

**Quarterly Report
4th Quarter ended 30 June 2008**

Austral Gold Limited

31 July 2008

Austral Gold Limited is pleased to advise the following activity for the **quarter ended 30 June 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:

- The conclusion of the sale of Rocklea Iron Ore Tenement EL47/957 for \$5.25 million.
- General Meeting of shareholders held on 28 May with all resolutions approved.
- Commencement of stage one of the 2008 drill campaign at the Guanaco Project, Chile.

CORPORATE

Annual General Meeting

At the AGM held on 28 May 2008, shareholders voted in favour of all resolutions as set out in the Notice of Meeting.

In summary, those resolutions were to;

- Consider and approve the acquisition by Austral Gold of all remaining fully paid shares in Guanaco Mining Company (GMC) bringing Austral Gold's direct & indirect interest in GMC to 100%.
- Elect Ms Natalia Zang as a Non- Executive Director.

Acquisition of remaining shares in GMC

On 28 May, Austral Gold shareholders approved the acquisition of all remaining shares in GMC with consideration being the issue of 101,500,000 new Austral Gold shares. The simplified company structure resulting from this transaction is reflected in Diagram 1 below.

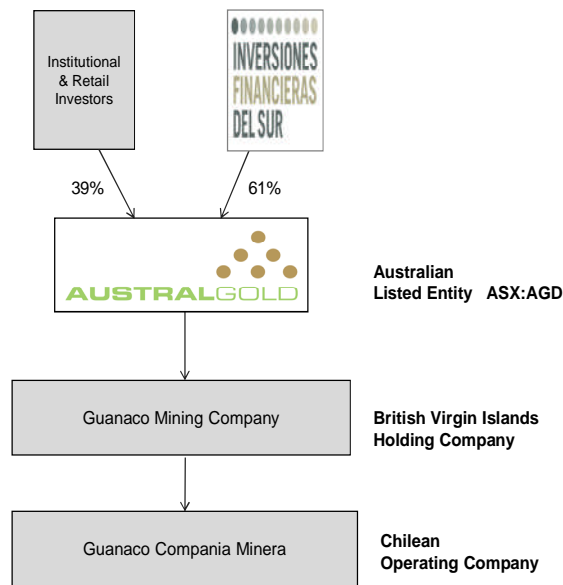


DIAGRAM 1: CORPORATE STRUCTURE POST 28 MAY 2008

The corporate restructure and the strengthening of the board will better position AGD for future business development and growth. AGD's largest shareholder IFISA, holds 61% of AGD. Previously the largest shareholder, GCH, held 78%. This signals a major change in the register.

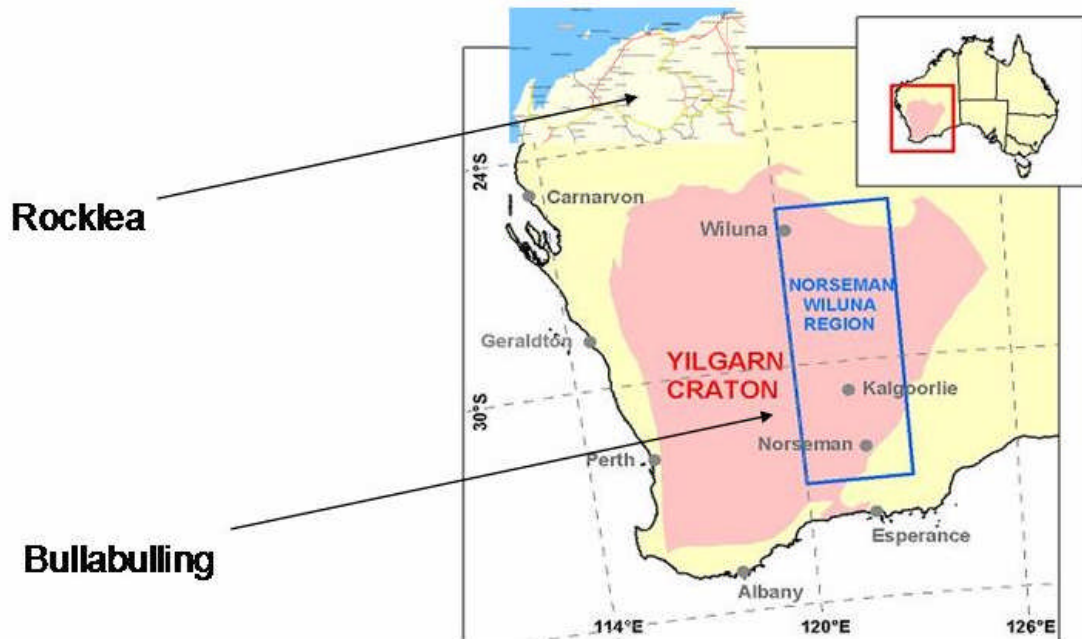
Appointment of Officers

Ms Natalia Zang's appointment by the AGD Board on 19 March as a full Director (formerly an Alternate Director) was supported and approved by the shareholders on 28 May 2008.

