



AUSTRALGOLD



March 2014

QUARTERLY ACTIVITY REPORT

Key Highlights

- The Guanaco Mine produced 12,222 oz Au and 15,410 oz Ag in the quarter ended March 2014. This represents a 37% increase in gold equivalent ounces on the same period last year.
- Production results confirm the company is on track to meet its 50,000 gold ounce production target for calendar year 2014.
- All-in sustaining production cost steady at US\$732 per gold equivalent ounce.
- Austral Gold is in advanced negotiations to acquire a controlling interest in a Chilean mining services provider, Humberto Reyes Arriendo de Maquinarias SpA – transaction designed to further improve efficiency of Guanaco underground mine operations.
- The Austral Gold cash position at 31 March 2014 is US\$8.9 million.

CHILE

Guanaco Mine



Background

The 100% owned Guanaco mine remains the company's flagship asset. Guanaco is located approximately 220km SE 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 down the centre of Chile which hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

The Guanaco operation includes the mining of ore from the Quillota open pit, however, the majority of the ore processed comes from the Cachinalito underground 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 heap leach processes, using the underground operation, generated 12,222 oz gold and 15,410 oz silver in the quarter ended 31 March 2014.

For the March 2014 quarter the average operating cash cost¹ (C1) of the Guanaco Mine project was US\$612/GEO while the all-in sustaining cost² (AISC) was US\$732/GEO (US\$654/GEO and US\$923/GEO respectively for the previous quarter ended December 2013).

Gold and Silver Production

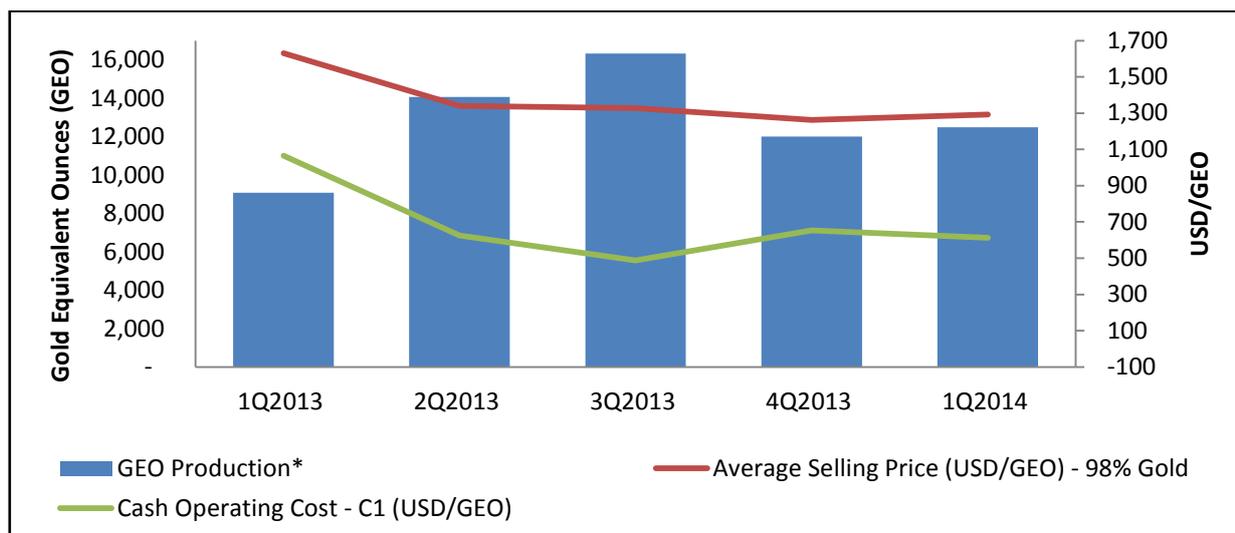
Production	2011 Actual Calendar Year	2012 Actual Calendar Year	2013 Actual Calendar Year	2014 Actual 3-months ⁽³⁾	2014 Budget Calendar Year
Gold (Au Oz)	12,373	28,902	50,226	12,222	50,000
Silver (Ag Oz)	37,511	74,807	74,031	15,410	35,000

(1) The Operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, G&A, Smelting, and Refining.

(2) The All-In-Sustaining Cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex (incl. exploration) and Mine Closure Amortisation.

(3) Three-month period ended March 2014.

2013/4 Gold Equivalent Ounces (GEO) Production per quarter



Mining

During the three months to March 2014, a total of 84,501 tonnes were mined from the Cachinalito underground operations at an average grade of 6.38 g/t Au and 4.12 g/t Ag.

Underground mine development of 1,206 metres was completed during the quarter. The results obtained from the underground operation represent an improvement in terms of safety, program achievement and cost control.

