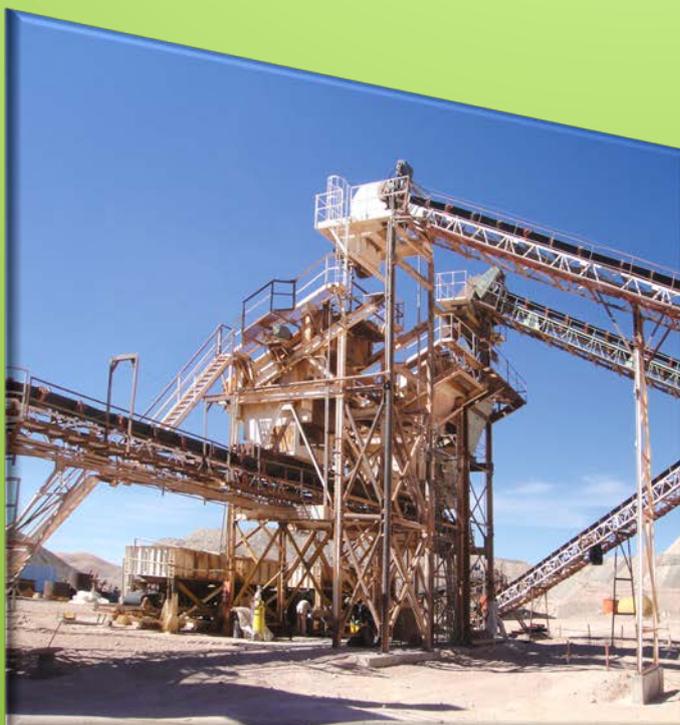




AUSTRALGOLD



JUNE 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 June 2012.

Key Highlights

- Guanaco Gold Mine produced 12,273 gold equivalent ounces (of which 94% was gold and the rest was silver) in the 6 months to June 2012. The June quarter generated the mine's highest gold production since it re-opened in 2010.
- Guanaco expands exploration program to identify high-grade mineralised zones.
- Exploration drilling of porphyry copper targets underway at Guanaco.
- Austral Gold continues its exploration program in Santa Cruz, Argentina.
- Guanaco gold production accelerating with increased underground mining rate.
- The company is forecasting total 2012 production of approximately 35,000oz of gold and approximately 100,000oz of silver.

