- Gross gold sales revenue of A\$2.14 million was received for the quarter at an average price of A\$1,860 per ounce, with further revenue accrued from production for the quarter being receivable after the reporting period.
- A second, high speed centrifugal concentrator installed at Morning Star in June to allow reprocessing of stockpiled middlings and to allow additional recovery of gold in tails.
- Further exploration drilling results for McNally Reef indicated the projected interpretation of a south-easterly striking shoot of higher-grade gold mineralisation directly down dip from current mining operations remains valid.
- Exploration drilling around the Rose of Denmark dyke bulge identified broad lengths of mineralisation containing higher grade cores within the dyke bulge. The drilling identified a parallel dyke structure to the north of the bulge.
- Maiden JORC compliant inferred Mineral Resource of 40,249t @ 6.00g/t for 7,763 ounces of gold defined for Rose of Denmark.
- Exploration Target defined to 300m below adit for Rose of Denmark.
- Assessment of participation within Centennial Mining Limited Deed of Company Administration (DOCA) process undertaken.

## **Mining**

Mining at the Morning Star Gold Mine continued during the Quarter with McNally Reef being the primary source of ore during the quarter, delivering 1,936 tonnes of ore feed to the mill. Mining activities ramped up at the Rose of Denmark mine in June with 228 tonnes of ore being delivered to the mill.

Mining moved from the development phase into a more continuous mining cycle. Ongoing mining modifications continued to be trialed including split-firing of faces to maximise ore delivery grades.

Plant and equipment reliability continued to be an ongoing issue with the utilization of predominantly pneumatically operated older style mining equipment resulting in some unanticipated maintenance issues.

In the June quarter the mining section has mined:

- Development metres 125.2 metres – all rise development
- Waste tonnes ..... 780 tonnes
- Ore tonnes .....2,164 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 15% of fine free gold residing in the middlings as concentrate and up to 10% of fine free gold in the gold room table rejects.

The material containing the fine free gold (concentrate) not captured directly into bullion at the Morning Star plant is being treated by Gekko Systems offsite, with expected recoveries in these two fractions of approximately 95% of the contained gold.

The processing plant generally operated on a week on / week off basis throughout the June quarter. During the Quarter a total of 2,672 tonnes of ore were processed through the plant.

Refining of Morning Star precipitate product from concentrate by the Company's refiners has been taking considerably longer than expected due to delays in precipitation from testing different catalysts and consequently more time being taken to dry and refine the precipitate output. The chemical process and testing continues to be adjusted.

A comprehensive production reconciliation for the Quarter is not able to be presented at the date of this report, as processing of the precipitate product from concentrate for the months of May and June is not complete. A comprehensive production reconciliation will be provided once processing of the May and June precipitates is complete.

1,056.97 ounces of refined gold from Dore was produced in the June quarter. During the quarter, the Company received gross proceeds of A\$2,004,037 from the sale of Dore. A further 69.27 ounces of gold refined in July from Dore poured in June was sold in the first week of July.

73.68 ounces of gold from concentrate product representing March and April concentrates was sold in the June quarter generating gold sales proceeds of A\$137,965.

Middlings stockpiling continued for the Quarter and the Company now possesses a very substantial stock of middlings material for reprocessing through the Company's enhanced recovery circuit now that the additional centrifuge to the process tailings line has been installed (refer below).

A second larger high speed concentrator was installed into the tailings line during the Quarter, Assaying and subsequent tests of the tailings stream have shown that when a high head grade source such as ore from the McNally reef is being processed, there is significant quantity of fine gold that can be recovered as a sulphide concentrate and then monetised via the Company's Gekko ILR facility. The installation of the larger high-speed concentrator to the tailings stream will allow reprocessing of stockpiled middlings, adding at least 4% to recovery alone, but also potential additional recovery of gold in tails.

## **Exploration/Geology**

### *Morning Star Mine*

On 17 June 2019, the announced further results for the drilling being undertaken to further expand and fully define the extent of the McNally Reef, and the commencement of additional drilling at the northern end of the dyke. Results received included:

- L9005 0.35m @ 2.54 g/t uphole – McNally's Reef
- L9008 0.49m @ 115.89 g/t uphole – McNally Reef

The intersection from L9005 was a result of a decision to re-enter the original hole and extend the hole by 10 metres to test a re-interpretation of the McNally's structure. Although the intersection assayed at a modest grade, several small specs of visible gold were observed within the core at the basal contact between the dyke and a 0.35m wide quartz vein containing minor pyrite and arsenopyrite mineralisation during logging. The result confirms the existence of the structure and the presence of gold further south than previously modelled.

