

Austral Gold Reports Third Fiscal Quarter 2017 Results

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Vancouver, April 28, 2017 - [Austral Gold Ltd.](#) ('the Company') (ASX: AGD) (TSXV: AGLD) is pleased to report results for quarterly activities for its third fiscal quarter ended March 31, 2017.

Fiscal Third Quarter Highlights:

(All figures are in U.S. dollars unless otherwise noted)

- Combined attributable Quarterly production of 12,307 Au oz and 180,488 Ag oz (1)
- A 17% increase in quarterly production gold production from Guanaco mine compared to same quarter in the previous year.
- Guanaco mine production was 10,299 Au oz and 12,711 Ag oz in the March quarter 2017.
 - The average cash cost for the quarter was US\$924/AuEq oz; AISC was US\$1,066/AuEq oz, and,
 - The average realised gold and silver selling prices were US\$1,254/Au oz and \$US18/Ag oz respectively.
- Quarterly production for the past three quarters are in line with the full year guidance of 45,000-50,000 AuEq oz annual production total from the mine.
- Casposo production for the March 2017 quarter, was 3,487 Au oz and 288,327 Ag oz (100% basis);
 - Cash cost was US\$1,058/AuEq oz; AISC was US\$1,353/AuEq oz, and,
 - The average realised gold and silver selling prices were US\$1,214/Au oz and US\$17/Ag oz respectively.
- Casposo production attributable to Austral Gold was 2,008 Au oz and 167,777 Ag oz.

Stabro Kasaneva, CEO, said, "This quarter has been a challenging one, with solid results and progress from Guanaco offset by continued challenges at Casposo. At Guanaco growth in production relative to the same quarter last year was due to slightly higher mining rates and higher gold grades. The new plant at Guanaco is almost complete, with finalization of the grid interconnection required to test the grinding circuit before commencing ramp-up testing. At Casposo we increased our ownership to 70% of the operation. For the quarter we fell behind on our forecasts, mainly due to operational issues underground combined with mechanical issues. Despite these issues we are still expecting to reach forecasted annual production as we continue to implement changes we expect to improve operations."

Guanaco Mine

Production from underground operations using the heap leach process generated 10,299 Au oz and 12,711 Ag oz during the quarter. Production for the quarter concentrated in the Dumbo and Cachinalito extensions. Slightly higher grades and higher mine production resulted in an increase in 17% of gold produced for the quarter compared to the previous year. On a 9 months to date basis the higher production and principally higher grades have resulted in a reduction in cash cost and AISC per ounce versus the previous year.

Guanaco Mine

	3 months ending 31 March 2017		9 months ending 31 March 2016	
	2017	2016	2017	2016
Total Material Processed (t)	145,456	135,236	427,304	366,336
Average Plant grade (g/t Au)	3.47	3.3	4.23	3.05
Average Plant grade (g/tAg)	7.6	9.90	8.39	8.92
Gold produced (oz)	10,299	8,801	36,865	31,454
Silver produced (oz)	12,711	13,548	43,181	34,357
C1 Cash Cost (US\$/AuEq oz)	924	917	685	729
All-in Sustaining Cost (US\$/Au oz)	1,066	1,096	835	881
Realised gold price (US\$/Au oz)	1,254	1,147	1,274	1,136
Realised silver price (US\$/Ag oz)	18	15	17	15

Casposo Mine

Production at Casposo for the quarter was impacted underground operation challenges and some mechanical issues. The company is working through these and hopes to meet production guidance for the year, despite this impact on production. The lower production has resulted in higher cash costs and AISC for the quarter on a per ounce basis.

	March Quarter 2017	December Quarter 2016
Casposo Mine		
Total Ore processed (t)	48,602	66,328
Gold recovery (%)	89%	91%
Silver recovery (%)	86%	84%
Average Plant Grade (g/tAu)	2.5	2.3
Average Plant Grade (g/tAg)	217.75	241.37
Gold produced (oz)*	3,487	4,489
Share of Gold produced (oz)**	2,008	2,289
Silver produced (oz)*	288,327	434,607
Share of Silver produced (oz)**	167,777	221,650
C1 Cash Cost (US\$/AuEq oz)	1,058	969
All-in Sustaining Cost (US\$/AuEq oz)	1,353	1,200
Realised gold price(US\$/Au oz)	1,214	1,212
Realised silver price (US\$/Ag oz)	17	16

*Production on 100% basis

** Calculation of production on a prorata basis following the % ownership interest of Austral Gold in Casposo: March 2017 quarter production (51% share to 5 March; 70% share to 31 March) and December 2016 quarter production (51% share)

