



December 2014

QUARTERLY ACTIVITY REPORT

Key Highlights

- The Guanaco mine continued to generate strong operating cash flows for Austral Gold Limited ('the Company') with stable production at 15,393 gold ounces for the quarter ended December 2014 at an operating cash cost of US\$476/GEO.
- Strong quarterly gold and silver sales proceeds of US\$17.2 million and net operating cash flows of US\$6.8 million resulting in a cash position of US\$10.25 million at the end of the quarter.
- Total gold production for the 2014 calendar year was a record 50,375 gold ounces – the second year of production exceeding 50,000 gold ounces.
- Management is projecting production of over 50,000 gold ounces for calendar year 2015.
- On-going exploration activities continue at the Guanaco site with more detailed mapping of the underground and surface areas.
- The Company has received environmental approvals to proceed with exploration of the Amancaya project site. The in-house feasibility study and geotechnical drilling campaign is due to be completed in the coming weeks.
- Shareholders approved the conversion of the Company's US\$53.7m debt into equity in Austral Gold's own shares. This was a significant step towards supporting the sustainable growth of the company and strengthening Austral Gold's balance sheet.

CHILE

Guanaco Mine

Background

The wholly-owned Guanaco mine remains the Company's flagship asset. Guanaco is located approximately 220km south-east of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a geological structural trend which runs north/south through the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

Currently, the majority of the ore processed from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades.

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), 0.5m 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.

Production

Production from underground operations using the heap leach process generated 15,393 gold ounces and 9,087 silver ounces during the quarter ended 31 December 2014.

When measured in Gold Equivalent Ounces (GEO) total production was 15,552 gold ounces compared to 12,726 in the prior quarter.

Gold and Silver Production

| Production | 2012 Actual Calendar Year | 2013 Actual Calendar Year | 2014 Actual Calendar Year | 2015 Budget Calendar Year |
|----------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Gold (Au Oz) | 28,902 | 50,226 | 50,375 | 50,000 |
| Silver (Ag Oz) | 74,807 | 74,031 | 46,458 | 49,000 |

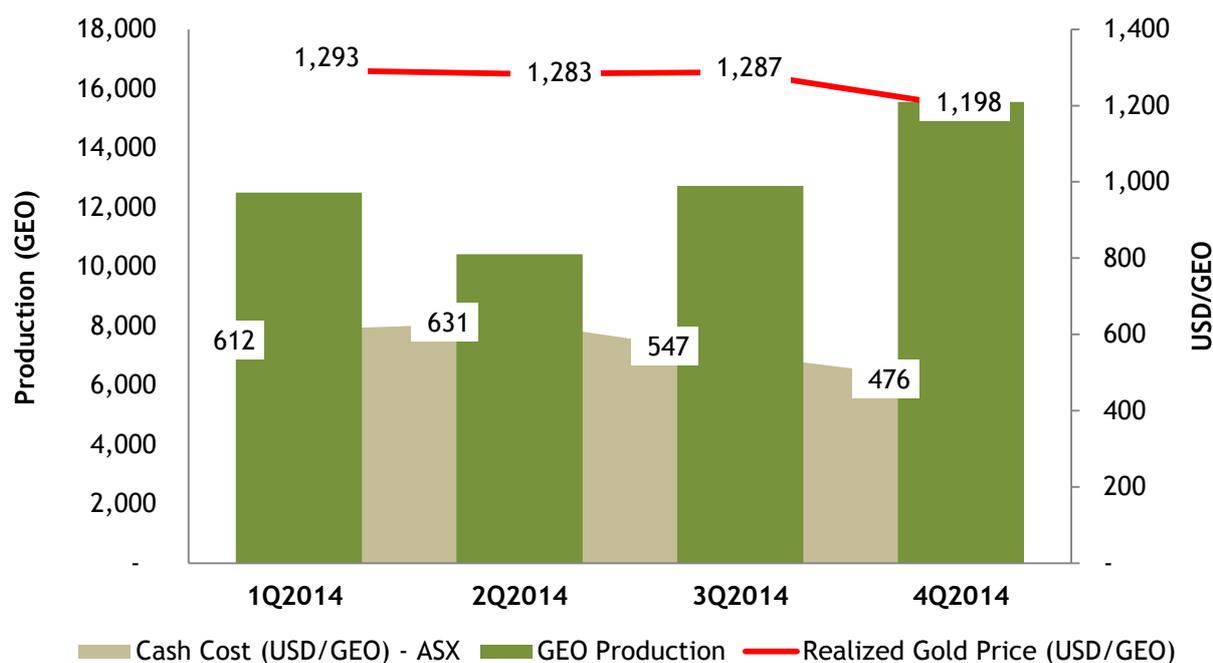
For the December 2014 quarter the average operating cash cost¹ (C1) was US\$476/GEO while the all-in sustaining cost² (AISC) was US\$570/GEO (US\$547/GEO and US\$670/GEO respectively for the previous quarter ended 30 September 2014).