Within drill hole L9008 several specs of visible gold were also observed at the basal contact between the dyke and a 0.49m wide quartz vein containing stylonitic sulphides banding of arsenopyrite and minor accessory pyrite.

The result from L9005 and L9008 indicates the projected interpretation of a south-easterly striking shoot of higher-grade gold mineralisation directly down dip from current mining operations remains valid.

### Rose of Denmark Mine

On 18 April 2019 the Company released high grade results for drilling around the dyke bulge that identified broad lengths of mineralisation containing higher grade cores within the dyke bulge. The drilling identified a parallel dyke structure to the north of the bulge that may assist in explaining why no mining historically occurred to the north of the bulge area.

Broad zones of mineralisation within the dyke bulge above the adit is shown by **ROD042 (93.65m @ 2.00 g/t Au)** and below the adit by **ROD043 (132.2 m @ 2.20 g/t)** and **ROD045 (53.52m @ 1.82 g/t Au)** including:

- 4.00m @ 20.75 g/t Au
- 1.20m @ 12.56 g/t Au
- 0.70 m @ 43.03 g/t Au
- 5.00m @ 9.78 g/t Au

The mineralisation is currently open at depth.

On 28 May 2019 the Company announced that it had completed the first phase of resource definition drilling to identify the geometry of the controlling dyke and identify zones of mineralisation within the dyke at the Rose of Denmark mine capable of near term accessibility.

Thirteen (13) additional diamond drill-holes were completed for a total of 468 metres along the length of the main Rose of Denmark adit. Drilling was undertaken from the dyke bulge area, south towards the portal. These holes were designed and were, as much as possible, drilled to run down the length of the dyke sheet in order to test areas of multiple quartz veining which predominately make up the mineralised packages within the dyke.

Significant results included:

- 7.30m @ 153.57 g/t au – including
  - 1.00m @ 1,110.01 g/t Au
- 1.50m @ 51.46 g/t Au.
- 6.75m @ 17.69 g/t Au – including
  - 0.25m @ 266.91 g/t Au
  - 0.15m @ 201.60 g/t au
- 1.80m @ 15.14 g/t Au
- 6.20m @ 12.90 g/t Au

### JORC Resource

On 28 June 2019, the Company announced a maiden JORC Inferred Mineral Resource and an Exploration Target for the Rose of Denmark mine.

The Inferred Mineral Resource was estimated in accordance with JORC (2012), utilising data from 2,900m of drilling from 69 diamond drill holes (ROD001 to ROD061) which were completed by the Company between February 2017 and April 2019, and five historical diamond drill holes (ROD1205, ROD1207-1209 and ROD1212) drilled in 2012.

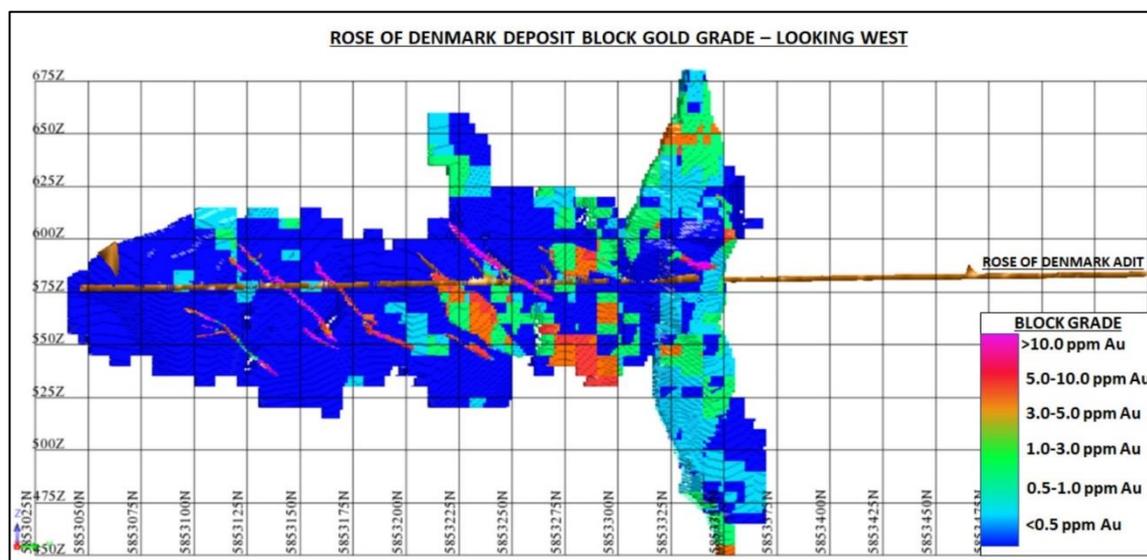
The Rose of Denmark Project Inferred Mineral Resource is the key input into a Scoping Study which the Company is currently conducting on the Rose of Denmark Project.

