AUSTRAL GOLD LIMITED

AND ITS SUBSIDIARIES

ABN 30 075 860 472

ANNUAL REPORT
2008

AUSTRALGOLD

Austral Gold Limited
ABN 30 075 860 472

Contents

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Chairman's Letter

Dear Shareholder

2007/08 has been a year of progress on a number of fronts for Austral Gold.

In Australia, rationalisation of our portfolio of exploration properties has been completed with the sale of Austral Gold's Rocklea iron ore prospect in the West Pilbara for $5.25 million to Murchison Metals Limited in April 2008. Rocklea has an identified iron ore resource but it is too small for stand alone development.

Since 30 June 2008, Austral Gold acquired a 100% interest in Guanaco Capital Holding Argentina, and with it, the option to earn up to 50% of the Aminsa projects in the Province of San Juan in Argentina. Guanaco Capital Holding Argentina has also made applications for nine tenements in the Province of Santa Cruz in the south of Argentina.

Our current technical and expenditure focus remains on the Guanaco Project in Chile. Following approval of a restructuring resolution at the General Meeting of shareholders in May 2008, Austral Gold now owns 100% of the Guanaco Project through its subsidiary Guanaco Mining Company.

A number of exploration activities were completed at Guanaco during 2007/08. These included a major geophysical survey, geochemistry and a structural geology review all of which were designed to guide the 2008 drilling program, Stage 1 of which commenced in June 2008. The key outcomes of this drilling were the confirmation of strike extensions to known gold bearing structures and the identification of a new structure, the Natalia trend, parallel to and south of the Cachinalito Norte trend.

Analysis of these results and preparation for Stage 2 drilling due to start in October 2008 are in hand. I will be in a position to update shareholders on Stage 2 progress at the Annual General Meeting in late November.

Austral Gold continues to be well served by its staff both on site at Guanaco, led by Exploration Manager, Carlos Peralta and in our small Sydney office, led by Company Secretary and CFO, Catherine Lloyd. On behalf of shareholders I thank them for their loyalty and their efforts.

Mark Bethwaite
Chairman

Corporate Directory

Directors:	Mark Bethwaite - Chairman Eduardo Elsztain – Non Executive Director Saul Zang – Non Executive Director Pablo Vergara del Carril - Non Executive Director Natalia Zang – Non Executive Director Robert Trzebski - Non Executive Director
Company Secretary:	Catherine Lloyd
Management:	Ema Volavola - Office Manager
Registered Principal Office:	Suite 605, 80 William Street Sydney NSW 2011 Telephone: (02) 9380 7233 Facsimile: (02) 9380 7972 Email: info@australgold.com.au Website: www.australgold.com.au
Auditors:	PKF Level 10, 1 Margaret Street Sydney NSW 2000
Share Registry:	Computershare GPO Box 2975 Melbourne VIC 3001 Tel (within Australia) 1300 850 505 Tel (outside Australia) +61 3 9415 5000
Principal Bankers:	National Australia Bank Limited
Solicitors:	Steinepreis Paganin, Perth WA
Listed:	Australian Stock Exchange
Code:	AGD
Place of Incorporation:	Western Australia

Review of Activities

The strategy of Austral Gold Limited (the Company) is to maximize shareholder value through the development of mineral deposits in which the Company has an interest, providing such development demonstrates superior rates of return.

The Company continues to explore and invest in its Guanaco Project in northern Chile to expand its mineral resources, increase the property's potential annual production and improve its financial viability. By early 2009, the Company expects to complete, in parallel with an ongoing exploration program, a Pre-Feasibility Study. This may be followed by a Bankable Feasibility Study to determine the financial viability of the Guanaco Project and propose an optimal plan for the extraction of gold and silver.

The Company also expects to acquire further properties in the Guanaco region and in Argentina and will pursue joint ventures with other successful mining exploration companies.

Guanaco Project, Chile (100% interest)

Background

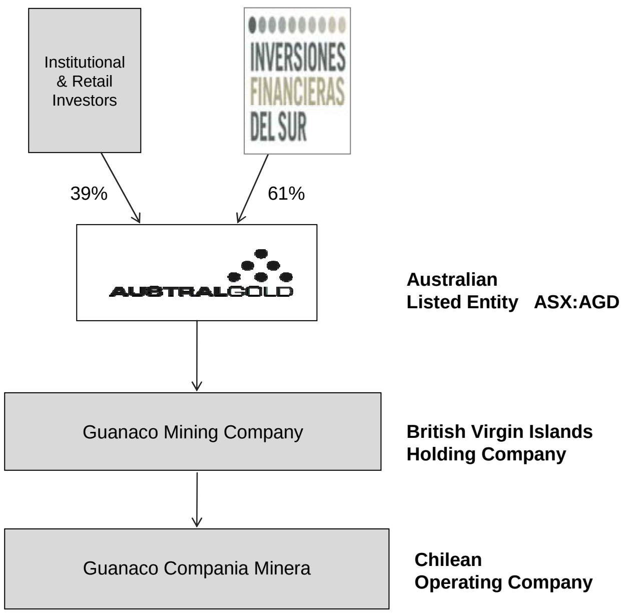
In January 2003 Austral Gold Limited obtained, through its subsidiary Golden Rose International Limited (GRIL), an option to acquire the Guanaco Project in Chile from subsidiaries of Kinross Gold Corporation. At a General Meeting of the Company held on 14 March 2003, the Shareholders approved the acquisition by the Company of an interest in the Guanaco Project.

Guanaco Capital Holding (GCH) (an entity under the control of Eduardo Elsztain, a prominent South American fund manager) agreed to provide funds to complete the purchase.

The Guanaco Project was acquired from Compania Minera Kinam Guanaco and Kinam de Chile Limited (wholly owned subsidiaries of Kinross Gold Corporation) by a company that is currently wholly owned by Guanaco Mining Company Limited (GMC) called Guanaco Compañía Minera Limitada, incorporated in Chile.

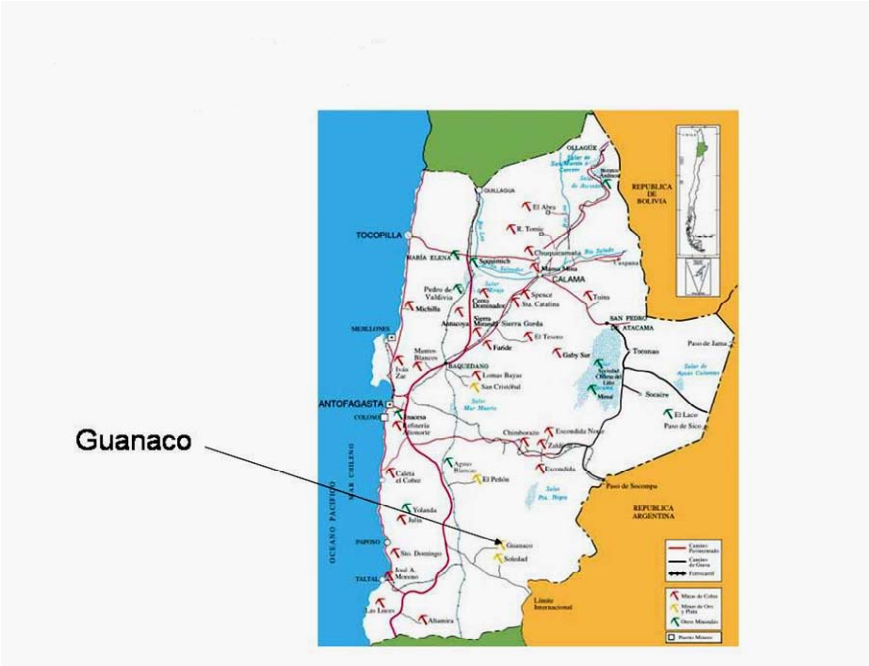
In March 2005 and after several agreements between GCH and Austral Gold's founders, GCH became the major shareholder of Austral Gold. The Board of the Company was changed and its securities were reinstated by the ASX in May 2005. In December 2005, the founders of Austral Gold sold its remaining interest in the Company. In November 2006, Austral Gold, GCH, GRIL and GMC executed a Deed of Acknowledgement and Release to formally resolve the apportionment of shares in GMC and the obligations of the parties to contribute to the expenses in GMC. The Deed of Restructure resulted in the corporate reorganization which was put forward to the shareholders at a General Meeting. On 22 May 2007, the shareholders approved a reconstruction of the share capital so that Austral Gold held 51% of GMC and 100% of GRIL and the appointment of a new Board to lead the Company into a new era.

