



June 2017

QUARTERLY ACTIVITY REPORT

Key Highlights

- Combined production for the quarter for Austral Gold Limited was 11,764 Au oz and 390,234 Ag oz. The average cash cost and AISC across all operations for the quarter was US\$1,044/AuEq oz and US\$1,290/AuEq oz respectively.
- Total proceeds from the sale of gold and silver during the quarter were US\$22.8 million of which the Guanaco mine contributed US\$10.6 million and the Casposo mine contributed US\$12.2 million.

Guanaco Production

- Guanaco mine production was 7,404 Au oz and 15,651 Ag oz in the June quarter 2017.
- The average cash cost (C1) for the quarter was US\$1,122/AuEq oz; AISC was US\$1,263/AuEq oz and the average realised gold and silver selling prices were US\$1,263/Au oz and \$US18/Ag oz respectively. C1 and AISC for the last 12-month period ended June 2017 was US\$759/AuEq oz and US\$908/AuEq oz, respectively.
- YTD Production is 18,096 AuEq oz in line with the full year guidance of 45,000-50,000 AuEq oz annual production total from the mine with higher production expected in the second half of 2017 as a result of the ramp-up processing of the agitation leach plant.
- Quarterly production was affected by the delay in completion of the new agitation leach plant during the trial phase of production.

Amancaya Operations

- Prestripping was finalised and open-pit mining operations began in the quarter. Ore is being stockpiled until the new agitation leach plant is fully commissioned. The Company plans to truck mined ore to the new plant for processing.

- A new independent resource and reserve estimate for the combined Amancaya and Guanaco mine was completed recently with results confirming robust economic returns from a joint operation of the assets.

Casposo Continues Full Commercial Operations

- The mine has now had three operational quarters. For the June 2017 quarter, total production was 4,360 Au oz and 374,583 Ag oz (100% basis); cash cost was US\$981/AuEq oz; AISC was US\$1,311/AuEq oz and the average realised gold and silver selling prices was US\$1,254/Au oz and US\$17/Ag oz respectively. Austral Gold's 70% share of production was 3,052 Au oz and 262,207 Ag oz (70% basis).

Regional Exploration

- Exploration at Amancaya has focussed on advancing a close spaced ground-magnetics survey and mapping and sampling approximately 140 trenches that were dug during the year. The ground magnetics survey of 1,230 linear kilometres is 72% complete.
- At Casposo, activities focussed on relogging drill holes at the Cerro Norte target and preparing long-sections. A correlation with higher grades at or near a newly interpreted lithological contact was noted and follow-up work to assess this further is being planned.

New Plant Construction

- The construction of the agitation leach plant at Guanaco/Amancaya is now complete.
- Issues with the Merrill-Crowe circuit and waiting for spare parts for one of the filter presses has delayed full commissioning.

Mergers & Acquisitions

- On 13 July, 2017 Austral Gold executed a binding letter to acquire the San Guillermo and Reprado projects from Revelo Resources Corp. (TSX-V: RVL) for consideration of up to ten million Austral Gold ordinary shares (capped at US\$0.21/share) and subject to existing Net Smelter Royalties (each an "NSR") and an additional NSR of up to 1%. The offer is subject to due diligence, entering into a definitive agreement and customary regulatory and exchange approvals.

Cash and Debt

- Cash on hand at 30 June 2017 was US\$6.1 million.
- Total debt was US\$~23 million, of which US\$~15 million are 3-year financial leases with local banks in Chile and Argentina. Debt increased by US\$5.8 million during the quarter. Of this amount, US\$5 million for the company's Chilean operations was received from a credit facility with the BAF Latam Credit Fund, an unrelated third party lender. The credit facility is secured by a guarantee from the company and a corresponding proportion of the receipts of doré sales from the Guanaco mine in Chile. Amounts drawn against the credit facility are to be repaid within eighteen months.

Property Locations

● **Operations**
(Guanaco/Amancaya
& Casposo)

■ **Projects**
(Pinguino)



CHILE

Guanaco Mine and Amancaya Operation

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 feature which runs north/south through the centre of the Antofagasta region, Chile. Currently, the majority of the production from the Guanaco operation comes from the Cachinalito and Dumbo veins and nearby vein systems with higher average grades.

Gold mineralisation at Guanaco is controlled by pervasively silicified, sub-vertical east/northeast-west/southwest 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 mineralised shoots. High grade shoots (up to 180 g/t Au), 0.5m to 12.0m 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 mineralisation have led to the classification as a high-sulfidation epithermal deposit.

