



September 2013

QUARTERLY ACTIVITY REPORT

Key Highlights

- Record quarterly production of 16,016oz gold and 18,634oz silver produced during the 3 month period ended September 2013. The average cash operating cost was US\$487/oz for the quarter.
- Negotiations finalised with Kinross to exit the 5% royalty agreement signed in 2003, by no later than June 2014 delivering significant cost savings.
- The Company is proposing a payment to shareholders totalling approximately \$1 million through a return of capital which will be put to shareholders for approval at the Company's AGM on 27 November 2013.
- On 4 July 2013, Austral Gold announced the completion of its C\$5 million investment in Argentex Mining Corporation (TSX-V: ATX) in which Austral Gold has become Argentex's largest shareholder.
- On the 18th September 2013 Austral Gold announced that it will invest C\$9.3 million through the subscription of 11,560,000 new shares in TSX-V listed Goldrock Mines Corp. The subscription will result in Austral Gold having a 15% equity stake in Goldrock Mines, and the company will be issued 1 new warrant for each new share subscribed at C\$0.80 exercise price. Partial settlement occurred on 24 October with final settlement expected for 31 October.
- Strong operating cashflows give Austral Gold the financial flexibility to continue pursuing its strategic growth plans.

CHILE

Guanaco

Background

The Guanaco mine is the company's flagship asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of 2,700m and is located 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a geological structural trend which runs north/south down the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

The Guanaco operation includes mining ore from the new Quillota Pit and ore from the underground Cachinalito facility.



Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical mineralization zones with related hydrothermal breccias. Silicification grades outward into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system, most of the gold mineralisation is concentrated between depths of 75m and 200m and is contained in elongated shoots. High grade ore shoots (up to 180 g/t Au) 0.5m to 3.0m wide, have been exploited, but the lower grade halos, below 3 g/t Au, can reach up to 20m in width. The alteration pattern and the mineralogical composition of the Guanaco ores have led to the classification as a high-sulfidation epithermal deposit.

Production

Production from heap leaching reached 16,016oz gold and 18,634oz silver in the quarter ended September 2013 using ore mined from the Quillota open pit operation, and the Cachinalito underground operation.

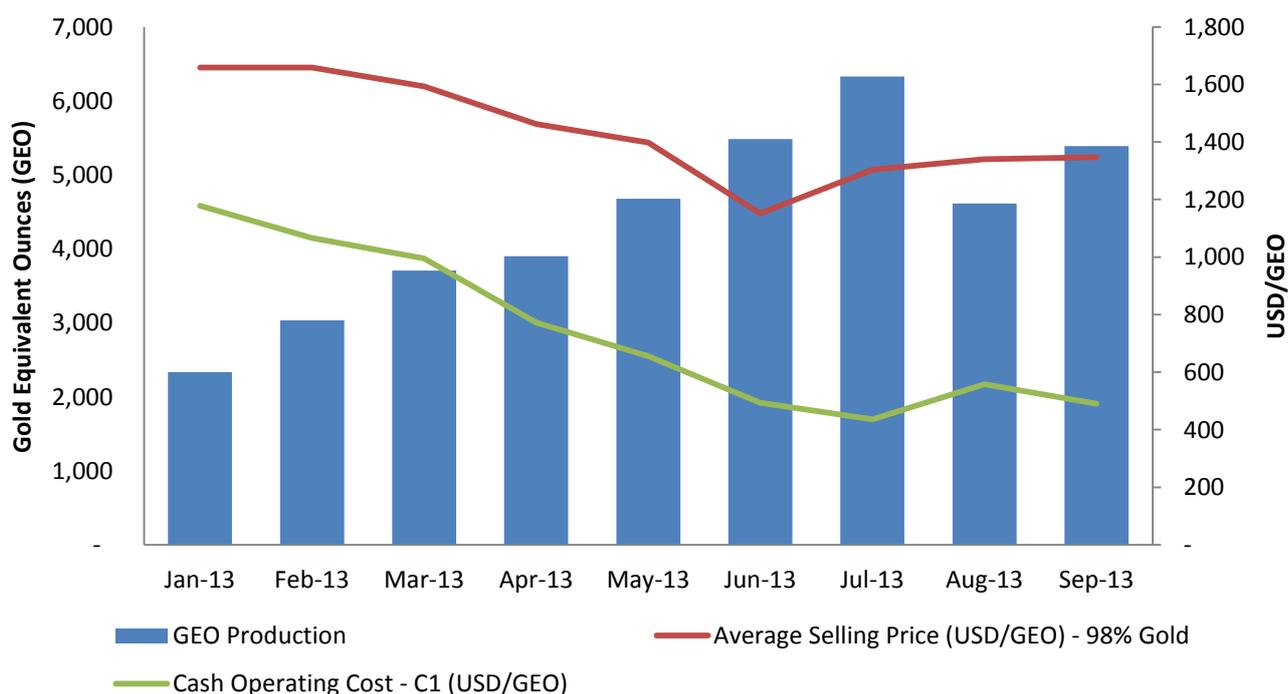
For the September 2013 quarter the average cash operating cost¹ (C1) of the Guanaco Mine project was US\$487/GEO while the All-In Sustaining Cost² (AISC) was US\$646/GEO (US\$669/GEO and US\$782/GEO respectively for the 9-month period ended September 2013).

