

Austral Gold to Sell Pinguino to E2 Metals for US\$~10M

HIGHLIGHTS

- Austral to receive US\$5M in cash, 19.99% of E2 Metals' shares plus 15M options in exchange for 100% of SCRN Properties Ltd., owner of the Pinguino project
- Austral to become largest shareholder in E2 Metals with a right to appoint one board member
- Austral to retain option to purchase either all or half of the existing 2% NSR royalty on the Pinguino project

Sydney, Australia--(Newsfile Corp. - November 24, 2022) - Austral Gold Limited ("**Austral**") (ASX: AGD) (TSXV: AGLD) is pleased to announce that it has entered into a Share Sale Agreement (the "**Agreement**") with E2 Metals Limited ("**E2**") (ASX: E2M) and Austral Gold Canada Limited ("**Austral Canada**"), a Canadian subsidiary of Austral, pursuant to which Austral Canada has agreed to sell 100% of the common shares of SCRN Properties Limited ("**SCRN**") to E2 (the "**Transaction**") for total consideration of US\$~10 million.

SCRN's main asset is the polymetallic Pinguino Project, located in the Deseado Massif in the Santa Cruz Province of Argentina (please refer to About Pinguino).

SCRN is a wholly owned Canadian subsidiary of Austral Canada. Under the terms of the Agreement, E2 is to acquire SCRN for a combination of cash, shares and options and, upon completion, Austral Canada will become the largest individual shareholder of E2.

Austral Gold's Chief Executive Officer Stabro Kasaneva said: *"We firmly believe in the Pinguino project. This transaction with E2 Metals will enable us to share in the project's potential upside and use the proceeds from the sale to fund our exploration activities in Argentina and Chile. In addition, E2 Metals' flagship Conserrat project is close to Pinguino and upon completion, we will become the largest shareholder in an ASX-listed Company with a sound shareholder base and strong position in the mining friendly Argentine province of Santa Cruz. We will also retain our 51% interest and option to acquire an additional 49% interest in the Sierra Blanca project, which is adjacent to the Pinguino project."*

HIGHLIGHTS OF CONSIDERATION:

- CASH: US\$5 million of which US\$2.5 million is to be paid at Closing and the remaining 50% in three annual instalments of:
 - US\$0.75 million on the first anniversary of the Closing date;
 - US\$0.75 million on the second anniversary of the Closing date; and
 - US\$1 million on the third anniversary of the Closing date.
- SHARES: Issuance from treasury of such number of E2 shares as is equivalent to 19.99% shareholding in E2 on a non-diluted basis, all of which are to be held in escrow with 50% released on the first anniversary of the Closing date and 50% released on the second anniversary of the Closing date. The E2 share closing price on the day prior to this announcement was A\$0.13 valuing 19.99% of Austral's pro-forma investment in E2 at A\$6.5 million (US\$4.4 million). The final valuation may change as it is dependent on the share price of E2 at Completion.

- **OPTIONS:** Grant of 15 million options, each exercisable for one ordinary share of E2 at an exercise price of 26 cents until the third anniversary of the Closing date. The options can only be exercised to the extent Austral will not exceed voting power in E2 of 19.99%. The value of the options was calculated at US\$0.6 million using the Black Scholes model. The final valuation may change as it is dependent on E2's share closing share prices for three years prior to Closing.
- **BOARD REPRESENTATION:** Austral will have the right to appoint one person to the E2 Board for as long as it holds at least nine percent (9%) of E2's outstanding shares.
- **ROYALTIES:** Austral Canada will also retain its option to purchase either all or half of the existing 2% net smelter return royalty on the Pinguino project.

Completion of the Transaction remains subject to the satisfaction (or waiver) of a number of conditions precedent, including, but not limited to the following:

- approval by E2's shareholders at a Shareholder Meeting;
- obtaining all applicable regulatory approvals; and
- the absence of material adverse changes to E2 or SCRNL

If all conditions precedent for completion of the Transaction are satisfied or waived, the Transaction is expected to close during February 2023 or, in some circumstances due to regulatory delay, 31 March 2023, (or such later date agreed by the parties).

