Austral Gold Limited

ABN 30 075 860 472 ***formerly Diamond Rose NL***

Quarterly Report
Second Quarter December 2006

Austral Gold Limited
A.C.N. 075 860 472

Terrace Tower
Suite 201
Level 2 80 William Street
Sydney NSW 2011

Telephone: +61 2 9380 7233
Facsimile: +61 2 9380 7972

31 January 2007

The Board of Austral Gold Limited (formerly Diamond Rose NL) is pleased to advise the following activity for the quarter ended 31 December 2006.

HIGHLIGHTS

- Company changes name to Austral Gold Limited.
- Guanaco resource estimate completed.
- 2007 exploration programme planned.

CORPORATE

Annual General Meeting

All resolutions passed at the Company's Annual General Meeting held on 24 November 2006 have been implemented. These include the change of Company name to **Austral Gold Limited;** the Company's ASX code is now **AGD.**

Appointment of Alternate Director

Ms Natalia Zang was appointed as an alternate director for Mr Pablo Vergara del Carril.

EXPLORATION ACTIVITIES

AUSTRALIA

Bullabulling Project, [95% interest]

The Bullabulling Project is located 60 km west-southwest of Kalgoorlie 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.

Gold exploration was done by various explorers during the period 1980 to 1998 and limited activity has extended to the present day. This work was mainly concentrated on extensive RAB (rotary airblast) and aircore drilling with the objective of delineating deposits of supergene gold within the weathered rock profile (the regolith). More than 3 million tonnes with an average grade of about 1 gram per tonne [g/t] of gold [Au] have been treated by heap leach methods. The main workings and treatment facilities were located a short distance west of Prospecting Licences P15/4514, P15/4515 and P15/4516. This southern tenement group extends south-north and straddles the Great Eastern Highway. Available records suggest that no significant drilling has been done to investigate the potential for primary fresh rock (sub-regolith) gold mineralisation at Bullabulling.

Exploration by the Company has comprised geological structural interpretation of satellite imagery that resulted in identification of a major shear zone about 12 to 14 kilometres wide cuts across the P15/4514 to P15/4516 tenement group. Because of dense vegetation vehicular access is difficult. It is also difficult to access those parts of the tenements that lie

to the south of the Great Eastern Highway. During the last quarter 22 lag samples were collected along an 1,800m long north-south traverse to the north of the Great Eastern Highway.

The results of this programme indicated a significant anomaly. The analytical results indicate that background gold values range between 2 parts per billion (ppb) and 6 ppb. The anomaly has a peak of more than 300 ppb (0.34 parts per million). These results are considered to be highly significant.

Exploration of the Bullabulling Project is an ongoing project. Extensive additional soil lag sampling is planned for the southern tenement group. Soil lag sampling is also planned to investigate an interpreted shear zone in P15/4518 and P15/4519 of the northern tenement group.

A programme of soil lag sampling is planned for the P15/4514 to P15/4519 tenements. The objective is to identify significant gold targets and investigate deep target potential by RC drilling.

The northernmost tenements, P15/4520, P15/4521and P15/4522 straddle the wide Perth – Kalgoorlie railway earth workings and are inaccessible to systematic mineral exploration.

Kookynie Project, [95% interest]

The Kookynie Project is located about 45 km south east of Leonora in the Eastern Goldfields Province. It comprises two Exploration Licence applications E40/197 and E40/198 together with four Prospecting Licence applications P40/1112 and P40/1116 to P40/1118 covering a total area of 10.56 square kilometres [sq km]. Previous exploration activity has been concentrated on the search for regolith (weathered rock) hosted near surface small gold deposits.

The interpretation of both aeromagnetic data and Landsat TM satellite imagery has resulted in identification of numerous potential targets. Follow-up reconnaissance soil lag sampling is planned in order to assign priorities as a precursor to more detailed sampling with possible follow-up by RC drilling.

A reconnaissance programme of soil lag sampling is planned.

Leonora Project, [75% interest]

The Leonora Project is located about 10 km west of Leonora in the Eastern Goldfields Region of Western Australia. The Leonora Project comprises Exploration Licences E37/728 and E37/729 covering a total area of 414.0 sq km.

In the opinion of the Company's consultants the potential for discovery of significant gold or base metal deposits is limited and the future of this holding is therefore being reviewed.

Raeside Project, [75% interest]

The Raeside Project comprises Exploration Licence application E37/736 covering a total area of about 210 sq km and is centred 60 km west-northwest of Leonora.

