



# JUNE 2016

## QUARTERLY ACTIVITY REPORT

### Key Highlights

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#### Production

- Guanaco mine production was 8,322 Au oz and 13,310 Ag oz in the June quarter 2016. It is estimated that gold production will be in the 45,000-50,000 Au oz range for a fourth consecutive calendar year.
- Lower production for the quarter resulted in an average cash cost of US\$882/AuEq oz along with AISC at US\$1,038/AuEq oz. Average realised selling price was US\$1,244/Au oz for the quarter.

#### Exploration and Mine Development

- Exploration activities continue at the Guanaco and Amancaya/San Guillermo properties. At Guanaco mine, underground mine development of 2,683 metres was advanced during the period.

#### Mergers & Acquisitions

- Court approval was obtained for the plan of arrangement to proceed between Austral Gold and Argentex and the Toronto Venture Exchange has given its conditional approval for the Austral Gold listing. Certain conditions still need to be fulfilled before Austral Gold lists on the TSX-V and should be completed shortly.
- The Company sold a significant part of its ~12% stake in Goldrock Mines Corp (TSX-V: GRM) during the quarter securing an attractive return on investment. Proceeds from the sale of shares amounted to approximately US\$7.5 million. Austral Gold continues to keep the 11.5m warrants at \$0.80 strike price (expiry date October 2018).

#### Cash Generation

- As of 30 June 2016, total cash position was US\$11.8 million.

# 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 embedded in the Paleocene/Eocene belt, a geological structural system 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, sub-vertical E/NE trending 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 ore 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 8,322 Au oz and 13,310 Ag oz during the quarter ended 30 June 2016. When measured in gold equivalent ounces<sup>1</sup> (AuEq oz) total production was 8,495 AuEq oz compared to 8,977 AuEq oz in the prior quarter.

The lower production for the quarter was due to lower than expected feed from the leach pads in May and June. In addition, production was lower than forecast due to delays in the construction of benches in Dumbo (complications in the continuity of blast hole drilling were experienced due to the presence of large cavities) and Cachinalito extension (stability problems due to a sub-horizontal structure on the roof at level 2630). The management expects to recover the production short-fall of AuEq oz in the latter part of 2016.

### Gold Equivalent Production

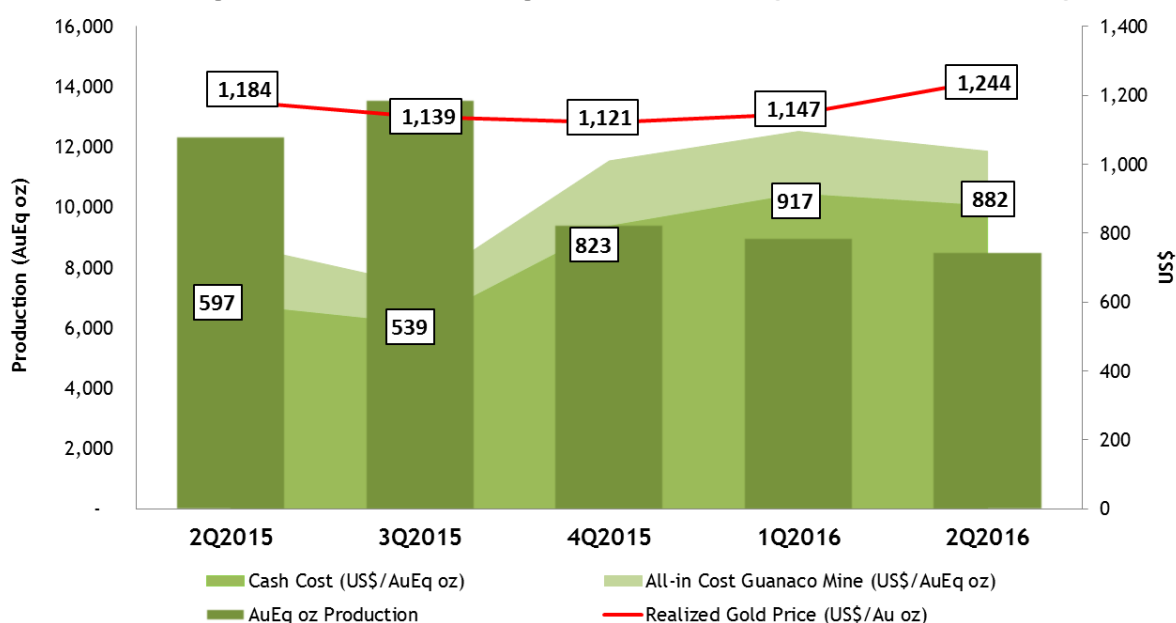
Production	2013 Actual Calendar Year	2014 Actual Calendar Year	2015 Actual Calendar Year	2016 Actual 6-months <sup>2</sup>	2016 Budget Range Calendar Year
Gold (AuEq oz)	51,331	51,068	46,869	17,472	45,500 – 50,500

