

**Quarterly Report
1st Quarter ended 30 September 2008**

Austral Gold Limited

31 October 2008

Austral Gold Limited is pleased to advise the following activity for the **quarter ended 30 September 2008**

HIGHLIGHTS

There has been significant progress during the quarter, in terms of the operational focus of Austral Gold and its corporate development. Key outcomes for the period include:

- Stage 1 drill campaign results at Guanaco, Chile.
- Application for new tenements adjacent to and near Guanaco.
- Acquisition of new investments in Argentina.
- Funding Agreement signed to support the Company's on going exploration programs.

CORPORATE

Annual Report 2008

The Annual Report for the year ended June 2008 was released to the market on 23 September 2008 and the Annual General Meeting for shareholders has been scheduled for Wednesday 26 November 2008 in Sydney, Australia.

Funding Agreement

As announced to the ASX on 8 August 2008, Austral Gold signed a Funding Agreement with Guanaco Capital Holding Corp (GCH) upon which GCH has committed to lend Austral Gold up to US\$4 million at the 12-month term deposit interest rate published by Westpac. To 30 September 2008, GCH has lent A\$2.2 million including A\$9,000 in accrued interest.

EXPLORATION ACTIVITIES – Guanaco, Chile

a) Drill Campaign Results

The objective of this Stage 1 of Drilling Program was two-fold: to extend the recognised strike length of the Cachinalito Oeste Structure and to locate additional structures or veins known to occur parallel to existing structures in the district.

On 17 September 2008, Austral Gold released the results of the Stage 1 drill campaign.

The Stage 1 Program achieved its two objectives:

- Along Cachinalito Oeste the gold/silver bearing structure was extended 650 meters to the west, where 12 holes encountered a silica/quartz vein structure with low grade gold/silver anomalies.
- At the extension of Cachinalito Norte, a significant silica/quartz vein structure was encountered 120 meters to the south and parallel to the Cachinalito structure. This vein structure was named Natalia and contains the same mineral assemblages found in the gold-bearing veins in the district.

After further analysis of the Stage 1 results, Stage 2 will be undertaken. As a result of market conditions, the Stage 2 program has been reduced to approximately 1,000 metres of reverse circulation drilling and is expected to start in November.

Due to the market downturn, the Pre Feasibility Study into the restarting of mining and processing operations at Guanaco has been deferred.

b) Application to acquire new tenements adjacent to and near Guanaco

On September 18 2008, Austral Gold announced to ASX that Guanaco Compañía Minera, the Chilean subsidiary of Guanaco Mining Company 100% owned by Austral Gold, has formally initiated the process to acquire an additional 49 concessions totaling some 11,128 hectares located in close proximity to the Company's Guanaco advanced exploration project in Chile.

If granted, Guanaco Compañía Minera will hold almost 25,000 hectares in 270 concessions.

EXPLORATION ACTIVITIES – Argentina

New investments

Santa Cruz

On August 8 2008, Austral Gold announced it had recently acquired applications for tenements in the Province of Santa Cruz, Argentina. Guanaco Capital Holding Argentina (GCHA) wholly owned by Austral Gold, is the owner of 9 tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz.

AMINSA

An Earn In Agreement was signed with Argentina Minera S.A. (Aminsa) and its founders, Patricio Jones (CEO and Chairman of Suramina Resources, a company listed on the Toronto Stock Exchange with assets in Chile and Argentina), Ricardo Martinez and Roberto Martinez to jointly explore tenements covering approximately 227,000 hectares in the Province of San Juan in Argentina. The property is located within the Porphyry Piuquenes-Los Azules corridor near Xstrata's advanced El Pachón copper exploration project in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

