

AuStar Gold Limited ACN 107 180 441
Registered office: 6 Bridge Street, Woods Point, VIC 3723

JUNE 2020 QUARTERLY ACTIVITIES REPORT

Highlights:

- **Gold production continued to deliver attractive grade (avg. 12.18g/t)**
- **Program of investment into site capital improvements and internal diamond drilling competency executed**
- **Monetisation of stockpiled gold concentrates progressed**
- **Significant new hires at management level**
- **Convertible note capital raising and general meeting completed**
- **Strong operational performance in June has continued into July**

AuStar Gold Limited (ASX: AUL, or the Company) is pleased to provide the following update on its activities for the quarter ended 30 June 2020.

Gold sales of **\$1,266,872** were realised during the Quarter on sale Dore of 486 Oz, at an average gold price of \$2,601. 542 Ozs of gold in Dore were produced in total during the Quarter with the balance of gold sales realised in July. Mining haulage and underground operations were impacted for the bulk of April by maintenance and winder rope change-out works on the Morning Star head frame, necessitating the treatment of lower-grade middlings stockpiles and reducing gold production in April and May (see AuStar Gold Limited *June 2020 Market Update*, 3 June 2020).

With a return to regular operational tempo in May, June saw gold production up to 239 Oz for sales of \$604,000. Taking into account a late May shipment of Dore receipted by the business in early June, following the date of the *June Update*, reconciled April/May gold production and sales were, respectively, 303 Oz for revenue of \$804,000. Operational performance improvement has continued through July with over 250 ounces shipped for the month to date. Mining and processing operations have delivered excellent grade control and minimal waste development whilst maintaining cost control.

1,972kg of gold-bearing concentrate was also produced in the quarter. Subsequent to the quarter, these concentrates were independently assayed as part of the Company's recently finalised Concentrate Sales Program (see *Matters Subsequent*, below) to contain an estimated 88 Oz gold. Discussions continued throughout the Quarter to finalise an appropriate Concentrate sales agreement to enable effective monetisation of this portion of the Morning Star product stream, and this agreement was executed in early July.

There were nil lost time incidents in the quarter with the Morning Star operation now at 147 injury-free days. A single, minor water discharge exceedance event was reported during the quarter, with no further action required.

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Mining:

Mining operations for the quarter focused on production from the McNally Reef, which continued to provide high grade feed to operations and has exhibited potential extension down-dip from current work areas. 1,617 reconciled dry tonnes of ore feed to Mill was delivered with nil waste haulage required to surface. Average grade achieved for the Quarter was **12.18g/t** (vs. 12.07g/t in the March Quarter). Reduced quarter on quarter hoisting of high-grade material reflected haulage of only 179 tonnes in April as a consequence of the previously noted winder outage. Contribution from Stones Reef was minimal in April and May, increasing to 190 tonnes in June as mining operations at 8 Level increased.

Morning Star operated with two cross-shift mining crews during the quarter, ably led by the business' senior miners. In June a third senior miner was added to the team, focusing on opening additional areas around 8 Level/Stones for production.

A plan to improve the Company's power generation and air compressor capabilities was developed during the Quarter to provide the Morning Star Gold Mine with capacity to operate uninterrupted in the event of main grid outages, of which there were several in 2019. A review of draw, consumption, efficiencies and availability of power was undertaken with the resulting purchase of dual synchronised Cummins 330 kVA generators, which are arriving to site imminently. In conjunction with this project, compressed air capacity, draw and future utilisation for mine growth was also reviewed, with the resulting purchase of two new air compressors for the business, which have now arrived on site. These capital investments are expected to underwrite the practical power and compressed air requirements for the business under all foreseeable production growth scenarios at Morning Star.

Processing:

542 Oz of refined gold from Dore was produced in the Quarter from 2,312 dry tonnes processed (this tonnage includes middlings material processed in April). 1,690kg gold bearing concentrate was also produced, assayed to contain 77 Oz gold.

Capital investment projects in Processing continued for the quarter. Planning works in relation to the pre-crush circuit continued (with the crusher, pre-crush feeder and conveyor now on site – see AuStar Gold Limited *June 2020 Market Update* 3 June 2020 and *March Quarterly Activities Report* 1 May 2020). During the quarter the Company also purchased additional recovery tables in order to increase overall plant recoveries and reduce gold loss to the tails stream (see *June Update*), with these units arriving at site in July and will be installed in August.

An additional Metallurgist was recruited to the Group in June.

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Exploration/Geology:

During the Quarter planning for a comprehensive in-mine diamond drilling program at Morning Star was completed and drill site locations prepared. The Company also made the decision to develop an internal diamond drilling competency and purchased a fleet of two Kempe pneumatic diamond drill rigs and associated inventory.

Refurbishment of rigs, establishment of a drilling section and staff training occurred through the Quarter, with the drilling program commencing in July (see AuStar Gold Limited *Drilling Recommences at Morning Star*, 23 July 2020).

Discussions continued during the quarter with a number of qualified counterparties having expressed interest in farm-in or joint venture over portions of the Company's extensive exploration tenement portfolio. This process is presently at an advanced stage (see AuStar Gold Limited *Company Presentation* – June 2 June 2020).

Corporate:

As announced 3 April, the Company completed a \$1.4m Convertible Note capital raising during the quarter and held the associated General Meeting.

Mr. Franz Schlosser commenced as General Manager and has ably led continued operational improvements at Morning Star.

Payments to related parties of the entity/associates (Appendix 5B, section 6) of \$57,000 in the Quarter comprised payments of board fees to directors (\$48,400), payment of a final accrued board fee amount to a former director (\$7,468.75) and payments of interest under director's loan accounts of \$174.50 and \$956.32.

Matters subsequent to the Quarter:

Subsequent to the end of the reporting period the Company has:

- Continued to progress a Concentrates Treatment Program in order to efficiently monetise this portion of its gold output. This process has now been finalised, ending the Company's reliance on a previously contracted third-party intensive leach (ILR) process;
- Commenced a diamond drilling program at Morning Star utilising its owned drilling rigs and staff drilling crew;
- Appointed Mr. Jason Larocca as new Group Senior Geologist (see AuStar Gold *Appointment of Senior Geologist* 22 July 2020); and
- Continued to advance negotiations with third parties in relation to regional exploration tenement farm-in and joint venture proposals.

AuStar Gold expects to provide shareholders with a comprehensive update in relation to its regional exploration program in August.

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Senior team members at Morning Star, 30 July 2020. L→R: Mr. Jason Larocca, Senior Geologist, Ms. Bianna Kelly, Environmental Officer, Mr. Matthew Bortolotto, Senior Miner and Mr. Franz Schlosser, General Manager.*

**Note: photograph taken in adherence to Company Covid-19 social distancing policies and during a break period from normal surface operations.*

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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ASX Release

31 July 2020

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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.

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