

## Chairman's Address

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Austral Gold Limited General Meeting – 30 May 2018

Dear Shareholders

The 6-month period ended 31 December 2017 has been a period of challenges for Austral Gold Limited and also a pivotal year for the company as we have made considerable operational progress at our mines in Chile and Argentina and look to continue to grow and seek value-enhancing opportunities.

In Chile, we finalised the commissioning phase of the new agitation leaching plant at the Guanaco mine and we commenced open pit operations at Amancaya, while starting the development of the decline to access underground reserves. We also stabilised production at the Casposo mine in Argentina after reaching the first complete year of commercial production since our initial investment into the project in 2016.

The commissioning phase of the new processing plant in Chile took longer than expected which required us to leverage our balance sheet. In addition, this delay resulted in lower sales and gross margins for the 6-month period ended 31 December 2017. However, based on the investments we made to expand our production capacity at Guanaco and Amancaya, and to improve operations at Casposo, we forecast that our FY2018 production will increase by approximately 40% to 92,000 gold equivalent ounces from 64,488 gold equivalent ounces in calendar 2017 (attributable basis). We also expect our cash costs and all in sustaining costs ("AISC") to gradually improve in FY2018 due to our expected increase in the utilisation of our production capacity.

During the period, we grew our portfolio of strategic assets with the acquisition of the San Guillermo and Reprado silver and gold projects in Chile. These assets are close to the Amancaya

mine and have the potential to add considerable value to our Chilean asset base.

The Board is especially proud of some key milestones that Austral Gold achieved during the 6-month period ended 31 December 2017:

- We finalised the commissioning phase of our new agitation leaching plant at Guanaco.
- We executed the company's first power supply agreement with the northern Chile power grid after finalising the construction of a new 40km 33Kva electrical line during the first half of calendar year 2017 cost by more than 50%.
- We completed the pre-feasibility study for the combined operation of both Guanaco and Amancaya. The Amancaya ore is being trucked to the nearby plant at Guanaco. We expect Amancaya to be a platform for long term production in Chile, with significant exploration opportunity to potentially expand mining operations on the property, which we believe represents a significant vein camp.
- We completed the purchase of 100% of the San Guillermo and Reprado gold-silver projects to Revelo Resources Corp (TSXV:RVL) for consideration of ten million Austral Gold fully paid ordinary shares. Both projects are strategically located in the prominent Amancaya precious metals district.
- We increased production at the Casposo mine in (Argentina) when compared to previous year, which we operate and in which we have a 70% economic interest.
- We ramped up exploration activities throughout the year with the most prospective results realised to date including the discovery of a new high-grade gold vein (Nueva Vein) at our Amancaya property. The proximity of this discovery to the existing operation is very encouraging for future development potential.
- Our CEO, Stabro Kasaneva structured and strengthened the corporate and technical teams to manage the scale up of our operations, and to lead efforts to continuously improve operations

and pursue further value adding opportunities.

- Other opportunities aligning with our strategic vision for value accretive investments in Latin America are being explored.

Safety remains a key focus for our company. We are committed to the well-being of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards. We are committed to supporting the local communities in which we operate through local hiring of personnel and community and education initiatives.

Austral Gold is well placed for FY2018. Our strategic acquisitions, backed by an experienced management team with a proven operational and exploration track record, an in-depth understanding of the Chilean and Argentinean resources markets and precious metals asset base provide the platform for continued growth.

I would like to thank our shareholders for their continued support, all of our employees and contractors, and our Board members for their hard work and dedication during this year.

**Robert Trzebski (on behalf of Austral Gold Ltd Chairman, Eduardo Elsztain)**

**Non-Executive Director**

**Austral Gold Limited**

## **Forward Looking Statements**

Statements in this Chairman's Address that are not historical facts are forward-looking statements. Forward-looking statements are statements that are not historical and consist primarily of projections - statements regarding future, expectations and developments. Words such as "expects", "intends", "plans", "may", "could", "potential", "should", "anticipates", "likely", "believes" and words of similar import tend to identify forward-looking statements. Forward-looking statements in this Chairman's Address include: We look to continue to grow and seek value enhancing opportunities, we forecast that our FY2018 production will increase by approximately 40% to 92,000 gold equivalent ounces from 64,488 gold equivalent ounces in calendar 2017 (attributable basis) and that we also expect our cash costs and all in sustaining costs ("AISC") to gradually improve in FY2018 due to our expected increase in the utilisation of our production capacity. 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, Austral's

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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 that are beyond the Company's control, the availability of capital to fund all of the Company's projects 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.