



25 JUNE 2012

AUSGOLD CEO LETTER TO SHAREHOLDERS

Dear Shareholder,

I am very pleased to be writing to you in my new role as Chief Executive Officer of Ausgold Limited.

Having been appointed as CEO back in late February, I feel I have now been in the position for a sufficient amount of time to have developed my ideas about the exploration potential that Ausgold's projects hold and how this potential will be best developed under my guidance. It is my firm opinion that Ausgold represents a unique investment opportunity in the Australian gold exploration space.

People

Throughout my time spent managing exploration companies around the globe, I have realised a key ingredient when building a successful exploration team is the people. At Ausgold, our ongoing philosophy will be to recruit and retain the best people available for the job.

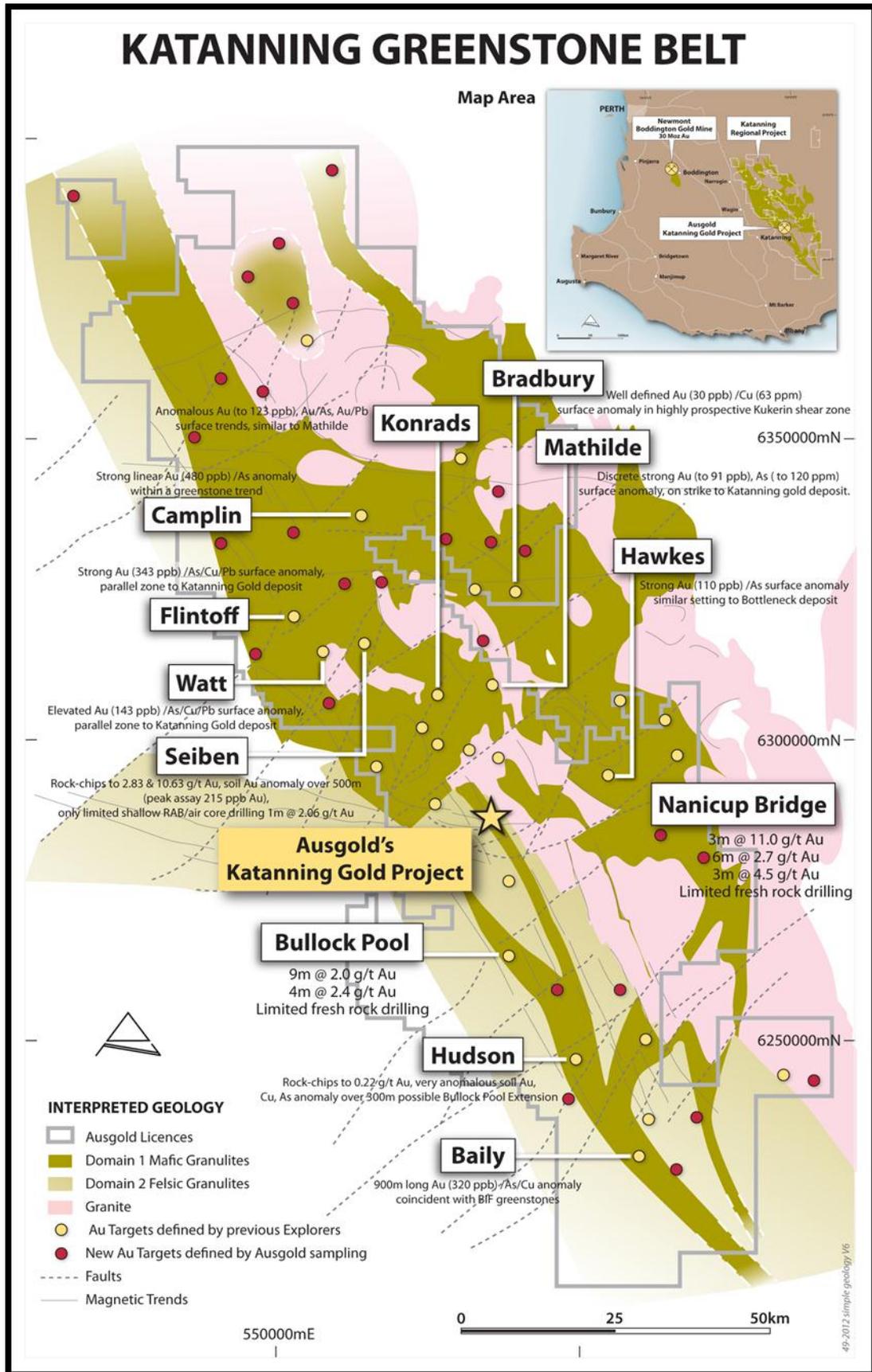
As such, I am pleased to be able to announce the appointment of Mr. Gary Brabham as our new Exploration Manager. Gary was previously the Managing Director of ASX listed De Grey Mining Limited and the Technical Director Adamus Resources Limited, and has held senior positions in exploration and mining companies in Australia and overseas. I can personally vouch for Gary's skillset, having worked with him in Ghana in the late 1990's where he was responsible for the drill out and quantification of the multi million ounce Damang Gold Mine.

Gary will bring to the Ausgold team substantial organisational expertise in exploration management and resource estimation, in addition to his vital knowledge of the delicate transition from explorer to producer, a transition that your company is acutely focused on.

