

MEDIA RELEASE

Austral Gold Limited

31 January 2018

Austral Gold Reports December 2017 Quarterly Results

Austral Gold Limited ('the Company') (ASX: AGD; TSX-V: AGLD) is pleased to report results from its activities during its quarter ended 31 December 2017.

"We have made significant progress this quarter. We overcame challenges that existed in the commissioning phase of our new agitation leach plant at Guanaco (Chile) and nearly doubled production from the prior quarter at Guanaco and Amancaya. In addition, production increased at Casposo (Argentina) for the second consecutive quarter. We continued to add to our property base as we acquired the Guillermo and Reprado silver and gold projects, which are close to our Amancaya project stated Stabro Kasaneva, CEO of Austral Gold. We also continue to evaluate and pursue strategic opportunities."

Key Highlights:

- Quarterly combined production (100% of the Casposo, Guanaco and Amancaya mines) was 16,914 gold ounces and 590,565 silver ounces (24,621 gold equivalent ounces) or 15,251 gold ounces and 435,428 silver ounces (20,933 gold equivalent ounces) net to Austral*. This represents an increase of 61% and 7% of gold and silver production respectively as compared to the September quarter 2017 and is due to the resolution of substantially all of the operating issues at the Guanaco and Amancaya mines after completing the commissioning phase of the new agitation leach plant and the second consecutive quarter where production increased at Casposo.
- Quarterly operating cash cost (C1) and all-in-sustaining cost (AISC) across all operations were US\$1,039 and US\$1,264 per gold equivalent ounce respectively with average selling prices at US\$1,280 per ounce of gold and US\$17 per ounce of silver.
- Sales proceeds for the quarter were US\$28.6m of which the Guanaco mine contributed with US\$14.2m and the Casposo mine with US\$14.4m.

Guanaco and Amancaya Mines Production

- Quarterly production was 11,370 gold ounces and 73,440 silver ounces (12,329 gold equivalent ounces) reflecting a positive trend and the resolution of substantially all of the operating issues that existed during the commissioning phase of the new agitation leach plant in the September quarter where production was 6,086 gold ounces and 44,057 silver ounces (or 6,668 gold equivalent ounces).
- Open-pit mining operations at Amancaya continued in the current quarter while more selective processes in defining ore material within the narrow Central Vein to control dilution were implemented. In addition, construction of the Amancaya portal was completed while the decline construction started during the quarter. This was critical in light of the planned underground operations at Amancaya in 2018.

Production for calendar year 2017 was 35,160 gold ounces and 145,761 silver ounces (37,096 gold equivalent ounces) vis-à-vis the former guidance of ~50,000 gold equivalent ounces for year 2017. The annual production was affected by lower tonnes processed due to some delays in the commissioning phase of the new agitation leach plant, lower head grades due to the initial modelling and selectivity challenges at Amancaya and lower recoveries with higher cyanide consumption and processing problems at the plant. Substantially all of these issues were resolved as of 31 December 2017.

Casposo Production

- Quarterly production was 5,544 gold ounces and 517,125 silver ounces (100% basis) (12,292 gold equivalent ounces). Austral Gold's share of production was 3,881 gold ounces and 361,988 silver ounces (70% basis).
- Casposo production continued to show improvement on a quarter over quarter basis as production increased by 11% in gold equivalent ounces from the prior quarter.

A summary of key operational parameters for the December 2017 and 2016 and September 2017 reporting periods is set out in the following table for comparative purposes:

Operations	Guanaco/ Amancaya Mines			Casposo Mine (100% basis)			Net to Austral Gold*		
	Dec Quarter 2017	Sept Quarter 2017	Dec Quarter 2016	Dec Quarter 2017	Sept Quarter 2017	Dec Quarter 2016	Dec Quarter 2017	Sept Quarter 2017	Dec Quarter 2016
Processed (t)	101,908	99,240	141,338	59,942	65,481	66,328	143,867	145,077	175,168
Gold produced (oz)	11,370	6,086	14,813	5,544	4,396	4,489	15,251	9,163	17,102
Silver produced (oz)	73,440	44,057	14,361	517,125	505,514	434,607	435,428	397,917	236,011
Gold-Equivalent (oz) ***	12,329	6,668	15,000	12,292	11,048	10,133	20,933	14,402	20,167
C1 Cash Cost (US\$/AuEq oz) **	1,160	997	527	918	930	804	1,039	955	728
All-in Sustaining Cost (US\$/Au oz) #	1,384	1,229	664	1,145	1,043	1,200	1,264	1,113	995
Realised gold price (US\$/Au oz)	1,277	1,274	1,242	1,282	1,274	1,242	1,280	1,274	1,242
Realised silver price (US\$/Ag oz)	17	17	19	17	17	19	17	17	19

* Austral Gold owned 70% of Casposo for the quarter ended 31 December 2017; 51% for the quarter ended 31 December 2016

** The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)

The All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation

*** AuEq ratio is calculated at 77:1 Ag:Au for December Quarter 2017

Actual 2017 and Forecasted 2018 Production:

Total combined production for calendar year 2017 reached 77,547 gold equivalent ounces (100% basis) or 64,488 (net to Austral Gold*) with an average C1 and AISC of US\$1,061/oz and US\$1,265 per ounce of gold equivalent respectively.

The table below provides with the forecasted production figures for year 2018. Total C1 and AISC are forecasted to decrease mainly due to the completion of the commissioning phase at the new agitation leach in Chile. C1 and AISC (combined basis) are forecasted to be US\$700-800/oz and US\$900-1,050/oz respectively.