Production improvements were achieved by higher gold grades and continuing strong metallurgical recovery rates of around 73%.

Figure 1: Gold and Silver Production

Production	2011 Calendar Year	2012 Calendar Year	September Quarter 2013	YTD Calendar 2013	Forecast Calendar 2013
Gold (Au Oz)	12,373	28,902	16,016	38,491	43,000
Silver (Ag Oz)	37,511	74,807	18,634	58,174	65,000

Gold Equivalent Ounces (GEO) Production



(1) The cash operating cost (C1) includes: Mine, Plant, G&A, Smelting, Freights and Production Royalties.

(2) The All-In-Sustaining Cost (ASC) includes: C1: Sustaining Capex (incl. exploration) and Mine Closure Amortisation.

Mining

Mining continued from both the open pit and underground operations. In the 3 months to September 2013 a total of 139,346t from the Quillota open pit and from the Cachinalito underground operations were mined at an average grade of 3.39 g/t Au and 5.84 g/t Ag. The crushed and leached ore totalled 159,432t for the quarter at an average grade of 3.33 g/t Au and 5.58 g/t Ag.

Underground mine development of 1,135m was completed in the quarter with 72,192t of ore produced at a grade of 4.83 g/t Au and 5.81 g/t Ag. The results obtained from the underground operation represents an improvement in terms of safety, program achievement, and cost control.

Figure 2: Guanaco Operational Performance

	September Quarter 2013
Total Ore processed (t)	159,432
Ore from open pits (t)	67,154
Open pit grade (g/t Au)	1.84
Ore from underground (t)	72,192
Underground grade (g/t Au)	4.83
Weighted average recovery (%)	73.02
Gold produced (oz)	16,016
Silver produced (oz)	18,634
Cash operating cost (US\$/oz GEO)	487

Safety

During the quarter ended 30 September, one lost-time incident (LTIs) and seven nil-lost-time incidents (NLTIs) were reported involving employees of the Company and its subsidiaries. All incidents were investigated and corrective actions have been identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Company and the implementation of strategies to identify and manage risks in our workplaces is a key priority.

Exploration Program

A limited exploration program was developed during the quarter and focused on exploring areas close to the mine. In total 2,834 meters were drilled in the Guanaco area.

In the Quillota sector the results did not show structures with significant grade or width. However, the available information indicates that there could be more resources in deeper veins but with high copper content.

The holes drilled in the Despreciada Vein show continuity from the underground 2,650m level of the vein up to surface. However the strike continuity is restricted and the ore shoots in this vein are related to the intersection with the ENE trend system.

In the Cachinalito Extension Vein, the results show mineralised intercepts in a higher elevation with respect to the 2,600m level recognized in the underground development. In addition, this structure still is open to the East.

Guanaco still has a number of untested targets and the company has every confidence that the Project has further exploration upside.