Production

Production from underground operations using the heap leach process generated 7,404 Au oz and 15,651 Ag oz during the quarter ended 30 June 2017. When measured in gold equivalent ounces¹ (AuEq oz) total production was 7,617 AuEq oz compared to 8,495 AuEq oz in the June quarter 2016.

The lower production for the quarter was due to lower processed tonnage in June due to the new plant being in a trial run stage, and other issues at various stages of the process. The most significant of these are those observed in the filtration stage (tailings filters), where only a single filter (out of three) has been operational for most of the month. In addition, it has not been possible to operate the Merrill Crowe process, and a bypass had to be made into the CIC tanks of the ADR (old plant), which does not allow processing Amancaya ore due to its high silver content. The Company expects all these issues to be resolved during the next quarter.

Currently, the new plant is ready to process 800-900 tonnes per day of ore from Guanaco, with low silver content. The Company expects to have the Merrill Crowe process running during the next quarter, which would allow for processing of the Amancaya ores.

Gold Equivalent Production

	2013 Actual Calendar Year	2014 Actual Calendar Year	2015 Actual Calendar Year	2016 Actual Calendar Year	2017 Budget Calendar Year
Gold (AuEq oz)	51,331	51,068	46,869	44,474	45-50,000

Production for the calendar year is in line with historical production at the Guanaco Mine during the last three years; in the order of 45-50,000 oz AuEq.

The June 2017 quarter operating cash cost² (C1) at Guanaco was US\$1,122/AuEq oz while the all-in sustaining cost³ (AISC) was US\$1,263/AuEq oz compared to US\$882/AuEq oz and US\$1,038/AuEq oz respectively for the June

¹ AuEq ratio is calculated at 74:1 Ag:Au

² The operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, Refining, and 3% ENAMI Royalty

³ The All-in Sustaining Cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation

quarter 2016. C1 for the 12-month period ended 30 June 2017 was US\$759/AuEq oz while the AISC was US\$908/AuEq oz.

Mining

During the June 2017 quarter, mining continued at the underground operations with a total of 102,737 tonnes mined. The crushed and leached material totalled 78,407 tonnes for the quarter at an average grade of 2.50 g/t Au and 8.74 g/t Ag.

During the quarter, a total of 1,554 metres of underground mine development was advanced, of which 523 metres related to developments and accesses and 1,031 metres to advances in production.

	3 months ending 30 June		12 months ending 30 June	
	2017	2016	2017	2016
Total Material Processed (t)	78,407	135,921	505,711	502,257
Average Plant grade (g/t Au)	2.50	2.20	3.96	2.82
Average Plant grade (g/t Ag)	8.74	8.95	8.44	8.24
Gold produced (oz)	7,404	8,322	44,275	39,776
Silver produced (oz)	15,651	13,310	58,832	47,667
C1 Cash Cost (US\$/AuEq oz)	1,122	882	759	761
All-in Sustaining Cost (US\$/Au oz)	1,263	1,038	908	914
Realised gold price (US\$/Au oz)	1,263	1,244	1,251	1,160
Realised silver price (US\$/Ag oz)	18	16	17	16

Safety

During this quarter one lost-time accident (LTA) and three nil-lost-time accidents (NLTA) were reported involving Guanaco employees 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 drilling program at Guanaco is expected to take place in September/October 2017. A planning meeting is being organised for the end of August. The geologists and consultants involved in the exploration will be working with the exploration team in the mine, to make a team work schedule and improve targets between brownfield and mine exploration.

Amancaya and San Guillermo Properties

Amancaya Project

On 16 June 2017 RPA issued a Technical Report prepared in accordance with National Instrument 43-101 and JORC Code, with an effective date of 31 December 2016. The incorporation of infill drilling and relogging of some historic drilling resulted in a new geological model. The study shows that mining of the Central Vein as one open pit, followed by underground mining, and trucking the ore to Guanaco processing plant results in an economically attractive longer term operation of the Company's assets.

Highlights of the Technical Report:

- After-Tax Net Present Value (NPV): \$US71.3m at a 5.0% discount rate*
- Mine life of 5 years, based on Ore Reserves
- Metal prices: based on a ramp-up from current prices to reserve prices of \$US1,300/oz Au and \$US20/oz Ag, based on consensus of independent forecasts
- All-In Sustaining Cost ('AISC') of \$US892/AuEq oz
- Combined average annual production of approximately 53,000 oz Au, 370,000 oz Ag
- Metallurgical recovery estimated to average 92% for Au, 80% for Ag for the new processing plant
- Average operating cost over the mine life is \$US111 per tonne milled
- Life of Mine ('LOM') sustaining capital costs total \$US66.4 million, including reclamation and closure
- No additional CAPEX requirements for operation are envisaged, as all infrastructure plant and equipment has been fully funded as of end of December 2016

* Due to an adjustment to the capital cost estimate, economic results differ slightly from the Company's previous News Release on 9 June 2017.