On 28 May 2008, Austral Gold shareholders approved the latest restructuring of share capital so that Austral Gold Limited now holds directly or indirectly, through its 100% interest in GRIL, 100% of GMC.



Project Description

Guanaco is located 220 kilometres south east of Antofagasta in Northern Chile. It is at an elevation of 2,700 metres and close to the Pan-American Highway which runs north/south through Chile.



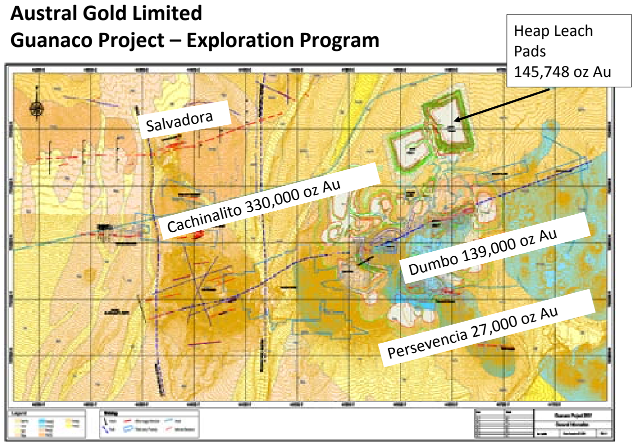
Guanaco is located in the Paleone/Eocene belt, a structural trend which runs north/south down the centre of Chile. This trend accommodates several large copper/gold mining operations including Zaldivar, El Peñon and Escondida.

Mining was undertaken at Guanaco from 1886 - with some interruptions - until 2001. Gold, copper and silver have been mined at Guanaco with more than 1.5 million ounces of gold produced.

Austral Gold's predecessors entered into an Option Agreement to acquire an interest in Guanaco in September 2002 that was finalized in March 2003. Since 2004, Austral Gold has pursued exploration activities at Guanaco with our joint venture partner, Guanaco Capital Holding, who was also Austral Gold's majority shareholder.

The photograph above shows the east view of the Dumbo open pit showing the deepest of the past workings. The photograph below shows the leach pads, north of the Dumbo pit.

Whilst any resumption of operations at Guanaco would require significant investment to bring existing plant up to operating standard and some sections of the plant would require complete replacement, any future operations at Guanaco will have the benefit of significant former investment as well as sufficient water rights granted and no environmental liability from previous exploitation activities.



In the diagram above, the Dumbo vein system, on which the Dumbo open pit shown in an earlier photograph was sited, can be seen to the east. The Perseverancia vein system is to the south of Dumbo and the Cachinalito and Salvadora vein systems are to its north.

These systems all strike east north east/west south west and dip steeply to the north.

The combined measured, indicated and inferred resources of contained ounces of gold as a result of drilling to date is shown on each vein in this diagram. As of today, measured, indicated and inferred resources of gold amount to approximately 500,000 ounces, excluding gold remaining in the leach pads.

GOLD	Cachinalito Oeste			Cachinalito Central			Dumbo West			Perseverancia			TOTAL		
Au	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Measured	318,320	3.25	33,281	540,340	5.42	94,209	158,440	2.88	14,660	65,780	4.04	8,540	1,082,880	4.33	150,690
Indicated	432,040	2.99	41,573	645,340	4.18	86,622	523,820	2.65	44,662	101,540	3.76	12,284	1,702,740	3.38	185,141
Inferred	189,100	2.50	15,175	464,460	3.94	58,894	1,405,440	1.77	80,068	58,700	3.27	6,173	2,117,700	2.35	160,310
TOTAL	**939,460**	**2.98**	**90,029**	**1,650,140**	**4.52**	**239,725**	**2,087,700**	**2.08**	**139,390**	**226,020**	**3.71**	**26,997**	**4,903,320**	**3.15**	**496,141**

Heap Leach Pads	Total Tonnes	Estimated Tonnes	Au (ppm)	Ag (ppm)	Cu %	% of Tonnes Estimated	Estimated Au Oz	Possible Au Oz	Estimated Ag Oz	Possible Ag Oz
Phase I	4,836,672	3,897,578	0.512	2.767	0.0260	80.58	64,159	79,617	346,733	430,275
Phase II	6,274,708	4,436,567	0.572	2.562	0.0360	70.71	81,589	115,393	365,441	516,849
TOTAL	**11,111,380**	**8,334,145**	**0.544**	**2.658**	**0.0313**	**75.01**	**145,748**	**194,317**	**712,173**	**949,495**

Dr Robert Trzebski is a director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Master International Project Management and has over 13 years of professional experience in mineral exploration, project management and research and development. Dr Robert Trzebski 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 consented to the inclusion of the resource figures identified above.

Exploration drilling at Guanaco continues in 2008 with the objective of increasing the measured, indicated and inferred resources of gold and silver above current levels.

Stage 1 drilling took place in June, July and August 2008. The program was successful in identifying a significant silica/quartz vein structure 120 meters to the south and parallel to the Cachinalito Norte structure. This vein structure was named Natalia and contains the same mineral assemblages found in the gold-bearing veins in the district. Also, at Cachinalito Oeste, the gold/silver bearing structure was extended 650 meters to the west, where 12 holes encountered a silica/quartz vein structure with low grade gold/sliver anomalies.

After interpretation and analysis of Stage 1 drilling, Stage 2 comprising approximately 15,000 metres of reverse circulation drilling will commence in October 2008.

It is anticipated that in late 2008, the Company will embark on a Pre Feasibility Study into the restarting of mining and processing operations at Guanaco. Any subsequent Bankable Feasibility Study will take some months to complete, and may lead to a development decision late in 2009.

In May 2008, the Company lodged the DIA (Declaración de Impacto Ambiental or Environmetal Impact Declaration) to the CONAMA (Comisión Nacional de Medio Ambiente) for the restarting of Guanaco Mine late in 2010.

Australian exploration areas

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 the Company to focus on those areas of greatest prospectivity. In 2007/08, the Company's former interests in Raeside and Kookynie have been relinquished or are in the process of relinquishment.

In April 2008, Austral Gold sold its 100% interest in the Rocklea iron ore tenement to Murchison Metals Limited for $5.25 million.

This consideration has now been received and some $2.5 million has been applied to repaying loans which had been advanced to Austral Gold by Guanaco Capital Holding, our major shareholder. These loans had been used principally to finance ongoing exploration at the Guanaco project in Chile.

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

The sale of Rocklea completes the rationalisation of the Company's Australian exploration areas, allowing Austral Gold to focus on the Bullabulling project.

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 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 lag samples were collected along a 1,800 metre 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 the northern tenement group. The objective is to identify nickel and gold targets and investigate deep target potential by reverse circulation drilling.

The Company has now executed an agreement with a Western Australian based exploration contractor and research and field work commenced in September 2008.

Directors' Report

Your Directors present the following report for the financial year ended 30 June 2008 together with the financial report of Austral Gold Limited ("the Company") and the consolidated financial report of the economic entity, being the Company and its subsidiaries, (referred to hereafter as the Group) for the year ended 30 June 2008 and the auditors' report thereon.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were exploration and evaluation of mineral properties, as described in preceding sections of this report.

The Company is a company limited by shares and incorporated and domiciled in Australia.

