

MARCH COMPREHENSIVE PRODUCTION AND GRADE RECONCILIATION REPORT

Highlights:

- ✓ Final gold refinery grade and assayed head grade reconciled to within 0.5 g/t evidencing good grade control
- ✓ Excellent first month realized gold grade of 10.26g/t, consistent with geological model
- ✓ ~4kg of fine bullion produced from 495.7t of McNally's Reef feedstock
- ✓ March gold recovery was ~80% with further gold recoveries expected from treatment of stockpiled middlings
- ✓ Precipitate contribution proven and in line with management expectations
- ✓ Marked processing improvements have continued throughout April with improved recoveries, Dore production and gold sales
- ✓ April mining and production results indicate continuing grade improvement

AuStar Gold Limited (ASX: AUL, or the Company) is pleased to confirm production grade and final reconciliation for the March period of production commencement.

March reconciliation:

Production commenced March 6th (see AuStar Gold announcement "*AuStar Gold Processing Update*" March 11), with the plant operating on a week on, week off basis. The March reconciliation period runs from March 6 to March 26, being the Dore table concentration and ingot pour cut off for the final production week of that month.

495.7 dry tonnes (521.8 wet tonnes) of McNally's feedstock was processed through the mill in the March reconciliation period, preceded by 97.2 dry tonnes (102.3 wet tonnes) of low grade commissioning material. Cut-off for reconciliation of March 26 was followed by a further 73.25 dry tonnes treated to March 28, with this contribution carried over into the April reconciliation period.

The weighted assayed McNally's Reef feedstock head grade was 10.57 g/t. Total recovered gold, including assayed gold in tailings, was 10.26g/t, with the weighted tails assay grade being 1.24 g/t. This tails grade does not include gold remaining in concentrate residue after Intensive Leach Reactor (ILR) treatment. Some further but not material gold production contribution is expected from this material.

Gold production:

Dore production for the March reconciliation period totalled 4.65 kgs from 495.7 dry tonnes of McNally's Reef feedstock (with an additional 0.214kg Dore, as noted in the Company's March 11 announcement, representing recovery from 92.7 dry tonnes of commissioning feedstock).

3.765 kg total refined gold was sold at an average spot price of US\$1,293.36 for the March reconciliation period, along with silver by-product (see ASX announcements March 11, and April 18 "*Production Update and March review*"). Total precious metal revenue for the March reconciliation period net of all refinery costs was A\$218,869.35.

Of the 3.765 kg refined gold sold during the March reconciliation period:

- 3.543 kg represents production from McNally’s Reef;
- 0.222 kg represents gold refined from low grade commissioning feedstock and small amounts of concentrate held in storage from 2018 trial runs of the plant.

In addition, 750 dry kgs of concentrate produced during the period, at an assayed grade of 959 g/t gold, was delivered to Gekko on March 28 for treatment in the ILR, which was refined from resulting precipitate to produce a further 0.58kg of gold, with sales receipts realised in April.

The Company utilised a small, manually operated, centrifugal concentrator for middlings recovery during the March reconciliation period, delivering a residual amount of middlings product which was stockpiled during the period and which remains to be treated. The assayed contained gold within this material represents 0.34kg Au.

This hired concentrator was replaced mid April by a larger, more effective, automatic high speed centrifugal concentrator, meaning that this residual material is now being fully captured and will not form a part of the Production and Reconciliation reports for the May reconciliation period and onwards, though there will be a modest contribution noted in the April reconciliation period.

Table 1. McNally’s Reef Production Reconciliation table:

Tonnage treated (McNally’s Reef)	495.7 tonnes					
	Gold Contained (g)	Gold contained in head grade %	Grade g/t Au	Unit Recovery	Bullion produced Au (g)	Total recovery %
Refined Bullion	3,543	69.7%	7.15	100%	3,543	69.7%
Gravity Concentrate	591	11.6%	1.19	84.1% ⁽³⁾	452.2	9.8% ⁽⁴⁾
Middlings ⁽¹⁾	338	6.6%	0.68			
Jig Tailings (tails)	614	12.1%	1.24			
Total	5086		10.26		3995.2	79.5% ⁽²⁾
Assay Head Grade g/t gold			10.57			

1. Middlings tonnage is estimated and will be treated once the additional high speed centrifugal concentrator is installed in the **tails stream** (see ASX announcement April 18 “*Production Update and March review*”).
2. Recovery does not include 6.6% contained gold in middlings stockpile.
3. Recovery of gold from concentrate via the Gekko custom ILR.
4. Total recovery for the gravity concentrate reflects gold produced and gold in circuit.

Continuing process plant improvement:

Several opportunities for improvement have been identified and are being progressed.

- A high speed Falcon Centrifugal concentrator has been ordered and will be placed on the tails stream to recover further fine gold, which will then be processed via the Gekko ILR service. This is separate from the automatic high speed concentrator already installed to the middlings stream as noted above.
- The VSI is in the process of being enhanced to increase tonnage throughput.
- These improvements are expected to increase both throughput and gold production, while also achieving 90% or more total recoveries in the June production period, or earlier, as guided in the Company's March 11 ASX announcement "*AuStar Gold Processing Update*".

McNally's Reef development and production discussion:

Full face level development of a minimum drive height of 2.20m was completed to allow for safe operation of the rail bound, pneumatic over-shot loaders, resulting in significant dilution to the McNally's Reef feedstock from 7 Level of the Morning Star Shaft. This dilution is calculated to have been upwards of 180%.

The March assayed head grade through the plant of 10.57 g/t Au is in line with initial geological expectations given the high amount of development material processed along with the gold bearing reef material.

The completed development is the main level drive along the McNally's Reef structure, with the reef showing significant variation in dip, with, pleasingly, some areas flatter than expected. Geological modelling of McNally's Reef indicated that an overall shallow southerly dip (~20 degrees) was expected within the system.

This change in dip, coupled with pinching and swelling of the reef structure along the development drive resulted in the decision to mine the complete face of the drive in single firings as opposed to attempting to split-fire (preferentially firing the reef first and removing it before firing the waste above and below the mined out reef).

Commencement of stoping above the development level subsequently allowed split-firing, resulting in less dilution in April and is expected to contribute to a corresponding increase in head-grade as internal dilution has reduced. The increase in Dore poured in April is initial evidence of this improvement (see ASX release April 26 "*Record Weekly Dore pour as gold production ramps up at Morning Star*").

Production updates and future reports:

- An April Interim Production Update and Month review will be released shortly.
- The April Comprehensive Production Report and Grade Reconciliation will be released on or before May 15.
- The recent diamond drilling at Rose of Denmark has been completed successfully with diamond drill rigs now mobilised to Morning Star, testing McNally's Reef strike extensions and the prospective Morning Star Gap Zone, amongst other targets. Results will be progressively released in line with review of assays.



ASX Release

May 3 2019

About AuStar Gold Limited:

AuStar Gold is an emerging gold producer with the objective of generating sustainable gold production from its portfolio of high-grade gold projects, utilising its significant operational infrastructure located at Woods Point in Victoria.

The near term focus is to further identify economic volumes of ore within its portfolio of mining leases whilst further exploring its adjoining tenements in the Walhalla to Jamieson gold district (particularly the prolific Woods Point Dyke Swarm).

For Further Information:

Tom de Vries

Chief Executive Officer

AuStar Gold Limited

info@austargold.com

P: +61 7 33194120 M: 0408 453 256

Frank Terranova

Executive Chairman

AuStar Gold Limited

info@austargold.com

M: 0448 187 557