

**Quarterly Report
3rd Quarter ended 31 March 2008**

Austral Gold Limited
ACN 075 860 472

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ABN 30 075 860 472

Terrace Tower
Suite 605
Level 6 80 William Street
Sydney NSW 2011

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

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E-mail: info@australgold.com.au
Web: www.australgold.com.au

Austral Gold Limited is pleased to advise the following activity for the **quarter ended 31 March 2008**

HIGHLIGHTS

- Sale of Rocklea iron ore tenement EL47/957 for \$5.25 million.
- Continued exploration at Austral Gold's 51% owned Guanaco copper/gold project in Chile
- Continued rationalisation of Australian exploration portfolio to focus on Bullabulling
- General Meeting for shareholders scheduled for 28 May 2008

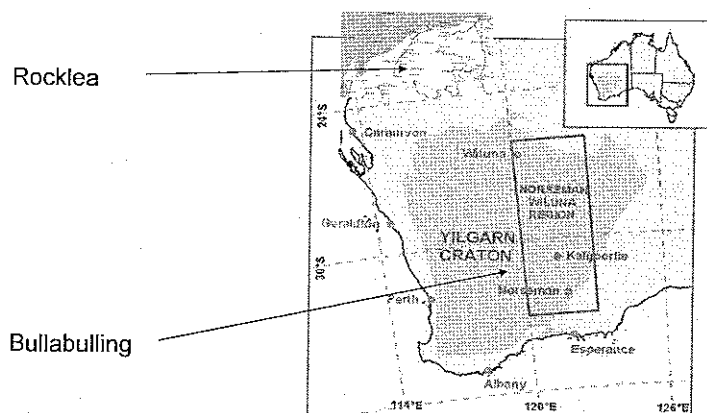
CORPORATE

Appointment of Officers

Ms Natalia Zang was appointed as a full Director (formerly an Alternate Director) on 19 March 2008.

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 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 rationalization continued in the March 2008 quarter with the forfeiture of Raeside, the surrender of Kookynie and the sale of Rocklea.



Sale of Rocklea Iron Ore Tenement

Rocklea Iron Ore Tenement EL47/952 is located in the western Pilbara region. 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 identified within Austral Gold's Rocklea tenement is too small to justify standalone development. For that reason, Austral Gold initiated a sale process for E47/952 in January 2008 and appointed Prime Corporate Finance Pty Limited to advise on its options to maximize the value for shareholders of the Rocklea asset.

Austral Gold announced the successful conclusion of this sale process on 8 April 2008 with the Company selling its 100% interest in EL47/952 to Murchison Metals Limited for \$5.25 million.

A portion of the consideration will be applied to repaying loans which have been advanced to Austral Gold by Guanaco Capital Holding, our major shareholder. These loans have been used to finance ongoing exploration at the Guanaco gold project in Chile.

The remainder of the sale proceeds from Rocklea will be applied to future expenditure commitments at Guanaco and Bullabulling in WA.

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.

The Company has submitted to the WA Department of Industry and Resources for approval a work plan for 2007/08 and is now in discussions with contract exploration companies to carry out that work-plan in the June and September 2008 quarters.

EXPLORATION ACTIVITIES – CHILE**Guanaco Project, 51% interest**

Exploration drilling at Guanaco has been focused in the Cachinalito, Dumbo and Perseverancia systems. Some 20,000 metres of reverse circulation drilling involving 60 holes was undertaken at Guanaco in calendar 2007.

Recruiting for the Head of Exploration was a focus in the March 2008 quarter with Carlos Peralta accepting the position and commencing work on 1 April 2008. Carlos' primary objectives are to design and lead the 2008 drilling program.

As advised to the ASX on 3 March 2008, the geophysical technique known as CSAMT was used over 60 line kilometers at Guanaco and over 70 high priority drill targets have resulted. A reverse circulation drilling rig has been contracted and the first phase of the 2008 drilling program will take place in June and July.

Following interpretation and mapping of first phase results, a second phase of drilling will take place in October and November 2008.

Our objective in this drilling is to increase in ground gold resources to over 750,000 ounces Au before commencing a feasibility study.

On 14 April 2008, and amended on 24 April 2008 Austral Gold released to the market, 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 total increase to gold resources in that announcement was a possible 194,317 ounces.

By Order of the Board

Catherine Lloyd
Company Secretary/Chief Financial Officer