



JUNE 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 30 JUNE 2013.

## Key Highlights

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- The Guanaco Gold Mine produced a record 13,702oz of gold (Au) and 21,325oz of silver (Ag) in the quarter ended June 2013 representing a monthly average of 4,704 gold-equivalent-ounces (“GEO”). The record June production demonstrated a 55% increase on the previous quarter and 113% increase on the same period last year.
- The company is estimating more than 40,000 ounces of gold production from the Guanaco Gold Mine in the 2013 calendar year. Production results for the six months to June 2013 have the company tracking ahead of this target.
- Newly discovered high-grade Despreciada vein system in the Guanaco district was expanded. The recent 6,000 meter drilling program revealed an extension of the NNW Despreciada Vein System.
- Completion of the FY2013 exploration program at the 8 de Julio project located in the Province of Santa Cruz, Argentina. During 2013, 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.
- On July 4, 2013, Austral Gold closed a C\$5million placement in TSX-V listed Argentex Mining Corporation (“Argentex”). Austral Gold is currently the second largest shareholder in Argentex controlling approximately 12% after International Finance Corporation (controlling approximately 13%) and will become the largest shareholder with a 19.9% interest upon full conversion of a convertible debenture, which is scheduled to be converted in monthly instalments through to March 2014.
- As part of the conditions of the placement in Argentex, Austral Gold Directors, Wayne Hubert and Stabro Kasaneva joined the Argentex Board and its Technical Advisory team, respectively.

# CHILE

## Guanaco

### Background

The Guanaco mine is the company's flagship asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of 2,700m and is located 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a geological 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 1.55 g/t Au. Ore from the underground Cachinalito facility, 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 mineralization 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 2,630 and 2,610 levels of the Cachinalito underground mine. As shown in Figure 3, 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 in a north-south direction, never recognized before in the Guanaco district. Currently, the structure has been recognized between 2,650 and 2,610 levels and for at least 100 meters along strike. The structure is open along strike and at depth. To date, the underground operation has mined 19,118 tons from this stope with an average grade of 10.72 g/t Au and 22.02 g/t Ag. Historically at Guanaco, gold has been explored for and mined in an east – west direction. The most impressive mineral deposits within the Paleocene Belt (e.g. El Peñon) occur in a north-south direction and Guanaco was the exception. However, now with the discovery of the Despreciada Vein system in a north-south direction, exciting new possibilities for future exploration at Guanaco have been opened up.