Operations	Guanaco/ Amancaya Mines		Casposo Mine (100% basis)		Net to Austral Gold*	
	Calendar 2017 Actual	Calendar 2018 Forecasted	Calendar 2017 Actual	Calendar 2018 Forecasted	Calendar 2017 Actual	Calendar 2018 Forecasted
Gold produced (oz)	35,160	54,000	17,787	24,000	47,178	71,000
Silver produced (oz)	145,761	520,000	1,685,524	1,400,000	1,291,576	1,520,000
Gold-Equivalent (oz) ***	37,096	62,000	40,450	43,000	64,488	92,000
C1 Cash Cost (US\$/AuEq oz) **	1,070	600-700	1,041	800-900	1,055	700-800
All-in Sustaining Cost (US\$/Au oz) #	1,255	850-950	1,274	1,050-1,150	1,265	900-1,050
Sustaining Capital (\$000's)	5,005	13,500	8,469	13,500	13,473	26,500
Realised gold price (US\$/Au oz)	1,258	1,250	1,257	1,250	1,257	1,250

Exploration

- Exploration in Chile focused on drilling in the upper parts of the Amancaya mine to assist in grade definition for the first benches of the open pit. Higher grade mineralisation was confirmed with a second parallel vein to the Central vein identified. An initial shallow reverse circulation program of 31 holes was completed on the Nueva vein, approximately 5km north of the Amancaya open pit operation, with four areas of gold mineralisation encountered, confirming a structure 2.8km in strike length. Mineralisation was hosted in zones of narrow quartz-iron oxide veinlets. A follow-up diamond core drilling is underway to assist in evaluating the zone.
- Exploration in Argentina focused on near Casposo mine targets with channel sampling on prioritised targets confirming high grade gold and silver on the Lucia, Cerro Norte and Casposo Norte veins. Sampling was undertaken to infill existing information to evaluate and plan for future resource definition drilling. Underground resource definition drilling commenced on the Aztec and Inca veins.

Mergers & Acquisitions

- On 14 November 2017, Austral Gold completed its purchase of a 100% interest in the San Guillermo and Reprado gold-silver projects, located in the emerging Amancaya precious metals district of northern Chile, from Revelo Resources Resources Corp. (TSX-V: RVL) for a consideration of ten million Austral Gold ordinary shares. Revelo has retained Net Smelter Return (NSR) Royalties on future metals production of 1% and 0.5% at Reprado and San Guillermo, respectively.
- Other opportunities aligning with Austral Gold's strategic vision for value accretive investments in Latin America are being explored.

Financial Figures

- Cash on hand at 31 December 2017 was US\$6.7m.
- Total consolidated debt at 31 December 2017 was US\$~23m (of which ~60% is short-term debt by way of financial leases and export facilities). During December 2017 a further US\$3.0m was secured with Baf Credit Latam Fund under the same commercial terms as the US\$5.0m facility secured in June 2017. Net debt repayments during the quarter totalled US\$0.4m.

Further details can be found in the Company's Quarterly Activity Report filed at www.australgold.com, <http://www.asx.com.au> and on www.sedar.com.

* Non-IFRS Measures

The Company has included certain non-IFRS measures including "Cash cost per gold ounce sold" and "All-in sustaining cost per gold ounce sold" in this press release. Cash cost per gold ounce sold is equal to production costs less silver sales divided by gold ounces sold. All-in sustaining cost per gold ounce sold is equal to production costs less silver sales plus general and administrative expenses, exploration expenses, accretion of reclamation provision and sustaining capital expenditures divided by gold ounces sold. The Company believes that these measures provide investors with an improved ability to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore, they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Qualified Persons

The scientific and technical content of this news release has been prepared by, or under the supervision of Michael Brown, MAIG, and has been reviewed and approved by him. Mr Brown is a Geologist and Member of Australian Institute of GeoScientists and a consultant of Austral Gold Limited. Mr. Brown is a "qualified person" for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

About Austral Gold

Austral Gold Limited is a growing precious metals mining, development and exploration company building a portfolio of quality assets in Chile and Argentina. The Company's flagship Guanaco project in Chile is a low-cost gold and silver producing mine with further exploration upside. The Company is also operator of the underground silver-gold Casposo mine in San Juan, Argentina. With an experienced local technical team and highly regarded major shareholder, Austral's goal is to continue to strengthen its asset base through acquisition and discovery. Austral Gold Limited is listed on the TSX Venture Exchange (TSX-V:AGLD), and the Australian Securities Exchange (ASX: AGD). For more information, please consult the company's website www.australgold.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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Forward Looking Statements

Statements in this news release that are not historical facts are forward-looking statements. Forward-looking statements are statements that are not historical, and consist primarily of projections - statements regarding future plans, expectations and developments. Words such as "expects", "intends", "plans", "may", "could", "potential", "should", "anticipates", "likely", "believes" and words of similar import tend to identify forward-looking statements. Forward-looking statements in this news release include: the Company's 2018 forecasted production and costs and planned underground operations at Amancaya in 2018. All of these forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied, including, without limitation, business integration risks; uncertainty of production, development plans and cost estimates, commodity price fluctuations; political or economic instability and regulatory changes; currency fluctuations, the state of the capital markets, uncertainty in the measurement of mineral reserves and resource estimates, Austral's ability to attract and retain qualified personnel and management, potential labour unrest, reclamation and closure requirements for mineral properties; unpredictable risks and hazards related to the development and operation of a mine or mineral property that are beyond the Company's control, the availability of capital to fund all of the Company's projects and other risks and uncertainties identified under the heading "Risk Factors" in the Company's continuous disclosure documents filed on SEDAR. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Austral cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Austral's forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date hereof and Austral does not assume any obligation to update forward looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, you should not place undue reliance on forward-looking statements.

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