Table 1 – Guanaco Resources

Deposit	Tonnes		Grades		Ounces		
	(kt)	Au (g/t)	Ag (g/t)	AuEq (g/t)	Au (koz)	Ag (koz)	AuEq (koz)
Measured							
Cachinalito Central	111.4	4.37	3.46	4.42	15.6	12.4	15.8
Cachinalito West	164.0	3.03	3.48	3.08	16.0	18.3	16.2
Defensa	81.9	2.52	25.66	2.86	6.63	67.5	7.54
Dumbo West	102.9	3.43	9.64	3.56	11.3	31.9	11.8
Perseverancia	180.8	2.17	23.37	2.48	12.6	136	14.5
Natalia	-	-	-	-	-	-	-
Total Measured	641.0	3.02	12.91	3.19	62.2	266	65.8
Indicated							
Cachinalito Central	235.3	3.98	3.89	4.03	30.1	29.4	30.5
Cachinalito West	350.0	2.91	3.64	2.95	32.7	41.0	33.2
Defensa	303.0	2.56	22.29	2.86	25.0	217	27.9
Dumbo West	320.8	3.13	10.63	3.28	32.3	110	33.8
Perseverancia	-	-	-	-	-	-	-
Natalia	342.5	2.03	22.98	2.34	22.4	253	25.8
Total Indicated	1,552	2.86	13.03	3.03	143	650	151
Inferred							
Cachinalito Central	197	3.9	4.7	3.9	24	29	25
Cachinalito West	94	2.7	4.0	2.7	8	12	8
Defensa	31	2.4	22	2.7	2	21	3
Dumbo West	693	2.4	17	2.7	54	369	59
Perseverancia	134	2.1	10	2.2	9	45	10
Natalia	45	2.2	12	2.4	3	17	3
Total Inferred	1,200	2.6	13	2.8	100	500	110
Underground							
Measured	641	3.02	12.91	3.19	62	266	65.8
Indicated	1,552	2.86	13.03	3.03	143	650	151
Measured + Indicated	2,193	2.90	12.99	3.08	205	916	217
Inferred	1,200	2.6	13	2.8	100	500	110

Table 2 – Amancaya Resources

Zone	Category	Tonnes		Grade			Ounces		
		(kt)	Au (g/t)	Ag (g/t)	AuEq (g/t)	Au (koz)	Ag (koz)	AuEq (koz)	
Cerro Amarillo Sector I	Measured	-	-	-	-	-	-	-	
	Indicated	-	-	-	-	-	-	-	
	M+I	-	-	-	-	-	-	-	
	Inferred	220	7.1	15	7.3	50	100	52	
Veta Central Sector II	Measured	-	-	-	-	-	-	-	
	Indicated	231.3	9.70	74.75	10.70	72.2	556.0	79.6	
	M+I	231.3	9.70	74.75	10.70	72.15	556.0	79.6	
	Inferred	230	7.2	46	7.8	53	340	57	
Veta Central Sector III	Measured	-	-	-	-	-	-	-	
	Indicated	441.3	11.22	105.98	12.64	159.2	1,503.5	179.3	
	M+I	441.3	11.22	105.98	12.64	159.16	1,503.5	179.3	
	Inferred	350	7.8	58	8.5	87	650	96	
Veta Julia Sector IV	Measured	-	-	-	-	-	-	-	
	Indicated	132.1	4.25	6.80	4.34	18.1	28.9	18.4	
	M+I	132.1	4.25	6.80	4.34	18.1	28.9	18.4	
	Inferred	160	3.7	5.1	3.8	19	26	20	
Total Amancaya	Measured	-	-	-	-	-	-	-	
	Indicated	804.7	9.64	80.72	10.72	249.4	2,088.4	277.4	
	Total M + I	804.7	9.64	80.72	10.72	249.4	2,088.4	277.4	
	Inferred	960	6.8	36	7.3	210	1,110	220	

The Reserves associated with the above resources, considering only the category of Measured plus Indicated, totals 280,000 AuEq oz and are detailed in the following tables.

