September 2014
QUARTERLY ACTIVITY REPORT

Key Highlights

- Total production for the quarter was 12,540 ounces of gold and 10,597 ounces of silver. Calendar year production to date of 34,982 gold ounces is in line with achieving the 50,000 gold ounces production budget.

- As announced in the Company press release on 27 October 2014, Austral Gold ('the Company') entered into an agreement with Inversiones Financieras del Sur S.A. (IFISA) to fully repay the outstanding debt to IFISA of AUD61.6 million through the issue of ordinary shares in Austral Gold at AUD0.20 per share. This is a significant step as, should shareholders approve the transaction, Austral Gold will be essentially debt free and have the balance sheet flexibility and production profile to achieve the Company's stated goal of becoming a leading precious metals mining company with a diverse asset base in South America.

- As announced in the press release dated 17 June 2014, Austral Gold acquired the Amancaya project for total consideration of US$12 million in five instalments. The first instalment, US$3 million, was paid during the quarter and all the properties and tenements have now been fully transferred to the Company. Work has begun on an in-house feasibility study for the project.

- The final US$1 million payment of accrued royalties under the net smelter return agreement with the previous owner of Guanaco, Kinross Gold Corporation (through its subsidiary Compañia Minera Kinam Guanaco) was made during the quarter.

CHILE

Guanaco Mine

Background

The wholly-owned Guanaco mine remains the Company's flagship asset. Guanaco is located approximately 220km SE of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a geological structural trend which runs north/south through the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

Currently, the majority of the ore processed from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades.

Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical 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 underground operations using the heap leach process generated 12,540 gold ounces and 10,597 silver ounces during the quarter ended 30 September 2014.

When measured in Gold Equivalent Ounces (GEO) total production was 12,726 gold ounces compared to 10,418 in the prior quarter.

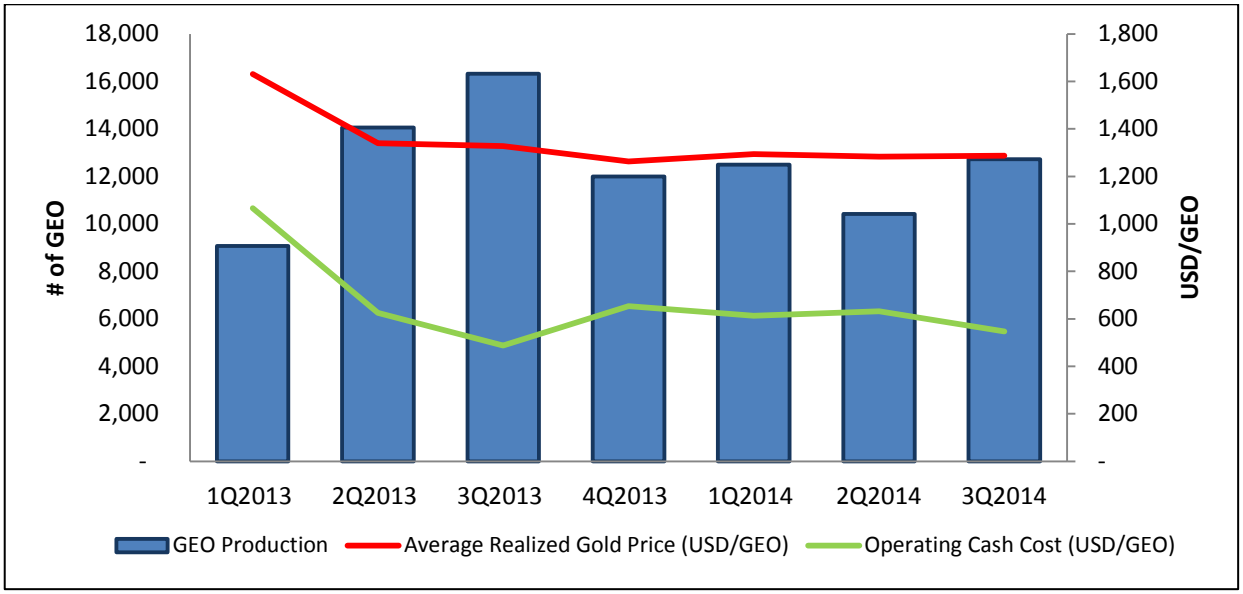
For the September 2014 quarter the average operating cash cost[1] (C1) of the Guanaco Mine project was US$547/GEO while the all-in sustaining cost[2] (AISC) was US$670/GEO (US$631/GEO and US$756/GEO respectively for the previous quarter ended 30 June 2014).