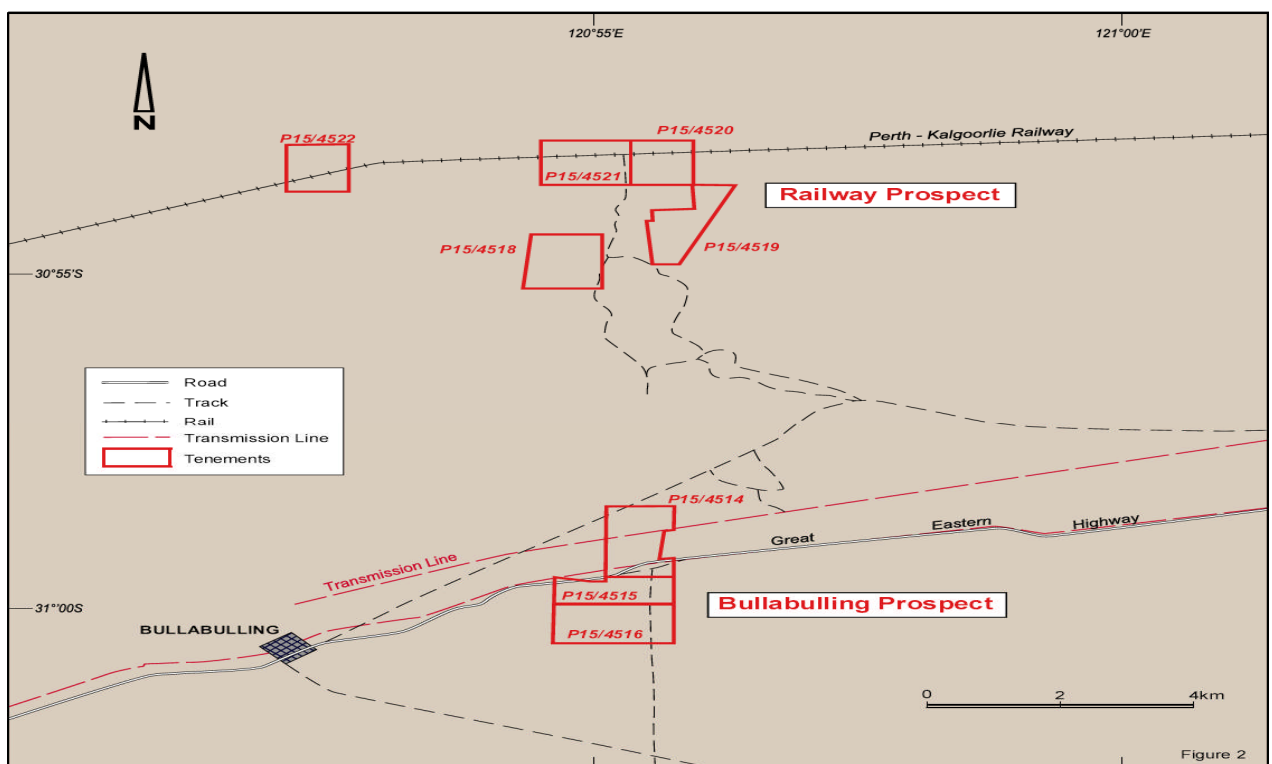
GCHA will earn in up to 50% of Aminsa in 5 years by contributing up to US \$15 million over this period.

EXPLORATION ACTIVITIES – Australia

Bullabulling Project (95% interest)

The Bullabulling Project is located about 60 km west-southwest of the City of Kalgoorlie-Boulder in the Eastern Goldfields Province of Western Australia. The project comprises 8 granted Prospecting Licences covering a total area of 1,233 ha in the historical Bullabulling gold mining area.

In September 2008, Austral Gold contracted with Optiro Pty Limited, a mining consulting firm in Western Australia, to explore and evaluate resources at Bullabulling. Optiro have since commenced research, desktop and field work on these tenements.



**AUSTRAL GOLD LIMITED
BULLABULLING PROJECT
TENEMENT LOCATION PLAN**

By Order of the Board

Catherine Lloyd
Company Secretary/Chief Financial Officer