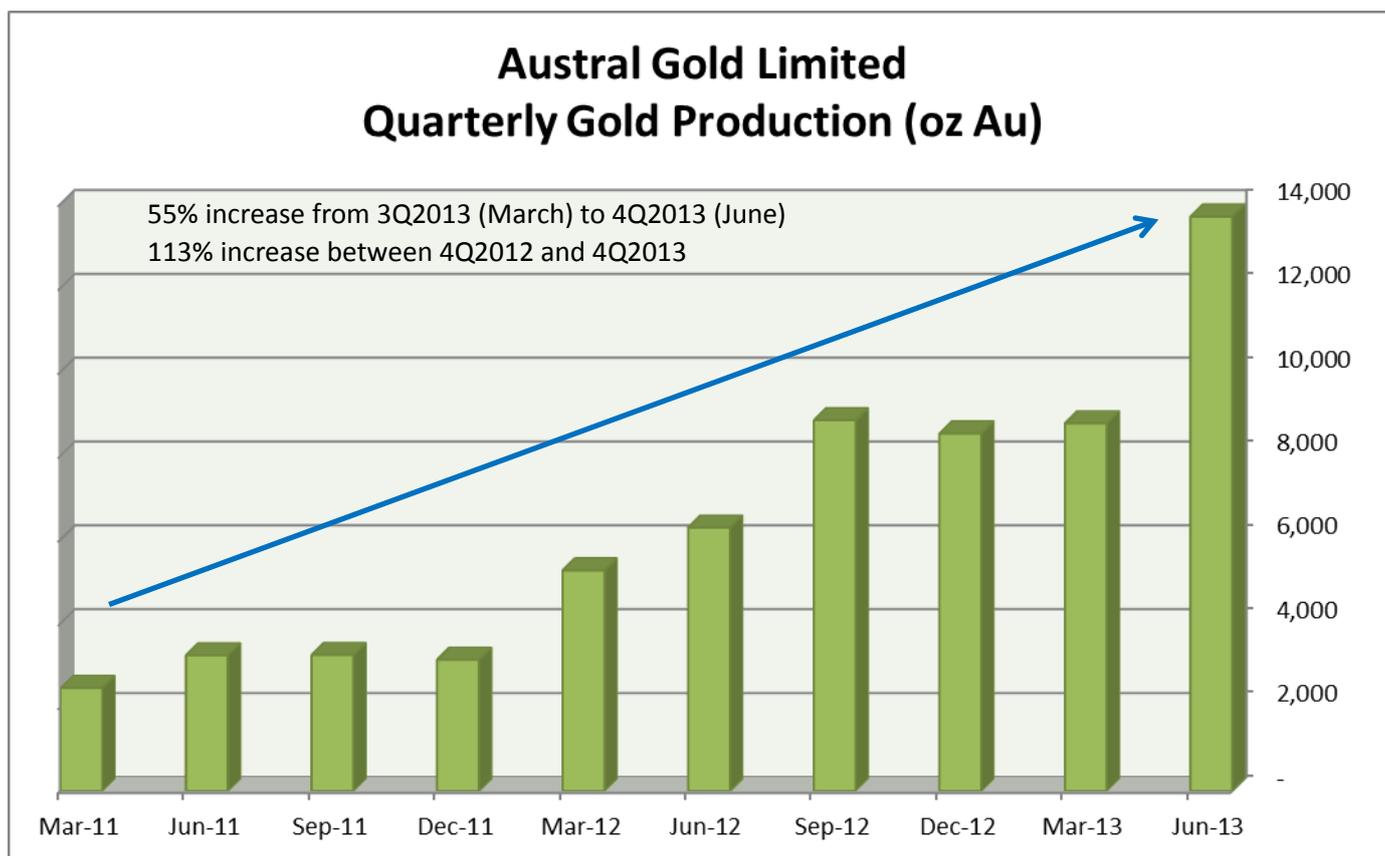
## Production

Production from heap leaching reached 13,702oz Au and 21,325oz Ag in the quarter ended June 2013 using ore mined from the Quillota open pit operation, and the Cachinalito underground operation. The average cash operating cost was US\$557/oz (excluding royalties) for the quarter.

Production improvements were achieved by higher gold grades and higher metallurgical recovery rates at 74% following a new fine crushing P80 size of 5.2mm.

Figure 1: Gold and Silver Production

Production	2011 Calendar Year	2012 Calendar Year	June Quarter 2013	YTD Calendar 2013	Forecast Calendar 2013
Gold (Au Oz)	12,373	28,902	13,702	22,474	43,000
Silver (Ag Oz)	37,511	74,807	21,325	39,540	65,000



## Mining

Mining continued from both the open pit and underground operations. In the 3 months to June 2013 a total of 166,739t from the Quillota open pit and from the Cachinalito underground operations were mined at an average grade of 2.78 g/t Au and 5.92 g/t Ag. The crushed and leached ore totalled 180,854t for the quarter at an average grade of 4.14 g/t Au and 4.39 g/t Ag.

Underground mine development of 1,135m was completed in the quarter with 48,951t of ore produced at a grade of 6.04 g/t Au and 5.12 g/t Ag. The results obtained from the underground operation represents an improvement in terms of safety, program achievement, and cost control.

Figure 2: Guanaco Operational Performance

	June Quarter 2013
Total Ore processed (t)	180,854
Ore from open pits (t)	112,346
Open pit grade (g/t Au)	1.37
Ore from underground (t)	48,951
Underground grade (g/t Ag)	6.04
Weighted average recovery (%)	74
Gold produced (oz)	13,702
Silver produced (oz)	21,325
Cash operating cost (US\$/oz)	557

## Safety

No lost-time incidents (LTIs) and 10 nil-lost-time incidents (NLTIs) were reported involving employees of the Company and its subsidiaries during the quarter ended 30 June 2013. Safety and environmental protection are core values of the Company and the implementation of strategies to identify and manage risks in our workplaces is a key priority.

## Exploration Program

The exploration program during the first half of 2013 has been restricted to exploring areas close to the mine development. This strategy resulted in the discovery of the Despreciada Vein. During the quarter, new and encouraging results have been exposed at the Guanaco Mine property. Both the Cachinalito Trend (ENE) and the Despreciada vein System (NNW) are showing a greater mineralized trend than previously presumed.

