



AUSTRAL GOLD LIMITED
ABN 30 075 860 472
Terrace Tower
Suite 605
Level 6, 80 William Street
Sydney NSW 2011
T +61 2 9380 7233
F +61 2 9380 7972
info@australgold.com.au
www.australgold.com.au

29 October 2010

Austral Gold Limited (ASX:AGD) is pleased to advise the following activity for the **quarter ended 30 September 2010**

HIGHLIGHTS

- Bankable Feasibility Study on Guanaco Project released
- First gold production from Guanaco heap leach retreatment
- Recommencement of open cut mining at Guanaco
- June 2010 Annual Report released

EXPLORATION AND PRODUCTION – Chile

Guanaco

Bankable Feasibility Study

On 17 August 2010, Austral Gold released to the ASX the Bankable Feasibility Study (BFS) prepared by AMEC confirming the viability of the Guanaco Project. The key parameters identified through the BFS are as follows;

Reserves (probable)

Underground	1.51Mt @ 4.23 g/t Au	205,000 oz Au
Open Pit & Heap Leach	9.0Mt @ 0.62 g/t Au	179,000 oz Au

Financial Results

Start Up Capital Cost (including 10% contingency)	USD51.8M
Average Annual Gold Production	50,000oz
Payback	3.0 years
Internal Rate of Return	36.9%
Net Present Value (8% discount rate on cumulative net cash flow)	USD32.9M
Cash costs net of silver credit over projected mine life	USD560 per ounce

PRESS RELEASE

First Gold Production

Heap leaching recommenced during September 2010 with the recommissioning of the crushing circuit.

On 26 October 2010, Austral Gold announced pouring the first gold dore bar from retreatment of heap leach material. Gold production from the retreatment of heap leach material is estimated at 2,000 oz per month.

Recommencement of open cut mining

On 6 October 2010, Austral Gold announced the engagement of Incopesa, an open cut mining contractor, to undertake open pit mining and heap leach reclaiming operations with the objective of increasing gold production above 2,000 oz per month from heap leach retreatment alone.

Decline Construction

Decline construction commenced during March 2010 and is progressing ahead of schedule with accumulated progress to date of some 1200 metres. The decline will be completed in December 2010 and includes the construction of two ventilation raises and civil works at the decline portal.

Minesite Exploration

In September the 2010 drilling program concluded after completing 85 reverse circulation drill holes totaling 15,257 metres. The results of this drilling program are now being interpreted.

Exploration Tenements

There has been an increase of about 22% in the Company's tenements near Guanaco since June 2010. New claims were submitted during this quarter for 28 tenements totaling 7,500 hectares

EXPLORATION – Argentina

Austral Gold is active in the province of San Juan and has interests in the province of Santa Cruz.

San Juan

San Juan is in the north west of Argentina, near the border with Chile. Under an agreement with Argentina Minera SA (AMINSA), Austral Gold is earning an interest in tenements covering approximately 227,000 hectares in San Juan. These properties are located near Xstrata's advanced El Pachon copper exploration project in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

Results of the 2010 drilling campaign continue to be reviewed.

Santa Cruz

In southern Patagonia, Austral Gold has nine tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz.

Austral Gold technical staff and consultants visited the area to organise initial exploration in the area. This campaign has now started and comprises mapping and sampling.

CORPORATE

On 22 September, Austral Gold released its 30 June 2010 Annual Report including Directors Report, Remuneration Report and Annual Financial Statements. The net loss of the Consolidated Group from the 12 months to 30 June 2010 was \$9.2 million with total assets increasing by \$10.8 million to \$70.1 million during the same period.

Additional funds of USD10million were secured in September 2010 through a funding agreement with Inversiones Financieras del Sur SA (IFISA), the majority shareholder of Austral Gold, to finance continuing operations at Guanaco.

On 26 October, Austral Gold announced its Annual General Meeting will be held at 11am on 29 November 2010 at PKF offices, Level10, 1 Margaret Street, Sydney. The Notice of Meeting and Proxy form have been distributed to shareholders and are available on the Company's web site at www.australgold.com.au

By order of the Board

Catherine Lloyd
CFO & Company Secretary

Dr Robert Trzebski is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Master in International Project Management and has over 16 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 reserves noted in this Press Release.