Table 3 – Guanaco Reserves

Category	Area	Tonnage (t)	Grades			Contained Metal Ounces		
			Au (g/t)	Ag (g/t)	AuEq (g/t)	Au (oz)	Ag (oz)	AuEq (oz)
Underground								
Proven	Cachinalito West	172,468	3.47	2.86	3.51	19,238	15,876	19,451
Probable	Cachinalito West	281,971	2.77	3.01	2.81	25,141	27,302	25,507
Total	Cachinalito West	454,439	3.04	2.96	3.08	44,379	43,178	44,958
Proven	Dumbo West	11,178	3.38	4.72	3.44	1,215	1,695	1,238
Probable	Dumbo West	14,256	2.29	7.52	2.39	1,049	3,446	1,095
Total	Dumbo West	25,434	2.77	6.29	2.85	2,264	5,141	2,333
Proven	Perseverencia	5,967	1.67	37.75	2.18	321	7,242	418
Probable	Perseverencia	3,795	1.43	14.39	1.63	175	1,755	198
Total	Perseverencia	9,762	1.58	28.67	1.96	496	8,998	616
Total Proven	All	189,613	3.41	4.07	3.46	20,774	24,813	21,106
Total Probable	All	300,022	2.73	3.37	2.78	26,365	32,503	26,801
Total Reserves	All	489,635	2.99	3.64	3.04	47,139	57,316	47,907

Table 4 - Amancaya Reserves

Category	Area	Tonnage (t)	Grades			Contained Metal Ounces		
			Au (g/t)	Ag (g/t)	AuEq (g/t)	Au (oz)	Ag (oz)	AuEq (oz)
Underground								
Probable	Veta Central Norte	418,205	6.96	47.93	7.61	93,642	644,422	102,277
Probable	Veta Central Sur	275,253	5.74	34.16	6.19	50,754	302,259	54,804
Total Underground		693,457	6.48	42.46	7.05	144,396	946,681	157,081
Open Pit								
Probable	Open Pit	254,596	7.56	119.49	9.16	61,887	978,062	74,993
Total		948,053	6.77	63.15	7.61	206,283	1,924,742	232,074

Amancaya Exploration Activities

The Amancaya exploration program for the next 2-4 months started in May 2017 and consists of geophysics (in-house ground magnetics), mapping and sampling trenches that were excavated during the year.

A total of 890 linear kilometres of ground magnetics were surveyed during the quarter, which is approximately 72% of the total planned program to be undertaken at Amancaya.

By the end of the quarter a total of 74 of the trenches had been mapped and 59 were sampled. Work to complete these will continue in the following quarter.

Guanaco/Amancaya Agitation Leach Plant Progress

Construction of the new agitation leach plant (Merrill-Crowe circuit) located at Guanaco was completed and testing of the grinding circuit and full ramp up testing is now underway following connection to the national grid in early June 2017. As mentioned above, ore from Guanaco is able to be processed while processing of the ore from Amancaya is expected to start during the next quarter.

San Guillermo and Reprado Properties Purchased from Revelo Replacing the Previous Agreement between the Parties

As announced on 18 July 2017, the Company executed a binding letter to acquire the San Guillermo and Reprado projects from Revelo Resources Corp. ('Revelo', TSX-V: RVL) for consideration of up to ten million Austral Gold ordinary shares, subject to existing Net Smelter Royalties (each an 'NSR') and an additional NSR of up to 1%. The offer is subject to due diligence, entering into a definitive agreement and customary regulatory and exchange approvals.

The San Guillermo property consists of concessions totaling 12,175 hectares that surround the Company's high grade gold and silver Amancaya operation, which Austral began mining via open pit operations this year.

The Reprado Project consists of concessions totaling 3,960 hectares situated approximately 20km north of the Company's Amancaya operation. Historical drilling undertaken by Teck Resources Ltd. intersected gold in low sulphidation quartz veins trending essentially east-west.

Revelo and Austral Gold had previously signed an Option and Sale Agreement dated 8 February 2016 over the San Guillermo Project. Under this agreement total payments and work commitments of \$US5.1m would be due. This agreement will be terminated upon entering a definitive agreement.

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.