The average operating cash cost for the 2014 calendar year at the Guanaco Mine was US\$558/GEO along with an all-in sustaining cost of US\$669/GEO.

(1) The operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, and Refining. This quarter, the company has no cash royalties over the production of the Guanaco Mine. The company continues to accrue royalties with ENAMI equal to 3% of the gross income generated by the metal extracted from the Guanaco Mine however in 2003 the company made an advance payment to ENAMI of US\$6.5 million. The current balance of this advance payment is US\$~0.3 million. In all likelihood, cash payments related to the ENAMI royalty will recommence in the March quarter 2015 and accordingly, C1 will include this royalty payment going forward.

(2) The all-in sustaining cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation.

GEO Production per quarter (calendar year)



Mining

During the December 2014 quarter, a total of 116,333 tonnes was mined from the Cachinalito underground operations at an average grade of 3.6g/t Au and 4.9g/t Ag.

Underground mine development of 1,631 metres was completed. The advancements resulting from the underground operation represent an improvement in terms of safety, program achievement and cost control.

Safety

During this quarter, one lost-time accident (LTA) occurred, and three nil-lost-time accidents (NLTA's) were reported involving employees of Guanaco and third party contractors. Safety and environmental protection are core values of the Company. The implementation of safety best practices along with a sound risk management program are key priorities for Austral Gold.

Exploration Program

Guanaco Mine

The Geology team continued to advance on the exploration program within the current mine development area of the Guanaco deposit, mainly in the Cachinalito Vein System and the geological mapping program of the identified area of interest.

In addition, preparation of the report of the district mapping works advanced. The objective is to supplement this report with petrography, ICP and geochemistry and radiometric dating in order to have all the information available to make a final model of the system, along with recommendations for exploration.

Guanaco Operational Performance

| December Quarter (3-months actual) 2014 | |
|---|---------|
| Total Ore processed (t) | 116,333 |
| Plant grade (g/t Au) | 3.63 |
| Gold recovery (%) | 81.7 |
| Gold produced (oz) | 15,393 |
| Silver produced (oz) | 9,087 |
| Operating cash cost (US\$/GEO) | 476 |

Amancaya

During the quarter, the geotechnical drilling campaign (DDH) was started. Holes GTA-1 (140m), GTA-2 (79.8m) and GTA-3 (185.35m, partial depth) were drilled, totalling 405.15m. This campaign includes drilling a total of 790m needed for the technical study that has to be presented to local mining authorities.

Guanaco Area Tenements Status

A complete list of the mining tenements in which the Company has an interest is presented in Appendix A attached to this report. During the December quarter, over 6 thousand hectares were reclassified from mining concessions in process to constituted mining concessions. All mining properties are fully owned by the Company through its subsidiaries.

Amancaya Project

An Environmental Impact Statement was submitted and approval to proceed with the Amancaya exploration was received during the quarter.

The geotechnical drilling campaign has started and the results from this campaign, as well as the final review of the in-house feasibility study, are scheduled to be finalised in February 2015.

Amancaya Tenements Status

A complete list of the mining tenements in which the Company has an interest is presented in Appendix B attached to this report. There have been no changes to the Company's interests in these mining tenements during the quarter. All mining properties are fully owned by the Company through its subsidiaries.

ARGENTINA

8 de Julio

There were no geological activities performed at the 8 de Julio site during the quarter ended December 2014.

Work is currently being done to reduce the mining properties of lesser interest in order to control the costs associated with this project in 2015 and focus on the areas with higher geological potential.

8 de Julio Area Tenements Status

A complete list of the mining tenements in which the Company has an interest is in Appendix C attached to this report. There has been a decrease in the Company's interests in these mining tenements during the quarter. All mining properties are fully owned by the Company through its subsidiaries.



CORPORATE SUMMARY & FINANCIAL PERFORMANCE

Financial performance and current cash position

Cash proceeds for gold and silver sales for the quarter was US\$17.2 million driven by continued strong production at the flagship Guanaco mine.

