DECEMBER 2013
QUARTERLY ACTIVITY REPORT

Key Highlights

- The Guanaco mine continued to generate strong operating cash flows for Austral Gold Limited ('the Company') with stable production at 11,736 gold ounces for the quarter ended December 2013 at an operating cash cost of US$654/GEO.

- Total gold production for the 2013 calendar year was a record for the Company at 50,226 gold ounces (28,902 gold ounces in 2012) while the average operating cash cost for the 2013 calendar year was US$667/GEO along with an all-in sustaining cost of US$846/GEO.

- Management is projecting production to reach 50,000 gold ounces for calendar year 2014.

- On-going exploration activities continue at the Guanaco site with a focus on two new areas with good potential (Cerro Guanaquito and Salvadora). A brownfield exploration program is being prepared for this high sulphidation area. The program will consist of detailed ground magnetic survey, trenching and mapping, and it will be completed during the first half of 2014.

- The Company finalised a private placement for 15% shareholding in Goldrock Mines Limited on 1 November 2013. Goldrock Mines' flagship asset is the Lindero gold project in NW Argentina which is in the pre-construction stage.

- The 2013 Annual General Meeting was held on 27 November 2013. All the resolutions considered were approved at the meeting. The Company made a return of capital to shareholders during the quarter. The payment, totalling approximately US$1 million, was made on 12 December 2013.

CHILE

Guanaco Mine

Background

The Guanaco mine is the company's flagship asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of 2,700m and is located 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, and hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

The Guanaco operation during the quarter included ore from the newly developed Quillota Pit, and ore from the underground Cachinalito facility.

Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical mineralization 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 leaching totalled 11,736 oz gold and 15,857 oz silver in the quarter ended December 2013 using ore mined from the Quillota open pit operation, and the Cachinalito underground operation.

For the December 2013 quarter the average operating cash cost[1] (C1) of the Guanaco Mine project was US$654/GEO while the all-in sustaining cost[2] (AISC) was US$923/GEO (US$667/GEO and US$846/GEO respectively for the 12-month period ended December 2013).

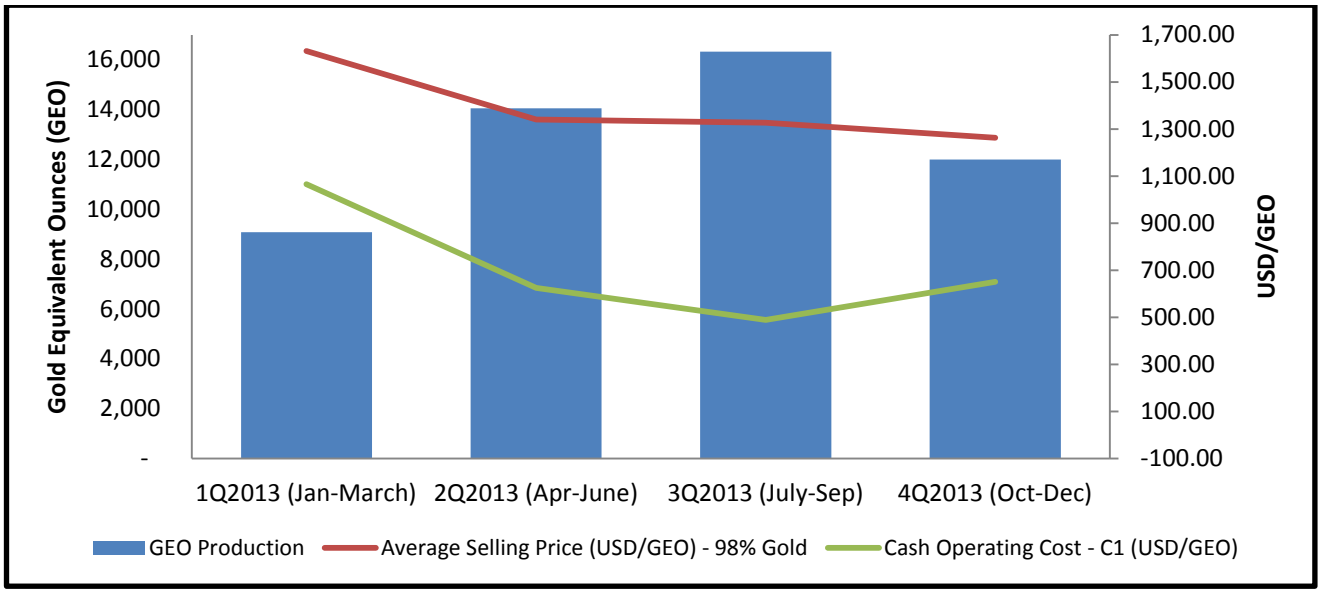
Figure 1: Gold and Silver Production

Production	2011 Calendar Year	2012 Calendar Year	2013 Calendar Year	2014 Budget Calendar Year
Gold (Au Oz)	12,373	28,902	50,226	50,278
Silver (Ag Oz)	37,511	74,807	74,031	35,715

(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.