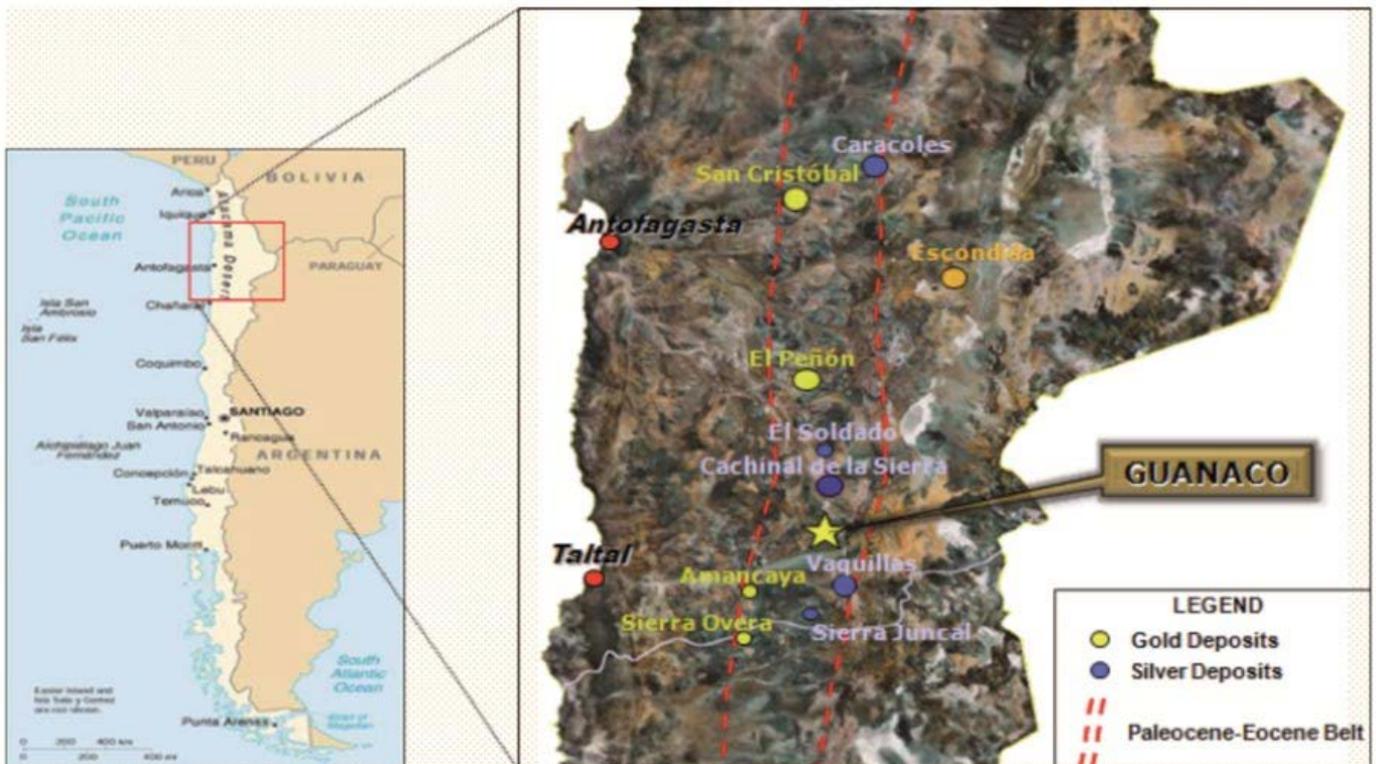


CHILE

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 is located 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a geologic structural trend which runs north/south down the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Penon 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 came 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 is graded outwards into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system, most of the gold mineralisation is concentrated between 75m and 200m and is contained in long shoots. High grade ore shoots (up to 180 g/t Au) 0.5 to 3.0m wide, have been mined out however 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 dore bars in October 2010. In 2012 the company is forecasting total production of approximately 35,000oz of gold and approximately 100,000oz of silver from the operations.

Production

Production from heap leach processes, using existing leach pads and new ore mined from two open pit mines, plus the underground operation generated 11,533oz of gold and 36,965oz of silver in the 6 months to June 2012. The cash operating cost was approximately US\$ 1,040/oz.

Gold and Silver Production:

Production	2010 Calendar Year	2011 Calendar Year	6 months to	
			June 2012	2012 Forecast
Gold (Au Oz)	332	12,373	11,533	35,000
Silver (Ag Oz)	431	37,511	36,965	100,000

Guanaco Operational Performance:

	6 months to June 2012
Total Ore mined (t)	389,248
Ore from open pits (t)	309,363
Open pit grade (Au g/t)	1.17
Ore from underground (t)	48,889
Underground grade (Au /t)	6.49
Ore from old heaps (t)	30,996
Old heap grade (Au g/t)	0.8
Weighted average recovery (%)	58
Gold produced (oz)	11,533
Silver produced (oz)	36,965
Cash operating cost (US\$/oz)	1,040

Mining

Mining continued from both the open pit and underground mining operations. A total of 611,923t from two open pits (Perseverancia & Defensa) were loaded and hauled, with 309,363t corresponding to ore at a grade of 1.17 g/t Au and 9.60 g/t Ag with the balance being waste.

Underground mine development of 1,282m was completed with 48,889t of ore produced at a grade of 6.49 g/t Au and 5.77 g/t Ag.

Safety

There were no lost time incidents (LTI) and one non-lost time accident (NLTA) reported during the quarter that affected Guanaco employees. The incident has been 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 is our highest priority.

Exploration Program

A 6,000 metre drilling program commenced during the quarter with the two main objectives of identifying continuity of precious metals around the known mineralized structures and to test for a possible copper porphyry type deposit at Guanaco.

The exploration program for a copper porphyry system involves five holes of 1,000 metres each . The first three holes involve 400 metre RC holes that will be extended by an additional 600 metres of DDH drilling.

Exploration for continuity of gold around known structures involves drilling a number of shallow holes around the mine area totaling 1,000 metres.

