

AUSTRAL GOLD LIMITED

ABN 30 075 860 472

Quarterly Report 1st Quarter September 2007

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Austral Gold Limited is pleased to advise the following activity for the quarter ended 30 September 2007.

HIGHLIGHTS

- Stage 2 of exploration program completed in Guanaco, Chile
- Consolidation of tenements portfolio in Western Australia
- Mr Eduardo Elsztain appointed as Director on 29 June 2007
- Mr Saul Zang appointed as Director on 29 June 2007
- Continued financial support by Guanaco Capital Holding

CORPORATE

Appointment of Directors

Mr Eduardo Elsztain consented to act as Director of Austral Gold Limited and was appointed on 29 June 2007.

Mr Elsztain is a member of the World Economic Forum, the Group of Fifty and Asociación Empresaria Argentina (Argentine Business Association) and currently serves as Vice Chairman and Chairman of the Executive Committee of Banco Hipotecario S.A. [BASE: BHIP], Argentina's largest mortgage bank, having assets close to US\$3 billion, in addition to a 25% share of the mortgage market in that country.

Mr Elsztain is Chairman of IRSA Inversiones y Representaciones S.A. [NYSE: IRS], Argentina's largest and most diversified real estate company with a current enterprise value close to of US\$ 2 billion, Alto Palermo S.A. [NASDAQ: APSA], Argentina's leading shopping centre company with 10 shopping malls and two currently under construction and of Cresud S.A.C.I.F. y A. [NASDAQ: CRESY], a leading agricultural company in Latin America devoted to the operation and conformation of a valuable portfolio of farmland.

He is also a Board Member of BrasilAgro – Companhia Brasileira de Propriedades Agrícolas [BOVESPA: AGRO3]; a company which replicates Cresud's business

strategy in Brazil as well as Director of YPF S.A. [NYSE: YPF], the largest oil and gas company in Argentina.

Mr Saul Zang consented to act as Director of Austral Gold Limited and was appointed on 29 June 2007.

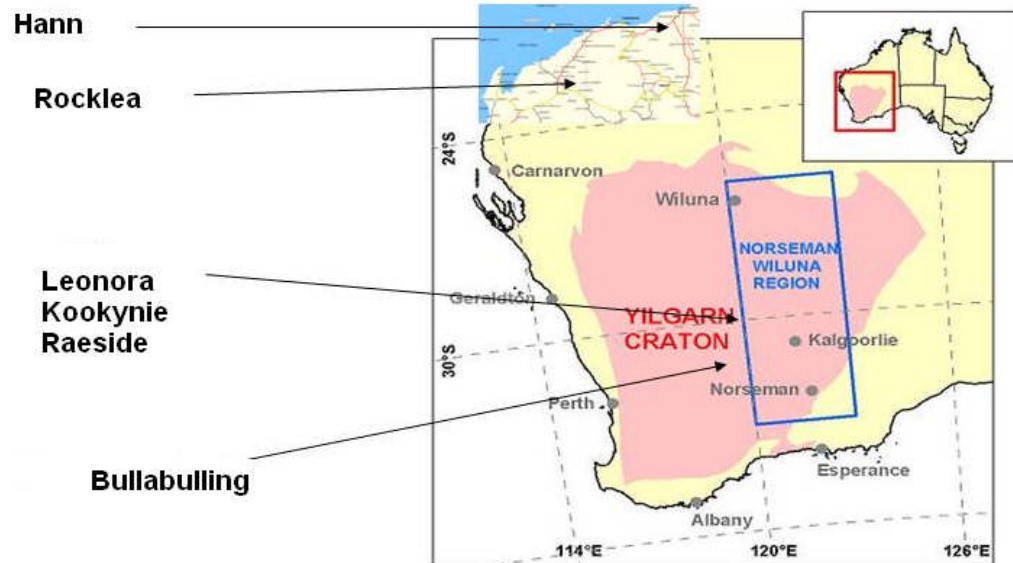
Mr Zang graduated as a lawyer from Buenos Aires University in 1968 and founded the law firm Zang, Bergel and Vines where he is a Senior Partner. He has advised national and international companies in different areas of the legal practice, including the privatization process of YPF S.A. and State Owned Electricity Company of the Province of Buenos Aires.

Mr Zang serves as Vice Chairman of IRSA Inversiones y Representaciones S.A., Cresud S.A.C.I.F. y A. and Alto Palermo S.A.

Mr Zang is Adviser and Member of the Board of Directors of the Buenos Aires Stock Exchange, a Member of the Executive Board of Directors of Banco Hipotecario S.A. and a member of the International Bar Association.

