



ASX Release

7 March 2019

CLARIFICATION: McNALLY'S REEF INTERSECTED WITH VISIBLE GOLD OBSERVED

On 5 March 2019 **AuStar Gold Limited (ASX:AUL)** ("the **Company**") released to the market an announcement titled "AUSTAR GOLD UPDATE: McNALLY'S REEF INTERSECTED WITH VISIBLE GOLD OBSERVED" that included a report of visible gold being observed in the quartz reef at McNally's Reef.

Following discussions with the ASX, the Company hereby provides an amended release that has been amended to include the location of the observed mineralisation, further describe the nature of the mineral occurrence, describe what minerals of interest have been observed, estimate the abundances for each of the minerals observed and to include a Competent Person statement and JORC Table 1 commentary detailing the work completed and context of the results.

The Company confirms that other than the additional information described above it is not aware of any new information or data that materially affects the information included in the original market announcement referenced above.

For Further Information:

Tom de Vries
Chief Executive Officer
AuStar Gold Limited
info@austargold.com
Ph: + 61 7 3319 4120

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Highlights

- ✓ McNally's Reef intersected in development as predicted by the geological model
- ✓ Visible gold observed within the quartz reef
- ✓ Mine development to continue along this gold-bearing quartz structure
- ✓ McNally's mine material being stockpiled for processing in March

AuStar Gold Limited (ASX: AUL) has made excellent progress in underground development to enable mining and processing of gold from the historic Morning Star gold mine in the eastern goldfields of Victoria.

Underground development work has intersected the targeted McNally's Reef structure as expected, in line with the geological model, and visible gold has been encountered in the exposed face. Mined gold bearing material from McNally's Reef is presently being stockpiled for imminent processing.

Development Update

Rail development towards the interpreted eastern boundary of the McNally's Reef commenced early in February. On 25th February the Reef was successfully intersected in the geologically interpreted position. Firing of the heading on 26th February further exposed the Reef with visible gold showing in the face (**Photo 1**). An alteration halo of pyrite and arsenopyrite extends above and below the reef.

Quartz veining with minor sulphides and native gold was observed within the broken muck pile and within the insitu face and wall along the right-hand-side of the McNally Development drive from a position 26.2 metres along from the commencement of the development. This position is 6.8 metres north-west from previously reported hole L6010 (1.93m @ 3.22 g/t Au)¹, 14.8 metres north of L7029 (9.75m @ 66.82 g/t)² and 14.6 metres east of L6008 (1.05m @ 169.31 g/t Au)³.

Mineralisation consists of a laminated quartz vein containing disseminated pyrite, arsenopyrite along with aggregations of fine to coarse grained native gold. The quartz vein occurs along a reverse fault plane dipping approximately 19° to 260.5° Mine Grid (200° mag). Surrounding the quartz vein and extending up to 400mm above and below the plane of the vein a zone of hydrothermally altered dyke exists. The sericitic alteration of the host hornblende dyke rock also includes sericite, chlorite, carbonate and the emplacement of disseminated pyrite which can also be auriferous.

¹ Refer ASX Announcement dated 8 January 2019. The Company is not aware of any new information or data that materially affects the information contained in that announcement.

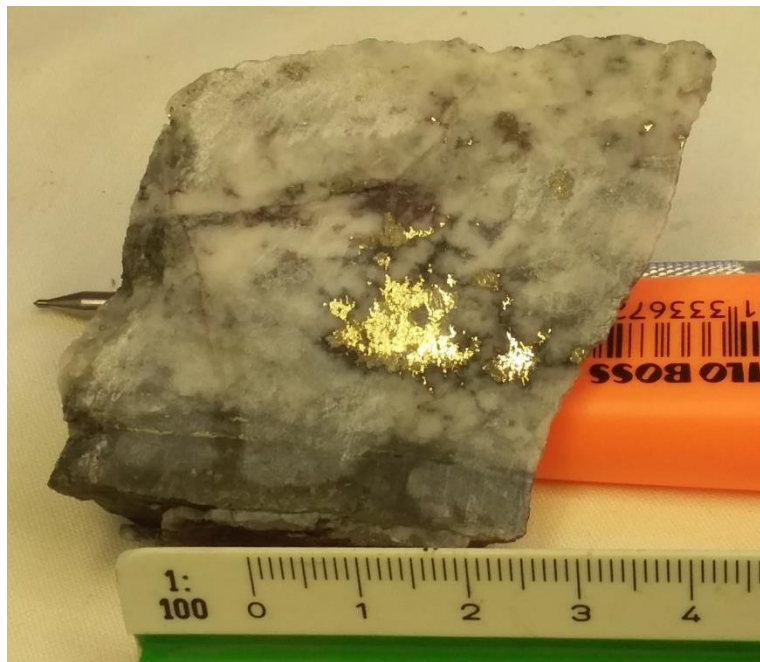
² Refer ASX Announcement dated 4 October 2018. The Company is not aware of any new information or data that materially affects the information contained in those announcements.