Guanaco Operational Performance

March Quarter (3-months actual) 2014

Total Ore processed (t)	87,776
Ore from underground (t)	87,776
Underground grade (g/t Au)	6.38
Weighted average recovery (%)	80
Gold produced (oz)	12,222
Silver produced (oz)	15,410
Operating cash cost (US\$/GEO)	612

Safety

During the quarter ended March 2014, one lost-time accident (LTA) and two nil-lost-time accidents (NLTA's) were reported involving employees of the Company and third-party contractors. All incidents were investigated and corrective actions have been identified and implemented to prevent recurrence. 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

During the quarter, several activities that included re-logging of RC chips, trenches, field, geophysics, and database revision works were made at the Salvadora and Cerro Guanquito sectors. The main objective was to define the geological and mineralisation model in those areas and evaluate potential additional resources.

Surface exploration – Salvadora Sector

At the Salvadora area (north of the Cachinalito vein system), 1:1,000 scale detailed geological mapping was developed and complemented with geochem sampling. Further surface drilling will be conducted during the second half of the year.

Geophysics

During the period, detailed ground magnetics started. To date, a total of 410km of profiles spaced 10 metres apart have been completed. In summary: 15km of profiles were developed as a test in the Cachinalito West Area, 252km in the Salvadora sector and 143km (in progress) in the Cerro Guanquito sector.

Guanaco Area Tenements Status

A complete list of the mining tenements in which the Company has an interest is presented in Appendix 1 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.



The Guanaco Mine site

ARGENTINA

8 de Julio

All of the 8 de Julio activities have been suspended in 2014 as the company focuses on exploration resources at the Guanaco Mine and brownfield exploration targets.

8 de Julio Area Tenements Status

The 8 de Julio site is comprised of 30 mining properties equivalent to 82,101 hectares. Four of these properties are classified as "Cateos" (23,232 hectares) while the remaining 27 properties are already "Manifestation of discovery" (58,869 hectares).

A complete list of the mining tenements in which the Company has an interest is in Appendix 1 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.

Equity investments in South American focused TSX-V listed precious metals exploration and development companies

Austral Gold continues to pursue its strategy of creating a leading South American focused precious metals company through the continued development of its Guanaco project in Chile, and by undertaking equity investments in companies that have projects in South America that have significant upside value.

During the quarter, Austral Gold increased its group shareholding in **Argentex** (TSX-V: ATX) to approximately 17.7 million shares or 19.9% through the continued conversion of the debenture entered into with Argentex as announced to the ASX on 4 July 2013. All debentures held have now been converted to shares and negotiations are still ongoing about a potential business combination.

The Company maintains its 15% shareholding in **Goldrock Mines Limited** (TSX-V: GRM) acquired on 1 November 2013.

Project acquisition opportunities

Given the positive results being realised through Guanaco Mine production, exploration and development drilling initiatives, Austral Gold is assessing opportunities that could add considerable value to the company's Chilean asset base and future production profile. Austral Gold hopes to report on the outcome of these initiatives in the near future.

Transaction to acquire a controlling interest in a mining services company

Austral Gold is in the final stages of negotiating the acquisition of a controlling shareholding in Humberto Reyes Arriendo de Maquinarias SpA ("Humberto Reyes"), a mining services company in Chile. Humberto Reyes has been undertaking underground contract mining at Austral Gold's Guanaco mine since 2011. This transaction is expected to lead to further cost control of the operations as well as providing Austral Gold with increased flexibility for future expansion of the Guanaco project. The company looks forward to updating shareholders on this transaction in the short term.

Debt repayment

During the quarter, Austral Gold repaid US\$544,000 to Inversiones Financieras del Sur S.A. (IFISA). The balance of funds owing to IFISA at 31 March 2014 was US\$55.2 million (including accrued interest).

Royalties

During the quarter, US\$3 million was paid to Compania Minera Kinam Guanaco as part of the US\$7.5 million royalty agreement exit fee. In April 2014, the company made a further payment of US\$2.25 million while the remaining US\$2.25 million to finalise the agreement will be paid in the June 2014 quarter.

Financial position

Austral Gold's cash position at the end of the quarter was US\$8.9 million.

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.