Net operating cash flow for the December quarter was US\$6.7 million (US\$9.7 million for the six-month period ended 31 December 2014) which was also aided by the company extinguishing certain future royalty payments.

Austral Gold's cash position at the end of the quarter was strong at US\$10.25 million giving the company the financial flexibility to pursue further additional growth prospects within its current asset portfolio and finance all committed payments in regard to the Amancaya and HReyes transactions.

Annual General Meeting

The Company held its Annual General Meeting of Shareholders on 16 December 2014 with all resolutions put to shareholders being passed.

Of particular note was the resolution passed by Shareholders to convert its debt of US\$53.7m owed to Inversiones Financieras Del Sur S.A. into Austral Gold shares at an issue price of A\$0.20 per share.

By order of the Board.

Andrew Bursill
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.

Appendices: List of tenements in which the Company currently has an interest

Appendix A: Guanaco Site (Chile) tenements

| Property Name | Claim Type | Size (hectares) |
|--|---------------------------|-----------------|
| Mining Concessions under exploration | Constituted Mining Claims | 21,236 |
| Las Pailas I to Las Pailas XIII / G-3 a G-16 | Mining claims in process | 3,415 |
| G-17, 1/20 to G-40, 1/20. | Mining claims in process | 6,300 |
| Escondida I, 1/30; Escondida II, III, V, VI, VII, VIII and IX. | Mining claims in process | 2,400 |
| Fortuna VII 1/30, VIII 1/20, IX 1/30, X 1/20, XI 1/30, XII 1/20, XIII 1/30 and XIV 1/20. | Mining claims in process | 2,000 |
| Mateo I, II, III, IV, V and VI | Mining claims in process | 1,700 |
| Fortuna I, 1/30 to Fortuna VI, 1/20. | Mining claims in process | 1,500 |
| Escondida IV 1/30, X 1/30, XI 1/20 and XII 1/30 | Mining claims in process | 1,100 |
| Fortuna XV, 1 to 5 | Mining claims in process | 50 |
| Total | | 39,701 |

Appendix B: Amancaya Site (Chile) tenements

| Property Name | Claim Type | Size (hectares) |
|----------------------|----------------------------|-----------------|
| Amancaya 1A,1 to 20 | Constituted mining claims | 100 |
| Amancaya 1B, 1 to 30 | Constituted mining claims | 140 |
| Amancaya 2, 1 to 55 | Constituted mining claims | 265 |
| Amancaya 3, 1 to 60 | Constituted mining claims | 300 |
| Amancaya 4, 1 to 60 | Constituted mining claims | 300 |
| Amancaya 5, 1 to 60 | Constituted mining claims | 300 |
| Amancaya 6, 1 to 40 | Constituted mining claims | 200 |
| Janita 1 to 15 | Constituted mining claims | 150 |
| Sabina 1,1 to 28 | Second layer mining claims | 140 |
| Sabina 4, 1 to 60 | Second layer mining claims | 300 |
| Sabina 5, 1 to 60 | Second layer mining claims | 300 |
| Sabina 6, 1 to 40 | Second layer mining claims | 200 |
| Sabina 7, 1 to 30 | Second layer mining claims | 150 |
| Sabina 3, 1-60 | Second layer mining claims | 300 |
| Sabina 2, 1 to 18 | Mining claims in progress | 18 |
| Total | | 3,163 |