³ Refer ASX Announcement dated 5 December 2018. The Company is not aware of any new information or data that materially affects the information contained in those announcements.

Minerals of interest that have been observed include pyrite, arsenopyrite and native gold. Other minerals known to often be present within Morning Star quartz veins include trace amounts of chalcopyrite, sulphosalts, galena and bournonite but have not been observed in hand specimen samples recovered from the development heading to date.

Total sulphide content present within the quartz vein and surrounding halo are considered to be minor; as is the nature of mineralisation at the Morning star Gold mine. Pyrite and arsenopyrite are estimated to be less than 5% combined total.

Photo1: McNally's Reef Showing Abundant Free Gold.



Cautionary Statements

No estimate of the abundance of native gold has been made nor can be made due to the nuggetty nature of mineralisation.

No estimate as to the grade of the individual face samples have been made. The headings are routinely sampled after each firing. Face sampling consisting of channel chip sampling across the relevant geological zones. These samples are submitted to an external laboratory for analysis of gold content.

Chip samples have been taken of the faces since the intersecting of the reef with assay results pending.

Photo 2: McNally's Reef Development Heading on 27.02.2019 with quartz reef in the position interpreted from diamond drilling



Photo 3: McNally's Reef Lower LHS Showing Quartz Breccia Development.



Exploration at Morning Star continues with the diamond drill rig now mobilised to the Morning Star Adit to undertake exploratory drilling into Upper Whitelaw, Cherries/Morgans and North Stacpoole areas.

AuStar Gold CEO, Tom de Vries, said:

“The intersecting of McNally’s Reef validates the geological model for both the location and tenor of gold mineralisation. Mined material from the development heading will now be stockpiled on the surface in anticipation of milling commencing in March.”

“This material represents a continuation of Austar Gold’s stated aim of following a systematic, methodical approach to commencing production from the Morning Star mine. The Company has been able to achieve all the stated goals and reach the planned targets within time and cost constraints.”

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 prospectively-well positioned for near-term mining.

In addition, AuStar Gold intends to develop its adjoining tenements in the Walhalla to Jamieson gold district (particularly the Woods Point Dyke Swarm) into low cost high grade gold production projects

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.

For Further Information:

Tom de Vries
Chief Executive Officer
AuStar Gold Limited
info@austargold.com
Ph: + 61 7 3319 4120

Disclaimer

Statements in this document that are forward-looking involve numerous risk and uncertainties that could cause actual results to differ materially from expected results. They are based on the Company's current beliefs and assumptions regarding a large number of factors affecting its business and operations. 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 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.

APPENDIX 1 – JORC TABLE 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple. 	<ul style="list-style-type: none"> Samples consist of chip samples taken along a continuous channel perpendicular to the width of the zone to be sampled. Sample intervals are between 0.30 and 1.0 metres as the mineralization consists of multiple narrow veins within a diorite host. Sample length is also determined by geology with sample boundaries coinciding with lithology and geology. Upon washing down the face to be sampled is divided up into units to be sampled. The face is marked up with unique sample identities given to each interval. The face is photographed, mapped and samples collected and placed into corresponding sample bags. Samples collected are restricted to a maximum weight of approximately 2.0kg per sample. Distances to the heading face are measured from known survey stations. Chip samples are analysis is by 50g Fire Assay.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> Refer "Sampling Techniques" and "Drill Sample Recovery" for a description of how samples were obtained.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> Chip samples are collected along a continuous channel perpendicular to the strike of the zone of interest. The entire heading is sampled including any known waste zones for completeness. Multiple channels are completed across each zone to obtain an aggregated weight of approximately 2.0kg per sample.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Face mapping includes geological and geotechnical considerations. Headings are photographed after markup and before sampling.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of 	<ul style="list-style-type: none"> Face samples were assayed at the Onsite Laboratory Services (OSLS) laboratory located in Bendigo. Total pulverization before subsampling for assay is carried out at the lab by grinding via a mixer mill to 90% passing -75 microns. Final grade determination is by Fire Assay with an AAS finish.

Criteria	JORC Code explanation	Commentary
	<p><i>samples.</i></p> <ul style="list-style-type: none"> Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Fire assay charge size is 50 grams.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Laboratory blanks and random rechecks are also utilized by OSLS
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. 	<ul style="list-style-type: none"> All reported data was subjected to validation and verification. Data from face samples and assay is being entered into excel and imported into a 3D computer modeling programs for modeling and geological analysis.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> All faces were located by direct measurement from underground survey points. Contract surveyors will pick up drive profiles on a regular basis for high level of accuracy. The coordinates used are a local mine grid with Morning Star Shaft collar points used as centre coordinate 8000mE and 13000mN. The vertical axis is ASL (m). All bearings are rotated 48 degrees counter-clockwise from true (Grid) north, 60.5 degrees from Magnetic North. The topography control is of a high standard.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Development is samples at around 1.8m centres as the headings are fired. Development is being undertaken to target earlier identified anomalous gold assays from earlier drilling programs. Drilling has been carried out from underground drill cuddies. Reported drill holes are designed to intersect projected structural target at around 10 metre centres The aim of the drill program was to test for the presence of unmined mineralised structures that may contain economically definable amounts of gold. Sample compositing has not been applied for individual assays. Where averaged production grades have been calculated the weighted tonnage for each face is