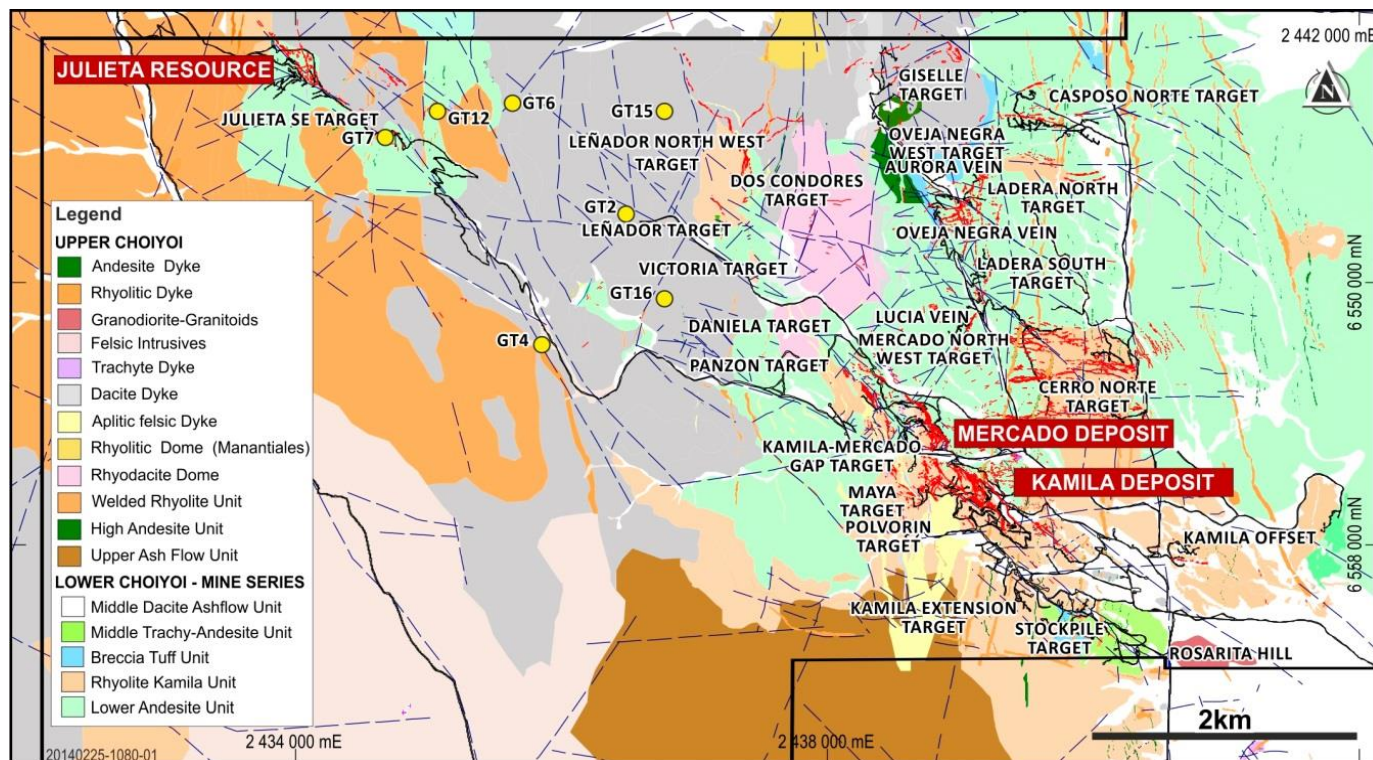
Appendix D lists the San Guillermo mining properties acquired as part of the new purchase agreement with Revelo Resources (TSX-V: RVL).

ARGENTINA

Casposo Mine

The Casposo mine is located in the department of Calingasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21km². Casposo is a low sulphidation epithermal deposit of gold and silver.

The Cordillera Principal runs along the Chile-Argentina border for approximately 1,500km. It is a volcanically and seismically active zone formed by subduction of the Nazca Plate beneath the South American continent. The Casposo gold–silver mineralisation occurs in both the rhyolite and underlying andesite, where it is associated with banded quartz–chalcedony veins, typical of low sulphidation epithermal environments. Post-mineralisation dykes of rhyolitic (Kamila), aphanitic-felsic, and trachytic (Mercado) composition often cut the vein systems. These dykes, sometimes reaching up to 30m thickness, are usually steeply dipping and north–south oriented. Mineralisation at Casposo occurs along a 10km long west–northwest to east-southeast trending regional structural corridor, with the main Kamila Vein system forming a 500m long sigmoidal set near the centre. The Mercado Vein system is the northwest continuation of Kamila and is separated by an east–west fault from the Kamila deposit. The Julieta Zone is located 5km along strike to the northwest of the Kamila and Mercado deposits and is situated within the same regional structural corridor. The Casposo Norte deposit is located on a parallel structure, approximately 2km north of Kamila.



Production and Safety

The table below summarises the latest three quarter results since the recommissioning of the mine.

