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PRESS RELEASE

South American focused gold mining and exploration company Austral Gold Limited (ASX: AGD) is pleased to report an improvement in its financial position following the commencement of gold production and generation of operating revenue for the first time from its 100% owned Guanaco Mine in FY2011.

HIGHLIGHTS

- De-risking of Guanaco Gold and SilverMine
- AGD Increased Resources at the Guanaco mine to 885,000 ounces of gold
- Exploration program was initiated in September
- AGD Strengthens Board with the appointment of Mr. Wayne Hubert

The de-risking of the Guanaco Mine has been reflected in the audited financial statements of the company's 2011 annual report released on 20 September 2011. Some key highlights include:

- **The independent valuation of Guanaco is now \$135.3 million**, significantly higher than the carrying value in the financial statements of \$90.1 million (\$20 million in tangible fixed assets + \$70 million of intangibles).
- An improvement in the debt profile of the group with facilities of approximately US \$10million available, and repayment now not due until September 2014.
- Positive operating cash flows projected for the next 12 months from mining operations.

Austral Gold is now on a much stronger financial footing and well placed to further improve operating and financial performance this coming year and beyond.

1. CHILE

Guanaco

Increase to Resources

On 6 September, Austral Gold announced a further increase to the gold and silver resource at Guanaco. The total gold resource at Guanaco increased to 884,653 ounces, an increase of 73,601 ounces to that reported in the Bankable Feasibility Study in August 2010. The increase in the gold resource was a result of the gold mineralisation discovered from the large underground 'Natalia' quartz vein structure which remains open at depth and along strike.

This new resource table was validated by Amec in compliance with JORC and NI 43-101.

Production

Production resulting from the retreatment of heap leach material and open pit mining is set out in the table below

	Mar 2011 Quarter	Jun 2011 Quarter	Sep 2011 Quarter	Total
Gold (Au)	2,457oz	3,234oz	3,241oz	8,932oz
Silver (Ag)	2,995oz	8,314oz	10,902oz	22,211oz

Exploration Program

The 2011 drilling campaign started on September 8th considering about 5,000 m of reverse circulation drilling (RC).. During the month of September, 15 RC holes totaling 3,294 meters were drilled, distributed in the Eureka-Palermo, Llano Guanaquito and Cerro Guanaquito targets. The most relevant visual results are related to the Cerro Guanaquito target where the drilling intercepted important silicified zones with typical gray silica veinlets for the mineralized zones of the Guanaco district.

The exploration program is focused around the Guanaco mine on high potential targets; initial results will be reported in November.

Financials

The Guanaco operation is currently cash flow positive and is being expanded using the heap leaching process to produce around 40K Gold Equivalent Ounces next year, which will generate significant cash flow increases for the year 2012.

2. ARGENTINA

Estancia 8 de Julio, Santa Cruz

During the September quarter, surface mapping was completed at the property, followed by a program of geophysics. Magnetometry over the Barroso Grande area on the property discovered two major trends, N70W and N70E. Systematic geochemical sampling of the quartz float in these areas returned values reaching up to 1.42 g/t Au.

In addition, several trenches were developed in the same Barroso Grande area in order to discover the source of the quartz float. The trenches uncovered the top of an epithermal system of veins and veinlets in a N60-70E direction, with widths varying between 5 and 40 centimeters. The veins were sampled and laboratory results are pending.

3. CORPORATE

On 18 October Austral Gold announced that Mr. Wayne Hubert joined the Board as a Non-Executive Director.

Mr. Hubert is a highly experienced and accomplished mining executive with over 15 years' experience working in the South American resources sector. From 2006 until 2010 he was the Chief Executive Officer of ASX-listed Andean Resources Limited, and led the team that increased Andean's value from \$70 million to \$3.5 billion in four years. Andean was developing a world-class silver and gold mine in Argentina with a resource of over 5 million ounces of gold when it was acquired by Goldcorp Inc. of Canada.

Mr. Hubert, who holds a bachelors in Engineering and a Master of Business Administration and has also held executive roles for Meridian Gold with experience in operations, finance and investor relations. Currently he is a Director of Samco Gold Limited, which is focused on gold exploration in Argentina, and a Director of Midas Gold Corp, a Canadian company with a 5.7 million ounce gold resource.

4. FUNDING

During the quarter, Austral Gold negotiated amendments to its funding agreements with Inversiones Financieras del Sur SA (IFISA) (substantial shareholder) to increase the amount of funds available for exploration, evaluation, development and production and to extend repayment terms.

At 30 September 2011 Austral Gold had USD 9.3million available through funding agreements with IFISA.

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.