Criteria	JORC Code explanation	Commentary
		<p>aggregated and divided by the sum of the calculated tonnage.</p> <ul style="list-style-type: none"> Where mineral processing grades have been calculated tonnages have been determined via weightometer located on the primary feed belt. Where an interval of grade has been composited the Weighted Average Grade is width of intersection (W) multiplied by grade (G) divided by the Sum of the Total Width. Avg Grade = $W1 \times G1 + W2 \times G2 \dots Wn \times Gn / \sum W$.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> The development has been targeted to intersect mineralized veins along strike. Sampling across the width of the vein on multiple is designed to eliminate sampling bias. No significant sample bias based on face sampling orientation has been noted. The mineralisation at the Morning Star mine consist of quartz infilled reverse faults of varying dips and orientations located with the Morning Star Diorite dyke.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> The chain of custody for samples was managed by AuStar Gold Ltd, with an established set of procedures designed to maintain sample security
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> No independent review has been undertaken of the announced drill results

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Morning Star mine is located within MIN5009, which is wholly owned by AuStar Gold and its subsidiaries. The assets were acquired from receivers in 2016. The Morning Star mine is located approximately 90km southeast of Mansfield in Eastern Victoria, near the town of Woods Point. The Rose of Denmark lies within MIN5299 and is wholly owned by AuStar Gold and its subsidiaries.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The Morning Star Gold mine has been intermittently active since 1861, with a large number of owners and operators. The mine was operated by Gold Mines of Australia between 1930 and 1960, and then briefly operated by Morning Star Gold Mines NL until 1963. Production up to that point has been variably estimated to be between 630,000 and 830,000 oz Au at grades from 25-30 g/t Au. Mount Conqueror acquired the asset in 1993 and carried out exploration development under that name and then subsequently under the name of Morning

Criteria	JORC Code explanation	Commentary
		Star Gold. The company went into suspension in June 2012 and receivership in 2014.
Geology	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The project area lies within the Woods Point – Walhalla Synclinorium structural domain of the Melbourne zone, a northwest-trending belt of tightly folded Early Devonian Walhalla Group sandy turbidites. The domain is bounded by the Enoch’s Point and Howe’s Creek Faults, both possible detachment-related splay structures that may have controlled the intrusion of the Woods Point Dyke Swarm and provided the conduits for gold-bearing hydrothermal fluids. The local structural zone is referred to as the Ross Creek Faults Zone (RCFZ) • Most gold mineralisation in the Woods Point to Gaffney’s Creek corridor occurs as structurally-controlled quartz ladder vein systems hosted by dioritic dyke bulges. Rose of Denmark exhibits all these characteristics
Drill hole Information	<ul style="list-style-type: none"> • <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> 	<ul style="list-style-type: none"> • See table in above document
Data aggregation methods	<ul style="list-style-type: none"> • <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> • In all previous ASX releases the assays are given ‘un-cut’ unless otherwise stated & weighted averaging of results is used: in which the average grade is the sum of the products of length and grade for each sample in the interval, divided by the total length of the interval. A nominal cutoff of 0.1g/t is used for identification of potentially significant intercepts for reporting purposes. • Most of the reported intercepts are shown in sufficient detail, including gold maxima and subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept. • Metal equivalents are not used.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg ‘down hole length,</i> 	<ul style="list-style-type: none"> • Mineralised structures at Morning Star are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths. • Exploration results have been reported as an interval with ‘from’ and ‘to’ stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported.

Criteria	JORC Code explanation	Commentary
	<i>true width not known</i>).	<ul style="list-style-type: none"> An estimate of true width can be made based on the known strike of mineralised quartz veins or quartz breccias, although it should be noted that these features are not absolutely planar and anastomosing does occur, with variable strike and dip.
Diagrams	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> See attached figures and plates.
Balanced reporting	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> Only initial significant results for the first hole is shown . Future drilling results will be followed by basic data.
Other substantive exploration data	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> Results of an ongoing structural reappraisal of the mine are presented in some of the diagrams in this release. These diagrams are schematic in nature based on field observations yet to be fully digitized in 3D space (this work is ongoing)
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Further exploration drilling from underground is planned, along in order to gain confidence regarding drilled grades. Gaining a correlation between drilled grades and recovered grades from large scale sampling is a key aim of this program and will be a significant factor in reporting resources and reserves to appropriate standards

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Section 3 does not pertain to this report.

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Section 4 does not pertain to this report.