Gold and Silver Production

Production	2011 Actual Calendar Year	2012 Actual Calendar Year	2013 Actual Calendar Year	September 2014 Actual 3 months	YTD 2014 Actual 9 months	2014 Budget Calendar Year
Gold (Au Oz)	12,373	28,902	50,226	12,540	34,982	50,000
Silver (Ag Oz)	37,511	74,807	74,031	10,597	37,328	35,000

(1) The operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, and Refining.
(2) The all-in sustaining cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation.

GEO Production per quarter (calendar year)



Mining

During the September 2014 quarter, a total of 106,859 tonnes were mined from the Cachinalito underground operations at an average grade of 5.67 g/t Au and 3.63 g/t Ag.

Underground mine development of 1,519 metres was completed. The advancements resulting from the underground operation represent an improvement in terms of safety, program achievement and cost control.

Safety

During this quarter, no lost-time accidents (LTA) occurred, and no nil-lost-time accidents (NLTA's) were reported involving employees of Guanaco and third party contractors. Safety and environmental protection are core values of the Company. The implementation of safety best practices along with a sound risk management program are key priorities for Austral Gold.

Exploration Program

The Geology team continued to advance on its exploration program within the current mine development area of the Guanaco deposit, mainly in the Cachinalito Vein System and the recognised surface district mapping program.

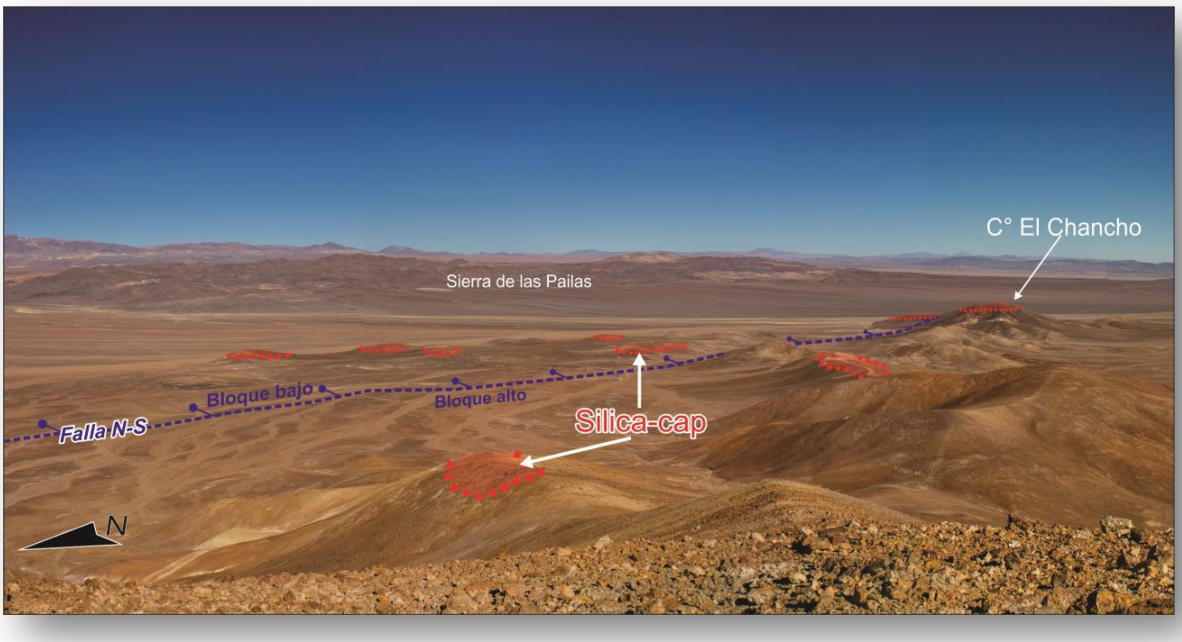
The exploration program for the quarter ended September 2014 comprised several activities such as the design of an underground drilling campaign of about 1,000 metres (to confirm the continuity of veins previously identified as well as the potential eastern continuity of the San Lorenzo vein). This campaign will be carried out during the fourth quarter of 2014. An update of the geological district mapping at a scale of 1:5,000 will be performed to further understand the structural-alteration-mineralization of the Guanaco district.

