Austral Gold Reports Second Fiscal Quarter 2017 Results

Austral Gold Limited (‘the Company’) (ASX: AGD; TSX-V: AGLD) is pleased to report results for quarterly activities for its second fiscal quarter ended December 31, 2016.

Fiscal Second Quarter and January 2017 Highlights:
(All figures are in U.S. dollars unless otherwise noted)

- Record quarterly production of 17,102 Au oz and 236,011 Ag oz\(^1\)
- 25% increase in production of gold equivalent ounces\(^2\) from previous quarter at Guanaco.
- Respective average cash costs for the quarter at Guanaco and Casposo were US$527/AuEq and US$969/AuEq oz and all-in sustaining cost (“AISC”) at US$664/AuEq oz and US$1,200 AuEq oz respectively.
- Recommissioning of Casposo Mine (51% owned) resulted in 2,289 oz of gold (included in total quarterly production number above) and 221,650 oz of silver production.\(^1\)
- The assay results from the Amancaya infill drilling program completed in November 2016, reported in December and January, identified two new high grade gold shoots and confirmed and extended the multiple high grade zones previously modelled at the Central vein.
- Exercised 399,300 Fortuna Silver warrants and subsequently sold the related Fortuna Silver shares for gross proceeds of US$2.7 million (C$3.7 million) with a 51.4% pre-tax realized return.

Stabro Kasaneva, CEO, said, “This quarter has seen us exceed expectations across a number of fronts. At Guanaco there was a significant growth in production and decrease in cash costs and all-in sustaining costs, due largely to higher gold grades. This continues the improvements we saw in the previous quarter relative to the first half of 2016. At Amancaya we completed a very successful infill drill program, identifying two new high grade gold shoots. Amancaya is fully permitted and with the pre-feasibility study due by the end of March we expect that we could be in a position to make a production decision on this gold and silver project very shortly, with preparations at site well advanced. At Casposo we are starting to see the turn-around in the mine as a result of the new mining methods being adopted and are optimistic that these will impact operations positively going forward.”

Guanaco Mine

Production from underground operations using the heap leach process generated 14,813 Au oz and 14,361 Ag oz during the quarter. Production for the quarter concentrated in the Dumbo and Cachinalito extensions. Production increased due to an increase in the grade and continued improvements in underground operations and resultant increased loading of the heap leach pads.

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\(^1\) Excludes 49% of Casposo production owned by Troy Resources during the period.

\(^2\) Gold equivalent, or “AuEq” ratio is calculated at 71:1 Ag:Au
Production of gold equivalent ounces for the calendar year 2017 from the Guanaco mine is projected to be in the range of 45,500-51,000 ounces.

Construction of the new agitation leach plant (Merrill-Crowe circuit) at Guanaco continues to advance and a completion date prior to the end of March 2017 has been forecast. To date the actual spend on the project is ~80% complete.

Amancaya

Site preparations at Amancaya have been advanced during the quarter, and onsite facilities and road works to the site are well advanced. Roscoe Postle and Associates (RPA) have been working on a prefeasibility study for the mining of Amancaya and treating of production at the new Guanaco agitation leach plant. This study should be completed by the end of March 2017. In anticipation of a favourable result, all the basic permits to start operations are in place and personnel have been hired to commence when initial pre-operations activities start.
Casposo

The Company expects to pay $1 million to Troy Resources in March 2017 to acquire additional 19% of Casposo Mine to increase ownership interest to 70%.

Expected production for the calendar year 2017 is 50,000 gold equivalent ounces with a goal of reaching an AISC of US$957 per ounce, 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. The Company is working to further reduce costs at Casposo.


*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 standardised 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.

*Competent Person’s Statement*

Information in this report is extracted from the following reports, which are available for viewing on the Company’s website: www.australgold.com

- 27 September 2016 “Restart of Casposo Gold-Silver Mine Operations”
- 6 October 2016 “Preliminary Amancaya Exploration Results”
- 15 December 2016 “Initial Results from Infill Drill Program at Amancaya Project”

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements listed above and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

*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 expectation that it could be in a position to make a production decision on Casposo very shortly; its anticipation that the new mining methods being adopted at Casposo will impact operations positively going forward; the Company's production projection for Guanaco for calendar 2017 of 45,500-51,000 ounces of Gold (AuEq oz); its expectation that construction of the new agitation leach plant (Merrill-Crowe circuit) will be completed by the end of March 2017 and that the pre-feasibility study from Roscoe Postle & Associates should be completed by the end of the first quarter of 2017; and its expectation that production for the calendar year 2017 will be 50,000 gold equivalent ounces with a goal of reaching an AISC of US$957 per ounce, and expectation that it will pay $1 million to Troy Resources in March 2017 to earn an additional 19% of Casposo. 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.