Following a re-evaluation of all available data the Company's consultants have advised that continuation of exploration work on this tenement should be reviewed. The recent discovery of nickel sulphide mineralisation hosted by north-south trending ultramafics well to the north of E37/736 could be of significance and parts of E37/736 will be considered for retention.

Hann Project, [100% Interest]

The Company has applied for two exploration licences (E80/2782 - 2783) covering 388 sq km, located 350 km northeast of Derby.

Promising kimberlitic indicator minerals and some diamonds have been located within the Hann application. The area has structural similarities with the area in which the Aries kimberlite pipe occurs, which is about 50 km to the southwest.

Exploration over these areas to determine commercial potential is being planned in preparation of the grant of the application licences.

Rocklea Project, [100% interest]

Rocklea Project comprises Exploration Licence Application E04/832 covering a total area of approximately 207 sq km and is located in the West Pilbara Mineral Field of Western Australia.

The project area covers the southern half of the Archaean Rocklea Dome. The exposed rocks in the central part of this structure comprise very old granites and greenstones. These rocks are overlain by interbedded basaltic and sedimentary rocks of the Fortescue Group.

The most significant previous work done within and adjacent to the project area was iron ore exploration by Hamersley Exploration Pty Limited within and adjacent to the northeastern part of current Exploration Licence E47/952.

An indicated mineralisation reserve was quoted at that time of 31 million t grading 53.3% iron, 8.3% silica, 2.1% aluminium and 0.03% phosphorous with a loss on ignition of 11.4%.

Grant of the application is dependant on execution of Heritage Protection Agreements with the Innawonga Bunjima Nyiyaparli and Eastern Guruma Peoples and a State Deed with respect to the tenement. The Company is pursuing available options to meet the requirements of the Native Title Act in this regard.

CHILE

Guanaco Project, [35.78% interest]

Final results from the 2006 drilling programme including revised resource estimates have been received by the Company and are reported below.

The proposed 2007 programme is detailed following the report.

Introduction

The Guanaco project is located 185 kilometres [km] south east of Antofagasta, Chile.

Guanaco Compañía Minera [GMC] is owned by Guanaco Capital Holding [GCH] [64.22%] and Austral Gold Limited [35.78%]. In 1991 Amax Gold Inc. optioned the property from Minera Guanaco Ltda. and within one year developed a reserve of 11.5 million tonnes [t] containing 1.77 grams per tonne gold [g/t Au]. In 1992 Amax Gold leased additional property from ENAMI, a state-owned organization. Mining began in February 1993, and conventional heap leaching was employed for gold recovery. The operation was shut down in 1997 due mainly to the low gold prices and some metallurgical complications. Average production gold grades at the time of closure were between 3 and 4 g/t. In 1999 Kinross Gold acquired Amax and the property was taken over by its local subsidiary Kinam Guanaco. The present owners acquired the property in 2003 and currently control a 150 square kilometre [sq km] concession,

excluding the Soledad claim, adjacent to the Guanaco mine, as well as other minor third-party properties.

Mining Operations

Three open pits were developed by Amax Guanaco: Dumbo, Defensa and Perseverancia. These carried out mining operations along structure zones of the same names.

The Soledad operations are located immediately west of the Dumbo open pit and mined by underground methods on the Cachinalito, San Lorenzo and Silesia structures.

Geology and Exploration

The deposits are located within a 5 kilometre [km] long [E-W] and more than 1 km wide hydrothermally altered zone. Gold mineralisation at Guanaco is controlled by pervasively silicified, ENE trending sub-vertical zones and related hydrothermal breccias. Silicification grades outward into advanced argillic alteration, and further into zones with propylitic alteration. Dozens of mineralized veins have been exploited in the district, the most important veins being the Defensa, Perseverancia, Abundancia, and San Lorenzo.

In the Cachinalito vein system, most of the gold mineralisation is concentrated between the 2,500 and 2,650 metres [m] level. High grade ore shoots [up to 180 g/t Au], 0.5 to 3.0m wide, have been mined out, but the lower grade halos, below 2 g/t, can reach up to 20m in width.

The oxidation zone extends down 70 to 80m and is relatively free of copper. Gold grades in this zone are generally high, sometimes exceeding 50 g/t. The alteration pattern and the mineralogical makeup of the Guanaco ores have lead to its classification as a high sulfidation epithermal deposit.