Guanaco Operational Performance

September Quarter (*3-months actual*) 2014	
Total Ore processed (t)	103,515
Plant grade (g/t Au)	5.74
Gold recovery (%)	81.3
Gold produced (oz)	12,540
Silver produced (oz)	10,597
Operating cash cost (US$/GEO)	547

During the period, the work of geological-structural district mapping (scale 1:5,000) was completed in the sector of Sierra Inesperada, located in the South West end of the study area (see picture below).

A total of 73 rock samples were collected for geochemical ICP analysis, in order to identify precious metal anomalies and at the same time attempting to perform a vector analysis of metal and trace elements towards possible sources of mineralization.



Guanaco Area Tenements Status

A complete list of the mining tenements in which the Company has an interest is presented in Appendix A attached to this report. There have been minor 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.

Amancaya Project

Austral Gold and its subsidiary Guanaco Compañia Minera SpA completed the acquisition of the Amancaya advanced exploration property ('Amancaya'), located about 60 km north from the Company's flagship Guanaco gold and silver mine on 29 September 2014.

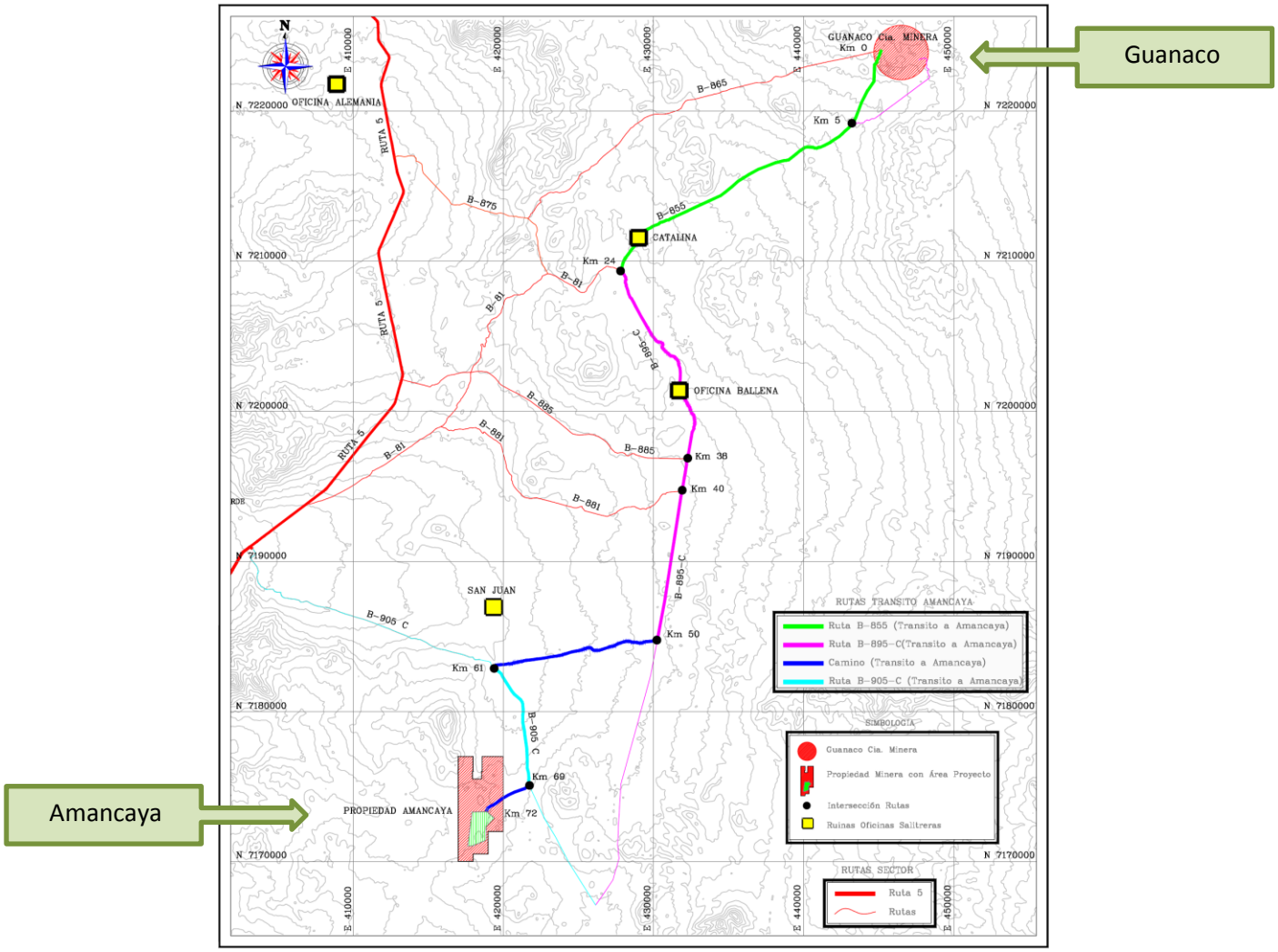
The Amancaya exploration property is located 70km east of the city of Tatal in Northern Chile. It is a low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares (see Appendix B).