Final tonnages and ounces are shown in Table 1 and Figure 1.

**Table 1. Inferred Mineral Resources Rose of Denmark at 2.50g/t lower cut-off.**

| Domain             | Tonnes        | Au ppm      | Ounces       |
|--------------------|---------------|-------------|--------------|
| Dyke               | 5,527         | 4.56        | 810          |
| High Grade         | 14,773        | 9.61        | 4,564        |
| Stockwork Dyke     | 19,949        | 3.73        | 2,392        |
| <b>Grand Total</b> | <b>40,249</b> | <b>6.00</b> | <b>7,763</b> |

**Figure 1. Long Section of Rose of Denmark Showing Resources Modelled.**



The estimation of the maiden Inferred JORC Resource for the Rose of Denmark mine enabled the Company to estimate an Exploration Target for the Rose of Denmark mine. The Exploration Target was estimated by utilising current resource exploration drilling data, resource block modelling data and calculated historic production figures to estimate the exploration potential adjacent to and below historic mining activities.

The Exploration Target for the Rose of Denmark has been estimated to a nominal depth of 300 metres below the level of the main adit as is estimated to be in the range of 100,000 to 200,000 tonnes at a grade of between **5 – 8 g/t Au** for approximately **16,000 to 51,000** ounces of contained gold.

***The Exploration Target for the Rose of Denmark project is conceptual in nature and there has been insufficient exploration completed to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.***

The delineation of an Inferred Mineral Resource and Exploration Target comprise the first stage in progressing AuStar Gold's formal exploration objectives of identifying and growing a substantial metal inventory.

## **Corporate**

### Corporate Activity

- On 4 April 2019, Philip Amery was appointed a Non-Executive Director and Dr Richard Valenta resigned as a Non-Executive Director.
- On 23 July 2019 Paul McNally was appointed a Non-Executive Director and Mr Ian King resigned as a Non-Executive Director.
- On 23 July 2019 Mr. Peter de Vries was appointed Acting Chief Executive Officer following the resignation of Mr Tom de Vries.
- In the month of May the Company engaged in a review of the assets of adjacent business Centennial Mining limited (in Administration) ("**Centennial**"). AuStar continues to monitor developments at Centennial and AuStar will promptly advise shareholders if any commercial transaction eventuates.

### **Exploration results**

The exploration results shown were previously released to the market in ASX releases under AuStar Gold limited (ASX:AUL) on 14 April 2019, 28 May 2019, 17 June 2019 and 28 June 2019. The Company confirms that it is not aware of any new information or data that materially effects the information included in those announcements.

For further information, please contact:

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**Table 2: AuStar Gold Tenement Schedule.**

| TENEMENT              | PROJECT       | STATUS   | AREA<br>(GRATICULES) | DATE<br>OF GRANT | DATE<br>OF EXPIRY |
|-----------------------|---------------|--|----------------------|------------------|-------------------|
| MIN 5299 <sup>2</sup> | Woods Point   | Current  | 211.19 (ha)          | 10/11/1981       | 30/08/2021        |
| MIN 5009 <sup>1</sup> | Woods Point   | Current  | 657.91 (ha)          | 21/01/1990       | 21/09/2023        |
| MIN 5560              | Woods Point   | Expired  | 5(ha)                |                  |                   |
| EL006364 <sup>1</sup> | Woods Point   | Current  | 101                  | 27/08/2018       | 26/08/2023        |
| EL006321 <sup>1</sup> | 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          |

<sup>1</sup> Tenements 100% owned by Morning Star Gold NL. in turn held 95% by AuStar Gold Limited.

<sup>2</sup> 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

MIN5560 - This licence has expired and application has been made to amalgamate the area of this licence into EL006364 as provided by Regulation 35. The matter is before the tenements committee.

PL's 006332, 006334 and 006335 have been surrendered and the area of these licences has been amalgamated into EL00636

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.*

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**AuStar Gold Limited**

### ABN

**70 107 180 441**

### Quarter ended ("current quarter")

**30 June 2019**

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---|----------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                            |  |
| 1.1 Receipts from customers                               | 2,060                      | 2,236                                  |
| 1.2 Payments for  |                            |  |
| (a) exploration & evaluation                              | (1,471)                    | (4,737)                                |
| (b) development   | -                          | -                                      |
| (c) production  | -                          | -                                      |
| (d) staff costs   | (892)                      | (2,247)                                |
| (e) administration and corporate costs                    | (135)                      | (1,042)                                |
| 1.3 Dividends received (see note 3)                       | -                          | -                                      |
| 1.4 Interest received                                     | 2                          | 24                                     |
| 1.5 Interest and other costs of finance paid              | -                          | -                                      |
| 1.6 Income taxes paid                                     | -                          | -                                      |
| 1.7 Research and development refunds                      | -                          | 242                                    |
| 1.8 Other (provide details if material)                   | -                          | -                                      |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(436)</b>               | <b>(5,524)</b>                         |