GUANACO EXPLORATION PROGRAMME 2006

Phase I Geological Exploration and July 2006 Resource Estimation Report

GMC carried out exploration using reverse circulation [RC] and some diamond drillholes [DDH] on the Cachinalito structure as well as on the continuation of the Dumbo structure to the west of the open pit. These drilling activities were done between March and May, 2006, and have been reported on previously by the Company and can be viewed on the Company's website. A brief summary of this report is presented below:

Cachinalito Geological Resources – Average SG 2.40 g/cc

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au Krig	Au Oz	Tons	Au ID^2	Tons	Ag Krig	Ag Oz	Tons	Ag ID^2
Measured	170,303	8.39	45,926	170,303	9.08	170,303	3.10	16,968	170,303	3.13
Indicated	173,805	7.38	41,233	173,805	7.92	173,805	5.34	29,856	173,805	5.63
Inferred	91,968	12.17	35,996	91,968	12.15	91,968	9.54	28,196	91,968	10.36
Total	**436,075**	**8.79**	**123,165**	**436,075**	**9.27**	**438,880**	**5.35**	**75,503**	**436,075**	**5.65**

Dumbo West Geological Resources – Average SG 2.50 g/cc

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au Krig	Au Oz	Tons	Au ID^2	Tons	Ag Krig	Ag Oz	Tons	Ag ID^2
Measured	21,235	6.84	4,666	21,235	7.04	21,235	18.0	12,317	21,235	18.4
Indicated	76,675	7.64	18,826	76,675	7.74	76,675	22.7	55,916	76,675	22.6
Inferred	342,230	6.21	68,349	342,230	5.99	342,230	22.9	251,908	342,230	22.7
Total	**440,140**	**6.49**	**91,837**	**440,140**	**6.35**	**440,140**	**22.6**	**320,143**	**440,140**	**22.5**

A total of 110.651 ounce [oz] Au and 115,057 oz silver [Ag] are contained in the Measured plus Indicated categories for both ore zones combined. The total ore resources, including Inferred Resources, amounts to 215,002 oz Au and 395,646 oz Ag for both structures. Approximately 29% and 74% of the contained oz Au are in the inferred category for the Cachinalito and Dumbo West zones respectively, and further drilling was recommended to upgrade these resources to the measured plus indicated categories.

Phase II Geological Exploration and Final 2006 Resource Estimation Report

The Phase II RC drilling campaign was carried out between August and October, 2006. Quality control procedures similar to those used for Phase I exploration campaign were in place.

This report deals with the analyses of all data, gathered during the first plus second drilling campaigns, as well as the geostatistical resource estimation of the following vein zones:

- Cachinalito West Zone
- Cachinalito Central Zone
- Dumbo West Zone
- Perseverancia Zone

Prior to the geostatistical resource estimation work, the following tasks were carried out by GMC.

- Drillhole data base validation, which included surveys, assays and geological mapping.
- Construction of plans and sections.
- Construction of three dimensional solids representing 1.0 g/t Au only grade shells.

A 1.0 g/t cut off was used for the following reasons:

- The July resource estimation was done based on a 3.0 g/t Au only grade shell. With current metal prices and assuming an eventual mining operation that will use mining methods such as sub level stoping, the estimated cut off grade should be close to or lower than 2.0 g/t, which would render the July 2006 model obsolete.
- A large percentage of the estimated ore can be mined by open pit methods applying a cut off grade lower than 1.0 g/t.

- For modelling purposes, mainly in the Cachinalito West and Perseverancia areas, grades above 3.0 g/t show strong discontinuity along strike, while grades above 1.0 g/t show excellent continuity between geological sections.

The resource estimation was carried out by Consultant, Dr. Eduardo Magri, and Mr. Stabro Kasaneva [GMC] in late November 2006.

The present study corresponds to a geological resource estimation based on a 1.0 g/t Au only grade shell, and is not intended to be a statement of mineable reserves. Therefore, it is possible that some portions of the ore bodies could be economically mined by open pit methods at a 1.0 g/t cut off grade but deeper portions could require a higher cut off grade in order to mine them economically by underground methods.

The resources are summarized for the Cachinalito West, Cachinalito Central, Dumbo West and Perseverancia. An average specific gravity of 2.5 g/cc was used in all cases. A comparison against the estimation carried out by inverse distance weighting is also included in these tables. It can be seen that results are very similar.