In a report dated 24 July 2008, Yamana Gold Inc. announced for Amancaya that, at a 1.0 g/t gold equivalent (AuEq) cut-off grade for the potential open pit resources and a 3.4 g/t AuEq cut-off grade for the underground resources, inferred mineral resources are estimated at 407,000 contained ounces of AuEq at a grade of 9.1 g/t AuEq. This is comprised of 351,000 contained ounces of gold and 3,270,000 ounces of silver in 1.4 million tonnes at an average grade of approximately 7.9 g/t Au and 73 g/t Ag, respectively.

The term "inferred mineral resource" in that announcement had the meaning ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council on December 11, 2005.

It is noted that these estimates are foreign estimates and not reported in accordance with the JORC Code 2012 Edition (JORC Code). To date, no validation of these foreign estimates has been performed by a competent person in accordance with the JORC Code and it is uncertain that, following evaluation and/or further exploration work, the foreign estimates will be able to be reported as mineral resources in accordance with the JORC Code.

Austral Gold has commenced an in-house feasibility study for this project and it is expected to be completed by the end of 2014.



Amancaya Tenements Status

A complete list of the mining tenements in which the Company has an interest is presented in Appendix B attached to this report. These tenements were acquired during the quarter. All mining properties are fully owned by the Company through its subsidiaries.

ARGENTINA

8 de Julio

There were no further geological activities performed at the 8 de Julio site during the quarter ended September 2014.

The 8 de Julio site is comprised of 38 mining properties equivalent to 85,597 hectares. Four of these properties are classified as “Cateos” (20,072 hectares) while the remaining 34 properties are already “Manifestation of discovery” (65,525 hectares).

8 de Julio Area Tenements Status

A complete list of the mining tenements in which the Company has an interest is in Appendix C attached to this report. There have been minor 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.

CORPORATE

Proposed conversion of IFISA debt to equity

On 27 October 2014, Austral Gold announced that is had entered into an agreement with Inversiones Financieras del Sur S.A. (IFISA) to fully repay the outstanding debt to IFISA, which amounted to AUD61.6 million at 30 September 2014, through the issue of ordinary shares in Austral Gold at AUD0.20 per share.

The transaction to convert the IFISA debt to equity is pending shareholder approval at the Company's AGM, scheduled for Tuesday, 16 December 2014. Should shareholders approve the transaction, Austral Gold will be essentially debt free and have the balance sheet flexibility and production profile to achieve the Company's stated goal of becoming a leading precious metals mining company with a diverse asset base in South America.

Acquisition of Amancaya Project in Chile from Yamana Gold

Final closing of the transaction to acquire the Amancaya Project announced in the Austral Gold press release on 17 June 2014 took place on 8 August 2014. The first payment of US$3 million was made during the quarter and all the mining properties were transferred to the Austral Gold Group.

On 17 June 2014, the Company and its wholly-owned subsidiary, Guanaco, entered into an asset transfer agreement with a 100%-owned subsidiary of Yamana Gold Inc., Minera Meridian Ltda (the Seller) to acquire the Amancaya exploration property (Amancaya) consisting of eight mining exploration concessions covering 1,755 hectares (see Appendix B). As part of the acquisition, the Company also secures the rights to exploration projects currently under application, as well as water rights, underlying property and necessary easements.

