

MEDIA RELEASE

Austral Gold Limited

23 September 2016

Austral Gold Provides An Update On Activities At Guanaco Mine And Amancaya Project, Chile.

Austral Gold Limited ('Austral' or 'the Company') (ASX: AGD, TSX-V:AAM) is pleased to provide an update of current activities at its 100% owned Guanaco Mine and Amancaya project in Chile. Construction of a new agitated leach and Merrill-Crowe circuit at Guanaco is well advanced and is expected to be completed prior to the end of the year. The Company is planning to undertake a Pre-Feasibility Study and Technical Report for the combined Amancaya and Guanaco project. Infill drilling for this study commenced in September at Amancaya.

Stabro Kasaneva, Austral CEO, stated "I am very happy to report on our efforts to advance the potential combination of Guanaco operations with our high grade Amancaya project. We are moving forward on a number of fronts to commence a Pre-Feasibility Study that we expect will justify our faith in the Amancaya project and its potential to substantially extend the life of mine of Guanaco."

Guanaco Agitated Leach Plant Progress Report

The Company budgeted US\$16.5 million to the construction of this plant, which has been funded by local banks and free cash flow from Guanaco operations. The decision to build this plant was based on internal studies focused on treating Amancaya production at the Guanaco plant. Construction began in May of 2016 but no economic analysis has been completed to date and the Company expects to complete and test the plant by the end of the year. Internal bottle roll studies have indicated that recoveries of gold could be improved relative to recovery from the current heap leach, but the decision to construct the new plant was not based on a feasibility study. As a result, economic and technical viability of the new plant remains subject to uncertainty and there can be no assurance that the Company can achieve any particular level of recovery of minerals or improve the cost of such recovery.

Prefeasibility Study

Austral is planning to undertake a Pre-Feasibility Study and Technical Report (the "Amancaya and Guanaco Technical Report") on operating the Guanaco operation and Amancaya project as one operation. The Company is pushing ahead with development activities at the Amancaya project to allow for completion of a Pre-Feasibility Study during calendar year 2017. Infill drilling commenced in early September with an initial plan for 94 drill holes (13,321 m), which are expected to be completed before the end of the year.

The drilling is aimed primarily at upgrading the resource of 64,200 t @ 10.19 g/t Au and 32.72 g/t Ag indicated category and 1.665 million tonnes inferred category @ 7.2 g/t Au and 53.1 g/t Ag reported in the Company's National Instrument 43-101 compliant technical report titled Guanaco Gold Project, Antofagasta Province, Region II, Chile, NI 43-101 Technical Report, which had an effective date of November 24, 2015 and which was amended June 30 2016, and filed on July 25, 2016 on the Company's profile on www.sedar.com).

The Company intends to truck production from initial open pits then from underground operations at Amancaya to the new Guanaco plant. The Company plans to incorporate treatment of production from the Guanaco operation and possible retreatment of some of the heap leach pads into the planned Pre-Feasibility Study.

Competent Person's Statement

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

Dr Trzebski is a fellow 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 Trzebski consents to the inclusion of the resources contained in this announcement.

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 gold and silver producing mine with further exploration upside. The company is also operator of the Casposo mine in San Juan, Argentina, which is currently being recommissioned. 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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Forward Looking Statements

Statements in this news release that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "plans", "may", "could", "potential", "should", "anticipates", "likely", "believes" and words of similar import also identify forward-looking statements. Forward-looking statements in this news release include those concerning the Company's faith in the Amancaya project, its expectations that the new agitated leach and Merrill-Crowe circuit will be completed prior to the end of the year, that recoveries of Au can be improved relative to the recovery currently recorded from the current heap leach and that construction of the plant can continue to be funded from operations at Guanaco, its expectation that the current 94 hole drill program can be completed by the end of the year and its belief that Guanaco and Amancaya can be operated as one project. All of these forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied, including, without limitation, business integration risks; uncertainty of production, development plans and cost estimates, commodity price fluctuations; political or economic instability and regulatory changes; currency fluctuations, the state of the capital markets, uncertainty in the measurement of mineral reserves and resource estimates, the rate of mineral extraction, the Company's ability to attract and retain qualified personnel and management, potential labour unrest, reclamation and closure requirements for mineral properties; unpredictable risks and hazards related to the development and operation of a mine or mineral property, the availability of capital and other risks and uncertainties identified under the heading "Risk Factors" in the Company's continuous disclosure documents filed on SEDAR. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Austral cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Austral's forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date hereof and Austral does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, you should not place undue reliance on forward-looking statements.