<sup>1</sup> AuEq ratio is calculated at 77:1 Ag:Au

<sup>2</sup> Six-month period ended 30 June 2016

The June 2016 quarter operating cash cost<sup>3</sup> (C1) was US\$882/AuEq oz while the all-in sustaining cost<sup>4</sup> (AISC) was US\$1,038/AuEq oz (US\$917/AuEq oz and US\$1,096/AuEq oz respectively for the quarter ended 31 March 2016).

## AuEq oz Production per Quarter (Calendar Year)



## Mining

During the June 2016 quarter, mining continued at the Cachinalito underground operations with a total of 107,636 tonnes mined. The crushed and leached ore totalled 135,921 tonnes for the quarter at an average grade of 2.20 g/t Au and 8.95 g/t Ag.

During the quarter, a total of 2,683 metres of underground mine development was advanced, of which 1,042 metres related to developments and accesses and 1,641 metres to advances in production.

## Production Summary

Key Indicators	June Quarter 2016	March Quarter 2016
Total Ore processed (t)	135,921	135,236
Average Plant grade (g/t Au)	2.20	3.30
Average Plant grade (g/t Ag)	8.95	9.90
Gold produced (oz)	8,322	8,801
Silver produced (oz)	13,310	13,548
C1 Cash Cost (US\$/ AuEq oz)	882	917
All-in sustaining cost (US\$/ AuEq oz)	1,038	1,096
Realised gold price (US\$/ Au oz)	1,244	1,147

<sup>3</sup> The operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, Refining, and 3% ENAMI Royalty.

<sup>4</sup> The all-in sustaining cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation.

## Safety

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

## Mine Exploration Program

The diamond drilling campaign completed during the quarter consisted of 1,572 metres drilled in 14 holes, 11 from the surface (1,229 metres) and 3 from underground (343 metres). The campaign met its objective: to intercept structures modelled from existing information. Grade results were not economical.

## Other Projects

### *Amancaya and San Guillermo properties*

Detailed mapping of veins and sampling of floats was completed in the Amancaya district (incorporating the San Guillermo properties) that revealed textures in the outcropping veins, in the floats and in the trenches.

Systematic sampling of outcrops and floats of the veins was carried out every 40 metres. A total of 682 samples were taken, which included 82 samples taken earlier and results show evidence of vein sections with anomalous content of precious metals.

In addition, the detailed mapping and VLF anomalies of previous studies show correlations that either suggest the prolongation of existing structures or the existence of new ones. Based on this evidence, a new VLF survey of the area, with higher detail (every 25 or 50 metres lines) will be conducted.

Future work will focus on defining the opening of trenches (each 40 to 80 metres) on the vein sections with values greater than 1ppm Au equivalent (using a Ag: Au ratio 80:1) in order to obtain more representative data on the width and grade of the veins, since most sampling is done in floats. Similarly, new VLF geophysics will be performed to map out in more detail the proposed trenches in the outcropping veins and sub-outcropping sectors. In addition, IP geophysics are to be applied, using gradient methodology, in areas entirely covered by alluvial deposits and volcanic materials (eg. andesitic lavas).

## Guanaco and Other Mining Properties in Chile - Tenements Status

A complete list of the Guanaco Mine and Amancaya Project mining tenements in which the Company has an interest is presented in **Appendix A**, 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.

**Appendix D** lists the San Guillermo mining properties acquired as part of the purchase agreement with Revelo Resources (TSX-V: RVL).

# ARGENTINA

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## 8 de Julio

No significant activity for the period.

### 8 de Julio Area - Tenements Status

A complete list of the mining tenements in which the Company has an interest is 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.

## 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 km<sup>2</sup>.

As announced on 7 March 2016, Austral acquired 51% of this project from Troy Resources Limited (ASX: TRY) and entered into a Management Agreement whereby Austral was appointed manager of Casposo with immediate effect. A further 19% will be acquired for US\$1m within 12 months with options to acquire the remaining 30% of the project on agreed terms within 5 years.