Consideration for Amancaya will be an aggregate amount of US$12 million of cash instalments. In addition to the US$3 million paid on closing, payments of US$1 million, US$3 million, US$3 million and US$2 million are payable within each successive six-month period. A royalty agreement has also been entered into on closing whereby the Company will pay 2.25% of the Net Smelter Return (NSR) to the Seller on production from the Amancaya mining concessions.

Final payment to former owners of Guanaco made during the quarter

The final payment of accrued royalties under the NSR agreement with the previous owner of Guanaco, Kinross Gold Corporation (through its subsidiary Compañia Minera Kinam Guanaco ('Kinam')) was made during the quarter amounting to US$1 million.

On 17 September 2013, Austral Gold elected to cease quarterly royalty payments to Kinam in favour of a final exit fee of US$7.5 million, as per the agreement between the two parties.

This final payment represents an important milestone for AGD's 100%-owned flagship asset as there are no further royalty liabilities associated with the future gold production coming from the Guanaco facility.

Current cash position

Austral Gold's cash position at the end of the quarter was US$4.2 million.

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 n 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.

Appendices: List of tenements in which the Company currently has an interest

Appendix A: Guanaco Site (Chile) tenements

Property Name	Claim Type	Size (hectares)
Mining Concessions under exploitation	Constituted Mining Claims	14,931
Las Pailas I to Las Pailas XIII / G-3 a G-16	Mining claims in process	6,140
G-17, 1/20 to G-40, 1/20.	Mining claims in process	6,300
Chancho2, 1/20 to Chancho 16, 1/30	Mining claims in process	3,200
Escondida I, 1/30; Escondida II, III, V, VI, VII, VIII and IX.	Mining claims in process	2,400
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
Fortuna I, 1/30 to Fortuna VI, 1/20.	Mining claims in process	1,500
Escondida IV 1/30, X 1/30, XI 1/20 and XII 1/30	Mining claims in process	1,100
Salvadora 1, 1/20; Salvadora 2, 1/20 and Salvadora 3, 1/20	Mining claims in process	565
Fortuna XV, 1 to 5	Mining claims in process	50
Total		**39,886**

Appendix B: Amancaya Site (Chile) tenements

Property Name	Claim Type	Size (hectares)
Amancaya 1A,1 al 20	Constituted mining claims	100
Amancaya 1B, 1 al 30	Constituted mining claims	140
Amancaya 2, 1 al 55	Constituted mining claims	265
Amancaya 3, 1 al 60	Constituted mining claims	300
Amancaya 4, 1 al 60	Constituted mining claims	300
Amancaya 5, 1 al 60	Constituted mining claims	300
Amancaya 6, 1 al 40	Constituted mining claims	200
Janita 1 al 15	Constituted mining claims	150
Total	**Constituted mining claims**	**1,755**
Sabina 1,1 al 28	Second layer mining claims	140
Sabina 4, 1 al 60	Second layer mining claims	300
Sabina 5, 1 al 60	Second layer mining claims	300
Sabina 6, 1 al 40	Second layer mining claims	200
Sabina 7, 1 al 30	Second layer mining claims	150
Sabina 2, 1 al 18	Mining claims in progress	18
Sabina3, 1-60	Mining claims in progress	300
Total		**3,163**