Detailed information on the Company's operations during the year ended 30 June 2008 has been released in the Company's announcements and reports to the Australian Stock Exchange. It is available for review on the Company's website at www.australgold.com.au.

REVIEW AND RESULTS OF OPERATIONS

Operating Results and Dividends

The Group's net profit attributable to members for the year ended 30 June 2008 was $11,766,323 (2007: loss $1,397,449).

No dividends of the Company or its subsidiaries have been paid, declared or recommended since the end of the financial year. The Board does not recommend the payment of a dividend in respect of the reporting period.

Financial Position

The net assets of the Group have increased by $39,890,957 from 30 June 2007 to $64,195,766. This increase was primarily as a result of the restructure as approved by the shareholders at the General Meeting on 28 May 2008. The resultant investment in Guanaco Mining Company has been assessed at fair value in accordance with the Accounting Standards.

The Company has the support of its substantial shareholder, Inversiones Financieras del Sur SA (IFISA).

The Directors believe the Company is in a position to maintain its current operations.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year:

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

GUANACO (Chile)

Drilling continues and it is intended to embark on a Pre Feasibility Study in late 2008 into the relaunch of mining and processing operations at Guanaco. Any subsequent Bankable Feasibility Study will take some months to complete, and may lead to a development decision late in 2009.

AUSTRALIAN TENEMENTS

Further reconnaissance exploration will be undertaken at Bullabulling to assess the prospectivity of the project.

All other Australian exploration areas have been sold or relinquished.

EVENTS SUBSEQUENT TO BALANCE DATE

1) Acquisition of Guanaco Capital Holding Argentina SA (GCHA) was effected on 4 August 2008. GCHA, a company incorporated under Argentinean Law, is the owner of nine tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz in Argentina.

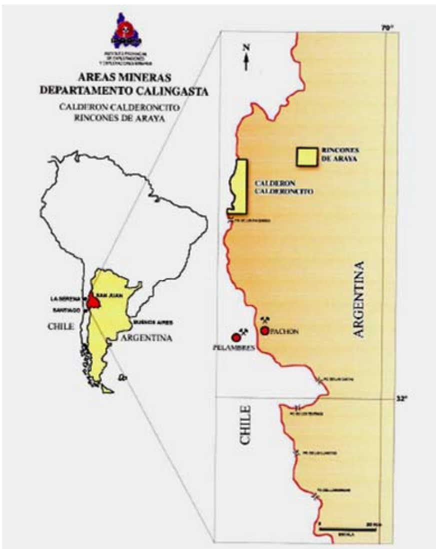
   GCHA is also party to an Earn In Agreement with Argentina Minera SA (Aminsa) and its founders to jointly explore tenements covering approximately 227,000 hectares in the Province of San

Juan, in Argentina. The property is located within the Porphyry Piuquenes- Los Azules corridor near Xstrata's advanced exploration copper project called El Pachón in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

Under the agreement, GCHA will earn in up to 50% of Aminsa in 5 years by contributing up to US $15 million over this period.

Copper and gold exploration activities at the Aminsa projects will commence in September 2008 mainly in Los Bagres, Rincones de Araya, Rio Salinas and Calderon/Calderoncito in the Province of San Juan. Recently concluded geophysics using induced polarity and advanced spaceborne thermal emission and reflection radiometer techniques and geochemical programs have confirmed anomalies within these areas.

The founders of Aminsa, Patricio Jones (CEO and Chairman of Suramina Resources, a company listed in the Toronto Stock Exchange with assets in Chile and Argentina), Ricardo Martinez and Roberto Martinez have experience in exploration activities in the region having participated, among others, in the discoveries of two of the largest mines in Argentina; Xstrata's copper Bajo de la Alumbrera and Barrick's gold mine Veladero. Patricio Jones has been involved with the Lundin Group since the 1980s.



2) In September 2008, Guanaco Compañía Minera, 100% owned by Austral Gold, initiated the process to acquire an additional 49 concessions totalling some 11,128 hectares located in close proximity to the Guanaco Project in Chile.

   If granted, Guanaco Compañía Minera will hold almost 25,000 hectares in 270 concessions.

3) In September 2008, the Company entered into an agreement with a Western Australia contractor to undertake exploration at Bullabulling.

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The Group's Australian and Chilean exploration activities are subject to environmental regulations under Commonwealth and State legislation in relation to the former and Chilean law in relation to the latter.

In relation to the Group's mineral exploration operations in Western Australia, licence requirements relating to waste disposal, water and air pollution exist under the Western Australian Mining Act 1978 and Environmental Protection Act 1986. The Directors are not aware of any significant breaches during the period covered by this report.

In relation to the Group's mineral exploration operations in Chile, licence requirements relating to "Bases Generales de Medio Ambiente" exist under the Chilean Law No. 19,300. The Directors are not aware of any significant breaches during the period covered by this report. Moreover, all the exploration activities performed so far have been approved by the Environmental Authority, Comisión Nacional de Medio Ambiente (CONAMA).

DIRECTORS AND OFFICERS

The Directors and Officers of the Company at any time during or since the end of the financial year are:

Name and Qualifications	Experience and Special Responsibilities
Francis Mark Bethwaite *Chairman/ Non Executive Director*	Mr Bethwaite has qualifications of Bachelor of Engineering, Master of Building Science and Master of Business Administration. His mining career spans some 23 years including periods living and working in Mount Isa and Broken Hill. Mark worked for North Limited from 1978 to 1987, including five years as Managing Director. He worked for Renison Goldfields Consolidated Limited from 1987 to 1998, including six years as Managing Director. From 1998 to 2001, Mark worked with Deutsche Bank, principally in the financing of mining projects. Mr Bethwaite was Chairman of the Australian National Maritime Museum from 2001 - 2007. He is a non-executive Director of New South Innovations Pty Limited, Digital Core Laboratories Pty Limited and of a number of not for profit organisations. **Appointed Director, 2 April 2007; Chairman 3 April 2007, elected as a Director and Chairman by shareholders 22 May 2007**
Pablo Vergara del Carril *Non Executive Director*	Mr Vergara del Carril is a lawyer and is professor of Postgraduate Degrees for Capital Markets, Contracts, Corporate Law and Business Law at the Argentine Catholic University He is a director of Banco Hipotecario S.A. [BASE: BHIP], Milkaut S.A (an Argentine leading dairy company), Nuevas Fronteras (owner of the Intercontinental Hotel in Buenos Aires) and Emprendimiento Recoleta S.A. (owner of the Buenos Aires Design Shopping Centre). Mr Vergara del Carril is also a director of Guanaco Mining Company Limited and Guanaco Capital Holding Corp. **Appointed 18 May 2006**
Robert Trzebski *Non Executive Director*	Dr Robert Trzebski holds a Degree in Geology (equivalent to BSc), a PhD in Geophysics, a Master in International Project Management and has over 13 years of professional experience in mineral exploration, project management and research and development. This includes eight years of developing collaborative research projects between mining companies and scientific institutions in Latin America, USA, Africa, Europe, Asia and Australia. Dr Trzebski has been involved in developing international relationships between Australian and overseas mining companies. He is also actively involved with several bilateral chambers of commerce and has extensive industry networks in Australia and overseas. **Elected as a Director by shareholders on 22 May 2007**

Eduardo Elzstain

Non Executive Director

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.

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 market capitalisation of approx. US$500 million Alto Palermo S.A. [NASDAQ: APSA], Argentina's leading shopping centre company with 10 shopping malls 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 Agricolas [BOVESPA: AGRO3]; a company which replicates Cresud's business strategy in Brazil with a current market capitalization of above US$300 million.

Appointed 29 June 2007

Saul Zang

Non Executive Director

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.

Appointed 29 June 2007

Natalia Zang

Non Executive Director

Ms. Zang holds a Bachelor of Business Administration and a Masters in Finance (Capital Markets) from the Universidad del CEMA (Argentina). She has over 10 years professional experience in corporate finance and asset management having worked for Alto Palermo S.A. and Jazzya Investments including two years as Managing Director.

