

MEDIA RELEASE

17 June 2014

AUSTRAL GOLD ENTERS INTO AGREEMENT TO ACQUIRE THE AMANCAYA PROJECT IN CHILE

- **Amancaya has an estimated high grade inferred resource of 407,000 ounces of gold equivalent**
- **Purchase price of US\$12 million plus 2.25% NSR royalty to Yamana Gold**
- **Amancaya is located about 60km from Austral Gold's Guanaco Mine**
- **Amancaya when combined with Guanaco, could significantly enhance Austral Gold's reserves and production profile**

17 June 2014, Austral Gold Limited (ASX: AGD) ('AGD' or the 'Company') and its wholly-owned subsidiary Guanaco Compañía Minera SPA ("the Purchaser") entered into an asset transfer agreement with an 100%-owned subsidiary of Yamana Gold Inc. (TSX: YRI; NYSE: AUU), Minera Meridian Ltda. ('the Seller') to acquire the Amancaya exploration property ('Amancaya') located 70km east of the city of Tatal in Northern Chile. Amancaya is a low sulphidation epithermal gold-silver deposit containing about 407,000 inferred resource of gold equivalent ounces and consisting of eight mining exploitation concessions covering 1,755 hectares.

Closing of the transaction is subject to customary conditions and is expected to occur prior to July 31, 2014. As part of the acquisition, the Company also secures the rights to exploration projects currently under application, as well as water rights, underlying property and necessary easements.

Consideration for Amancaya will be an aggregate amount of US\$12M paid in cash instalments with US\$3M payable on closing and subsequently within each successive six-month period, payments of US\$1M, US\$3M, US\$3M and US\$2M respectively. A royalty agreement will be entered into on closing whereby AGD will pay 2.25% of the net smelter return (NSR) to the Seller on production from the Amancaya mining concessions.

The Company has provided customary guarantees to secure such deferred payments.

In a report dated 24 July 2008, Yamana Gold Inc. announced for Amancaya that, at a 1.0 g/t gold equivalent (AuEq) cut-off grade for the potential open pit resources and a 3.4 g/t AuEq cut-off grade for the underground resources, inferred mineral resources is estimated at 407,000 contained ounces of AuEq at a grade of 9.1 g/t AuEq. This is comprised of 351,000 contained ounces of gold and 3,270,000 ounces of silver in 1.4 million tonnes at an average grade of approximately 7.9 g/t Au and 73 g/t Ag, respectively.

The term "inferred mineral resource" in that announcement had the meaning ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council on December 11, 2005.

It is noted that these estimates are foreign estimates and not reported in accordance with the JORC Code 2012 Edition (JORC Code). A competent person has not done sufficient work to classify the foreign estimates as inferred mineral resources in accordance with the JORC Code and it is uncertain that, following evaluation and/or further exploration work, the foreign estimates will be able to be reported as mineral resources in accordance with the JORC Code.

The Company has done limited work to ascertain the reliability of the foreign estimate under Table 1 of the JORC Code, and, upon completion of the acquisition, will commence the process of identifying additional evaluation and exploration work that needs to be completed to verify the foreign estimate.

Historical drilling at Amancaya has identified several mineralised veins and although the exploration focus to date has been on the Central Vein, drilling outside the Central Vein has demonstrated potential for parallel veins throughout the property.

Preliminary metallurgy testwork consisting of CN leach studies on 135kg of composite sample yielded gold and silver recoveries of 97% and 80% respectively.

Robert Trzebski, AGD director commented: "This is a significant transaction for Austral Gold and gives our Chilean asset base much greater scale. With our existing mining operations at Guanaco located very near to Amancaya, we can ramp up the development of this project in the immediate term. We are in the final stages of assessing a second hand Agitation Leaching Plant which we plan to acquire and transport to the Amancaya site. In addition, we will deploy some of our team from Guanaco to progress the project's development.

Amancaya also gives Austral Gold a larger exploration footprint in Northern Chile which we intend to exploit. We are also assessing additional opportunities to consolidate other assets in the area. This acquisition gives Austral Gold the foundation and asset base to target annual production of 100,000 ounces of gold within the next 24 months and that is our goal. We look forward to updating shareholders on our progress in developing Amancaya."

Qualified Person

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 17 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Robert Trzebski confirms that the information contained in this announcement is an accurate representation of the data and studies made available to Austral Gold as part of the sale process for the Amancaya project.

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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