Appendix C: 8 de Julio Site (Argentina) tenements

Property Name	Claim Type	Size (hectares)
8 de Julio IX	Cateo	7,002
8 de Julio VII	Cateo	5,238
8 de Julio VIII	Cateo	4,336
8 de Julio X	Cateo (request)	3,496
Juangui II	Manifestation of discovery	4,200
Juangui VII-B	Manifestation of discovery	4,000
Juangui VI-B	Manifestation of discovery	4,000
Juangui VI-D	Manifestation of discovery	4,000
Juangui IV-E	Manifestation of discovery	3,979
Juangui I	Manifestation of discovery	3,970
Juangui IV	Manifestation of discovery	3,968
Juangui I-B	Manifestation of discovery	3,937
Juangui II-D	Manifestation of discovery	3,740
Juangui VIII-A	Manifestation of discovery	3,440
Juangui VI-C	Manifestation of discovery	3,258
Juangui III	Manifestation of discovery	2,963
Juangui IV-F	Manifestation of discovery	2,287
Juangui I-A	Manifestation of discovery	2,009
Juangui V	Manifestation of discovery	1,920
Juangui II-A	Manifestation of discovery	840
Juangui VI-A	Manifestation of discovery	840
Juangui VII-A	Manifestation of discovery	840
Juangui VI	Manifestation of discovery	840
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 IV- E 1	Manifestation of discovery	840
Juangui IV- E 2	Manifestation of discovery	840
Juangui IV- E 3	Manifestation of discovery	840
Juangui IV- E 4	Manifestation of discovery	840
Juangui IV- E 5	Manifestation of discovery	840
Juangui V-A	Manifestation of discovery	840
Juangui V-B	Manifestation of discovery	840
Juangui II-C	Manifestation of discovery	639
Juangui II-B	Manifestation of discovery	615
Total		**85,597**

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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	30 September 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

	CASH FLOWS RELATED TO OPERATING ACTIVITIES	**Current quarter US$'000**	**Year to date (3 months) US$'000**
1.1	Receipts from product sales and related debtors	13,191	13,191
1.2	Payments for (a) exploration & evaluation	(201)	(201)
	(b) development	(1,147)	(1,147)
	(c) production	(6,972)	(6,972)
	(d) administration	(854)	(854)
	(e) royalties paid	(1,023)	(1,023)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Movement attributable to foreign currency translation	(14)	(14)
Net Operating Cash Flows		**2,981**	**2,981**
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
1.8	Payment for purchases of:		
	(a) prospects	(3,000)	(3,000)
	(b) financial assets, net	-	-
	(c) equity investment	(264)	(264)
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		**(3,264)**	**(3,264)**
1.13	Total operating and investing cash flows	**(283)**	**(283)**

+ See chapter 19 for defined terms.

CASH FLOWS RELATED TO FINANCING ACTIVITIES			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Net proceeds from financial securities	164	164
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		**164**	**164**
NET INCREASE (DECREASE) IN CASH HELD		**(119)**	**(119)**
1.20	(a)Cash at beginning of quarter (as per quarter June 2014 5B)	4,157	4,157
	(b) Adjustments (See ***Note 1*** below)	190	190
	(c) Cash at the beginning of the quarter (as per Annual Report 2014)	4,347	4,347
1.21	Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter		**4,228**	**4,228**

Note 1: *Adjustment mainly related to cash acquired as part of June 2014 acquisition of Humberto Reyes Arriendo de Maquinarias SpA, not included in June quarter 5B reporting due to incomplete information available but subsequently disclosed in the Austral Gold 2014 annual report.*

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 US$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	110
1.24	Aggregate amount of loans to the parties included in item 1.17	-
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 US$'000	Amount used US$'000
3.1	Loan facilities (USD 59 million facility)	16,471	42,529
3.2	Credit standby arrangements		

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		US$'000
4.1	Exploration and evaluation	300
4.2	Development	2,000
4.3	Production	7,000
4.4	Administration	900
4.5	Royalty	-
Total		**10,200**

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 US$'000	Previous quarter US$'000
5.1	Cash on hand and at bank	4,080	4,347
5.2	Deposits at call	148	-
5.3	Bank overdraft	-	-
5.4	Other (deposits sold awaiting settlement)	-	-
Total: cash at end of quarter (item 1.22)		**4,228**	**4,347**

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	G-3, 1 - 6 & G-9, 1 - 19 (Chile)	Mining claim in process	6,300 ha	6,140 ha
6.2	Interests in mining tenements acquired or increased	8 de Julio X	Cateo	0 ha	3,496 ha
		Amancaya tenements – details below	See below	-	3,163 ha

+ See chapter 19 for defined terms.

Amancaya interests in mining tenements acquired during the period

Property Name	Claim Type	Size (hectares)
Amancaya 1A,1 al 20	Constituted mining claims	100
Amancaya 1B, 1 al 30	Constituted mining claims	140
Amancaya 2, 1 al 55	Constituted mining claims	265
Amancaya 3, 1 al 60	Constituted mining claims	300
Amancaya 4, 1 al 60	Constituted mining claims	300
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Total		**3,163**

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				
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 October 2014

(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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