She is a member of the board and Chief Financial Officer of Guanaco Capital Holding and Guanaco Mining Company.

Appointed 19 March 2008 (formerly an Alternate Director)

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Group during the financial year are:

	Directors' meetings		Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
Mark Bethwaite	13	13	1	1
Pablo Vergara del Carril	11	13	1	1
Robert Trzebski	13	13	*	*
Eduardo Elsztain	6	13	*	*
Saul Zang	7	13	*	*
Natalia Zang	13	13	*	*

A Number of meetings attended.

B Number of meetings held during the time the Director held office.

***** Not a member of this committee

OPTIONS

During or since the end of the financial year, the Company has not granted options over unissued ordinary shares to any Director or to any employee.

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Company under option, all of which have vested are:

Expiry Date	Exercise Price	Number
14 October 2009	$0.40	877,334
14 October 2009	$2.00	2,773,204

INDEMNITY OF OFFICERS

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

INTERESTS OF DIRECTORS

The relevant interest of each director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Direct Shares	Direct Options	Indirect Shares	Indirect Options
F M Bethwaite	-	-	37,987	-
P Vergara del Carril	-	-	*	*
R Trzebski	-	-	-	-
E Elsztain	5,650,132	64,509	*	*
S Zang	1,435,668	16,391	*	*
N Zang	-	-	20,000 *	*

* P Vergara de Carril, E Elsztain, S Zang and N Zang are directors and shareholders of Guanaco Capital Holding Corp which holds 25,789,330 shares and 50,000 options.

* E Elsztain and S Zang are directors of IFISA which holds 102,259,174 shares and 1,167,521 options

REMUNERATION REPORT

The remuneration report is set out under the following headings:

- **A) Remuneration Policy**
- **B) Details of Remuneration**
- **C) Service Agreements**
- **D) Share Based Payments**

A) Remuneration Policy

The Company has a Remuneration Policy which aims to ensure remuneration packages of directors and senior executives properly reflect the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

To give effect to this policy the Company reviews available information which measures the remuneration levels in the various labour markets in which it competes. The expectation of the Company is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

No shares or options were issued to executives during the year ended 30 June 2008.

There are no performance-based components of executive or non-executive remuneration.

B) Details of Remuneration

Details of Remuneration for the Year ended 30 June 2008

2008	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		Total $
	Cash & Salary Fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Shares	Options	
Non-executive directors								
F M Bethwaite	61,102	-	-	38,898	-	-	-	100,000
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
Total non-executive directors	**97,799**	**-**	**-**	**42,201**	**-**	**-**	**-**	**140,000**
Other Key Management Personnel								
C Lloyd	59,806	-	-	5,382	-	-	-	65,188
C Peralta	57,415	-	-	-	-	-	-	57,415
D Lindfield	33,880	-	-	-	-	-	-	33,880
TOTAL	**248,900**	**-**	**-**	**47,583**	**-**	**-**	**-**	**296,483**

Details of Remuneration for the Year ended 30 June 2007

2007	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		Total $
	Cash & Salary Fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Shares	Options	
Non-executive directors								
F M Bethwaite	-	-	-	24,999	-	-	-	24,999
R Trzebski	3,945	-	-	355	-	-	-	4,300
Total Non-Executive Directors	**3,945**	**-**	**-**	**25,354**	**-**	**-**	**-**	**29,299**
Other Key Management Personnel								
D Lindfield	17,114	-	-	-	-	-	-	17,114
TOTAL	**21,059**	**-**	**-**	**25,354**	**-**	**-**	**-**	**46,413**

C) Service Agreements

Mr Carlos Peralta, Exploration and Geology Manager
Mr Peralta shall be entitled to receive ordinary fully paid-in shares of Austral Gold under the following terms and conditions:

An aggregate of 600,000 (six hundred thousand) shares, in 3 (three) tranches on the following dates and in the following amounts:

Tranche I:	01/04/2009	200,000 (two hundred thousand) shares
Tranche II:	01/04/2010	200,000 (two hundred thousand) shares
Tranche III:	01/04/2011	200,000 (two hundred thousand) shares

In addition, Mr. Peralta shall receive one share for each ounce discovered under the Discovery Bonus scheme, to be quantified based on measured resources resulting from exploration activities planned and led by Mr. Peralta and audited by an independent third party hired by the Company.

D) Share Based Payments

There were no share based payments during the year under review.

Auditors

PKF continues in office as auditors in accordance with the requirements of the Corporations Act 2001.

Non-audit services

The company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

Details of amounts paid or payable to the auditors, PKF, for audit and non-audit services provided during the year are set out below:

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditors independence requirements of the Corporation Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditors.
- None of the services undermine the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditors:

	2008 $	2007 $
Audit services		
Audit and review of financial reports	64,490	97,915
Non-audit services		
Tax advice in respect of potential group re-structuring and financing options	20,110	20,522
Total	**84,600**	**118,437**

PROCEEDINGS ON BEHALF OF THE COMPANY

Other than stated below, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITORS INDEPENDENCE DECLARATION

The lead auditors' independence declaration for the year ended 30 June 2008 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney, 23 September 2008.

Francis Mark Bethwaite	Robert Trzebski
Director	Director

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Austral Gold Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Austral Gold Limited and its subsidiaries.

PKF

Bruce Gordon
Partner

23 September 2008
Sydney

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INCOME STATEMENTS

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Revenue					
Operating activities	3	32,662	156,888	32,662	156,888
Non-operating activities	3	14,693,641	(995)	4,986,867	(995)
		14,726,303	155,893	5,019,529	155,893
Depreciation expense	4	(7,884)	(2,155)	(3,046)	(2,155)
Exploration and evaluation expenditure	4	-	(80,416)	-	(22,280)
Finance costs	4	(113,785)	(10)	(58,549)	(10)
Administration expenses		(749,056)	(818,047)	(692,215)	(840,584)
Impairment losses	4	(2,155,764)	-	-	-
Gains/(losses) from foreign exchange	4	107,360	(585,692)	93,013	(585,692)
Share of net losses of equity accounted investments	25	(40,851)	(67,022)	-	-
Profit/(Loss) before income tax		**11,766,323**	**(1,397,449)**	**4,358,732**	**(1,294,828)**
Income tax benefit	6	-	-	-	-
Profit/(loss) for the year		**11,766,323**	**(1,397,449)**	**4,358,732**	**(1,294,828)**
Profit /(loss) attributable to minority equity interest		-	-	-	-
Profit/(loss) attributable to members of the Parent Entity		**11,766,323**	**(1,397,449)**	**4,358,732**	**(1,294,828)**
Earnings/(loss) per share (cents per share):					
Basic earnings/(loss) per share		16.64	(0.30)	6.16	(0.28)
Diluted earnings/(loss) per share	7	16.64	(0.30)	6.16	(0.28)

The above Income Statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

AS AT 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	2,311,093	136,317	1,982,957	136,103
Trade and other receivables	10	25,745	28,086	2,940	28,085
TOTAL CURRENT ASSETS		2,336,838	164,403	1,985,897	164,188
NON-CURRENT ASSETS					
Trade and other receivables	10	984,001	-	2,214,903	513,361
Financial assets	11	-	22,997,678	43,749,380	14,472,057
Intangible assets	12	-	2,116,888	-	-
Plant and equipment	13	175,219	12,848	9,802	12,848
Exploration and evaluation expenditure	14	62,305,057	7,086	-	580
TOTAL NON-CURRENT ASSETS		63,464,277	25,134,500	45,974,085	14,998,846
TOTAL ASSETS		65,801,115	25,298,903	47,959,982	15,163,034
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	15	776,553	47,933	561,824	47,904
Financial liabilities	16	313,743	946,161	-	495,704
TOTAL CURRENT LIABILITIES		1,090,296	994,094	561,824	543,608
NON-CURRENT LIABILITIES					
Financial liabilities	16	515,053	-	-	-
TOTAL NON-CURRENT LIABILITIES		515,053	-	-	-
TOTAL LIABILITIES		1,605,349	994,094	561,824	543,608
NET ASSETS		64,195,766	24,304,809	47,398,158	14,619,426
EQUITY					
Issued capital	17	44,334,254	15,914,254	44,334,254	15,914,254
Retained earnings/(Accumulated losses)	18	9,920,507	(1,845,816)	3,063,904	(1,294,828)
Reserves	20	9,940,917	10,236,371	-	-
Minority Interest	19	88	-	-	-
TOTAL EQUITY		64,195,766	24,304,809	47,398,158	14,619,426