EXPLORATION ACTIVITIES

AUSTRALIA



Austral Gold's Australian exploration areas are all in Western Australia. They are of varying quality and some have administrative issues which are being addressed by the Board.

In late 2006, the Company initiated an independent technical review of its Australian exploration portfolio by an independent expert geologist.

Based on that review, the Company's portfolio has been rationalised to allow Austral Gold to focus on those areas of greatest prospectivity.

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

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 which cuts across the P15/4514 to P15/4516 tenement group. In November – December 2006, 22 soil lag samples were collected along a 1,800 metres long north-south traverse to the north of the Great Eastern Highway. The results of this program 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).

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 program 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.

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 was planned in order to assign priorities as a precursor to more detailed sampling with possible follow-up by RC drilling.

In July 2007, a reconnaissance program of soil lag sampling was hampered by heavy rains including consequent flooding of areas of the project.

Due to low mineral prospectivity, the Company decided to relinquish tenements E40/197 and E40/198.

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. Grant of the application is dependant on execution of Heritage Protection Agreements.

Agreements with the Innawonga Bunjima Nyiyaparli and Eastern Guruma Peoples and a State Deed are required in respect to the tenement. The Company is pursuing available options to meet the requirements of the Native Title Act in this regard.

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 sq km.

In the opinion of the Company's consultants, the potential for discovery of significant gold or base metal deposits is limited and this tenement was relinquished.

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 decided to relinquish this tenement.

Hann Project (100% interest)

In February 2006, the Company applied for two exploration licences (E80/2782 - 2783) covering 388 sq km, located 350 km northeast of Derby.

Exploration in these areas is high cost and in view of low prospectivity, the application has been withdrawn.

CHILE

Guanaco Project, 51% interest

The second stage of the 2007 drilling program was completed at the Guanaco gold-silver copper deposit in Chile. Drilling was undertaken between August and September 2007.

Interim results of the drilling program are reported below.

Background

The Guanaco District is part of Chile's Palaeocene porphyry belt. The Guanaco property is located 185 km southeast of Antofagasta in the north of Chile.

The Guanaco project covers 150 sq km of concessions which exclude the Soledad claims, adjacent to the Guanaco mine, as well as a few minor third-parties properties.

The first stage of the 2007 drilling program was undertaken in March-May 2007 and identified several prospective anomalous structures. The objective of the second stage was to test these anomalies by smaller scale drilling which focused on Cachinalito Oeste, Cerro Guanaquito and Salvadora vein systems.

Program Highlights

A total of 9,607 meters corresponding to 39 holes was drilled at Cachinalito Oeste, Guanaquito Oeste and Salvadora reporting anomalous intersections.

Area	Number of Holes	Meters
Cachinalito Oeste	23	5270
Guanaquito Oeste	9	2505
Salvadora	7	1832
Total	39	9607

The recent results returned the following findings:

- Cachanalito Oeste, 23 holes were drilled equivalent to a total of 5,270 meters and showed significant Au/Ag anomalies at RC-740, RC-745 and RC-752.
- Cerro Guanaquito, 8 holes were drilled of total 2,115 meters show significant mineralisation at RC-754 between 269 and 274 with 0.6-1.1 gpt Au, 12-25 gpt Ag and 0.64% Cu.
- Two holes RC-764 and RC-766 were drilled at shallow levels of max 3 meters around Salvadora and intercepted siliceous mineralisations. Results of geochemical analysis yet to be reported.

Geological surface mapping is currently being finalised in the area of Sierra El Inesperado which is due to be completed by the end of October 2007.

At the time of completing the report, an extra hole CG-09 was being drilled up to 410 metres in depth to define the level of oxides and continuation of sulphide mineralisations.

The results of the drilling are listed below:

