

MEDIA RELEASE

25 June 2012

Exploration drilling of porphyry copper underway at Guanaco

- **6,000 metre drilling program progressing**
- **Drilling to test possible copper porphyry structure at Guanaco**
- **Preliminary results expected in August**
- **AGD financial positioned strengthened with loan repayment and revised terms**

The Board of Austral Gold Limited (ASX: AGD) is pleased to advise that drilling contractor Major Drilling has been engaged to undertake an extensive drilling program at the company's flagship Guanaco project in Northern Chile.

A 6,000 metre drilling program has commenced to advance exploration of a possible copper porphyry type deposit at the project.

The campaign involves three holes of 1,000 metres each. Drilling has commenced on three 400 metre RC holes that will be extended by an additional 600 metres of DDH drilling. The company expects to report preliminary results in August 2012, after which time a second 6,000 metre drilling program will commence.

The company is also pleased to advise that it has successfully restructured its debt with major shareholder, Inversiones Financieras del Sur SA (IFISA) resulting in a significant reduction in the interest incurred on this borrowing. AGD will now pay an annual interest rate of 4% on the outstanding debt.

As reported in the Company's March quarterly 2012 update, gold production from the Guanaco mine has placed the company in a positive operating cash flow position. Subsequently, the company has been able to repay US\$2.3 million to IFISA reducing the outstanding principle to \$49.05 million.

The company looks forward to updating shareholders on its exploration activities as they progress.

By order of the Board

Catherine Lloyd
CFO and Company Secretary