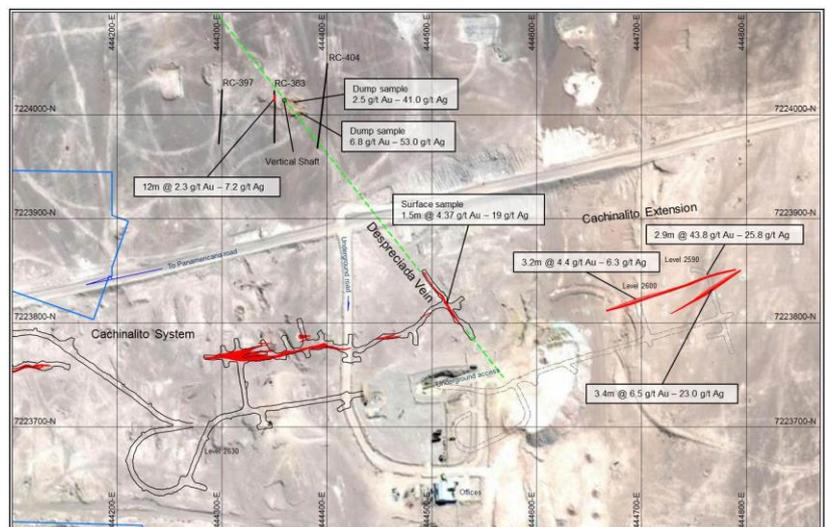


Figure 3: Cachinalito Trend and Despreciada Vein

Equity investments in South American focused TSX-V listed precious metals exploration and development companies

Austral Gold continues to pursue its strategy of creating a leading South American focused precious metals company through the continued development of its Guanaco project in Chile, and by undertaking equity investments in companies that have projects in South America that have significant upside value.

To date, the company has committed almost US\$15 million worth of equity investments in two listed companies that have excellent assets.

Investment in Argentex Mining Corporation (TSX-V: ATX)

On 4 July 2013 Austral Gold announced the closing of a C\$5million placement in Argentex Mining Corporation (TSX-V: ATX). Under the terms of the transaction, Austral Gold has now been issued:

- 14,893,144 shares in Argentex and becomes the company's largest shareholder with a 17.7% interest;
- A debenture that can be repaid only by conversions of the principal amount into 2,370,854 additional shares;
- 7,446,573 warrants exercisable at C\$0.40 until 2018.

Upon conversion of the convertible debenture within the next 6 months, Austral Gold will move to a 19.9% interest in Argentex.

Austral Gold and Argentex continue to pursue some form of business combination or merger and discussions during the quarter have been constructive with some pleasing progress made.

Investment in Goldrock Mines Corp Limited (TSX-V: GRM)

On the 18th September 2013, Austral Gold announced that it had invested C\$9.3 million through the subscription of 11,560,000 new shares in TSX-V listed Goldrock Mines Corp. The subscription will result in Austral Gold having a 15% equity stake in Goldrock Mines, and the company will be issued one new warrant for each new share subscribed at C\$0.80 exercise price. This transaction is expected to be completed shortly.

Austral Gold looks forward to providing more details on its long term strategy of adding significant value to its Goldrock Mines investment.

Proposed capital return

The Company is proposing a payment to shareholders totalling approximately \$1,000,000 through a return of capital which will be put to shareholders for approval at the Company's AGM on 27 November 2013.

The Board is grateful to shareholders that have been committed investors to Austral Gold over a number of years, and this proposed return of capital is in recognition of this support.

Debt repayment

In August 2013 Austral Gold repaid US\$973,863 to IFISA. The balance of funds owing to IFISA at 30 September 2013 was US\$55.2 million.

At 30 September 2013 Austral Gold held \$13.3 million in cash and cash equivalents. These funds will be used in October 2013 to settle AGD's investment in Goldrock and payment of return of capital to shareholders if approved at the company's Annual General Meeting on 27 November 2013.

Austral Gold's strong financial position provides significant flexibility to pursue strategic growth opportunities as witnessed in the current quarter.

Annual General Meeting

Austral Gold will be holding its annual general meeting on 27 November at the Sydney offices of BDO. Details are included in the notice of meeting, which sets out all resolutions to be voted on. This was posted to shareholders on the 25th October and is available on the Austral Gold website.

By order of the Board

Catherine Lloyd
CFO & Company Secretary

Competent Person's Statement

Dr Robert Trzebski is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Masters in International Project Management and has over 20 years professional experience in mineral exploration, project management and research and development.

Dr Robert Trzebski is a member of the Australian Institute of Mining and Metallurgy (AUSIMM) and qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Robert Trzebski consents to the inclusion of the resources noted in this report.

The numbers presented in this report are unaudited figures and may be subject to minor variation.