Katanning Greenstone Belt

One of the unique features of Ausgold's exploration portfolio is our ground position in the Katanning Greenstone Belt, where Ausgold holds virtually 100% of the entire belt (there is a single joint venture we hold with Quadrio Resources Pty Ltd – "Quadrio Joint Venture"). This gives us an exclusive opportunity to evaluate the entire belt from a geologic perspective without the constraints of tenement position and competitor activity - quite a unique position for a junior of our size to be in.

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Illustrative map of Ausgold's tenement position and main geochemical anomalies within the Katanning Greenstone Belt.



Key structures and rock types within the Ausgold ground

A history of 119 years of geology and exploration within the Yilgarn Block in Western Australia has recognised that several key features are present in all the major gold camps that have been discovered to date.

These prominent features include:

- Crustal Scale Faults - preferably trending NNW-340°
- Variety of Rock Types - creating chemical and structural sites for gold deposition
- Iron Rich Rocks - effective chemical trap for gold rich fluids
- Complex Intrusive History - to drive fluid circulation within the area

Importantly for us, all of these features are present in the Katanning Greenstone Belt.

Multiple anomalies

Over the last twelve months, ably led by our Chief Geologist Russell Birrell, the Ausgold team conducted a significant amount of work across the 9,000km² tenement package of the Katanning Greenstone Belt. This ongoing exploration resulted in the confirmation of areas of significant geochemical anomalism. To date, the Company has previously highlighted 54 separate targets throughout our tenement holdings, however the reality is more complex. Many of the targets coalesce into massive zones of multi-element anomalies, which represent very exciting exploration opportunities.

The Ausgold technical team is currently reviewing these targets and ranking them based on a variety of criteria such as host-rock lithology, structural setting, level of anomalism and elemental suites.

Katanning Gold Project

Our flagship project remains the Katanning Gold Project ("KGP") which is defined by a linear belt of geochemical anomalism that straddles a major (340° trending) deformation zone.

Two small open pits were mined at KGP in the late 1990's by Glengarry Mining, however the operations failed due to an inadequate mill facility unable to treat the fresh rock. Building upon this previous work, Ausgold has achieved significant results to date by drilling underneath and along strike from these areas known as the Jinkas and Dingo Prospects.

Based on the limited diamond drilling recently completed by Ausgold, there are at least two phases of gold mineralisation present within the project. Initially, gold was deposited in broad zones associated with pyrite and pyrrhotite alteration of the metamorphosed mafic wall-rocks. This style of mineralisation is overprinted by a later higher-grade gold event associated with wall-rock brecciation and the addition of magnetite and gold.



In saying this, I appreciate that this overview is all quite technical for non-geologists but it must be made clear to you, our valued shareholders, that mineralogy of these styles of mineralisation are crucial for our future exploration success. This is because both styles are associated with intense alteration and minerals that are “very” geophysically visible. It is for these reasons I have proposed a detailed study of the geophysics of the KGP structural zone using multiple geophysical methods that can target these styles of gold related alteration. I believe that geophysics will highlight the potential for high-grade “shoots” of gold mineralisation that can then be systematically targeted for drilling.

Forward Strategy

Subject to measured and appropriate funding, Ausgold’s three-fold exploration strategy will focus on the delivery of our maiden mineral resource estimate, continuing to grow the resource through systematic exploration and the identification and testing of regional anomalies within the Katanning Greenstone Belt.

1) Mineral Resource Estimate

Ausgold has completed a large amount of drilling over the last twelve months focused on the Jinkas and Dingo areas within the KGP. At this stage, only a limited amount (2,200m) of diamond drilling has been completed. As such, before we can produce a mineral resource estimate that is compliant with the JORC Code, we need to carry out a further round of diamond drilling. Once this is completed, logged and sampled, Ausgold will then be in a position to report our maiden resource.

2) Resource Growth

I must stress it is important that you fully understand that work toward our maiden resource estimate is likely to only be an interim estimate. There are multiple zones of mineralisation within the KGP and many of them remain open along strike and down dip. In addition, the Company has new targets such as Lukin and Seiben, which remain untested by drilling.

The geophysical data to be collected will be a key target generator and build an improved geological understanding to significantly grow Ausgold’s defined gold resources.

3) Regional Exploration

Ausgold holds over 9,000km² of ground within the Katanning Greenstone belt approximately half this area is underlain by highly prospective greenstone lithologies that host the bulk of the gold mineralisation in the Yilgarn Craton.

All the key indicators such as major 340° trending fault zones, complex intrusive history, rheology contrasts and multi-element anomalies add to the prospectivity of the belt.

Ausgold has the opportunity to explore an entire greenstone belt with a number of major anomalies already identified and ready for drill testing. As with the nature of exploration, some of the



anomalies will not be economically viable, however equally, some of them could host significant gold mineralisation. It is my vision to develop the expertise within the Ausgold team that will allow us to crystallize this exploration potential into defined resources.

Summary

As I am, I hope you are equally excited by the opportunities that lie ahead of us at Ausgold. I have full confidence that with an appropriate level of funding, a scientific approach and the excellent team we are building, the Company will be able to develop a clear path of growth within the Australian gold industry.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Andrew Tunks".

Dr Andrew Tunks
Chief Executive Officer
Ausgold Limited

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