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Company Announcement Office
Australian Stock Exchange Limited

BANKABLE FEASIBILITY STUDY CONFIRMS VIABILITY OF GUANACO MINE PROJECT

In October 2009, Austral Gold Limited (ASX : AGD) mandated AMEC International (Chile SA) to undertake a Bankable Feasibility Study (BFS) into the reopening of AGD's 100% owned Guanaco Project located in Region II of Chile.

Commencing late July, final chapters of the BFS have been received by the Company and the AGD Board met to review the BFS which confirms the viability of reopening the historic Guanaco Gold Mine. Key parameters identified by the BFS are as follows:

Reserves (probable)

Underground	1.51Mt @ 4.23 g/t Au	205,000 oz Au
Open Pit & Heap Leach	9.0Mt @ 0.62 g/t Au	179,000 oz Au

Financial Results

Start Up Capital Cost (including 10% contingency)	USD51.8M
Average Annual Gold Production	50,000oz
Payback	3.0 years
Internal Rate of Return	36.9%
Net Present Value (8% discount rate on cumulative net cash flow)	USD32.9M
Cash costs net of silver credit over projected mine life	USD560 per ounce

The underground and open pit and heap leach reserves appearing above have been calculated using a gold price of USD825 per oz and a silver price of USD12.50 per oz.

The above financial results are projected on a gold price declining from USD1130 in 2010 to USD960 in 2016 per oz and a silver price of \$15.15 per ounce remaining constant over the projected mine life of five years.

As already announced to the ASX, environmental approvals for the project have been granted by the relevant authority for Region II of Chile in July 2009 and the Company holds adequate water rights for the project.

The Company has yet to make a decision in relation to the development of underground and open cut mining at Guanaco. The decline to allow underground delineation of the Cachinalito and nearby vein systems has now been driven a total of 770 metres and is 65% complete. The decline should be completed by December 2010.

The Bankable Feasibility Study is available on the Company's website.

Shareholders and the ASX will be informed when a development decision to recommence mining of open cut and/or underground ore is made.

A separate ASX release made on 12 August outlines the current status of activities towards early gold production from retreatment of heap leach material.

By order of the Board

Catherine Lloyd
Company Secretary

Dr Robert Trzebski is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Master in International Project Management and has over 13 years professional experience in mineral exploration, project management and research and development.

Dr Robert Trzebski is a member of the Australian Institute of Mining and Metallurgy (AUSIMM) and qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Robert Trzebski consents to the inclusion of the reserves noted in this Press Release.