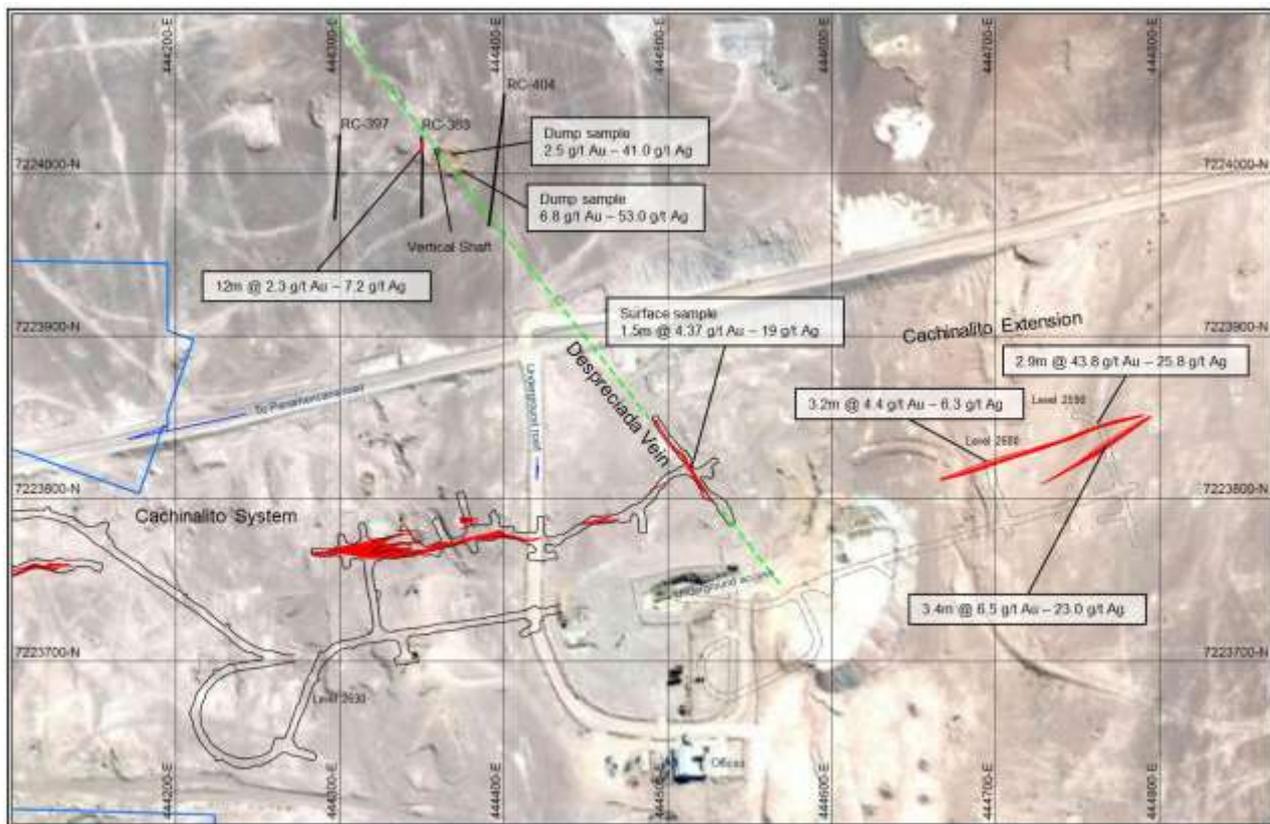
The Cachinalito Vein Trend was intersected during drift development. The new ore shoot is currently represented by two intercepts spaced more than 70 meters apart. The first cross cut intersected 3.2 meters grading 4.4 g/t Au and 6.3 g/t Ag and the second intercept was 2.9 meter wide grading 43.8 g/t Au and 25.8 g/t Ag. Currently, mine activity is being focused in this drift to explore the potential of the ore shoots.

Several surface trenches and geological mapping of the Despreciada Vein allowed the recognition of the vein to more than 250 meters to the northwest of the current underground drift of the vein, which is hosted by dacitic porphyry units. Ore material coming from old waste dumps show grades varying from 4.37 g/t Au and 19 g/t Ag up to 6.8 g/t Au and 53 g/t Ag.

During the third quarter of 2013, a new RC drilling program was designed with the objective to study the extension of the Despreciada Vein and also a new ore shoot called Cachinalito Extension. In addition, the Quillota structure will be explored considering the positive reconciliation between the resource model and the actual ore mined to date.

The following map at figure 3 shows the location of the Cachinalito Trend with the eastern new mineralized zone extension and the Despreciada Vein.

Figure 3: Cachinalito Trend and Despreciada Vein



## ARGENTINA

### 8 de Julio - Santa Cruz

Austral Gold recently completed a new season of exploration at the 8 de Julio project located in the Santa Cruz Province of Argentina. New systematic surface sampling was executed focusing on the four targets which were considered to be the most prospective on the property (Barroso Grande, Barroso Chico, Los Pinos – Aguada Norte and El Salitral). Sampling was carried out using a circular saw and 200 samples from 78 channels were obtained from the different prospects and 23 rock chip and float samples were also collected. The Barroso Grande area remains as the most prospective target with gold grades up to 12 g/t Au. Moderate to weak trace elements anomalies (Hg, Pb and Sb) were obtained in Los Pinos – Aguada Norte.

A new geophysics study was performed, covering 38 km<sup>2</sup> from the Barroso Grande area to the northern end of the property in the Aguada Norte area. In total, 332 lines (910 km) were surveyed. As a result of this survey, several buried structures were identified, with trends that coincide with the Deseado Massif general structure setting.

In addition, environmental approval from the local mining authorities was received to commence trenching and drilling.

## CORPORATE

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On 4 July 2013 Austral Gold announced the closing of a C\$5million placement in Argentex Mining Corporation (TSX-V: ATX). At 30 June a deposit of \$2.6 million had been paid and was held in an escrow account pending finalisation of the investment in Argentex, thus reducing the balance payable on settlement. This \$2.6 million deposit has not been included in the company's reported cash holdings at 30 June.

At 30 June 2013 Austral Gold held \$5 million in cash and cash equivalents with \$1.9 million 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.