

MEDIA RELEASE

Austral Gold Limited

07 March 2016

Austral Gold to acquire controlling stake and management of the Casposo gold–silver project in Argentina

- **Acquisition of an initial 51% interest in the project for US\$1,000,000 and an additional 19% for US\$1,000,000 in one year with an option to acquire the remaining 30% over 5 years**
- **AGD to provide or obtain from other sources up to US\$10 million capital investment to re-engineer current mine operation**
- **Operational management of Casposo to be assumed by AGD**
- **In line with strategy of broadening precious metals asset portfolio in South America**
- **Provides foundation asset in Argentina and a platform for further asset consolidation in the country**
- **Project development works ongoing in Chile and further asset acquisitions under consideration in and around Guanaco Mine**

Austral Gold Limited (“Austral” or “the Company”) (ASX:AGD) is pleased to announce that it has entered into an agreement with Troy Resources Limited (“Troy”) (ASX: TRY) to acquire 70% of the Casposo gold-silver mining project located in Argentina (“the Project” or “Casposo”). This is a strategic acquisition for Austral Gold and gives the Company an established asset in Argentina and a foundation in that market to further consolidate its asset base.

Transaction overview

Austral and Troy have entered into an Implementation Deed whereby:

- Austral will immediately acquire a 51% economic interest in Casposo for US\$1 million;
- Austral will be entitled to acquire a further 19% economic interest in Casposo for US\$1 million paid within 12 months;
- Austral has options to acquire the remaining 30% as follows:
 - 10% for US\$1,500,000 in 3 years;
 - 10% for US\$2,500,000 in 4 years; and
 - 10% for US\$3,000,000 in 5 years.

The exercise price of each option is subject to adjustment based on any increase in the price of silver (base case US\$15/oz Ag);

- The Argentinean entity currently owning the Project will make deferred payments totalling US\$2 million (US\$1 million payable within six months and US\$1 million payable within 12 months) from proceeds generated from Casposo; and
- Austral will provide or obtain through other sources up to US\$10 million pursuant to an initial capital investment plan to develop and implement a re-engineering plan for Casposo with a view to achieving profitable operations within 12 months, which plan shall include:
 - geological, mine design and processing studies;
 - redesigning the mine operations according to the size of the deposit; and
 - optimising the processing cycle.

Austral expects to fund the initial payments and working capital requirements from existing cash reserves and secure additional debt or equity capital to advance the above-mentioned capital investment plan. The process of raising such capital is expected to commence in the near term.

Overview of Casposo Project

The Casposo project is located in the department of Calingasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21 km².

Management Agreement

The parties have also entered into a Management Agreement whereby Austral is appointed with immediate effect as Manager of the Project. As Manager, Austral will be responsible for all business and activities conducted in relation to the Project and is granted all authorities and powers by Troy in order to perform those functions.

Board Commentary

Austral's Executive Director Stabro Kasaneva commented: "The Casposo Project represents a unique opportunity for Austral. We are excited to begin the process of leveraging our experienced technical team to transform Casposo into a profitable project, just as we have done with Guanaco in Chile. We have already identified the team to lead the Project locally and implement the capital investment plan."

Austral's Non-Executive Chairman, Eduardo Elsztein added: "This is a key acquisition and represents another step in our strategy of building a leading South American focused precious metals mining house. The technical and management teams are to be commended on the execution of this transaction which, with proper implementation, we believe has the potential to unlock considerable shareholder value. Also, with our growing portfolio in Chile, and the integration of the Argentex business into Austral Gold, 2016 is shaping up to be a year of growth and transformation for the Company. I look forward to updating shareholders on our progress."

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 mine 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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