The inclusion of Ms Zang, who is based in Argentina, as a Non-Executive Director will also assist the company as AGD's activities increase in Chile. Her previous involvement as an Alternate Director also means that she has a detailed understanding of the business.

EXPLORATION ACTIVITIES - AUSTRALIA

Until recently, Austral Gold had six Australian exploration areas, all in Western Australia. Based on a technical review of the company's Australian exploration portfolio by independent expert Mr Peter Goldner, a consulting Geologist, the Company's portfolio has been rationalised to allow Austral Gold to focus on those areas of greatest prospectivity. This rationalisation continued in the June 2008 quarter with the forfeiture of Raeside and the sale of Rocklea.



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 eight granted Prospecting Licences covering a total area of 1,233 ha in the historical Bullabulling gold mining area.

Exploration of the Bullabulling Project is ongoing. The Company submitted a work plan to the WA Department of Industry and Resources and is now in discussions with contract exploration companies to carry out that work-plan in the September 2008 quarter.

Rocklea Project (100% interest)

Rocklea, in which Austral Gold held a 100% interest, is located in the western Pilbara region.

A 32 million tonne iron ore resource, identified by drilling some years ago, is partially located in our former EL 47/952 with the majority lying across the area's northern boundary.

Native Title issues in relation to Rocklea were resolved in late 2007 and Austral Gold was granted an Exploration Licence to the Rocklea project in January 2008.

The iron ore resource which has been identified within Austral Gold's Rocklea tenement is too small to justify standalone development. For that reason, Austral Gold initiated a sale process for EL 47/952 in mid January 2008.

Prime Corporate Finance, a Perth based investment bank, was mandated to advise Austral Gold on this transaction and PCF marketed this property to over 50 potential purchasers.

The sale process of the Rocklea Tenement EL47/952 was brought to a successful conclusion on 7 April with sale to Murchison Metals Limited for \$5.25 million.

CHILE

Guanaco Project

On 24 April 2008, Austral Gold released to the ASX an update to our resource position at Guanaco to reflect the results of a program of sonic drilling to assess the gold content of the leach pads.

The Company has recently appointed a Senior Exploration Geologist, Mr Carlos Peralta, who has been on site from early April 2008. As Head of Geology and Exploration, Mr Peralta will design and lead exploration and drilling activities on site. We are also appointing other experienced geologists to build a strong exploration team at Guanaco.

As announced to the ASX on 19 June, Austral Gold commenced stage one of the Company's 2008 drill program at the Guanaco Project in Chile. This announcement was accompanied by a resource statement identifying resources calculated by Dr Eduardo Magri of Magri Consultores Limitada. The Company would like to clarify that whilst Dr Magri was responsible for the calculation of these resource figures, Mr Terrence Wilsteed, in his capacity as Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', consented to the reporting of these figures in 2006 (and not Dr Magri as may have been implied in the 19 June report) and Dr Robert Trzebski, in his capacity as Competent Person, consented to the reporting of these figures in June 2008.

Following interpretation and mapping of first phase results, a second phase of drilling will take place in the December quarter 2008.

Our objective in this drilling is to increase in ground gold resources before commencing a feasibility study.

It is hoped that a feasibility study into the resumption of mining operations at Guanaco will be commenced soon and lead to a development decision in the first half of calendar 2009.

Shareholders will be kept informed of progress of any material increase to gold and silver resources as well as any significant steps towards and conduct of a feasibility study.

By Order of the Board

Catherine Lloyd
Company Secretary/Chief Financial Officer

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Austral Gold Limited

ABN

30 075 860 472

Quarter ended ("current quarter")

June 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(116)	(122)
(b) development	-	-
(c) production	-	-
(d) administration	(256)	(806)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	31	32
1.5 Interest and other costs of finance paid	(114)	(114)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	9
	(455)	(1,001)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	5,251	5,251
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	5,251	5,251
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	4,796	4,250

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	4,796	4,250
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	438
1.17	Repayment of borrowings	(2,841)	(2,841)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(2,841)	(2,403)
	Net increase (decrease) in cash held		
1.20	Cash at beginning of quarter/year to date	28	136
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,983	1,983

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 28 May 2008, shareholders approved the purchase of 49% of Guanaco Mining Company for the consideration of the issue of 101,500,000 new Austral Gold Limited fully paid, ordinary shares.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,545
4.2 Development	-
Total	1,545

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	12	22
5.2 Deposits at call	1,971	6
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,983	28

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Rocklea EL47/952		100%	Nil
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

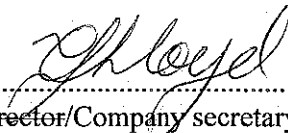
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	168,312,125	168,312,125		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	101,500,000	101,500,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	877,334 2,773,204		<i>Exercise price</i> 0.40 2.00	<i>Expiry date</i> 14/10/09 14/10/09
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* give a true and fair view of the matters disclosed.

Sign here:

 Date:31/07/08.....
(Director/Company secretary)

Print name:Catherine Lloyd.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.