Hole ID	Sector	Section East	From	To	Length m	Level m	Au PPM	Ag PPM	Cu %
RC-738	Cachinalito Oeste	442925	135	136	1	2561	0,040	0,10	0,2463
			164	165	1	2538	0,020	0,10	0,1115
RC-739	Cachinalito Oeste	442925	98	99	1	2594	0,001	1,00	0,1400
			155	160	5	2543	0,001	2,20	0,0010
			214	215	1	2494	0,080	2,00	0,0386
RC-740	Cachinalito Oeste	442925	157	160	3	2548	0,041	4,67	0,0105
			172	176	4	2535	0,001	2,75	0,0065
			194	196	2	2517	0,006	5,50	0,0053
			197	198	1	2515	0,210	0,10	0,0072
RC-741	Cachinalito Oeste	442775	41	42	1	2633	0,100	0,10	0,0001
RC-742	Cachinalito Oeste	442775	90	93	3	2597	0,033	1,00	0,0031
			96	99	3	2592	0,030	1,33	0,0111
			112	113	1	2580	0,001	1,00	0,1025
			172	174	2	2528	0,002	2,00	0,0080
RC-743	Cachinalito Oeste	442775	246	248	2	2470	0,035	0,10	0,1522
RC-744	Cachinalito Oeste	442625	243	245	2	2477	0,001	2,00	0,0031
RC-745	Cachinalito Oeste	442625	128	129	1	2568	0,160	2,00	0,0114
			135	136	1	2562	0,080	2,00	0,0091
RC-746	Cachinalito Oeste	442625	No interesting values						
RC-747	Cachinalito Oeste	442625	151	152	1	2558	0,180	8,00	0,0036
RC-748	Cachinalito Oeste	442475	56	58	2	2620	0,001	1,00	0,00155
RC-749	Cachinalito Oeste	442475	85	88	3	2602	0,007	1,33	0,0022
RC-750	Cachinalito Oeste	442475	119	129	10	2577	0,038	7,2	0,0039
RC-751	Cachinalito Oeste	442625	111	113	2	2594	0,001	2,00	0,00175
			115	120	5	2590	0,007	3,20	0,00916
			160	162	2	2557	0,001	5,00	0,00445
RC-752	Cachinalito Oeste	443000	18	20	2	2655	0,190	0,10	0,0010
RC-753	Guanaquito Oeste	443375	149	153	4	2537	0,011	1,50	0,0101
			199	202	3	2494	0,033	1,00	0,0030
			216	219	3	2479	0,027	2,33	0,0113
Hole ID	Sector	Section East	From	To	Length m	Level m	Au PPM	Ag PPM	Cu %
RC-754	Guanaquito Oeste	443375	127	130	3	2558	1,360	12,67	0,0342
			131	132	1	2556	0,320	3,00	0,0444
			210	216	6	2488	0,343	2,83	0,1191
			241	246	5	2461	0,386	2,20	0,03184
			270	272	2	2437	1,130	24,5	1,42965
			300	305	5	2412	0,378	5,80	0,026867
RC-755	Guanaquito Oeste	443224,88	No interesting values						
RC-756	Guanaquito Oeste	443225	No interesting values						
RC-757	Guanaquito Oeste	443075	107	109	2	2569	0,020	1,00	0,0113
			210	212	2	2487	0,001	1,00	0,0013
RC-758	Guanaquito Oeste	443075	No interesting values						
RC-759	Guanaquito Oeste	442925	195	196	1	2475	0,001	0,10	0,1195
			279	283	4	2403	0,055	3,50	0,0091
RC-760	Guanaquito Oeste	442925	No interesting values						
RC-761	Salvadora	442400	192	194	2		0,001	3,00	0,0021
			216	223	7		0,009	17,14	0,0029
			233	235	2		0,001	4,50	0,0016
			255	260	5		0,003	3,20	0,0004
RC-762	Cachinalito Oeste	442475	194	195	1	2516	0,001	1,00	0,0362
RC-763	Cachinalito Oeste	442475	103	104	1	2594	0,070	3,00	0,0040
RC-764	Salvadora	442400	210	212	2		0,001	8,00	0,0029
			219	222	3		0,001	15,00	0,0042
			237	244	7		0,001	5,43	0,0039
RC-765	Cachinalito Oeste	442525	104	105	1	2594	0,120	2,00	0,0091
RC-766	Salvadora	442200	Pending assays						
RC-767	Cachinalito Oeste	442425	111	112	1	2587	0,060	0,10	0,0018
			124	125	1	2577	0,080	2,00	0,0041
RC-768	Salvadora	442200	35	38	3		0,004	3,67	0,0027
			78	85	7		0,005	6,00	0,0029
			104	108	4		0,001	3,00	0,0019
			112	122	10		0,018	3,40	0,0032
RC-769	Cachinalito Oeste	442625	Pending assays						
RC-770	Cerro Guanaquito	443375	Pending assays						
RC-771	Salvadora	443400	Pending assays						
RC-772	Cachinalito Oeste	442625	Pending assays						
RC-773	Salvadora	442725	Pending assays						
RC-774	Cachinalito Oeste	443050	Pending assays						
RC-775	Salvadora	443650	Pending assays						
RC-776	Cachinalito Oeste	442925	Pending assays						