

31 January 2012

The Board of Austral Gold Limited (ASX: AGD) is pleased to report the following update for the quarter ended 31 December 2011.

**HIGHLIGHTS**

- Eduardo Elsztain, Wayne Hubert, Stabro Kasaneva and Pablo Vergara del Carril visit Sydney
- Guanaco produces 3,420 Gold equivalent ounces in the quarter
- Guanaco exploration program identifies one target with further potential
- Commencement of underground ore processing at Guanaco

Eduardo Elsztain (Chairman), Wayne Hubert (Director), Stabro Kasaneva (Director and COO) and Pablo Vergara del Carril (Director) all visited Sydney in late November 2011 and together with Australian Directors, Robert Trzebski and Ben Jarvis, met Austral Gold shareholders and many others from the Australian investment community.

**1. CHILE**

**Guanaco**

**Production**

Production from heap leach processing using existing tailings and new ore mined from open pits and underground generated over three thousand ounces of gold in the quarter ended 31 December 2011.

Gold and silver produced to date is set out in the table below.

	<b>Mar 2011 Quarter</b>	<b>Jun 2011 Quarter</b>	<b>Sep 2011 Quarter</b>	<b>Dec 2011 Quarter</b>	<b>Total</b>
Gold (Au)	2,457oz	3,234oz	3,241oz	3,129oz	<b>12,061oz</b>
Silver (Ag)	2,995oz	8,314oz	10,902oz	12,999oz	<b>35,210oz</b>

Beginning on December 1<sup>st</sup>, underground operation activities commenced at Guanaco. Approximately 1,000 tones of ore were extracted and sent to the heaps for processing.

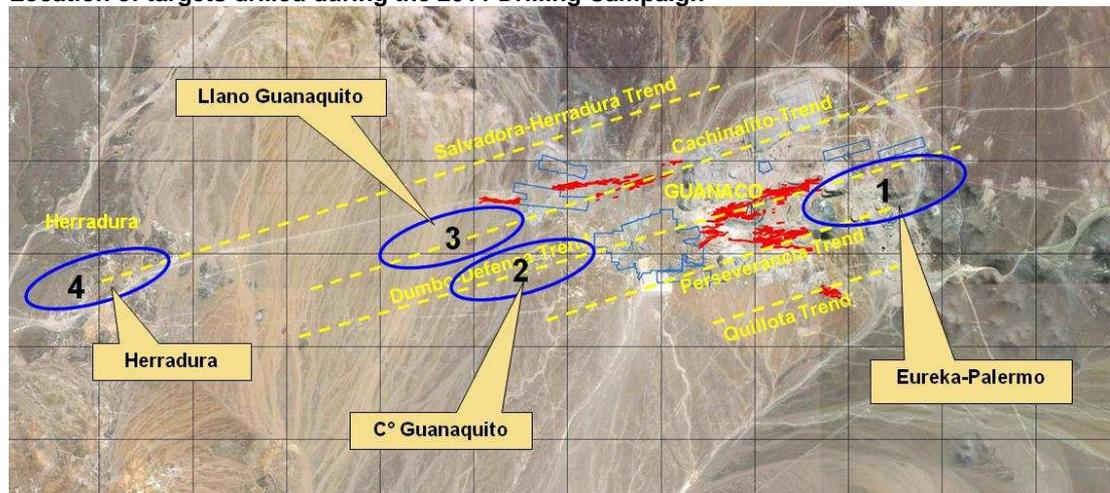
### Exploration Program

A total of 5,594 meters, corresponding to 25 holes, were drilled in four zones located near Guanaco's open pit and underground mining areas (Eureka-Palermo, Cerro Guanaquito, Llano Guanaquito, and Herradura; see below the location map of these areas).

Nine holes were drilled in the Cerro Guanaquito area totaling 2,394 meters. While most of the holes in the volcanic tuff were shallow with lower grades of gold, one deeper hole intersected a structure in the favourable dacitic porphyry unit at greater depth. This hole, RC-983, intersected 8 meters along the hole with 10.03 g/t gold; 58.33 g/t silver and 1.7% copper (see longitudinal section for Cerro Guanaquito on page 3).

The interesting results from RC-983 drill hole in the Cerro Guanaquito area opened new opportunities to discover mineralization in the dacitic porphyry lithologic unit.