Casposo Mine	June Quarter 2017	March Quarter 2017	December Quarter 2016
Total Ore processed (t)	65,124	48,602	66,328
Gold recovery (%)	89%	89%	91%
Silver recovery (%)	86%	86%	84%
Average Plant Grade (g/t Au)	2.4	2.5	2.3
Average Plant Grade (g/t Ag)	224	217.75	241.37
Gold produced (oz)*	4,360	3,487	4,489
Share of Gold produced (oz)**	3,052	2,008	2,289
Silver produced (oz)*	374,583	288,327	434,607
Share of Silver produced (oz)**	262,208	167,777	221,650
C1 Cash Cost (US\$/AuEq oz)	981	1,058	969
All-in Sustaining Cost (US\$/AuEq oz)	1,311	1,353	1,200
Realised gold price (US\$/Au oz)	1,254	1,214	1,212
Realised silver price (US\$/Ag oz)	17	17	16

* Production on 100% basis

** Calculation of production on a prorata basis following the % ownership interest of Austral Gold in Casposo (70% share) March 2017 quarter production (51% share to 5 March; 70% share to 31 March) and December 2016 quarter production (51% share)

Production at Casposo for the June 2017 quarter improved from the March 2017 quarter due to efficiencies gained in the process.

Expected production for the calendar year 2017 is 50,000 gold equivalent ounces with a goal of reaching an AISC of US\$957/AuEq oz, as per the Casposo Gold-Silver Mine Technical Report, dated 7 September 2016, with an effective date of 30 of June 2016 and available on SEDAR under the Company's profile.

From a safety perspective, there were 0 lost-time accidents (LTA) and 3 nil-lost-time accidents (NLTA) involving employees of Casposo and third party contractors during the June quarter. 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.

Exploration Activities

During the quarter exploration activities at Casposo consisted mainly of:

Regional Mapping:

Casposo district mapping continued in the north and northwestern part of the mine area (Figure 1) connecting the Julieta area with the mine area.

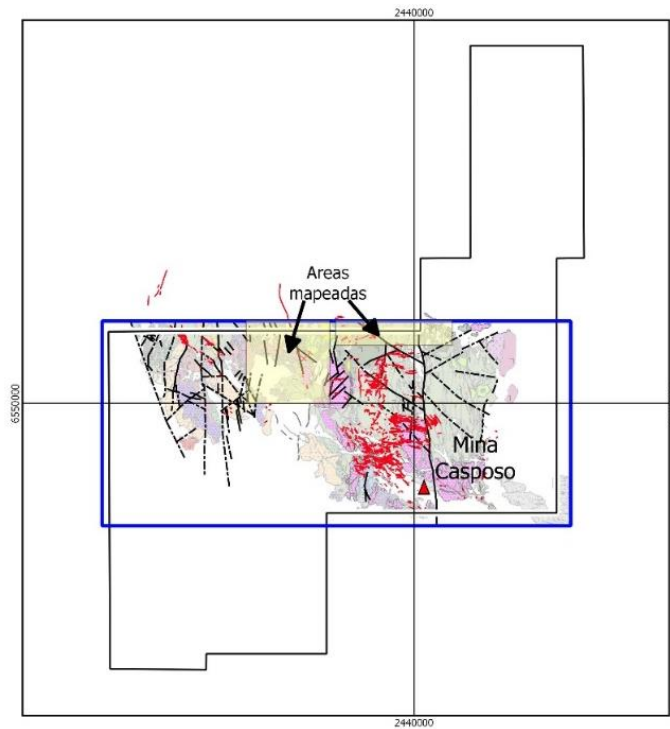


Figure 1: Mapping area (blue rectangle) and the regional map advanced to date (about 70%)

Cerro Norte Targeting:

A total of 21 cross sections on the central east vein of the Cerro Norte target were prepared in order to make a new interpretation of this area using surface samples and historical drill core information (Figure 2).