2013 Gold Equivalent Ounces (GEO) Production per quarter



Mining

Mining continued from both the open pit and underground operations. In the 3 months to December 2013 a total of 135,494t from the Quillota open pit and from the Cachinalito underground operations were mined at an average grade of 3.04 g/t Au and 7.37 g/t Ag.

Underground mine development of 1,135m was completed in the quarter with 71,670t of ore produced at a grade of 4.58 g/t Au and 4.84 g/t Ag. The results obtained from the underground operation represents an improvement in terms of safety, program achievement, and cost control.

Figure 2: Guanaco Operational Performance

	December Quarter (*3-months period*) 2013
Total Ore processed (t)	120,195
Ore from open pits (t)	59,049
Open pit grade (g/t Au)	1.26
Ore from underground (t)	61,146
Underground grade (g/t Au)	4.58
Weighted average recovery (%)	74.00
Gold produced (oz)	11,736
Silver produced (oz)	15,857
Operating cash cost (US$/GEO)	654

Safety

During the quarter ended 31 December, 1 lost-time incident (LTIs) and 6 nil-lost-time incidents (NLTIs) 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 include RC chips, trenches, field and database revision work were made at the Cerro Guanaquito and Salvadora-Los Nanos sectors. The main objective was to define the geological and mineralization model in those areas and evaluate potential additional resources.

- **Cerro Guanaquito** is a group of parallel ENE structures located in the same regional structure as Dumbo-Defensa Trend, and is very similar in terms of the host rock and the style of mineralization.

- **Salvadora-Los Nanos** structures are possibly related to a deeper source of metals, and can be compared with Cachinalito in terms of the host rock and style of mineralization. Salvadora (ENE strike) and Los Nanos (E-W to WNW strike) are related to the primary high sulphidation mineralization. In the area, a new vein primarily named Olvidada Vein (NW strike), has been described and is supposed to be a later structure similar to Despreciada Vein, containing Au and Ag enrichment by removilization. There is potential for finding high-grade zones at the intersections of the primary mineralization (normally close to the E-W strike) with the NW structures; but mainly on the extensions of these structures below the cover, where old miners could not detect the mineralization.

Detailed geological observations in these two areas (Guanaquito and Salvadora-Los Nanos) confirmed the hypothesis on the mineralization pulses and main controls of the mineralization; in particular a confirmation of the syn and post-mineralization structural setting, and the presence of a non lithological horizontal control, due to metal precipitation triggered by fluid mixing.

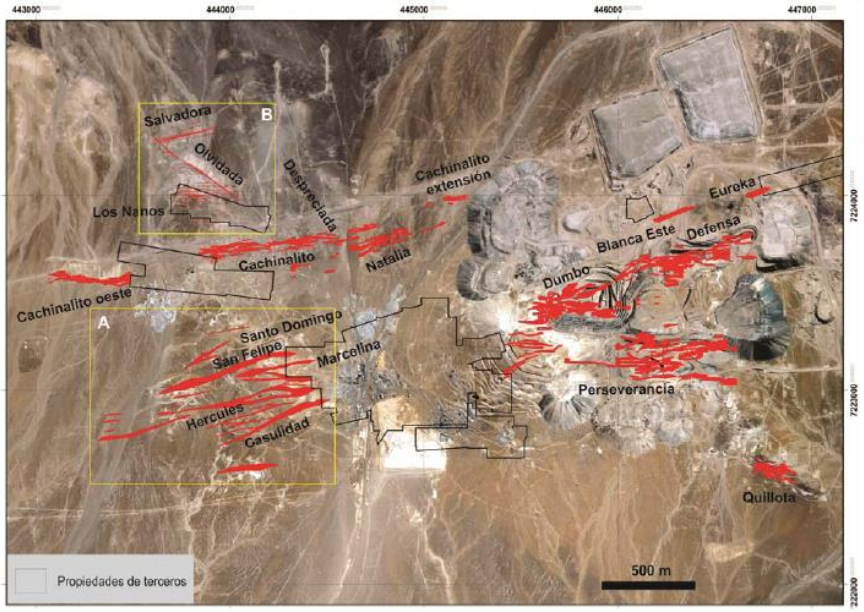


Figure 3: Cerro Guanaquito and Salvadora-Los Nanos areas.

A predictive model will be outlined for the Guanaco deposit. The model is supported by the precipitation of Au and Ag (Cu increasing at depth) along ENE to WNW structures, but contained in the 2600 to 2750 metres deep vertical interval. Then, a group of later NW faults reactivated the system, precipitating Ag-rich removilized mineralization in narrow and irregular zones mainly located at the intersections with the ENE to WNW structures.

A brownfield exploration program is being prepared for the high sulphidation area at Guanaco. The program, which will be developed during the first half of 2014, will consist of a detailed ground magnetic survey that will define the structural setting (especially in the covered areas), detailed mapping and sampling, and an improvement of the geological database (not completely digital).

Guanaco Area Tenements Status

A complete list of the mining tenements in which the Company has an interest in are 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.

ARGENTINA

8 de Julio

No activities on site were performed during the quarter. The technical team is planning the next campaign for 2014 with further geological mapping and surface sampling.

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 in are listed 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 minng properties are fully owned by the Company through its subsidiaries.