Appendix 1: List of tenements in which the Company currently has an interest

Guanaco Site (Chile)

Property Name	Claim Type	Size (hectares)
Chanco2, 1/20 a Chanco 16, 1/30	Mining claims in process	3,200
Salvadora 1, 1/20; Salvadora 2, 1/20 and Salvadora 3, 1/20	Mining claims in process	600
Las Pailas I a Las Pailas XIII / G-3 a G-16	Mining claims in process	6,300
G-17, 1/20 a G-40, 1/20.	Mining claims in process	6,300
Fortuna I, 1/30 a Fortuna VI, 1/20.	Mining claims in process	1,500
Escondida I, 1/30; Escondida II, III, V, VI, VII, VIII and IX.	Mining claims in process	2,400
Escondida IV 1/30, X 1/30, XI 1/20 and XII 1/30	Mining claims in process	1,100
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
Mining Concessions under exploitation	Constituted mining claims	14,931
Total		40,031

8 de Julio Site (Argentina)

Property Name	Claim Type	Size (hectares)
8 de Julio VI	Cateo	5,947
8 de Julio VII	Cateo	5,947
8 de Julio VIII	Cateo	4,336
8 de Julio IX	Cateo	7,002
Juangui I	Manifestation of discovery	3,970
Juangui I-A	Manifestation of discovery	2,009
Juangui I-B	Manifestation of discovery	3,937
Juangui III	Manifestation of discovery	2,963
Juangui II-A	Manifestation of discovery	840
Juangui II-B	Manifestation of discovery	615
Juangui II-C	Manifestation of discovery	639
Juangui II-D	Manifestation of discovery	3,740
Juangui VI-A	Manifestation of discovery	840
Juangui VII-A	Manifestation of discovery	840
Juangui VI	Manifestation of discovery	840
Juangui II	Manifestation of discovery	4,200
Juangui VIII-A	Manifestation of discovery	3,440
Juangui IV	Manifestation of discovery	3,988
Juangui IV-A	Manifestation of discovery	840
Juangui IV-B	Manifestation of discovery	840
Juangui IV-C	Manifestation of discovery	840
Juangui IV-D	Manifestation of discovery	840
Juangui IV-D-13	Manifestation of discovery	4,000
Juangui IV-E	Manifestation of discovery	3,979
Juangui IV-F	Manifestation of discovery	2,287
Juangui V	Manifestation of discovery	1,920
Juangui V-A	Manifestation of discovery	840
Juangui V-B	Manifestation of discovery	840
Juangui VI-C	Manifestation of discovery	3,149
Juangui VII-B	Manifestation of discovery	4,000
Other	Manifestation of discovery in process	1,633
Total		82,101

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AUSTRAL GOLD LIMITED

ABN

30 075 860 472

Quarter ended ("current quarter")

31 March 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter US\$'000	Year to date (9 months) US\$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	16,337	57,648
1.2 Payments for (a) exploration & evaluation	(268)	(763)
(b) development	(952)	(5,629)
(c) production	(9,545)	(29,304)
(d) administration	(1,433)	(3,707)
(e) royalty	(3,000)	(3,000)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Movement attributable to foreign currency translation	(16)	(169)
Net Operating Cash Flows	1,130	15,113
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
1.8 Payment for purchases of:		
(a) prospects	(100)	(100)
(b) financial assets, net	-	(7,783)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Movement attributable to foreign currency translation	-	-
Net investing cash flows	(100)	(7,883)
1.13 Total operating and investing cash flows (carried forward)	1,030	7,230

+ 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	Net proceeds from financial securities	136	136
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(544)	(2,068)
1.18	Dividends paid	-	-
1.19	Other – return of capital to shareholders	-	(934)
Net financing cash flows		(408)	(2,866)
NET INCREASE (DECREASE) IN CASH HELD			622
1.20	Cash at beginning of quarter/year	8,328	4,586
1.21	Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter		8,950	8,950

PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS
PAYMENTS TO 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	280
1.24	Aggregate amount of loans to the parties included in item 1.17	544
1.25	Explanation necessary for an understanding of the transactions	
1.23 includes annual bonus (US\$ 168k) for the executive director, Stabro Kaseneva.		

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

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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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+ See chapter 19 for defined terms.

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 (USD 59 million facility)	14,471	44,529
3.2 Credit standby arrangements		

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

	US\$'000
4.1 Exploration and evaluation	183
4.2 Development	4,509
4.3 Production	2,369
4.4 Administration	1,410
4.5 Royalty	5,000
Total	13,471

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	8,950	8,328
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (deposits sold awaiting settlement)	-	-
Total: cash at end of quarter (item 1.22)	8,950	8,328

CHANGES IN INTERESTS IN MINING TENEMENTS

	Tenement reference	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				

No changes in interests in mining tenements have occurred during the quarter ended March 31, 2014.

+ See chapter 19 for defined terms.

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				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺Ordinary securities	170,831,137	170,831,137		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	<i>1:1 options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	140,949	140,949	AUD\$0.30	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>				

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 30 April 2014

(Company secretary)

Print name: Andrew Bursill

+ See chapter 19 for defined terms.

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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