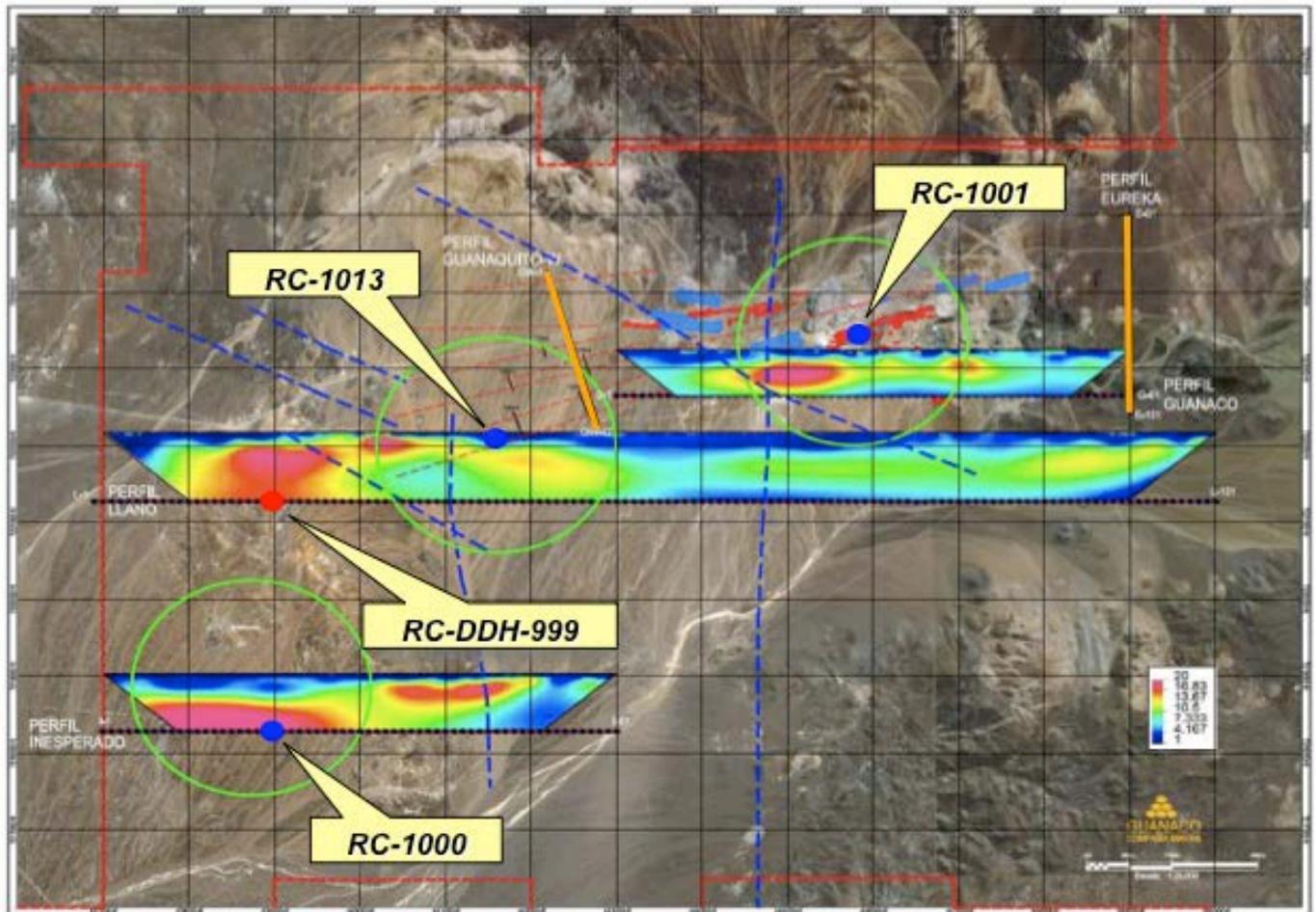


Fig. 1: Location of four diamond drillhole pre-collars

CORPORATE

Cash generated from the sale of gold and silver enabled the repayment of US\$2.3m to IFISA in May 2012. Total funds owing to IFISA at 30 June 2012 was US\$58.2m. The Company does not expect to make any further drawdowns on this facility.

The company continues to review growth initiatives in both Chile and Argentina.

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.