Cachinalito West Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag
Measured	318,320	3.25	33,281	318,320	3.30	318,320	3.33	34,079	318,320	3.30
Indicated	432,040	2.99	41,573	432,040	3.00	432,040	3.61	50,185	432,040	3.54
Inferred	189,100	2.50	15,175	189,100	2.54	189,100	3.59	21,820	189,100	3.66
Total	**939,460**	**2.98**	**90,029**	**939,460**	**3.01**	**939,460**	**3.51**	**106,084**	**939,460**	**3.48**

Cachinalito Central Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag
Measured	540,340	5.42	94,209	540,340	5.55	540,340	3.42	59,378	540,340	3.39
Indicated	645,340	4.18	86,622	645,340	3.98	645,340	3.89	80,730	645,340	3.87
Inferred	464,460	3.94	58,894	464,460	4.15	464,460	4.97	74,170	464,460	5.00
Total	**1,650,140**	**4.52**	**239,724**	**1,650,140**	**4.54**	**1,650,140**	**4.04**	**214,277**	**1,650,140**	**4.03**

Dumbo West Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2		Kriging Cu		Cu ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag	Tons	Cu	Tons	Cu
Measured	158,440	2.88	14,660	158,440	2.80	158,440	10.55	53,725	158,440	10.44	158,440	0.91	158,440	0.92
Indicated	523,820	2.65	44,662	523,820	2.57	523,820	11.36	191,380	523,820	10.97	523,820	1.13	523,820	1.15
Inferred	1,405,440	1.77	80,068	1,405,440	1.75	1,405,440	11.62	524,826	1,405,440	12.17	1,386,100	1.80	1,386,100	1.96
Total	**2,087,700**	**2.08**	**139,390**	**2,087,700**	**2.03**	**2,087,700**	**11.47**	**769,931**	**2,087,700**	**11.73**	**2,068,360**	**1.56**	**2,068,360**	**1.67**

Perseverancia Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2		Kriging Cu		Cu ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag	Tons	Cu	Tons	Cu
Measured	65,780	4.04	8,540	65,780	4.04	65,780	18.48	39,082	65,780	18.05	65,780	0.19	65,780	0.19
Indicated	101,540	3.76	12,284	101,540	4.07	101,540	14.49	47,316	101,540	13.72	101,540	0.23	101,540	0.24
Inferred	58,700	3.27	6,173	58,700	3.42	58,700	16.26	30,677	58,700	15.71	58,700	0.50	58,700	0.45
Total	**226,020**	**3.72**	**26,997**	**226,020**	**3.89**	**226,020**	**16.11**	**117,075**	**226,020**	**15.49**	**226,020**	**0.29**	**226,020**	**0.28**

A total of 335,832 oz Au and 555,876 oz Ag are contained in the Measured plus Indicated Resource categories for all ore zones combined. The total resource, including Inferred Resources, amounts to 496,141 oz Au and 1,207,368 oz Ag for all mineralized structures.

The percentage of measured plus indicated resources relative to the total resources are 83.1%, 75.4%, 42.6% and 77.1% for Cachinalito West, Cachinalito Central, Dumbo West and Perseverancia zones respectively. The Dumbo West zone still needs further drilling in order to upgrade resource to the measured plus indicated category.

Summary of Twin Drillholes Results

A total of 3 twin drillholes were used to compare RD and DDH drilling assay results. Collars were a few meters apart and the sampling interval used was 1.0m. Matching samples on mineralized zones were identified by means of section plots. Statistical analyses were done and have previously been reported.

The following comments are made:

- Even though the twin drillholes intersected the same mineralized structures of economic interest, the Au, Ag and Copper [Cu] mean grades are significantly different:
- The RC mean gold grade is more than two times larger than that of the DDH drillholes.
- The RC mean silver grade is one third of the one observed for DDH holes.
- The RC mean copper grade is twice as large as the mean of the DDH holes.
- These large differences are believed to be due to the fact that the RC drillhole diameter is 13.97 centimetre [cm] diameter while the DDH diameter is HQ [6.3 cm]. Therefore, the RC samples are larger and more representative of this highly variable deposit. In theory, the nugget effect is inversely proportional to the sample mass. In this case, assuming a rock density of 2.5 g/cc, sample masses are of the order of 35 kilogram [kg] and 7.8 kg/m of drillhole for RC and DDH holes respectively. This represents a factor of 4.92 between sample masses.