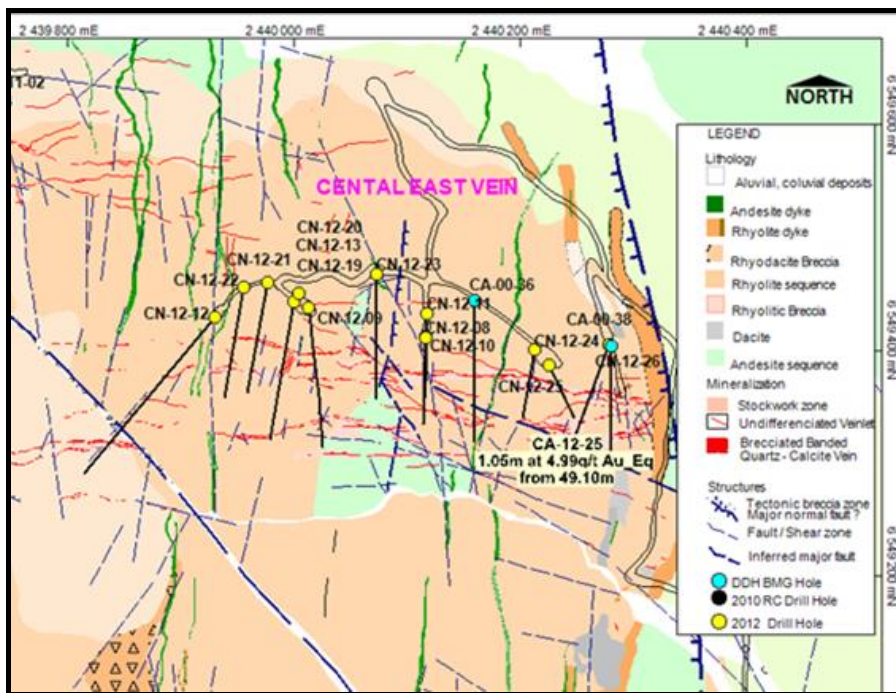


Figure 2: Central East vein of the Cerro Norte target

A total of 16 drill holes were relogged and the interpretation of these sections is in process. There were 40 channel samples taken in this vein showing Au anomalies (1.65 ppm Au in average in the 40 samples and a central area with samples over 5 ppm Au) with low Ag content.

It is expected that the interpretation of those results will allow the company to design a drilling program with the goal of increasing the mineral resource inventory close to the developed areas of the Casposo mine.

Casposo Mine 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 70% owned by the Company through its subsidiaries.

Pingüino Project

The Company completed the acquisition of Toronto Venture Exchange listed company, Argentex Mining Corporation ('Argentex') on 22 August 2016. Currently, Argentex owns 100% mineral rights of more than 20 properties with over 67,000 hectares of land. These properties are located within two prominent geographical features, the Deseado and Somuncura Massifs, both of which have proven to host significant epithermal precious metal deposits. The large epithermal vein swarm at Pingüino contains Argentex's discovery of indium-enriched vein-hosted base metal mineralisations which represented a new deposit type for the region, as well as low sulphidation precious metal vein mineralisation. The combination of these two types of mineralisation within the same property is unique for the province of Santa Cruz and a significant asset for the Company.

The Silver-Gold-Zinc-Lead-Indium Pingüino Project is an advanced stage development project located in south-central Argentina, 300km southwest of the city of Comodoro Rivadavia and 220km northwest of Puerto San Julián. In the last 15 years, six mines have been constructed in Santa Cruz, making it one of the most prolific precious metal provinces in the world, including world class deposits such as Cerro Vanguardia and Cerro Negro.

The Pingüino Project lies in a vein field similar but smaller to Cerro Vanguardia some 35kms north-west along same controlling structure as Pingüino deposit (225km strike length of veins vs 115 km strike length of veins).

The project has year round access, is close to major infrastructure, has no nearby communities and more than 70% of surface land is owned by the Company.

During the quarter the Company undertook a review of the data to evaluate the potential for additional silver, zinc and lead sulphide mineralisation in the vein system. Out of the 70 veins identified on the property only 36 have been drilled, with only two of these to 350 metres depth. As such, the Company believes there is the potential to expand the sulphide mineralisation discovered in historical work.

Pingüino Project (and surrounds) Properties - Tenements Status

A complete list of the mining tenements in which the Company has an interest is in **Appendix E**, attached to this report. There was no change to the interests in these mining tenements during the quarter. All mining properties are 100% owned by the Company through its subsidiaries.

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.

CORPORATE SUMMARY & FINANCIAL PERFORMANCE

Austral Gold had a cash balance of US\$6.1 million as of 30 June 2017.

Main highlights related to cash flows during the quarter are as follows:

- Cash proceeds from the sale of gold and silver during the quarter were US\$22.8 million of which the Guanaco mine contributed US\$10.6 million and the Casposo mine contributed US\$12.2 million. Recovery of VAT from both operations contributed an additional US\$4.1 million.
- New debt of US\$7 million was obtained from two new financial facilities secured for the Chilean operations during the quarter to provide additional working capital required due to the start-up of the new plant and lower production. This was partially offset by the repayment of US\$1.2 million of financial leases.
- On 13 July 2017 Austral Gold executed a binding letter to acquire the San Guillermo and Reprado projects from Revelo Resources Corp. (TSX-V: RVL) for the consideration of up to ten million Austral Gold ordinary shares (capped at US\$0.21/share) representing approximately 1.9% of the total outstanding shares of Austral, subject to existing Net Smelter Royalties (each an "NSR") and an additional NSR of up to 1%. The offer is subject to due diligence, entering into a definitive agreement and customary regulatory and exchange approvals.
- Austral Gold still holds 344,463 warrants related to its 2013 purchase of an equity stake in Goldrock Mines Corp (TSX-V: GRM). The warrants were converted to Fortuna Silver warrants when that company acquired Goldrock in August 2016 (converted at the acquisition ratio of 0.133133). These warrants are exercisable at CAD\$6.01 per warrant and expire October 2018.
- Austral Gold holds an option to acquire the remaining 30% of Casposo which it does not own as follows: 10% for US\$1.5 million by December 2018; 10% for US\$2.5 million by December 2019; and 10% for US\$3.0 million by December 2020. The exercise price of each option is subject to adjustment if the price of silver is at US\$16/oz Ag or greater.

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 and Amancaya (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
Barbara and Flora concessions	Constituted Mining Claims	3,200
Total		47,014

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
Cerro Contreras Norte	Cateo	10,000
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
Total		77,387

Appendix C: Casposo Mine (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
Total		22,558

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
Total		12,175

Appendix E: Pingüino Project (and surrounds) (Argentina) Tenements

Property Name	Claim Type	Size (hectares)
Pingüino		
Tranquilo 1	Manifestation of discovery	3,484
Tranquilo 2	Manifestation of discovery	3,182
Cañadon	Manifestation of discovery	1,827
Pingüino	Manifestation of discovery	1,493
Plata Leon	Cateo	7,500
Other Santa Cruz properties		
Alto Condor	Manifestation of discovery	5,014
Condor Manifestacion de Descubrimiento	Manifestation of discovery	1,500
Diamante 1	Manifestation of discovery	2,906
Diamante 2	Manifestation of discovery	2,862
Contreras Oeste	Manifestation of discovery	2,938
Contreras Este	Manifestation of discovery	1,622
Nuevo Oro 2	Manifestation of discovery	840
Rio Negro		
Mochas 2	Cateo	9,960
Menucos 6	Manifestation of discovery	2,999
Menucos 7	Manifestation of discovery	2,880
Menucos 8	Manifestation of discovery	2,959
Menucos 9	Manifestation of discovery	2,999
Menucos 10	Manifestation of discovery	2,730
Menucos 11	Manifestation of discovery	1,840
Menucos 12	Manifestation of discovery	2,920
Menucos 13	Manifestation of discovery	2,965
Total		67,420

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

AUSTRAL GOLD LIMITED

ABN

30 075 860 472

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers/tax credits	26,981	110,447
1.2 Payments for		
(a) exploration & evaluation	(368)	(2,108)
(b) development	(3,410)	(12,993)
(c) production	(10,627)	(47,729)
(d) staff costs	(9,748)	(29,803)
(e) royalties paid	(1,914)	(2,796)
(f) administration and corporate costs	(2,578)	(15,206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(695)	(4,627)
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(94)	(274)
1.9 Net cash from / (used in) operating activities	(2,453)	(5,087)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,220)	(5,374)
(b) tenements (see item 10)	-	-
(c) investments	(149)	(8,786)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	50	10,021
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	2,720
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,319)	(1,419)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(13)
3.5	Proceeds from borrowings	7,011	8,511
3.6	Repayment of borrowings	(1,193)	(4,045)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(3,645)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,818	808

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,083	11,827
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,453)	(5,087)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,319)	(1,419)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,818	808
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,129	6,129

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1 Bank balances	6,129	4,083
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,129	4,083

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
276
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	8,511	8,511
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	14,957	14,957
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 New loan facilities were secured during the quarter, including a US\$5 million credit facility with the BAF Latam Credit Fund, an unrelated third party lender. The credit facility is secured by a guarantee from the Company and a corresponding proportion of the receipts of doré sales from the Guanaco mine in Chile. Amounts drawn against the credit facility are to be repaid within eighteen months.


8.3 The outstanding balance of financial leases from local banks in Chile and Argentina reached ~US\$15 million at 30 June 2017 (secured, interest rates 3-4%).

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	700
9.2 Development	5,000
9.3 Production	12,000
9.4 Staff costs	6,000
9.5 Royalties	500
9.6 Administration and corporate costs	2,500
9.7 Income tax	1,300
9.8 Total estimated cash operating outflows	28,000

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter (Ha)	Interest at end of quarter (Ha)
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2017
(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.