



AUSTRALGOLD



SEPTEMBER 2012

QUARTERLY ACTIVITY REPORT

The Board of Austral Gold Limited (ASX: AGD) is pleased to report the following update to shareholders for the quarter ended 30 September 2012.

Key Highlights

- Guanaco Gold Mine produced 8,841oz of gold in the quarter ended September 2012 representing a 41% increase in gold production from the previous quarter.
- Gold produced from Guanaco totalled 20,374oz in the 9 months to September 2012. Silver production totalled 54,587oz for the same period.
- Exploration for further gold and silver deposits continues at Guanaco.
- Austral Gold continues its exploration program in Santa Cruz, Argentina and has initiated the process for environmental approval to commence drilling.
- The company is forecasting total 2012 production of approximately 35,000oz of gold equivalent ounces.
- Exploration drilling of copper porphyry targets continues at Guanaco.

CHILE

Guanaco

Background

The Guanaco mine is the company's primary asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of some 2,700m and 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a 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 includes the mining of ore from two open pits (Defensa and Perseverancia) at an average grade of 1.6 g/t gold. The majority of the ore processed is derived from the Cachinalito underground and nearby vein systems with 419,000oz in gold JORC Measured and Indicated resources averaging 3.2 g/t. 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), 0.5 to 3.0m wide, have been mined out, but the lower grade halos, below 3 g/t, can reach up to 20m in width. The alteration pattern and the mineralogical makeup of the Guanaco ores have led to its classification as a high sulfidation epithermal deposit.

Guanaco recommenced operations in August 2010 and poured its first doré bars in October 2010. In the 2012 calendar year, the company is forecasting total production of approximately 35,000 gold equivalent ounces from this operation.

Production

Production from heap leach process, using existing leach pads and new ore mined from two open pit mines, plus the underground operation generated 20,380oz 374oz of gold and 54,603oz 587oz of silver in the 9 months to September 2012. The cash operating cost was approximately US\$ 960 /oz (excluding royalties).

Production results for the September quarter were 41% higher than the previous quarter predominantly due to higher grade coming from underground ore. This trend is expected to continue with the new exploitation methodology implemented in the underground mine. In addition, a new higher-capacity carbon regeneration kiln has been commissioned from Australia and is due to be shipped from Perth in November. This investment is expected to further improve production efficiency from early 2013.

Gold and Silver Production:

Production	2010 Calendar Year	2011 Calendar Year	9 months to	
			September 2012	2012 Forecast
Gold (Au Oz)	332	12,373	20,374	33,000
Silver (Ag Oz)	431	37,511	54,587	99,000

Mining

Mining continued from both the open pit and underground mining operations. A total of 618,318t from two open pits (Perseverancia & Defensa) and from underground, were leached at an average grade of 2.11 g/t Au and 8.56 g/t Ag.

Underground mine development of 3,598m was completed with 78,851t of ore produced at a grade of 6.70 g/t Au and 5.93 g/t Ag.

Safety

No lost time incidents (LTIs) or nil-lost time incidents (NLTIs) were reported involving employees of the Company and its subsidiaries during the quarter ended 30 September 2012. All incidents are thoroughly investigated and in all cases corrective actions have been identified and implemented to prevent recurrence. Safety is a core value of the Company and the implementation of strategies to identify and manage risks in our workplaces being our highest priority.

Exploration Program

With production now well underway, the geological team has undertaken a review of the results from the 2010 drilling campaign to define an approach for the identification of extensions and new resources at Guanaco. In undertaking the review, the geological team reviewed data from the approximately one hundred thousand metres of drilling completed to date since 2004.

The 2012 Guanaco exploration program for precious metals involved 12,000 metres of RC drilling. The epithermal program was built around three main objectives:

1) Exploration of new epithermal ore shoots deposits related to main corridors with ~200k oz resource potential.

This objective corresponds to the activities developed in the an 11,700 ha area of focus within the 40,031 mine property at Guanaco. The program is focused mostly in the covered areas both east and west of the Guanaco deposit, that have never seriously been explored in the past where several lineaments following the projection of the major corridors are present. Currently, geologists are working on a reconnaissance program in these areas and an IP geophysics profile is in progress to support the target generation program.

2) Near mine extensions to existing epithermal ore bodies.

Either lateral extensions or parallel zones providing 20-30k oz potential. This program also includes the revision of intersections with gold grades greater than 5 g/t Au identified through previous drilling campaigns such as Veta Nueva (21 g/t Au at 6 metres depth), San Lorenzo, and Cerro Guanaquito veins (10 g/t Au at 4.8 metres depth).

3) Upgrade of inferred resources.

This program is targeting to upgrade approximately 600,000oz of gold that are currently in the inferred category into the measured and indicated categories.

Guanaco Operational Performance:

9 months to September 2012

Total Ore mined (t)	618,318
Ore from open pits (t)	508,471
Open pit grade (Au g/t)	1.17
Ore from underground (t)	78,851
Underground grade (Au /t)	6.70
Ore from old heaps (t)	30,996
Old heap grade (Au g/t)	0.8
Weighted average recovery (%)	58
Gold produced (oz)	20,374
Silver produced (oz)	54,587
Cash operating cost (US\$/oz)	960

Argentina

8 de Julio - Santa Cruz

The process for environmental impact study for the drilling stage has commenced during the quarter. A qualified consultant has been engaged to compile all remaining reports to fulfil requests from the authorities and to obtain appropriate permits to plan for upcoming drilling campaigns.

AMINSA - San Juan

Exploration plans for the upcoming drill season at the Rincones de Araya have been discussed with the AMINSA technical committee.

CORPORATE

Cash generated from the sale of gold and silver resulted in positive operating cash flows for the first time in the March 2012 quarter. The company has been self funding since this time and has not drawn on funds available under its funding agreement with major shareholder, IFISA. Total funds owing to IFISA at 30 September 2012 was US\$58.8m. The Company does not expect to make any further drawdowns on this facility.

By order of the Board



Catherine Lloyd
CFO & 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 18 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.