The above Balance Sheets should be read in conjunction with the accompanying notes

STATEMENTS OF CHANGES IN EQUITY

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Issued capital	Share capital pending issue	Retained earnings/ (Accumulated losses)	Reserves	Minority interest	Total
		$	$	$	$	$	$
Consolidated						-	
Balance at 30 June 2006		37,281,992	1,000,000	(32,346,793)	-	-	5,935,199
Reduction in share capital		(31,898,426)	-	31,898,426	-	-	-
Loss attributable to members of the Consolidated Group		-	-	(1,397,449)	-	-	(1,397,449)
Asset revaluation	20	-	-	-	10,236,371	-	10,236,371
Shares issued during the year		10,530,688	(1,000,000)	-	-	-	9,530,688
Balance at 30 June 2007		**15,914,254**	**-**	**(1,845,816)**	**10,236,371**	**-**	**24,304,809**
Net profit attributable to members of the Consolidated Group		-	-	11,766,323	-	-	11,766,323
Asset revaluation	20	-	-	-	(276,379)	-	(276,379)
Foreign currency translation	20	-	-	-	(19,075)	-	(19,075)
Minority interest acquired through subsidiary	19	-	-	-	-	88	88
Shares issued during the year		28,420,000	-	-	-	-	28,420,000
Balance at 30 June 2008		**44,334,254**	**-**	**9,920,507**	**9,940,917**	**88**	**64,195,766**
Parent Entity							
Balance at 30 June 2006		37,281,992	1,000,000	(31,898,426)	-	-	6,383,566
Reduction in share capital		(31,898,426)	-	31,898,426	-	-	-
Loss attributable to members of the Parent Entity		-	-	(1,294,828)	-	-	(1,294,828)
Shares issued during the year		10,530,688	(1,000,000)	-	-	-	9,530,688
Balance at 30 June 2007		**15,914,254**	**-**	**(1,294,828)**	**-**	**-**	**14,619,426**
Net profit attributable to members of the Parent Entity		-	-	4,358,732	-	-	4,358,732
Shares issued during the year		28,420,000	-	-	-	-	28,420,000
Balance at 30 June 2008		**44,334,254**	**-**	**3,063,904**	**-**	**-**	**47,398,158**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENTS

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Cash flows from operating activities					
Payments to suppliers and employees		(78,936)	(859,398)	(1,854,112)	(973,415)
Finance costs		(113,785)	(10)	(58,549)	(10)
Net cash used in operating activities	26	**(192,721)**	**(859,408)**	**(1,912,661)**	**(973,425)**
Cash flows from investing activities					
Proceeds from sale of plant and equipment		-	5,013	-	5,013
Purchase of property, plant and equipment		(9,860)	(6,153)	-	(6,153)
Proceeds from sale of exploration and evaluation expenditure		4,986,867	-	4,986,867	-
Payment for exploration and evaluation expenditure		(308,529)	(60,970)	-	(15,321)
Interest received		32,662	44,185	32,662	112,723
Investment in associate		(1,766,269)	-	(1,103,027)	-
Cash acquired from subsidiary		290,502	-	-	-
Net cash provided/(used) through investing activities		**3,225,373**	**(17,925)**	**3,916,502**	**96,262**
Cash flows from financing activities					
Proceeds from issue of shares		-	540,000	-	540,000
Proceeds from related party		2,001,910	250,000	1,260,016	250,000
Repayments to related party		(2,840,711)	-	(1,417,003)	-
Net cash (used)/provided through financing activities		**(838,801)**	**790,000**	**(156,987)**	**790,000**
Net increase/(decrease) in cash held		2,193,851	(87,333)	1,846,854	(87,163)
Cash at beginning of financial year		136,317	223,650	136,103	223,266
Movement in foreign currency reserve		(19,075)	-	-	-
Cash at end of financial year	9	**2,311,093**	**136,317**	**1,982,957**	**136,103**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS
AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2008

1. Corporate information

The financial report of Austral Gold Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 23 September 2008.

Austral Gold Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange. Austral Gold Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.
The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report covers the Economic Entity of Austral Gold Limited and its' subsidiaries("Group), and as an individual parent entity.

The financial report of Austral Gold Limited and its' subsidiaries, and Austral Gold Limited as an individual parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report has been prepared on a historical cost basis, except for certain financial assets and liabilities which are stated at fair value.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The accounting policies set out below have been consistently applied to all years presented.

(c) Early adoption of standards

The Group has elected to apply the following standards to the annual reporting period beginning 1 July 2007:

AASB 3 Business Combinations

AASB 127 Consolidated and Separate Financial Statements

Accounting Policies
(a) Basis of consolidation

A subsidiary is any entity Austral Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of subsidiaries is contained in Note 24 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting periods the parent company using consistent accounting policies.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

The Group has early adopted AASB 3 Business Combinations in the preparation of the financial report. In accordance with transitional provisions of this Standard the Group has applied the early adoption prospectively. The Group has been unable to determine the effect of this adoption on future periods.

The early adoption of the Standard has resulted in the recognition of a gain of $4,856,904 in the profit and loss as a result of the re-statement of a previously held interest to fair value at the date control was obtained.

The early adoption of AASB 3 has resulted in the Group having to also early adopt AASB 127 Consolidated and Separate Financial Statements. There has been no impact to the profit and loss as a result of this early adoption.

Subsidiaries
The financial statements of subsidiaries are included from the date control commences until the date control ceases.

Associates
Associates are those entities over which the Group exercises significant influence, which are neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group’s share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group’s net investment in the associate. The consolidated income statement reflects the Group’s share of the results of operations of the associate.

Where there has been a change recognised directly in the associate’s equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

The financial statements of associates are prepared for the same reporting period as the parent company using consistent accounting policies.

The Group’s equity accounted share of the associates net profit or loss is recognised in the consolidated income statement from the date significant influence commences until the date significant influence ceases.

(b) Revenue recognition

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the Group.

Interest revenue
Interest revenue is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of non-current assets
The net gain on sale of non-current assets is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

(c) Goods and services tax/ Value added tax

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the balance sheets are shown inclusive of GST/VAT.

Cash flows are presented in the cash flow statements on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

(d) Intangibles

Goodwill
Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a subsidiary exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Acquisition discount on consolidation is recorded at the amount by which the purchase price for a business or for an ownership interest in a subsidiary is less than the fair value attributed to its net assets at the date of acquisition. Acquisition discount is recognised in the profit and loss in the period in which it occurs.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and are carried forward in the balance sheet where:

(i) rights to tenure of the area of interest are current; and

(ii) one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- exploration and/or evaluation activities in the area of interest have not, at balance sheet date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or relation to, the areas are continuing.

Expenditure relating to pre-exploration activities is written off to the income statement during the period in which the expenditure is incurred.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(f) Joint ventures

Expenditure incurred in relation to earning the Group's beneficial interest under Joint Venture agreements is carried forward to the extent that management consider that it is probable that future economic benefits will eventuate and can be measured reliably.

Where these benefits cannot be measured reliably, these costs are fully provided for in the financial period.

(g) Investments

Subsidiaries

Investments in subsidiaries are carried in the Parent Entity's financial statements at the lower of cost and recoverable amount.

Associates

Investments in associate entities are recognised in the financial statements by applying the equity method of accounting.

