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Austral Gold Limited (ASX:AGD) is pleased to advise the following activity for the **quarter ended 31 December 2010**

HIGHLIGHTS

- First gold dore bar poured
- Open cut mining recommenced
- Exploration decline completed
- Annual General Meeting (AGM) held on 29 November 2010 with approval of all five resolutions put to shareholders

1. EXPLORATION AND PRODUCTION – Chile

Guanaco

First Gold Production

On 26 October 2010, Austral Gold announced pouring the first gold dore bar from retreatment of heap leach material. Gold production is not yet continuous as the commissioning of the processing plant continues. Gold production for the quarter ending 31 December 2010 was 331 ounces and silver production 431 ounces.

With resolution of a number of commissioning problems, gold production is expected to improve in coming quarters.

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 operations at Guanaco. Work on deepening existing open pits and re-handling heap leach material for secondary treatment has now commenced with freshly mined ore now being delivered to the primary crusher.

Decline Construction

Decline construction was completed in December 2010 with a total length of 1,641 meters. Two ventilation raises and civil works at the decline portal were also constructed.

Minesite Exploration

During December 2010, the geology team focused on the conceptualisation of an exploration program in the Herradura-Salvadora sector to conduct a drilling campaign in 2011.

Exploration Tenements

There were no increases in Austral Gold's tenements near Guanaco since the last quarter.

PRESS RELEASE

2. EXPLORATION – Argentina

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

San Juan

AMINSA hired field staff to collect surface samples to further investigate the gold anomaly discovered in the last campaign. The target has been called “Rincones de Araya Este” and the objective of this sampling campaign is to determine the source of the anomaly.

Santa Cruz

During December 2010, mapping was completed of the entire property of 8 de Julio. Stabro Kasaneva and consultant Diego Guido undertook a detailed revision of the different geological indicators. In relation to this work, 13 target areas were mapped at a higher scale. At least three areas indicate veins with potential oreshoots. 91 samples were sent out for ICP assaying.

The geological report and final map is expected in January 2011. The following stages of exploration will depend on the results of geochemical sampling. Austral Gold anticipates applying ground magnetic in at least three areas being considered as high priority due to the indicators of surface mineralisation.

3. CORPORATE

On 29 November 2010, Austral Gold held its AGM in Sydney. A total of 148,333,392 valid proxies were received. All five resolutions put to shareholders were approved.

Results of the AGM were lodged with the ASX on 29 November 2010.

4. FUNDING

Austral Gold continues to draw on the Funding Facility provided by IFISA, its major shareholder, for Guanaco development.

Discussions are being held with a number of banks in relation to funding future capital developments as outlines in the BFS.

By order of the Board

Jemma Dudley-Smith
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.'