Appendix C: 8 de Julio Site (Argentina) tenements

| Property Name | Claim Type | Size (hectares) |
|-----------------|----------------------------|-----------------|
| 8 de Julio VI | Cateo | 3.947 |
| 8 de Julio VII | Cateo | 3.947 |
| 8 de Julio VIII | Cateo | 2.802 |
| 8 de Julio IX | Cateo | 7.002 |
| 8 de Julio X | Cateo | 3.497 |
| Juangui I | Manifestation of discovery | 3.970 |
| Juangui I-A | Manifestation of discovery | 2.008 |
| Juangui I-B | Manifestation of discovery | 3.936 |
| Juangui III | Manifestation of discovery | 4.081 |
| Juangui II-A | Manifestation of discovery | 840 |
| Juangui II-B | Manifestation of discovery | 615 |
| Juangui II-C | Manifestation of discovery | 638 |
| Juangui II-D | Manifestation of discovery | 3.740 |
| Juangui VI-C | Manifestation of discovery | 3.148 |
| Juangui VI | Manifestation of discovery | 840 |
| Juangui II | Manifestation of discovery | 4.200 |
| Juangui IV | Manifestation of discovery | 3.226 |
| Juangui IV-A | Manifestation of discovery | 840 |
| Juangui IV-C | Manifestation of discovery | 840 |
| Juangui IV-D | Manifestation of discovery | 840 |
| Juangui IV-B | Manifestation of discovery | 840 |
| Juangui IV-E-1 | Manifestation of discovery | 840 |
| Juangui IV-E-2 | Manifestation of discovery | 840 |
| Juangui IV-E-3 | Manifestation of discovery | 840 |
| Juangui V | Manifestation of discovery | 1.920 |
| Juangui IV-E-4 | Manifestation of discovery | 840 |
| Juangui IV-E-5 | Manifestation of discovery | 840 |
| Juangui IV-F | Manifestation of discovery | 2.286 |
| Juangui V-A | Manifestation of discovery | 840 |
| Juangui V-B | Manifestation of discovery | 840 |
| Juangui VI-D | Manifestation of discovery | 4.000 |
| Juangui VI-A | Manifestation of discovery | 840 |
| Juangui VII-B | Manifestation of discovery | 4.000 |
| Juangui VII-A | Manifestation of discovery | 840 |
| Juangui VIII-A | Manifestation of discovery | 840 |
| TOTAL | | 76.403 |

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

AUSTRAL GOLD LIMITED

ABN

30 075 860 472

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter US\$'000 | Year to date (6 months) US\$'000 |
|---|-----------------------------|-------------------------------------|
| 1.1 Receipts from product sales and related debtors | 17,782 | 30,973 |
| 1.2 Payments for (a) exploration & evaluation | (128) | (329) |
| (b) development | (1,357) | (2,504) |
| (c) production | (8,147) | (15,119) |
| (d) administration | (1,334) | (2,188) |
| (e) royalties paid | - | (1,023) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | 1 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Movement attributable to foreign currency translation | (27) | (41) |
| Net Operating Cash Flows | 6,789 | 9,770 |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | (108) | (3,108) |
| (b) financial assets, net | - | - |
| (c) equity investment | (258) | (522) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | (366) | (3,630) |
| 1.13 Total operating and investing cash flows | 6,423 | 6,140 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|---|---------------|---------------|
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | (461) | (461) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Net proceeds from financial securities | 64 | 228 |
| | Net financing cash flows | (397) | (233) |
| | Net increase (decrease) in cash held | 6,026 | 5,907 |
| 1.20 | Cash at beginning of quarter/year to date | 4,228 | 4,347 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 10,254 | 10,254 |

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

| | | Current quarter US\$'000 |
|------|--|-----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 104 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | 461 |

1.25 Explanation necessary for an understanding of the transactions

| |
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| |
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|--|
| On 19 December 2014, 307,930,858 shares in Austral Gold Limited were issued to Inversiones Financieras Del Sur SA as total repayment of its loan outstanding with Austral Gold which amounted to US\$53,733,935. This transaction was approved by shareholders at the Annual General Meeting held on 16 December 2014. |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

| |
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| |
|--|

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available US\$'000 | Amount used US\$'000 |
|-----|-----------------------------|------------------------------|-------------------------|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

| | | US\$'000 |
|--------------|----------------------------|---------------|
| 4.1 | Exploration and evaluation | 125 |
| 4.2 | Development | 1,665 |
| 4.3 | Production | 7,127 |
| 4.4 | Administration | 1,865 |
| 4.5 | Royalties | 118 |
| 4.6 | Other (Investment) | 1,000 |
| Total | | 11,900 |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter US\$'000 | Previous quarter US\$'000 |
|---|--------------------------|-----------------------------|------------------------------|
| 5.1 | Cash on hand and at bank | 10,166 | 4,080 |
| 5.2 | Deposits at call | 88 | 148 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | | 10,254 | 4,228 |

Changes in interests in mining tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|----------------------------------|--|----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | 8 de Julio | 85,597 | 76,403 |
| | | Guanaco | 24,955 | 18,465 |
| 6.2 | Interests in mining tenements acquired or increased | Guanaco | 14,931 | 21,236 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------|--|---------------------------------|---------------|---|--|
| 7.1 | Preference +securities <i>(description)</i> | | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | +Ordinary securities | 478,761,995 | 478,761,995 | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 307,930,858 | 307,930,858 | | |
| 7.5 | +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | Options <i>(description and conversion factor)</i> | 1:1 Unlisted options 140,949 | - | <i>Exercise price</i> AUD\$0.30 | <i>Expiry date</i> 15 Nov 2016 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 January 2015
(Company secretary)

Print name: Andrew Bursill

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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