

Chairman's Address

Austral Gold Limited General Meeting – 30 November 2016

Dear Shareholders

2016 has been another year of significant progress for Austral Gold where we strengthened our financial platform, expanded our asset base, including acquisition of a producing mine in Argentina and listed on the Toronto Venture Exchange board to gain access to the North American markets.

Austral Gold continues to deliver stable production at Guanaco mine. Production for the 2016 financial year was 40,395 gold equivalent ounces at relatively low all-in sustaining costs of US\$914 per gold equivalent ounce.

We have made solid progress on the planned combination of the Guanaco operations with our Amancaya project, acquired in August 2014. The company has commissioned Roscoe Postle Associates Inc from Canada to undertake a Pre-Feasibility Study and evaluate the viability of our plan to build and operate the Amancaya Project in conjunction with its operation of the nearby Guanaco underground mine and agitation leach plant. The study report is expected to be completed by the first quarter of 2017. Infill drilling commenced in the first week of September with the goal of providing data for the study.

Also, and in line with our strategy of building sustainable production over the longer term, we continue to consolidate surrounding projects that hold excellent mineral potential.

The 12,500 hectares of mining concessions that form part of the San Guillermo Project that was acquired in February 2016 is one such example of this. The property is strategically located around the Amancaya property giving us greater access to the whole area where we see an opportunity to deliver near term production and further upside from exploration.

Expanding our asset base in Chile and production capacity is in line with our well-defined growth strategy. Our team in Chile has unrivalled knowledge of the Guanaco region and this knowledge is helping us to build a very compelling portfolio of assets that we believe hold considerable unlocked value. We believe we are only just realising the potential from our assets in Chile.

In Argentina we are also making great inroads, with the merger of Argentex Mining Corporation now concluded with our dual-listing on the Toronto Venture Exchange on 22 August 2016. This transaction has secured the high quality Pingüino project for Austral Gold, and significantly strengthens our asset base in Argentina where we have considerable competitive advantages. We believe that trading on the TSX-V will facilitate Austral's access to a broader range of investors and increase access to capital.

Also strengthening our presence in Argentina is the agreement announced in March 2016 with Troy Resources to acquire 51% of their Casposo mine in San Juan, Argentina, with a reciprocal purchase and sale obligation for an additional 19% interest along with options to fully acquire the project within five years.

Since taking over management of the mine, Austral Gold has quickly re-activated the operations and I am pleased to confirm the resumption of gold and silver production. We expect to soon move to full scale production at Casposo.

Austral Gold's exit from its 11.3% stake in Goldrock Mines coincided with the 100% takeover of Goldrock by Fortuna Silver and saw us realise over US\$10 million, funds we are now investing in Chile and Argentina. The Company still holds a number of in-the-money warrants in what is now Fortuna Silver.

We continue to focus on our record as a low-cost gold producer with an average cash cost for the year of US\$761 per gold equivalent ounce. Our low-cost operating model and culture of stringent cost control has greatly assisted with boosting productivity and controlling costs at the Guanaco mine. This has also translated across into the restart of the Casposo mine.

In 2017 the Company also plans to take a significant step in advancing its sustainable growth, with the interconnection to the Taltal Wind Farm and commencement of a power supply agreement from the northern Chile power grid. This grid connection will not only decrease current power consumption costs by more than 50%, but will significantly reduce the carbon footprint of the Guanaco operation by avoiding the diesel consumption that is currently used to generate power at the on-site power plant.

As always, safety is a key focus for the Company across all of our operations. The improvements in our safety statistics over time speak volumes about the efforts of our management and employees to hold themselves and our organisation to the highest safety standards. For Guanaco, we are also pleased to note that our safety record has improved again in FY16, with 2 lost-time accidents occurring and 4 nil-lost-time accidents.

At Casposo, since Austral Gold took over management, 1 lost-time accident occurred and 1 nil-lost-time accident for the period to 30 June 2016.

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.

In conclusion, Austral Gold is in the strongest position in its history as we enter 2017. Our strategic acquisitions, combined with a solid financial position, and backed by an experienced management team, all provide the platform for continued growth. We anticipate this will be another significant year of growth and development as we seek to advance the Guanaco mine and Amancaya Project in Chile, ramp up operations at Casposo mine, seek to grow the resource base around Amancaya and Casposo with exploration, and secure further brownfield opportunities in both Chile and Argentina.

The Board remains committed to its stated vision of growing Austral Gold to become a leading South America-focused precious metals company, and in doing so, delivering maximum value to shareholders. Mergers and acquisitions continue to be a focus, and with our solid experience in the region and our excellent reputation in Argentina, we see considerable opportunity.

We do believe that the fundamentals for precious metals are very strong as economies throughout the world continue to engage in quantitative easing. As such, precious metals are likely to be the safe haven that they have been for centuries.

I would like to thank our shareholders for their continued support and our team for their hard work and dedication throughout the year. We are confident that our best years are still ahead.

Ben Jarvis (on behalf of Austral Gold Ltd Chairman, Eduardo Elsztein)
Non-executive Director
Austral Gold Limited
30 November 2016