

MEDIA RELEASE

15 December 2014

Austral Gold Limited Annual General Meeting – 16 December 2014

Chairman's Address

Austral Gold has experienced another year of strong progress shaped by successful acquisitions, equity investments, and record levels of production.

Once again, it is encouraging to note that Austral Gold has delivered record production at the company's flagship Guanaco project in Chile. Gold production for the Financial Year 2014 was 50,193 ounces and we are on our way to achieving our goal of 50,000 for Calendar Year 2014.

This is a pleasing outcome for the company, as the cash flow from this production gives Austral Gold the financial flexibility to pursue its growth objectives. This result also reflects the dedication and hard work of Austral Gold's Executive Team and especially the operational team at the Guanaco mine, complemented by our executives in Antofagasta and Buenos Aires, all of whom are to be commended for their efforts.

In Financial Year 2014, Austral Gold completed its acquisition of strategic stakes in TSX-V listed entities Argentex Mining Limited and GoldrockMines Corp. Austral Gold has invested circa CAD\$14.3million in acquiring key stakes of 19.9% and 15% respectively in these companies, both of which hold significant gold-silver exploration projects in Argentina.

Through our subsidiary Guanaco Compañía Minera ('Guanaco'), in June 2014 Austral Gold entered into an agreement to acquire the Amancaya exploration property in Chile, a gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares. Consideration for this asset will be an aggregate amount of US\$12 million to be paid in instalments, as well as a royalty agreement.

The purchase of Amancaya is a significant step for Austral Gold, as its proximity to our existing Guanaco mine will not only provide synergies and cost benefits, but will also give our Chilean asset base much greater scale.

In June 2014, Austral Gold (through Guanaco) also acquired a 51% interest in Humberto Reyes Arriendo de Maquinarias, a mining services company in Chile. Humberto Reyes has been undertaking underground contract mining at Austral Gold's Guanaco mine since 2011. Guanaco has assumed management control over Humberto Reyes, an important step in controlling costs as well as maintaining and increasing production levels.

These acquisitions are significant milestones towards Austral Gold reaching our goal of annual production of 100,000 ounces of gold within 24 months and becoming a leading South American-focused precious metals resource company. Another achievement for Austral Gold during the year was the exit of the royalty agreement with Kinross, the former owners of Guanaco.

In early 2014, Guanaco renewed the agreement with its workforce at the mine, negotiating an incentivised scheme which has assisted in lifting production levels. We are also pleased to note that our safety record is improving over time. We remain committed to the wellbeing of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards.

All of these factors have greatly assisted with boosting productivity and controlling costs at the Guanaco mine, with average cash operating costs for FY14 remaining very competitive around US\$630 per gold equivalent ounce.

Whilst precious metals markets have been subdued in 2014, we remain encouraged by the longer term prospects for gold and silver, and we believe the fundamentals for precious metals are still sound. We are closely monitoring our costs and financial commitments along with the gold price and may consider hedging the gold price if there is significant deterioration of current gold price levels in the future.

From a financing perspective, Austral Gold has enjoyed the support of its major shareholder for a number of years, financial support which has been critical in creating the company we have today that has a growing production profile, the balance sheet and cash flow to fund strategic acquisitions and pursue meaningful equity investments.

As we embark on Austral Gold's next growth phase, we believe it is the best time to convert this debt into equity, and that this undertaking is key to strengthening the balance sheet and giving us greater flexibility in our future financing decisions.

In January 2014, the Board of Austral Gold announced that it was changing its accounting policy to enable all financial reporting in US dollars. This change better reflects the profile of Austral Gold's consolidated revenues, costs and cash flows as its primary operations relate to gold, which is widely quoted and traded in US\$. Additionally, US\$ is the internal reporting currency for Austral Gold's operating subsidiaries.

Austral Gold is in the strongest position in its history as we enter FY2015. Our strategic acquisitions, combined with a solid financial position, and backed by an experienced management team, all provide the platform for further growth. FY2015 will be a year of consolidation as we take stock of our FY2014 acquisitions, maintain our strong operating cashflows, and assess the next steps in further expanding our operations.

In the medium term, we are very focused on developing Amancaya by utilising the resources we have at Guanaco with a view to increasing our production to 100,000 ounces of gold within the next 24 months. We will also assess further project acquisitions which fit with our strategic objectives and strengthen our precious metals portfolio.

The Board is committed to growing Austral Gold to become a leading South America-focused precious metals company, and in doing so, delivering maximum value to shareholders.

I would like to thank our shareholders for their continued support. Your company is well placed for success.

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.

About Austral Gold

Austral Gold Limited is listed on the Australian Securities Exchange (ASX: AGD) and is a growing precious metals mining and exploration company building a portfolio of assets in South America. The Company's flagship Guanaco project in Chile is a low-cost producing mine with further exploration upside. With an experienced and highly regarded major shareholder, Austral Gold is strengthening its asset base by investing in new precious metals projects in Chile and Argentina that have near-term development potential. For more information, please consult the company's website www.australgold.com.au

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