|  |   |      |
|--|---|------|
| <b>2. Cash flows from investing activities</b> |   |      |
| 2.1 Payments to acquire:                       |   |      |
| (a) property, plant and equipment              | - | -    |
| (b) tenements (see item 10)                    | - | (20) |
| (c) investments                                | - | -    |
| (d) other non-current assets                   | - | -    |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|---|------------------------------------|---|
| 2.2   | Proceeds from the disposal of:                        |                                    |   |
|   | (a) property, plant and equipment                     | -                                  | -   |
|   | (b) tenements (see item 10)                           | -                                  | 16  |
|   | (c) investments                                       | -                                  | -   |
|   | (d) other non-current assets                          | -                                  | -   |
| 2.3   | Cash flows from loans to other entities               | -                                  | -   |
| 2.4   | Dividends received (see note 3)                       | -                                  | -   |
| 2.5   | Other (provide details if material)                   | -                                  | -   |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>-</b>                           | <b>(4)</b>                                      |

|             |   |          |              |
|-------------|---|----------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |          |              |
| 3.1         | Proceeds from issues of shares  | -        | 5,923        |
| 3.2         | Proceeds from issue of convertible notes                                    | -        | -            |
| 3.3         | Proceeds from exercise of share options                                     | -        | -            |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | -        | (495)        |
| 3.5         | Proceeds from borrowings  | -        | -            |
| 3.6         | Repayment of borrowings   | -        | -            |
| 3.7         | Transaction costs related to loans and borrowings                           | -        | -            |
| 3.8         | Dividends paid  | -        | -            |
| 3.9         | Other (provide details if material)   | -        | -            |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>-</b> | <b>5,428</b> |

|           |  |       |         |
|-----------|--|-------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 973   | 637     |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (436) | (5,524) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | -     | (4)     |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | -     | 5,428   |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|---|------------------------------------|---|
| 4.5   | Effect of movement in exchange rates on cash held | -                                  | -   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b> | <b>537</b>                         | <b>537</b>                                      |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 537                                | 473                                 |
| 5.2        | Call deposits   | -                                  | 500                                 |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>537</b>                         | <b>973</b>                          |

| <b>6.</b> | <b>Payments to directors of the entity and their associates</b>                                      | <b>Current quarter<br/>\$A'000</b> |
|-----------|--|------------------------------------|
| 6.1       | Aggregate amount of payments to these parties included in item 1.2                                   | 62                                 |
| 6.2       | Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                                  |
| 6.3       | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 |                                    |

Amounts shown represent Director fees and superannuation paid during the quarter.

| <b>7.</b> | <b>Payments to related entities of the entity and their associates</b>                               | <b>Current quarter<br/>\$A'000</b> |
|-----------|--|------------------------------------|
| 7.1       | Aggregate amount of payments to these parties included in item 1.2                                   | -                                  |
| 7.2       | Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                                  |
| 7.3       | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 |                                    |

Nil

## Mining exploration entity and oil and gas exploration entity quarterly report

| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  | -   | -  |
| 8.2 Credit standby arrangements  | -   | -  |
| 8.3 Other (please specify)   | -   | -  |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

|  |  |
|--|--|
|  |  |
|--|--|

| <b>9. Estimated cash outflows for next quarter</b>                               | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation (net of forecast gold sales revenue) <sup>^</sup> | (442)          |
| 9.2 Development  | -              |
| 9.3 Production   | -              |
| 9.4 Staff costs  | 805            |
| 9.5 Administration and corporate costs   | 113            |
| 9.6 Other – revenue from gold sales <sup>^</sup>                                 | -              |
| <b>9.7 Total estimated cash outflows / (inflows)</b>                             | <b>476</b>     |

<sup>^</sup> The Company remains in the exploration and evaluation phase for the purposes of AASB6. Accordingly, forecast revenue earned from gold sales from the current mining campaign is offset against capitalised expenditure.

| <b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                            | <b>Tenement reference and location</b> | <b>Nature of interest</b> | <b>Interest at beginning of quarter</b> | <b>Interest at end of quarter</b> |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | EL6704<br>Lionsville                   | Exploration licence       | 100%                                    | NIL                               |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased           | NII                                    | -                         | -                                       | -                                 |

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
Company Secretary

Date: 31 July 2019 .....

Print name: ...Stephen Kelly.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.