

Chairman's Address

Austral Gold Limited General Meeting – 30 November 2011

Strategy

Austral Gold's strategy has always been to be to maximize shareholder value by the development of mineral deposits in which Austral Gold has an interest, providing such development demonstrates superior rates of return.

Operations

Austral Gold has exploration areas in Argentina and Chile. Guanaco, our flagship gold project is also located in northern Chile.

I will deal first with our Argentine exploration prospects. We are active in the province of San Juan and have interests in the province of Santa Cruz.

San Juan is in the north west of Argentina, near the border with Chile. Under an Agreement with Argentina Minera SA, Austral Gold is earning an interest in tenements covering approximately 270,000 hectares in San Juan.

The properties are located near Xstrata's advanced El Pachón copper exploration project in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

During 2010/2011 the exploration program focused on analysing the gold anomaly discovered in the Rincones de Araya project.

Further exploration at the Calderon-Calderoncito project commenced during the year prior to the shutdown of activities at the end of the summer season.

In southern Patagonia, Austral Gold has nine tenement applications totaling almost 85,000 hectares in attractive Macizo el Deseado massif in the Province of Santa Cruz, being the mining friendly province. The **8 de Julio** area is located next to the interesting Cerro Moro Gold project which is likely to have high grade veins comparable with the Extorre project.

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During December 2010, geological mapping at large scale resulted in 13 target areas predominantly in the west where veins with potential ore shoots were identified in three areas.

The Los Pino-Aguada Norte and in particular in the Barroso Grande areas both showed anomalies for gold and silver and are considered to have the greatest potential for the project. A ground magnetic program was completed in the Barroso Grande area followed by a geochemical sampling campaign.

Guanaco

I now turn to our most important asset - the Guanaco Gold Project in Chile – 100% owned by Austral Gold. Guanaco is located some 220 kilometres south east of Antofagasta in northern Chile at an elevation of 2600 metres.

The BFS was released in August 2010, Gold production commenced in late October 2010, and an increase to resources from the Natalia vein was reported in September 2011.

Gold produced from Guanaco to the end of October 2011 has been just over 10,000oz with over 26,000oz of silver also produced during this period.

Some key highlights from the 2011 annual report released in September 2011 include:

- The commencement of gold production generated over \$8 million in revenue.
- The independent valuation of Guanaco is significantly higher than the carrying value in the financial statements of \$90.1 million (\$20 million in tangible fixed assets + \$70 million of intangibles).
- The independent valuation of Guanaco enabled the reversal of \$10.6million of impairment losses recorded in prior years.
- An improvement in the debt profile of the group with facilities of approximately US \$10million available, and repayment not due until September 2014.

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- Positive operating cash flows projected for the next 12 months from mining operations.
- Appointment of Ben Jarvis as Non-Executive Director who is based in Australia.
- Resignation of Mark Bethwaite as Chairman and Non-Executive Director and subsequent appointment of Eduardo Elsztain as Chairman.
- Appointment of Wayne Hubert as Non-Executive Director who is based in USA. Mr Hubert is very familiar with the mining business in the South of Argentina given his prior involvement with Andean Resources.

These milestones and achievements have resulted in the de-risking of the Guanaco project and have strengthened Austral Gold's financial footing making it well placed to further improve operating and financial performance this year and beyond.