The proposed capital investment plan to develop and implement a re-engineering program for Casposo is ongoing with more than US\$1.5m invested to date. During the June quarter, significant progress has been made in several aspects of the operation.

A reputable Canadian engineering firm has been engaged to perform a pre-feasibility study to update the resources and reserves mineral base of the project under NI 43-101 and JORC and prepare the operation for a commercial restart. The Company is continuing with technical tests for a new mine operational model and redesign of mineral processing.

Austral Gold will continue their work to transform Casposo into a profitable project.

### Casposo Project Properties - 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 was no change to the Company's interests in these mining tenements during the quarter. All mining properties are 51% owned by the Company through its subsidiaries.

## CORPORATE SUMMARY & FINANCIAL PERFORMANCE

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Austral Gold's total cash position was US\$11.8 million as of 30 June 2016.

Cash proceeds for gold and silver sales for the quarter was US\$12.6 million (average realised gold price was US\$1,244/Au oz). Recuperation of VAT contributed US\$2.9 million in cash proceeds as well as an income tax refund of US\$1.6 million.

Austral Gold continues to make payments relating to consideration for past acquisitions. During the period US\$125k was paid in relation to the 51% acquisition of the underground mining contractor Humberto Reyes. As at 30 June 2016, US\$300k remains outstanding with the last of the monthly payments due on 10 January 2017. The last instalment of deferred consideration on the Amancaya acquisition will be paid to Yamana Gold Inc. next quarter and amounts to US\$2m.

Payments totalling US\$497k were made to Argentex Mining Corporation ('Argentex') during the quarter to fund their working capital. During the quarter court approval was obtained for the plan of arrangement to proceed between Austral Gold and Argentex and the Toronto Venture Exchange has given its conditional approval for the Austral Gold listing. Several conditions still need to be fulfilled before Austral Gold lists on the TSX-V and should be completed shortly.

The Company has sold its equity stake in Goldrock Mines Corp (TSX-V: GRM). Prior to 30 June 2016 the Company's wholly owned subsidiary, Austral Gold Argentina SA, sold 9,248,000 shares (or 11.14% of GRM) for an average price of C\$1.05/share and total proceeds of C\$9.7 million. In July, Austral Gold Limited sold 2,312,000 shares for an average price of C\$1.48/share and proceeds of approximately C\$3,426,310. The Company still holds 11,560,000 warrants exercisable at C\$0.80 each until 24 October 2018.

The US\$2.6 million loan receivable from Inversiones Financieras der Sur SA has been extended to 31 December 2016. The loan repayment term was extended with an amendment to the original loan agreement and all other terms and conditions of the loan remain the same.

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 Mine and Amancaya Project (Chile) Tenements**

Property Name	Claim Type	Size (hectares)
Mining Concessions under exploration	Constituted Mining Claims	42,814
Loreto I, Loreto II, Loreto III and Loreto IV	Mining claims in process	1,000
<b>Total</b>		<b>43,814</b>

## Appendix B: 8 de Julio Site (Argentina) Tenements

Property Name	Claim Type	Size (hectares)
8 de Julio IX	Cateo	7,002
8 de Julio X	Cateo	3,497
Juanguí II	Manifestation of discovery	4,200
Juanguí VII-B	Manifestation of discovery	4,000
Juanguí VI-D	Manifestation of discovery	4,000
Juanguí I	Manifestation of discovery	3,970
Juanguí IV	Manifestation of discovery	3,226
Juanguí I-B	Manifestation of discovery	3,936
Juanguí II-D	Manifestation of discovery	3,740
Juanguí VIII-A	Manifestation of discovery	840
Juanguí VI-C	Manifestation of discovery	3,148
Juanguí III	Manifestation of discovery	4,081
Juanguí IV-F	Manifestation of discovery	2,286
Juanguí I-A	Manifestation of discovery	2,008
Juanguí V	Manifestation of discovery	1,920
Juanguí II-A	Manifestation of discovery	840
Juanguí VI-A	Manifestation of discovery	840
Juanguí VII-A	Manifestation of discovery	840
Juanguí VI	Manifestation of discovery	840
Juanguí IV-A	Manifestation of discovery	840
Juanguí IV-B	Manifestation of discovery	840
Juanguí IV-C	Manifestation of discovery	840
Juanguí IV-D	Manifestation of discovery	840
Juanguí IV- E 1	Manifestation of discovery	840
Juanguí IV- E 2	Manifestation of discovery	840
Juanguí IV- E 3	Manifestation of discovery	840
Juanguí IV- E 4	Manifestation of discovery	840
Juanguí IV- E 5	Manifestation of discovery	840
Juanguí V-A	Manifestation of discovery	840
Juanguí V-B	Manifestation of discovery	840
Juanguí II-C	Manifestation of discovery	638
Juanguí II-B	Manifestation of discovery	615
Barroso Chico I	Manifestation of discovery	840
Barroso Chico II	Manifestation of discovery	840
<b>Total</b>		<b>67,387</b>



