



AUSTRALGOLD



Drilling at Pinguino, the advanced Silver and Gold project being developed by Argentex Mining Corporation.

MARCH 2013

QUARTERLY ACTIVITY REPORT

The Board of Austral Gold Limited (ASX: AGD) is pleased to report the following update to shareholders for the quarter ended 31 March 2013.

Key Highlights

- Austral Gold signed an agreement to acquire 17,347,866 new ordinary shares in Argentex Mining Corporation (TSXV:ATX) for C\$5 million as part of a private placement representing a 19.9% stakeholding in the TSXV listed company.
- The C\$5 million will be used to further develop Argentex's Pinguino Silver-Gold Project in Santa Cruz, Argentina. This advanced 10,000 hectare project includes 23.6 million silver-equivalent-ounces at grades of 102.8 g/t Ag and 0.59 g/t Au. The Pinguino system contains over 70 individual vein systems that have been identified with a combined strike length of over 113 line-kilometres.
- The Guanaco Gold Mine produced 8,772 oz Au and 18,215 oz Ag in the quarter ended March 2013 in line with the 2013 operational budget. This represents a 66% increase on the same period last year.
- The company is forecasting more than 40,000 oz gold production from the Guanaco Gold Mine in the 2013 calendar year. March production results confirm the Company is on track to meet these forecasts.
- A new high grade gold vein was discovered in the underground development of Guanaco during the period with gold grades of up to 50g/t gold.
- Austral Gold continues its exploration program in Santa Cruz, Argentina. During the period a new systematic surface sampling process and new geophysics studies were performed. In addition, environmental approval from the local mining authorities was received, to commence trenching and drilling.

CHILE

Guanaco

Background

The Guanaco mine is the company's primary asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of some 2,700m and is located 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a 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.

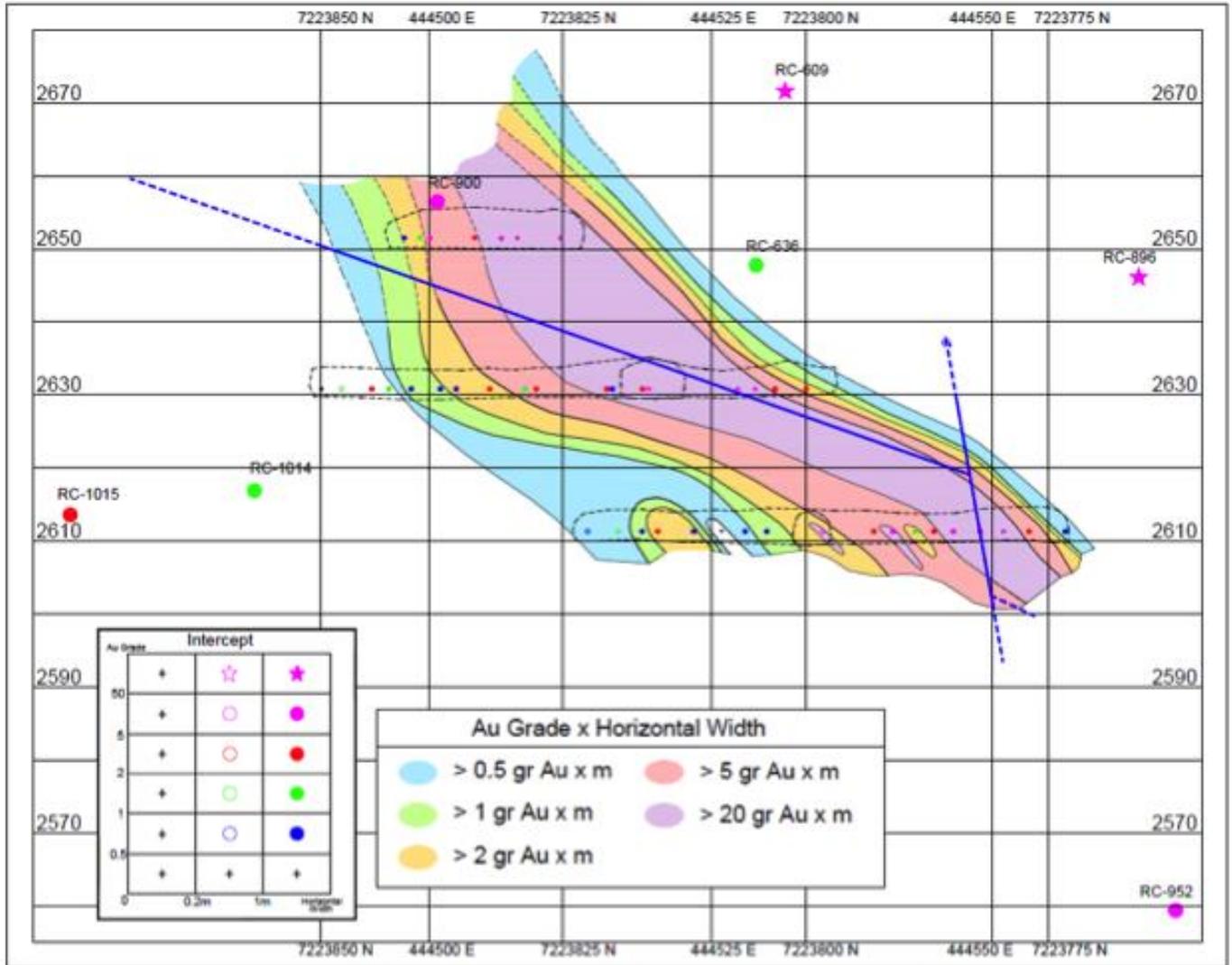
The Guanaco operation includes mining ore from the old Defensa pit and the new Quillota Pit at an average grade of 1.55g/t Au. Ore from the underground facility named Cachinalito, is at an average grade of 5.66 g/t Au.



Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical 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) 0.5 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.

Late in 2012, a new mineralised structure was intercepted in the 2630 and 2610 levels of the Cachinalito underground mine. This new vein called Despreciada has a N30W strike, dips 80 to the NE and has a width between 1.5 and 3.0 meters. The Despreciada vein corresponds to a new structural mineralised trend, never recognized before in the Guanaco District with an average grade of 13 g/t Au which includes high gold grades zones up to 50 g/t Au hosted in the Dacitic Porphyry and Ignimbrites. Currently, the structure has been recognized between 2650 and 2610 levels and continues open along strike and at depth. The Despreciada vein direction opens new possibilities for future discoveries exploring the trend.

The following figure shows the Grade-Thickness Longitudinal Section presenting the gold distribution currently recognized at the Despreciada Vein.



Production

Production from heap leaching, using the new ore mined from two open pit mines, plus the underground operation generated 8,772oz Au and 18,215oz Ag in the March quarter. The cash operating cost was approximately US\$956/oz (excluding royalties).

Production results for the March quarter were consistent with the previous quarter. Production improvements were achieved with both the commissioning of a new higher-capacity carbon regeneration kiln and also through crushing optimisation at grain sizes of 5.2mm.

Gold and Silver Production:

Production	2011 Calendar Year	2012 Calendar Year	March Quarter 2013	2013 Forecast
Gold (Au Oz)	12,373	28,902	8,772	40,000
Silver (Ag Oz)	37,511	74,807	18,215	30,150

Mining

Mining continued from both the open pit and underground mining operations. In the 3 months to March 2013 a total of 190,038t from two open pits (Quillota & Defensa) and from underground were mined at an average grade of 2.44 g/t Au and 6.45g/t Ag. The crushed and leached ore totalled 174,219t for the quarter at an average grade of 2.31 g/t Au and 4.86g/t Ag.

Underground mine development of 1,641m was completed in the quarter with 39,122t of ore produced at a grade of 6.01 g/t Au and 4.0 g/t Ag.

Guanaco Operational Performance:

	March Quarter 2013
Total Ore processed (t)	174,219
Ore from open pits (t)	152,625
Open pit grade (Au g/t)	1.53
Ore from underground (t)	39,122
Underground grade (Au /t)	6.01
Weighted average recovery (%)	73%
Gold produced (oz)	8,772
Silver produced (oz)	18,215
Cash operating cost (US\$/oz)	956

Safety

No lost-time incidents (LTIs) and 8 nil-lost-time incidents (NLTIs) were reported involving employees of the Company and its subsidiaries during the quarter ended 31 March 2013. Safety is a core value of the Company and the implementation of strategies to identify and manage risks in our workplaces is a key priority. The main activities implemented relate to improved control measures for incidents and following of these control measures.

Exploration Program

Local and District Program

Austral Gold geologists continue working on the reinterpretation of the Guanaco Geological Model. After the Despreciada Vein was discovered, a new exploration concept was applied. A comprehensive exploration plan, both at surface and underground, is being implemented to explore the potential of this new vein which strikes in the NW direction, never investigated in the past.

ARGENTINA

8 de Julio - Santa Cruz

The environmental impact study presented late in 2012 year was approved by the local mining authorities. In addition, a new extended geophysics study and systematic surface sampling procedures were performed during the quarter. Austral Gold geologists are reviewing the new set of information with the objective of identifying potential targets for drilling.

CORPORATE

On 26 March 2013 Austral Gold announced the signing of an agreement to acquire 17,347,866 new ordinary shares in Argentex Mining Corporation for C\$5 million as part of a private placement representing a 19.9% shareholding in the company. The investment in Argentex will be financed with cash generated from the Guanaco gold and silver mine.

On April 10th, Austral Gold announced that it had renegotiated terms with AMINSA which removes AGD's obligation to fund a further US\$8.7 million investment in the AMINSA project, enables recovery of US\$6.65 million invested to date, and provides potential for a new revenue stream.

The company has been self-funding since March 2012 and over the course of the 12 months to March 2013 has strengthened its balance sheet with US\$6.8 million of principle debt repayments to its major shareholder Inversiones Financieras del Sur SA (IFISA).

At 31 March 2013 Austral Gold held US \$0.6million in cash with US \$2.8million worth of gold produced and yet to be sold.

The Company does not expect to make any further drawdowns on its debt facility with IFISA and the current financial position adds significant flexibility to further reduce debt and pursue other strategic growth opportunities under consideration.

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.