CORPORATE

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.

The Company completed a private placement for a 15% shareholding in **Goldrock Mines Limited** (TSX-V: GRM) on 1 November 2013.

During the quarter, Austral Gold increased its group shareholding in **Argentex** (TSX-V: ATX) to approximately 16.3 million shares or 18.6% through the continued conversion of the debenture entered into with Argentex as announced to the ASX on 4 July 2013. It is expected the remaining outstanding debenture will be converted by the end of March 2014 at which time Austral Gold will hold approximately 17.7 million shares in Argentex representing 19.9% of the issued capital of Argentex.

Financial position

Austral Gold's cash position at the end of the quarter was US$8.3 million.

Annual General Meeting

The Company held its Annual General Meeting of Shareholders on 27 November 2013 with all resolutions put to shareholders being passed.

Debt repayment

During the quarter Austral Gold repaid US$550 thousand to Inversiones Financieras del Sur S.A. The balance of funds owing to IFISA at 31 December 2013 was US$55.2 million (including accrued interest).

Reporting

The reporting currency of Austral Gold has changed to USD as from 1 July 2013 to better reflect the consolidated revenues, costs and cash flows of the operations. This is mainly because the Company's operations relate to gold which is widely quoted and traded in USD; the largest operational entity in the group has a functional currency in USD; and a significant portion of the Company's financing activity (borrowings) are in USD. As a result of this change, the corresponding ASX Appendix 5B (Statement of Cash Flows) is denoted in USD.

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)
Chancho2, 1/20 to Chancho 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 to Las Pailas XIII / G-3 a G-16	Mining claims in process	6.300
G-17, 1/20 to G-40, 1/20.	Mining claims in process	6.300
Fortuna I, 1/30 to 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 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 VI-A	Manifestation of discovery	840
Juangui VII-A	Manifestation of discovery	840
Juangui VI	Manifestation of discovery	840
Juangui II	Manifestation of discovery	4.081
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 V	Manifestation of discovery	1.920
Juangui V-A	Manifestation of discovery	840
Juangui V-B	Manifestation of discovery	840
Juangui I-B	Manifestation of discovery	3.936
Juangui II-D	Manifestation of discovery	3.740
Juangui VI-B	Manifestation of discovery	4.000
Juangui VI-C	Manifestation of discovery	3.258
Juangui VII-B	Manifestation of discovery	4.000
Juangui IV-C	Manifestation of discovery	3.946
Juangui IV-D	Manifestation of discovery	3.965
Total		**82.101**

31 January 2014

Appendix 5B

December quarter 2013

Please note that the attached Appendix 5B for the December quarter 2013 for Austral Gold Limited ('the Company') is presented in United States Dollars (USD). On 30 January 2014 it was announced to the market that the Company has changed its accounting policy enabling all financial reports to be reported in United States Dollars (USD).

Rule 5.3

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	**Quarter ended ("current quarter")**
30 075 860 472	31 December 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

	CASH FLOWS RELATED TO OPERATING ACTIVITIES	**Current quarter $USD'000**	**Year to date (6 months) $USD'000**
1.1	Receipts from product sales and related debtors	19,130	41,311
1.2	Payments for (a) exploration & evaluation	(295)	(495)
	(b) development	(3,270)	(4,677)
	(c) production	(10,550)	(19,759)
	(d) administration	(1,024)	(2,274)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	30
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Movement attributable to foreign currency translation	(84)	(153)
Net Operating Cash Flows		**3,908**	**13,983**
	CASH FLOWS RELATED TO INVESTING ACTIVITIES		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) financial assets, net	(6,479)	(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		**(6,479)**	**(7,783)**
1.13	Total operating and investing cash flows (carried forward)	**(2,571)**	**6,200**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(2,571)**	**6,200**
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(550)	(1,524)
1.18	Dividends paid	-	-
1.19	Other – return of capital to shareholders	(934)	(934)
Net financing cash flows		**(1,484)**	**(2,458)**
NET INCREASE (DECREASE) IN CASH HELD		**(4,055)**	**3,742**
1.20	Cash at beginning of quarter/year	12,383	4,586
1.21	Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter		**8,328**	**8,328**

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 $USD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	117
1.24	Aggregate amount of loans to the parties included in item 1.17	550

1.25 Explanation necessary for an understanding of the transactions

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

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

FINANCING FACILITIES AVAILABLE

Add notes as necessary for an understanding of the position.

		Amount available $USD'000	Amount used $USD'000
3.1	Loan facilities (USD 59 million facility)	14,471	44,529
3.2	Credit standby arrangements		

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		$USD'000
4.1	Exploration and evaluation	753
4.2	Development	2,112
4.3	Production	6,629
4.4	Administration	1,089
Total		**10,583**

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 $USD'000	Previous quarter $USD'000
5.1	Cash on hand and at bank	8,328	12,383
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)		**8,328**	**12,383**

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 December 31, 2013.

+ 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	1,691,398	1,691,398		
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	*1:1 options* 140,949	140,949	*Exercise price* AUD$0.30	*Expiry date* 15 Nov 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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: 31 January 2013

(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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