### Appendix C: Casposo Project (Argentina) Tenements

Property Name	Claim Type	Size (Hectares)
Kamila	Constituted Mining claim	3,497
Julieta	Constituted Mining claim	2,625
Alicia -I	Constituted Mining claim	16
Various	Mining claims in process	16,420
<b>Total</b>		<b>22,558</b>

## Appendix D: San Guillermo (Chile) Tenements

Property Name	Claim Type	Size (hectares)
Mining Concessions under exploration	Constituted Mining Claims	8,375
Cepillo Rojo 7D	Mining claims in process	200
Cepillo Rojo 8D	Mining claims in process	100
Cepillo Rojo 11C	Mining claims in process	200
Cepillo Rojo A	Mining claims in process	100
Cepillo Rojo 1D	Mining claims in process	300
Cepillo Rojo 2D	Mining claims in process	300
Cepillo Rojo 3D	Mining claims in process	300
Cepillo Rojo 4D	Mining claims in process	300
Cepillo Rojo 5D	Mining claims in process	300
Cepillo Rojo 6D	Mining claims in process	300
Cepillo Rojo 9D	Mining claims in process	200
Cepillo Rojo 10D	Mining claims in process	200
Cepillo Rojo 12D	Mining claims in process	200
Cabello 11D	Mining claims in process	300
Cabello 12D	Mining claims in process	300
Cabello 13D	Mining claims in process	200
<b>Total</b>		<b>12,175</b>

Rule 5.5

## 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")

30 June 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (12 months) US\$'000
1.1 Receipts from product sales and related debtors	17,245	58,511
1.2 Payments for		
(a) exploration & evaluation	(290)	(1,580)
(b) development	(2,983)	(6,698)
(c) production	(8,514)	(32,955)
(d) administration	(5,190)	(11,501)
(e) royalties paid	(58)	(58)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	212	214
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(740)	(3,537)
1.7 Movement attributable to foreign currency translation	229	174
<b>Net Operating Cash Flows</b>	<b>(89)</b>	<b>2,570</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	(6,000)
(b) financial assets, net	-	-
(c) equity investment	(125)	(1,801)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(497)	(615)
1.11 Loans repaid by other entities	-	400
1.12 Other (Casposo acquisition)	2,101	2,101
<b>Net investing cash flows</b>	<b>1,479</b>	<b>(5,915)</b>
<b>1.13 Total operating and investing cash flows</b>	<b>1,390</b>	<b>(3,345)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining Exploration Entity Quarterly Report**

		Current quarter US\$'000	Year to date (12 months) US\$'000
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	7,510	7,510
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	(60)	(60)
1.19	Net proceeds from financial securities	-	274
<b>Net financing cash flows</b>		<b>7,450</b>	<b>7,724</b>
<b>Net increase (decrease) in cash held</b>		<b>8,840</b>	<b>4,379</b>
1.20	Cash at beginning of quarter/year to date	2,987	7,448
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>11,827</b>	<b>11,827</b>

**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	112
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**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

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

**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

		<b>US\$'000</b>
4.1	Exploration and evaluation	289
4.2	Development	5,550
4.3	Production	9,030
4.4	Administration	4,124
4.5	Royalties	-
4.6	Other (Investment)	2,125
4.7	Other (Income tax)	690
<b>Total</b>		<b>21,808</b>

### 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	11,827	2,987
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>11,827</b>	<b>2,987</b>

### 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			
6.2	Interests in mining tenements acquired or increased			

+ 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	478,761,995	478,761,995		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	1:1 Unlisted options 140,949	-	Exercise price AUD\$0.30	Expiry date 15 Nov 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

+ 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:

  
(Company secretary)

Date: 29 July 2016

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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