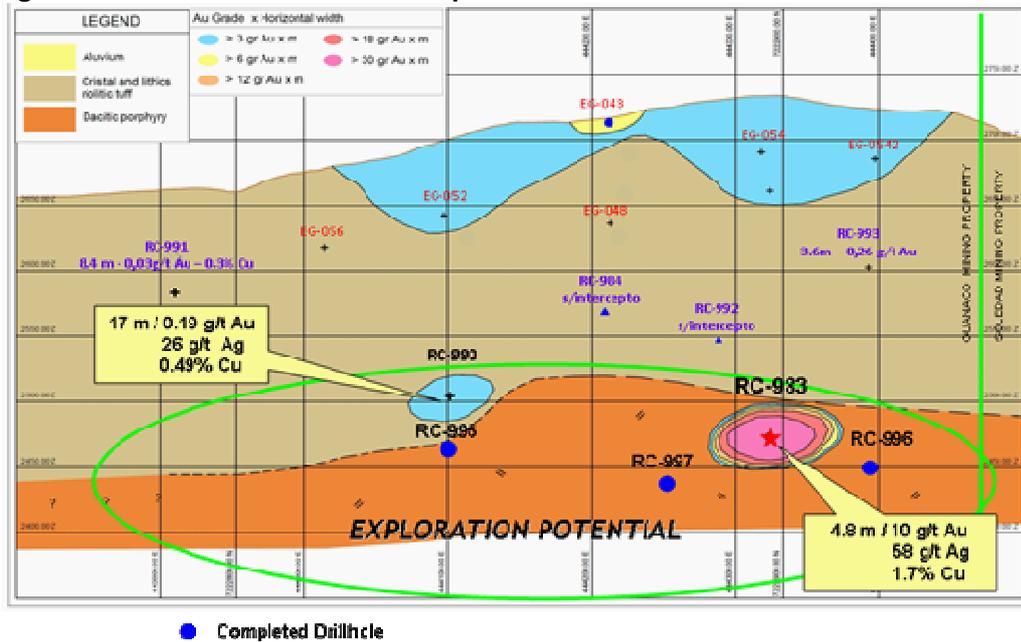
**Location of targets drilled during the 2011 Drilling Campaign**



In December 2011, three new holes were drilled along strike to confirm the extension of this mineralization at Cerro Guanaquito. Unfortunately, mineralization appears to have more vertical than horizontal continuity, warranting more deep drilling later in the year.

Of the three holes, the best result was from the drill-hole RC-997, where the hole intersected 4m with 7.5 g/t Au and 19.5 g/t Ag from 158m. This intercept was found in volcanic tuffs.

### Longitudinal section for Cerro Guanquito



RC-983, intersected 8 meters along the hole with true width of 4.8 meters with 10.03 g/t gold; 58.33 g/t silver and 1.7% copper.

Due to the close relationship between higher grade mineralization and the dacitic porphyry observed in the Cachinalito and Natalia areas, exploration will continue to follow this concept.