Summary of Financial Performance

Austral Gold had a cash balance of US\$4 million as of 31 March 2017. Main highlights related to cash flows during the quarter are as follows:

- Cash proceeds from the sale of gold and silver during the quarter were US\$29.8 million of which the Guanaco mine contributed US\$16.1 million and the Casposo mine contributed US\$11.8 million. Recovery of VAT from Casposo operations contributed an additional US\$2.9 million.
- A further 19% interest in the Casposo mine was acquired in early 2017 for US\$1 million in addition to the payment of a further US\$1 million related to the collection of VAT credits outstanding. During the quarter, Austral Gold loaned a further US\$1.8 million to Casposo to finance capital purchases and working capital. A total of US\$4.3 million has been loaned to Casposo since the acquisition in March 2017.

- A final payment of deferred consideration of US\$92k was paid in relation to the 51% acquisition of the underground mining contractor Humberto Reyes. The Company is analysing the acquisition of the remaining 49%.
- Austral Gold held 2,312,000 warrants related to its 2013 purchase of an equity stake in [Goldrock Mines Corp.](#) These warrants converted to Fortuna Silver warrants when that company acquired Goldrock in August 2016 (converted at the acquisition ratio of 0.133133). For the quarter ended 31 March 2017, the Company exercised 238,515 warrants (US\$1.1 million) and subsequently sold 730,985 shares of Fortuna Silver shares for proceeds of US\$4.6 million (C\$6.1 million) with a ~40% realised return (pre-tax). 344,463 warrants remain outstanding as of 31 March 2017.
- The loan receivable from Inversiones Financieras del Sur SA with a balance of US\$2.7 million was fully repaid to Austral Gold on 1 February 2017.
- Austral Gold declared a A\$0.009/share dividend in December 2016 for a total dividend of US\$3.6 million. The dividend was paid on 1 February 2017.
- Staff costs increased for the March quarter mainly due to annual bonuses paid in Chile and Argentina.
- As scheduled, the legal process of collective bargaining with the union was started at the Guanaco mine during the period.

Outlook

Guanaco

Production of gold equivalent ounces for the calendar year 2017 from the Guanaco mine is projected to be in the range of 45,000-50,000 ounces.

Construction of the new agitation leach plant (Merrill-Crowe circuit) at Guanaco was largely completed (99.6% complete), with finalisation of the filters, minor piping and electrical connections to be finished. Wet testing of all tanks has been completed. Testing of the grinding circuit is pending, and will commence when the electrical grid interconnection to the national grid is finalized, both expected during the June quarter, 2017.

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 during the June quarter, 2017. In anticipation of a favorable result, pre-stripping of the Central Vein has commenced.

Casposo

The Company paid \$1 million to Troy Resources in March 2017 to acquire an additional 19% of Casposo Mine to increase ownership interest to 70%, as well as \$1m from a VAT refund of \$2.9m that was received.

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.

Exploration Activities

In February and March 2017 exploration drilling was conducted at the San Guillermo properties to the immediate south of the Central Vein at Amancaya. This area had been historically drilled by the previous owner with sporadic high grade gold grades reported (such as SG-051: 4m @ 10.6 g/t Au). A total of 4,331

metres in 16 holes were drilled (combined RC and DHH drilling). Results indicate the presence of up to four mineralized structures, mainly in the form of steeply dipping narrow quartz veinlets with some quartz stockworking, striking NNE. Whilst gold mineralization was intersected, given the true widths these are not considered significant. With this program the US\$500k work commitment for first year exploration activities was satisfied, as per the agreement with Revelo Resources. For further information refer to the press release from 9 February 2016 at www.australgold.com.

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 an employee of [Austral Gold Ltd.](http://www.australgold.com) 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 Ltd.](http://www.australgold.com) 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 Ltd.](http://www.australgold.com) is listed on the TSX Venture Exchange (TSXV:AGLD), and the Australian Securities Exchange (ASX: AGD). For more information, please consult the company's website www.australgold.com

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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 will reach forecasted annual production as it continues to implement changes expected to improve operations at Casposo ; the Company's production projection for Guanaco for calendar 2017 of 45,500-50,000 ounces of gold (AuEq oz), the Company expects to commence testing of the grinding circuit when the electrical grid interconnection to the national grid is finalized, both expected during the June quarter, 2017, expectation that a prefeasibility study for the mining of Amancaya and treating of production at the new Guanaco agitation leach plant should be completed during the June quarter, 2017 and its expectation that production for the calendar year 2017 at Casposo will be 50,000 gold equivalent ounces with a goal of reaching an AISC of US\$957 per ounce. 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.

(1) Excludes production from Casposo that is owned by Troy Resources during the period.

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