GUANACO EXPLORATION PROGRAMME 2007

Introduction

An Environmental Permit necessary to drill a new 25,000m programme at the Guanaco gold-silver-copper deposit has been filed with the Chilean Environment Agency [CONAMA].

Programme

The new programme focuses on the known areas as well as new sectors and mineralisation targets.

The Cachinalito West structure was discovered during the 2006 exploration programme, and it represents the current best opportunity for the growth of resources. Additionally, the Salvadora Structure, which was first recognized during 2006, has potential to become a strongly mineralized system.

The new exploration targets have been defined in different zones of the mine property such as Sierra Inesperada, Pampa Guanaquito West, Sierras Las Pailas, etc. most of them covered by alluvium. In those cases, fences of holes will be drilled to intercept the projection of the structures.

This exploration programme follows a reinterpretation of the geology of the district, based on the re-logging of the drill holes completed in the area. Geophysics and geochemistry techniques have also been used in the definition and delineation of this new step in the exploration of the Guanaco District.

The programme has been separated into phases:

Phase 1: Reconnaissance programme of the extension of the Cachinalito West structure. This programme consists of the Exploration and Infill Drilling, maintaining systematic drilling grid of approximately 25 by 30m.

Phase 2: Revision of old exploitation zones. Reinterpretation of zones with little exploitation developments [Quillota Structure, Barite Structure, etc.].

Phase 3: Exploration programme for alluvial pampas with possible projection of known structures. In this effort, the fence methodology will be applied [western projection of the Cerro Guanaquito structures, Salvadora Structure, etc.].

Phase 4: Exploration of new areas reviewed in the past with negative results [Sierra Inesperada, Sierra Las Pailas, etc.].

Phase 5: Continuation of the investigation to discover the presence of porphyry copper mineralisation in the area mainly through deep drillholes on the most promising areas.

Harris y Cia Ltda, a Chilean drilling contractor, would conduct the drilling programme whilst Geoanalítica would conduct sample preparation and analysis. The international laboratory Actlabs would undertake independent check analysis of a statistically representative percentage of the samples.

Henry Kinstlinger
Company Secretary

DECLARATIONS

Australian Projects

Aspects of this report on the Austral Gold Australian projects that relate to Mineralisation, Mineral Resources or Ore Reserves are based on information compiled by persons who are Fellows or Members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and have sufficient relevant experience of the activity undertaken and of the mineralisation style and type of deposit described. They qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code). The above statement fairly reflects the reports prepared by these Competent Persons and has been prepared by T V Willsteed, BE [Min] Hons BA FAusIMM MSME as Competent Person for Austral Gold Limited. Mr Willsteed consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Guanaco Resource Estimate