## 2. ARGENTINA

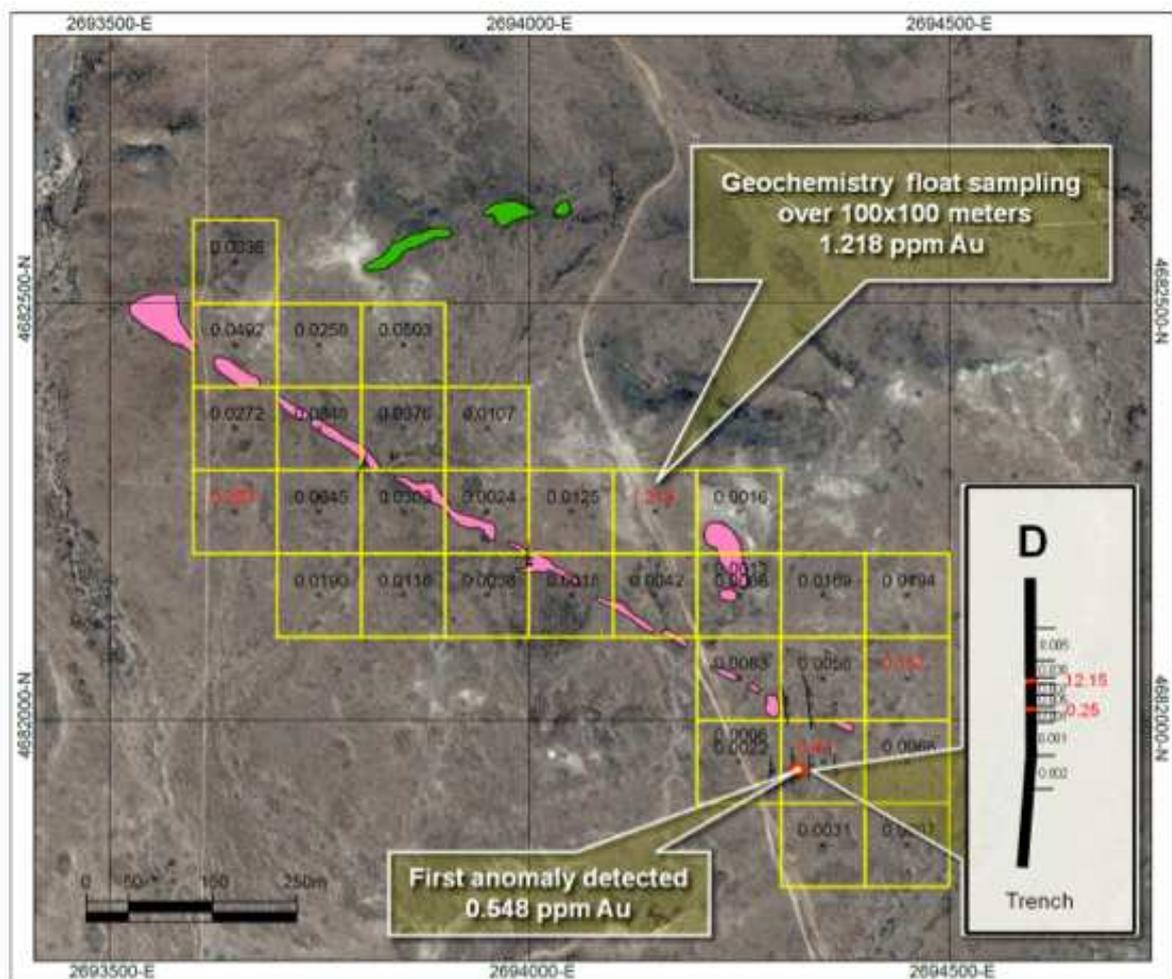
### Estancia 8 de Julio, Santa Cruz

During the period, important results were received from the trench program developed in the Campo Barroso Grande of the Estancia 8 de Julio. A comprehensive strategy is being designed in order to advance more aggressively with the exploration of this prospect, but with the results obtained to date justify the continuation and acceleration of the work.

Geophysics Company will be contacted to perform a resistivity study and the geochemical sampling program in the area will be expanded.

The following figure reflects the level of progress with the latest results and the next activities considered for the projects.

- Expansion of the 100x100m geochemical mesh for silica and quartz vein float, at least to the entire Barroso Grande field.
- Development of a new geophysical program corresponding to a resistivity gradient in the Barroso Grande field where important gold values were obtained.
- Start with the systematic sampling of the other sectors/targets identified in the geological mapping.
- Austral Gold geologists hope concluding this stage with the drilling of some diamond holes that will allow recognizing the vertical extension of the mineralized column.



### **AMINSA, San Juan**

In December 2011, Aminsca Joint Venture started the activities in the mountain range projects, located in the San Juan Province, Argentina. Several support services were hired to reactivate the activities of the Rincones de Araya camp and the company Quantec was hired for the execution of geophysical tasks (IP-Resistivity and ground magnetics) in the Calderón-Calderoncito project.

The hiring of heavy equipment services for the construction of roads and drilling platforms in the different sectors of the project was also reported. Also, a service contract was signed with a local drilling company to drill the first 1,000 meters for the Rincones de Araya Este target.

### **3. CORPORATE**

The Company's AGM was held on 30 November 2011. All resolutions put to shareholders were approved.

By order of the Board



Catherine Lloyd  
CFO & Company Secretary

*Dr Robert Trzebski is a non-executive Director of Austral Gold Limited. He has a Degree in Geology (equivalent to BSc), a PhD in Geophysics, a Master in International Project Management and has over 18 years professional experience in mineral exploration, project management and mining services. This includes his role as Executive Officer of Austmine Ltd, Executive Director of Australia-Latin America Business Council and Director of a junior gold exploration company with interests in Columbia, Columbus Minerals Pty Ltd.*

*Dr Robert Trzebski is a fellow 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 Press Release.*