

# MEDIA RELEASE

3 June 2014

## AUSTRAL GOLD ACQUIRES CONTROLLING INTEREST IN UNDERGROUND MINE CONTRACTOR TO STRENGTHEN GUANACO OPERATIONS

- Austral Gold acquires 51% stake in a Chilean mining services provider Humberto Reyes Arriendo de Maquinarias SpA ('Humberto Reyes')
- Humberto Reyes has been providing mining services to Austral Gold's Guanaco operation since 2011
- Transaction gives Austral Gold safety improvement opportunities, better cost control and greater flexibility over the Guanaco project

Austral Gold Limited (ASX: AGD) ('AGD' or the 'Company') is pleased to announce that its 100%-owned subsidiary in Chile, Guanaco Compañía Minera SpA ('Guanaco'), has acquired a 51% holding in Humberto Reyes, a mining services company in Chile. Humberto Reyes has been undertaking underground contract mining at Austral Gold's Guanaco mine since 2011. Humberto Reyes currently owns mining equipment and associated vehicles with a book value of US\$4 million.

The purchase price is approximately US\$2.7 million to be paid in an upfront payment of US\$450,000 and the remainder in monthly cash instalments over three years from existing cash reserves. AGD also has an option to acquire the remaining 49% in 2.5 years at a price to be agreed upon by both parties. Guanaco will assume management of the business.

The transaction is expected to deliver important annualised savings to the Guanaco mine and is a key strategic investment for the Company since it:

- provides flexibility to accelerate mining of the Guanaco mine resource
- allows greater control over safety and production practices at the Guanaco mine
- ensures a continued competitive cost for future underground development
- gives management greater control over the Guanaco mine operations

The Guanaco mine continues to perform strongly, now consistently producing over 4,000 of gold equivalent ounces per month at attractive operating costs. The resultant strong cash flows will underpin AGD's growth prospects and expansion opportunities around the Guanaco mine area.

AGD Director Stabro Kasaneva said: "This transaction is a pleasing development for Austral Gold and represents a key strategic investment in the further development of our flagship Guanaco project.

"Austral Gold also confirms that it is exploring a number of opportunities near the Guanaco mine area which may add considerable value to the company. Now that we have an in-house mining services capability through this transaction, we can quickly develop new projects and potentially increase production beyond current levels of about 50,000 ounces of gold per annum.

"We look forward to updating shareholders on our progress this regard."

*Austral Gold Limited is listed on the Australian Securities Exchange (ASX: AGD) and is a growing precious metals mining and exploration company building a portfolio of assets in South America. The Company's flagship Guanaco project in Chile is a low-cost producing mine with further exploration upside. With an experienced and highly regarded major shareholder, Austral Gold is strengthening its asset base by investing in new precious metals projects in Chile and Argentina that have near-term development potential. For more information, please consult the company's website [www.australgold.com.au](http://www.australgold.com.au)*

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