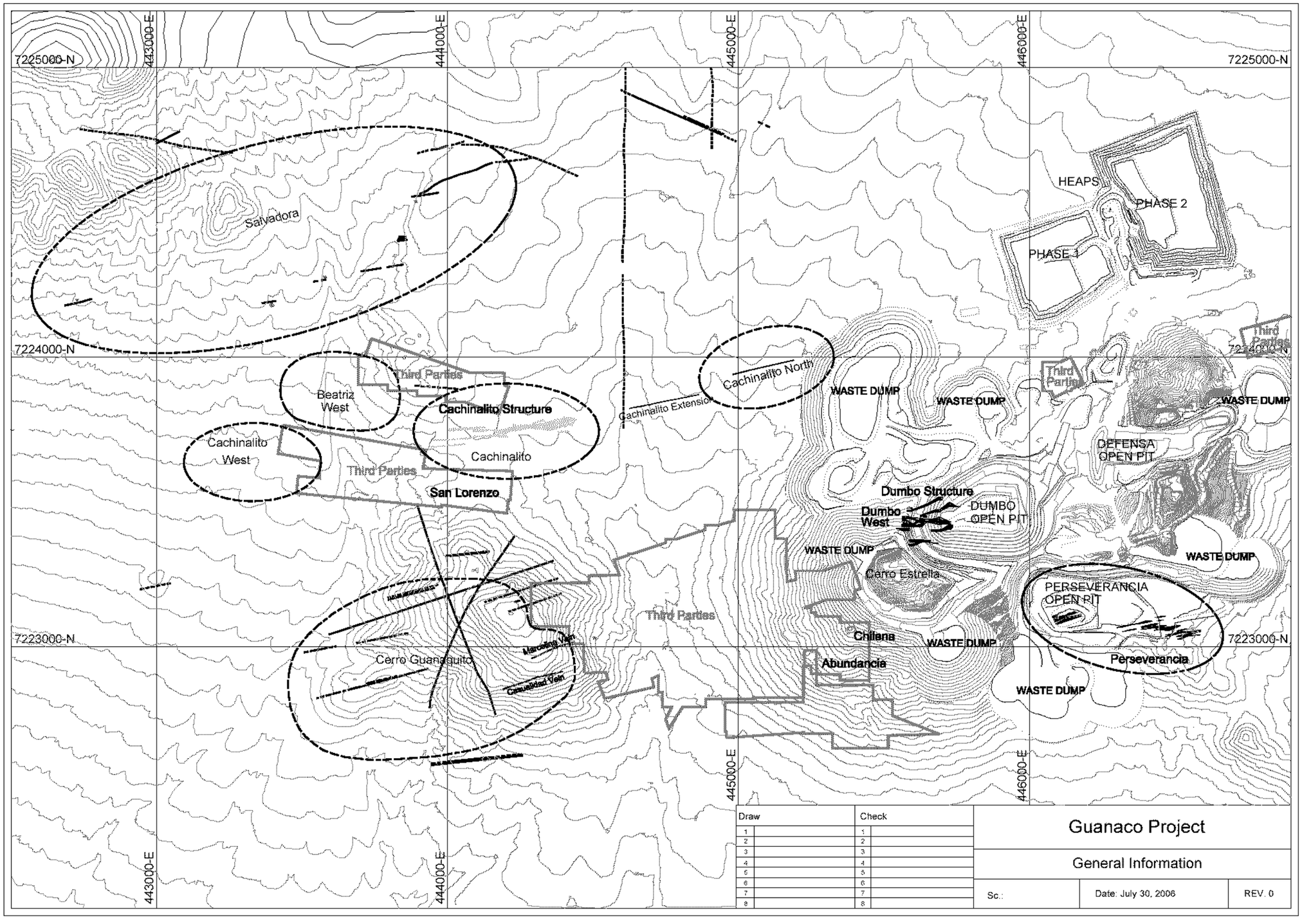
Dr Eduardo Magri who holds the degrees of Mining Engineer from the University of Chile, MSc from The Colorado School of Mines and PhD from the University of the Witwatersrand, Johannesburg, South Africa, is a fellow of the South African Institute of Mining and Metallurgy and has over 25 years experience in geostatistical resource estimation. He is a Qualified Person according to the definition set out in National Instrument 43-101 of the TSX and Ontario Securities Commission, and is therefore accredited to prepare reports on Exploration Results, Mineral Resources and Ore Reserve for submission to the ASX.

Dr Magri carried out standard geostatistical analyses to arrive at the geological resources contained in this report; however he did not review the drillhole database nor the geological modelling.

Guanaco 2007 Programme

This information is considered exploration information in terms required by the JORC Code standards for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

The statement on the Austral Gold Chilean Project has been based on programme reports prepared by the professional exploration staff and consulting geologists of Guanaco Mining Company. The statement fairly reflects the results reported by Guanaco Mining Company and has been prepared by T V Willsteed, Consulting Mining Engineer and Supervising Consultant, BE[Min]Hons, BA FAusIMM MSME, as Competent Person for Austral Gold Limited. Mr Willsteed consents to the inclusion on this report of the matters stated based on the information provided in the form and context in which it appears.


7225000-N
443000-E
444000-E
445000-E
446000-E
7224000-N
7223000-N
Salvadora
Beatriz West
Third Parties
Cachinalito Structure
Cachinalito West
Cachinalito
Third Parties
San Lorenzo
Cachinalito North
Cachinalito Extension
WASTE DUMP
WASTE DUMP
WASTE DUMP
HEAPS
PHASE 2
PHASE 1
Third Parties
Third Parties
DEFENSA OPEN PIT
Dumbo Structure
Dumbo West
DUMBO OPEN PIT
WASTE DUMP
Cerro Estrella
WASTE DUMP
PERSEVERANCIA OPEN PIT
Third Parties
Cerro Guanaquito
Marcelina Vein
Consuelo Vein
Chilena
WASTE DUMP
Abundancia
Perseverancia
WASTE DUMP
Draw
Check
Guanaco Project
General Information
Sc.:
Date: July 30, 2006
REV. 0