(h) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of plant and equipment have limited useful lives and are depreciated on a straight line basis over their estimated useful lives.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation rate used for plant and equipment is between 10% - 20%.

De-recognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

(i) Translation of foreign currency items

Both the functional and presentation currency of Austral Gold Limited and its Australian subsidiaries is Australian dollars ($).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

Exchange differences are recognised as revenues or expenses in net profit or loss in the period in which exchange rates change except for qualifying assets and hedge transactions.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currency of the Company's subsidiary Guanaco Mining Company is United States dollar (US$).

The results and financial position of all Group entities that have a functional currency different from the parent's functional currency are translated into Australian Dollars as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at the average rate of exchange; and
- All resulting exchange differences are recognised as a separate component of equity

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions; and
- Other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

(k) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance sheet date.

Deferred income tax is provided on all temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except :

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of any deferred income tax assets recognised is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at balance sheet date.

Income taxes relating to items recognised directly to equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

For the purposes of income tax, Austral Gold Limited and its subsidiaries do not form a tax consolidated group. The individual companies lodge tax returns independently of each other.

(l) Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Interest bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(o) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Leases

Lease payments for operating leases, where all the risks and benefits remain with the lessor, are recognised as an expense in the income statement on a straight line basis over the lease term.

(q) Operating cycle

An operating cycle of 12 months has been used as the basis for identifying current assets and current liabilities in the balance sheets.

(r) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(s) De-recognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option(including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Borrowing costs

Borrowing costs are recognised as an expense when incurred and capitalised for qualifying assets. There were no costs or fees capitalised on amounts borrowed during the period.

(w) Employee leave benefits

Wages and salaries, annual leave and sick leave
Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in the current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated cash outflows.

Superannuation
The Company contributes to an employee superannuation fund. Contributions made by the Company are legally enforceable. Contributions are made in accordance with the requirements of the Superannuation Guarantee Legislation.

(x) Going concern

The Company and its subsidiaries derived a profit of $11,766,323 for the year ended 30 June 2008.

The on going viability of the Group and the recoverability of its non-current assets is dependent on the success of The Guanaco Project. The Directors believe that The Guanaco project will be ultimately successful and that the non-current assets are included in the Financial Report at their recoverable amount.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure exploration commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Group will be able to fund future operations through equity raising, and sale or joint venturing of interests held in mineral tenements and projects.

At the date of this report other sources of funds are being sought to fund future working capital requirements of the Company.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Company can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, the going concern basis may not be appropriate with the result that the company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008 but have not been applied in preparing this financial report:

Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
8	Operating Segments	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Amended)	Sept 2007	1 Jan 2009
123	Borrowing Costs (Amended)	June 2007	1 Jan 2009
2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	Mar 2008	1 Jul 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jan 2009
2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jul 2009
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jul 2008	1 Jan 2009

Australian Interpretations

Int No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
4	Determining whether an Arrangement contains a Lease [revised]	Feb 2007	1 Jan 2008
12	Service Concession Arrangements	Feb 2007	1 Jan 2008
13	Customer Loyalty Programmes	Aug 2007	1 Jul 2008
129	Service Concession Arrangements: Disclosures [revised]	Feb 2007	1 Jan 2008
IFRIC 15	Agreements for the Construction of Real Estate	Jul 2008	1 Jan 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Jul 2008	1 Oct 2008

Analysis of changes – Accounting Standards

The following standards are considered applicable to the Group and will be adopted during the first annual reporting period after the effective date of each pronouncement.

AASB 8

(a) specifies how an entity should report information about its operating segments in annual financial reports and, as a consequential amendment to AASB 134 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers;

(b) requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments;

(c) requires an entity to report a measure of operating segment profit or loss and of segment assets. It also requires an entity to report a measure of segment liabilities and particular income and expense items if such measures are regularly provided to the chief operating decision maker. It requires reconciliations of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the entity's financial statements;

(d) requires an entity to report information about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers, regardless of whether that information is used by management in making operating decisions. However, the Standard does not require an entity to report information that is not prepared for internal use if the necessary information is not available and the cost to develop it would be excessive; and

(e) requires an entity to give descriptive information about the way the operating segments were determined, the products and services provided by the segments, differences between the measurements used in reporting segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period.

AASB 8 will result in a change in the segment disclosures presented in the financial report such that the segments presented will not be based on primary and secondary segments but reflect those segments and amounts regularly reviewed by the entity's chief operating decision maker. While the amounts presented in the financial statements will not change the amounts presented in the segment reporting note may differ to those currently presented as a result of AASB 8 requiring the amounts presented to be based on those seen by the entity's chief operating decision maker.

AASB 101 (Amended)

AASB 101 amended changes how an entity presents changes in equity and especially how it reports changes in equity that arise from transactions with owners in their capacity as owners. The amended standard also changes presentation and terminology of the primary financial statements. The new rules do not change the recognition, measurement or disclosure of specific transactions and other events.

The introduction of AASB 101 (amended) will not have a material impact on the amounts presented within the financial statement but it likely to result in a substantial change in the presentation and terminology of the primary financial statements.

AASB 123

In relation to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, AASB 123 as issued in July 2004 permitted entities to either:

(a) immediately recognise them as an expense; or

(b) capitalise them as part of the carrying amount of a qualifying asset.

Under this Standard, only the capitalisation treatment is permitted.

Adoption of the revised AASB 123 will result in the capitalisation of all interest expenses on qualifying assets. The entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the entity's financial report in the period of initial application

AASB 2008-1

AASB 2008-1 clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Adoption of the revised AASB 2008-1 will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with.

AASB 2008-5

AASB 2008-5 results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. There is unlikely to be a material change in the financial statements on adoption of these amendments.

AASB 2008-6

AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. There is unlikely to be a material change in the financial statements on adoption of these amendments.

AASB 2008-7

(a) amends AASB 1 to allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment can be either its:
  - (i) fair value (determined in accordance with AASB 139 Financial Instruments: Recognition and Measurement) at the entity's date of transition to Australian-equivalents-to-IFRSs; or
  - (ii) previous GAAP carrying amount at that date.

A first-time adopter may choose either deemed cost option to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost;

(b) removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income;

(c) amends AASB 127 to require, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. The relevant circumstances include that the reorganisation involves:
  - (i) the new parent obtaining control of the original parent through an exchange of equity instruments;
  - (ii) no change to the group's assets and liabilities; and
  - (iii) no change to the owners' absolute and relative interests in the net assets; and

(d) amends AASB 136 to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired.

There is unlikely to be a material change in the financial statements on adoption of these amendments.

AASB 2008-8

AASB 2008-8 amends the application guidance of AASB 139 Financial Instruments: Recognition and Measurement to clarify how the existing principles underlying hedge accounting apply to the designation of:

(a) a one-sided risk in a hedged item; and

(b) inflation as a hedged risk or portion in particular circumstances.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 July 2009, with earlier application permitted. There is unlikely to be a material change in the financial statements on adoption of these amendments.