E2 plans to fund the costs of the Transaction from its treasury and from future financings, if required. The three annual deferred cash payments will be secured by a share mortgage over 51% of SCRNL's common shares until the second cash installment is paid, at which time the amount of SCRNL shares covered by the share mortgage will be reduced to 19%.

About the Pingüino Project

The Silver-Gold-Zinc-Lead-Indium Pingüino Project is an advanced stage development project located in the south-central part of Argentina; 300km southwest of the city of Comodoro Rivadavia and 220km northwest of Puerto San Julián. It is 30km from E2's Conserrat project. In the last years, six mines were constructed in the Santa Cruz Province, making it one of the most prominent precious metal regions in the world, including world class deposits such as Cerro Vanguardia and Cerro Negro. The Pingüino Project is embedded in a vein field similar, but smaller to Cerro Vanguardia, some 30km north-west along the same controlling structure as the Pingüino deposit (225km strike length of veins vs 115 km strike length of veins). The project has year-round access and is close to major infrastructure.

About Austral Gold Limited

Austral Gold Limited is a gold and silver explorer and mining producer whose strategy is to expand the life of its cash generating assets in Chile, restart its Casposo-Manantiales mine complex in Argentina and build a portfolio of quality assets in Chile, the USA and Argentina organically through exploration and via acquisitions and strategic partnerships. Austral owns a 100% interest in the Guanaco/Amancaya mines in Chile and the Casposo-Manantiales mine complex (currently on care and maintenance) in Argentina, a non-controlling interest in the Rawhide Mine in Nevada, USA and a non-controlling interest in Ensign Gold which holds the Mercur project in Utah, USA.

In addition, Austral owns an attractive portfolio of exploration projects in the Paleocene Belt in Chile (including those acquired in the 2021 acquisition of Revelo Resources Corp), a noncontrolling interest in Pampa Metals and a 51% interest in the Sierra Blanca project in Santa Cruz, Argentina. Austral Gold Limited is listed on the TSX Venture Exchange (TSXV: AGLD) and the Australian Securities Exchange. (ASX: AGD). For more information, please consult Austral's website at www.australgold.com.

About E2 Metals Limited

E2 Metals Limited is an Australian exploration company focused on making new discoveries in the world class Santa Cruz gold and silver province, southern Argentina. It explores for gold, silver, and copper deposits. E2 Metals' key focus is the Santa Cruz portfolio located in southern Argentina. Santa Cruz is one of the preeminent mining provinces in South America and is host to numerous intermediate and large producers such as Newmont, AngloGold Ashanti and Pan American Silver. The portfolio comprises 90,000 hectares of titles, owned 80% through the Company's ownership in the local entity Minera Los Domos SA. The titles are within the Deseado Massif geological province and are prospective for epithermal gold and silver deposits such as the world-class Cerro Negro and Cerro Vanguardia mines.

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.

Release approved by the Chief Executive Officer of Austral Gold, Stabro Kasaneva.

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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 Austral Gold to sell the Pinguino project and become the largest shareholder in E2 Metals for ~US\$10M, final valuation of the Transaction, conditions precedent including but not limited to the following: approval by E2's shareholders at a Shareholder Meeting, obtaining all applicable regulatory approvals, the absence of material adverse changes to E2 or SCRN, the expected timeline to close the Transaction, E2's plans to fund the costs of the Transaction from its treasury and from future financings, if required, the security to be provided for the deferred cash payments, the Transaction will enable us to share in the potential upside of Pinguino, and the proceeds from the sale will be used to fund the Company's exploration activities in Argentina and Chile.

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, uncertainty of exploration programs, development plans and cost estimates, commodity price fluctuations; political or economic instability and regulatory changes; currency fluctuations, the state of the capital markets especially in light of the effects of the novel coronavirus,, 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 the ASX and 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.



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