		Consolidated		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
3	**Revenue**				
	From operating activities				
	Interest revenue from:				
	Associated company	-	112,713	-	112,713
	Other parties	32,662	44,175	32,662	44,175
		32,662	156,888	32,662	156,888
	Non-operating activities				
	- Gain/(loss) on disposal of plant & equipment	-	(995)	-	(995)
	- Gain on sale of tenement	4,986,867	-	4,986,867	-
	- Gain on revaluation	4,856,904	-	-	-
	- Discount on acquisition	4,849,870	-	-	-
		14,693,641	(995)	4,986,867	(995)
4	**Profit/(loss) from the year**				
(a)	***Expenses***				
	Depreciation of plant and equipment	7,884	2,155	3,046	2,155
	Exploration and evaluation expenditure	-	80,416	-	22,280
	Finance costs:				
	- related parties	113,785	-	58,549	-
	- other	-	10	-	10
		113,785	10	58,549	10
	Rental expense on operating leases - minimum lease payments	32,404	62,208	32,404	62,208
(b)	***Revenue and Net Gains***				
	Foreign currency translation gain/(loss)	107,360	(585,692)	93,013	(585,692)
(c)	***Individually significant items included in loss from ordinary activities before income tax***				
	Impairment of goodwill	2,155,764	-	-	-
5	**Auditors' remuneration**				
	Remuneration of the auditor of the Parent Entity for:				
	- auditing or reviewing the financial reports	64,490	97,915	64,490	97,915
	- other services/taxation	20,110	20,522	20,110	20,522
		84,600	118,437	84,600	118,437
	Remuneration of other Group auditor	3,530	-	-	-

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
6 Income tax benefit				
Prima facie income tax benefit calculated at 30% (2006:30%) on the operating profit/(loss) from ordinary activities	3,529,897	(419,235)	1,307,620	(388,448)
Utilise tax losses carried forward	(1,911,916)	-	(1,307,620)	-
Permanent differences	(1,617,981)	419,235	-	388,448
Total income tax benefit	-	-	-	-
Tax losses carried forward	13,732,071	17,261,968	15,230,033	16,537,653

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt.

The potential future income tax benefit will be obtained if:

i. The relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be realised by another company in the Group in accordance with Division 170 of the Income Tax Assessment Act 1997;

ii. The relevant company and/or Group continues to comply with the conditions for deductibility imposed by the law; and

iii. No changes in tax legislation adversely affect the Company and/or the Group in realising the benefit.

7 Earnings per share

Classification of securities as ordinary shares

Ordinary shares have been included in basic earnings per share.

Classification of securities as potential ordinary shares

There are no dilutive potential ordinary shares. The following options were in issue at the balance date and are not dilutive:

No. of Options	Exercise Price	Expiry Date	No. of Holders
877,334	0.40	14/10/09	1
2,773,204	2.00	14/10/09	27

	Consolidated	
	2008 $	2007 $
Earnings reconciliation		
Net profit/(loss)	11,766,323	(1,397,449)
Net loss attributable to outside equity interests		-
Basic and diluted earnings	11,766,323	(1,397,449)

	2008 Number	2007 Number
Weighted average number of shares used as the denominator		
Number for basic and diluted earnings per share	70,705,276	458,970,573
Number for diluted earnings per share	70,705,276	458,970,573
Basic profit/(loss) per ordinary share	16.64c	(0.30)c
Basic and diluted profit/(loss) per ordinary share	16.64c	(0.30)c

8 Segment information

Business segments

The Group operates in one business segment being precious mineral exploration.

Geographical segments

The Group's operations are conducted in Chile and Australia. At 30 June 2008 the Company holds a 100% interest in Guanaco Mining Company, the owner of the Guanaco Project in Chile.

	2008 $	2008 $	2008 $	2007 $	2007 $	2007 $
	Australia	**Chile**	**Consolidated**	**Australia**	**Chile**	**Consolidated**
Interest revenue	32,662	-	32,662	156,888	-	156,888
Gain/(loss) on sale of asset	4,986,867	-	4,986,867	(995)	-	(995)
Other	-	(18)	(18)	-	-	-
Segment revenue	5,019,529	(18)	5,019,511	155,893	-	155,893
Gain on revaluation			4,856,904			-
Acquisition discount			4,849,888			-
Total revenue			**14,726,303**			**155,893**
Segment profit/(loss)	4,348,564	(133,269)	4,215,295	(1,330,427)	(67,022)	(1,397,449)
Gain on revaluation			4,856,904			-
Acquisition discount			4,849,888			-
Impairment of goodwill			(2,155,764)			-
Total profit/(loss)			**11,766,323**			**(1,397,449)**

	Consolidated		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
9 Cash and cash equivalents				
Cash at call and in hand	2,305,098	82,337	1,982,957	82,123
Short-term bank deposits	5,995	53,980	-	53,980
	2,311,093	136,317	1,982,957	136,103
The effective interest rate on short-term bank deposits was 7.10% (2007: 5.45%); these deposits have an average maturity of 90 days.				
Reconciliation of Cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheets as follows:				
Cash and cash equivalents	2,311,093	136,317	1,982,957	136,103
10 Trade and other receivables				
Current				
Advances	2,940	-	2,940	-
Other debtors	22,805	28,086	-	28,085
	25,745	28,086	2,940	28,085
Non current				
Amounts receivable from:				
Subsidiaries	-	-	2,281,860	580,318
Less: Provision for diminution – subsidiaries	-	-	(66,957)	(66,957)
Other	984,001	-	-	-
	984,001	-	2,214,903	513,361
11 Other financial assets				
Non-current				
Investments in subsidiaries	-	-	43,749,380	5,886,977
Investments in associates	-	22,997,678	-	8,585,080
	-	22,997,678	43,749,380	14,472,057

There are no fixed returns or fixed maturity date attached to these investments.

	Consolidated		Parent Entity	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**

12 Intangible assets

Goodwill - at cost	-	2,116,888	-	-

Movements in carrying value

Reconciliations of the carrying amounts for goodwill are set out below:

Carrying amount at beginning of year	2,116,888	467,621	-	-
Additions	38,876	1,649,267	-	-
Write down on impairment	(2,155,764)	-	-	-
Carrying amount at end of year	-	2,116,888	-	-

13 Plant and equipment

Plant and equipment - at cost	413,770	16,354	16,354	16,354
Accumulated depreciation	(238,551)	(3,506)	(6,552)	(3,506)
	175,219	12,848	9,802	12,848

Movements in carrying value

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Plant and equipment

Carrying amount at beginning of year	12,848	9,805	12,848	9,805
Additions	170,255	6,153	-	6,153
Disposals	-	(955)	-	(955)
Depreciation	(7,884)	(2,155)	(3,046)	(2,155)
Carrying amount at end of year	175,219	12,848	9,802	12,848

14 Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in:

Mining concessions	62,300,000	-	-	-
Exploration and/or evaluation expenses	5,057	7,086	-	580
Provision for diminution	-	-	-	-
	62,305,057	7,086	-	580

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

15 Trade and other payables

	Consolidated		Parent Entity	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Current				
Trade creditors and accruals	776,553	47,933	561,824	47,904

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
16 Financial liabilities				
Current				
Financial liabilities	313,743	946,161	-	250,000
Non current				
Financial liabilities	515,053	-	-	-
17 Issued capital				
Fully paid ordinary shares	44,334,254	15,914,254	44,334,254	15,914,254

	2008 No.	2007 No.
Ordinary Shares +		
Balance at the beginning of the year	66,812,125	404,418,205
Shares issued during the year		
28 Nov 2006	-	35,813,954
Consolidation 1 for 10 ordinary shares	-	(396,208,861)
7 June 2007	-	22,788,827
16 June 2008	101,500,000	-
Balance at end of year	168,312,125	66,812,125

+ Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
18 Retained earnings/ (Accumulated losses)				
Accumulated losses at beginning of year	(1,845,816)	(32,346,793)	(1,294,828)	(31,898,426)
Reduction in accumulated losses 24/11/06	-	31,898,426	-	31,898,426
Net profit/(loss) for the year	11,766,323	(1,397,449)	4,358,732	(1,294,828)
Retained earnings/(Accumulated losses) at end of year	9,920,507	(1,845,816)	3,063,904	(1,294,828)
19 Minority equity interests				
Minority equity interests in subsidiaries comprise:				
Acquired as part of subsidiary	88	-	-	-

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $

20 Reserves

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Asset Revaluation Reserve				
Balance at beginning of year	10,236,371	-	-	-
Revalue mine carrying value	(276,379)	10,236,371	-	-
Balance at end of year	9,959,992	10,236,371	-	-
Foreign Currency Translation Reserve				
Balance at beginning of year	-	-	-	-
Translation difference between acquisition date and year end	(19,075)	-	-	-
Balance at end of year	(19,075)	-	-	-
Total Reserves	9,940,917	10,236,371	-	-

21 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Although the Group does not have documented policies and procedures, the Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rates, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Financial assets				
Cash and cash equivalents	2,311,093	136,317	1,982,957	136,013
Trade and other receivables	12,913	28,086	2,940	28,085
Loans to subsidiaries	-	-	2,214,903	513,361
Total financial assets	2,324,006	164,403	4,200,800	677,459
Financial liabilities				
Trade and other payables	(279,802)	(8,439)	(65,073)	(8,404)
Financial liabilities	(828,796)	(946,161)	-	(495,704)
Total financial liabilities	(1,108,598)	(954,600)	(65,073)	(504,108)
Net exposure	1,215,408	(790,197)	4,135,727	173,351

Risk Exposures and Responses

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held.

Sensitivity analysis

The effect of volatility of interest rates within expected reasonable possible movements would not be material.

(b) Currency Risk

At 30 June 2008 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

		Consolidated		Parent Entity	
		2008 $	**2007 $**	**2008 $**	**2007 $**
Financial assets					
Cash and cash equivalents	$US	313,761	-	-	-
Trade and other receivables	$US	962,705	-	-	-
Financial liabilities					
Trade and other payables	$US	(204,961)	-	-	-
Financial liabilities	$US	(792,492)			
Net exposure		279,013	-	-	-

Sensitivity analysis

The effect of volatility of interest rates within expected reasonable possible movements would not be material.

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

(d) Price Risk

The Group's exposure to commodity and equity securities price risk is minimal.

(e) Liquidity Risk

The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year Ended 30 June 2008	< 6 months	6 – 12 months	1 – 5 years	➢ 5 years	Total
Consolidated financial assets					
Cash and cash equivalents	2,311,093	-	-	-	2,311,093
Trade and other receivables	12,913	-	-	-	12,913
Available for sale financial assets	-	-	-	-	-
Financial liabilities					
Trade and other payables	(279,802)	-	-	-	(279,802)
Financial liabilities	(313,743)	-	(515,053)	-	(828,796)
Net maturity	**1,730,461**	**-**	**(515,053)**	**-**	**1,215,408**
Parent financial assets					
Cash and cash equivalents	1,982,957	-	-	-	1,982,957
Trade and other receivables	2,940	-	-	-	2,940
Loans to subsidiaries	2,214,903	-	-	-	2,214,903
Financial liabilities					
Trade and other payables	(65,073)	-	-	-	(65,073)
Net maturity	**4,135,727**	**-**	**-**	**-**	**4,135,727**

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $nil(2007: $nil) has been recognised by the Group and $nil (2007: $nil) by the Company in the current year.

Movements in the provision for impairment loss were as follows:

	Consolidated		**Parent Entity**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Opening balance	-	-	66,957	66,957
Additional provision	-	-	-	-
Amounts written off	-	-	-	-
Amounts recovered	-	-	-	-
Closing balance	-	-	66,957	66,957

At 30 June, the ageing analysis of trade and other receivables is as follows:

	Consolidated		**Parent Entity**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Current	12,913	28,086	2,940	25,085
31 – 60 days	-	-	-	-
61 – 90days	-	-	-	-
91 days and over	-	-	-	-
Closing balance	12,913	28,086	2,940	25,085

As at 30 June 2008 the Group had debts that were past due but not doubtful in the amount of $nil (2007: $nil).

Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Capital management

The Group's policy is to maintain a strong and flexible capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital which the Group defines as total shareholders' equity attributable to the members of Austral Gold Limited.

The Group monitors balance sheet strength and flexibility using cash flow forecast analysis and a detailed budgeted process.

There were no changes in the Group's approach to capital management during the year.

22 Dividends

No dividends were paid or proposed during the year

23 Commitments

Exploration expenditure commitments

To maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the accounts and are payable:

	Consolidated		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Within one year	49,320	55,460	49,320	55,460
One year or later and no later than five years	-	80,455	-	80,455
	49,320	135,915	49,320	135,915

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

	Consolidated		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Within one year	22,014	21,000	22,014	21,000
One year or later and no later than five years	16,940	36,750	16,940	36,750
	38,954	57,750	38,954	57,750

The Group rents offices at Suite 605/ 80 William Street, Sydney. The property lease is a non-cancellable lease with a three-year term expiring 31 March 2010, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minium lease payments be increased by reference to the CPI. An option exists at the end of the three-year term for an additional term of two years.

24 Subsidiaries

	2008 % owned	2007 % owned	Country of incorporation
Particulars in relation to subsidiaries			
Parent Entity			
Austral Gold Limited			Australia
Subsidiaries			
Guanaco Mining Company	100	-	British Virgin Islands
Golden Rose Pty Limited	100	100	Australia
Golden Rose International Limited	100	100	Australia

During 2008 the Company acquired 35,651 ordinary shares of Guanaco Mining Company, following which Austral Gold Limited held 100% of the ordinary shares of Guanaco Mining Company. The consideration of the acquisition was the issue of 101,500,000 ordinary shares in Austral Gold Limited to Guanaco Capital Holding Corp as approved by the shareholders at a General Meeting on 28 May 2008.

	Parent Entity	
Movements in carrying value of subsidiaries	**2008 $**	**2007 $**
Carrying amount of investment in subsidiary at the beginning of the financial year	5,886,977	2
Acquisition relating to existing subsidiaries	38,875	-
Transfer from investment in associate	9,206,789	-
Acquisition relating to new subsidiary	28,420,000	5,886,975
Contributions paid	196,739	-
Carrying amount of investment in associate at end of year	43,749,380	5,886,977

Fair value of assets and liabilities at acquisition of GMC	**Assets/ Liabilities $**
Current assets	
Cash and bank	290,502
Trade and other receivables	39,604
Total current assets	330,106
Non current assets	
Other assets	1,215,029
Exploration and evaluation expenditure	62,300,000
Total non current assets	63,515,029
Total assets	**63,845,135**
Current liabilities	
Trade and other payables	479,514
Non current liabilities	
Other payables	515,644
Total liabilities	**995,158**
Net assets acquired	62,849,977
Total Consideration	58,000,000
Acquisition Discount	**4,849,977**

25 Investments accounted for using the equity method

Details of the investment in associates is as follows:	Ownership Interest		Investment carrying amount Consolidated	
Name (Principle Activities)	**2008 %**	**2007 %**	**2008 $**	**2007 $**
Guanaco Mining Company (exploration)	100	51	-	22,997,678

	Consolidated		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Movements in carrying value of associates				
Carrying amount of investment in associate at the beginning of the financial year	22,997,678	-	8,585,080	-
Acquisition	-	22,368,539	-	8,339,376
Contributions paid	1,765,885	696,161	621,709	245,704
Share of loss	(40,851)	(67,022)	-	-
Transfer to investment in subsidiary	(24,722,712)	-	(9,206,789)	-
Carrying amount of investment in associate at end of year	-	22,997,678	-	8,585,080

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
26 Cash flow information				
Reconciliation of cash flow from operations with profit/(loss) after income tax				
Profit/(loss) after income tax	11,766,323	(1,397,449)	4,358,732	(1,294,828)
Non-cash flows in profit				
Gain on revaluation of investment in associate	(4,856,904)	-	-	-
Acquisition discount	(4,849,888)	-	-	-
Impairment of goodwill	2,116,888	-	-	-
Interest received	(32,662)	(44,185)	(32,662)	(112,723)
Exploration and evaluation expenditure written off	33,229	80,416	-	22,280
Exchange rate differences	(107,360)	585,692	(93,013)	585,692
Depreciation	7,884	2,155	3,046	2,155
Net gain on disposal of plant and equipment	-	955	-	955
Net gain on disposal of asset	(4,986,867)	-	(4,986,867)	-
Provision for impairment		-	-	-
Share of loss in associate	40,851	67,022	-	-
Net cash used in operating activities before change in assets and liabilities	(868,506)	(705,394)	(750,764)	(796,469)
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(981,660)	(82,595)	(1,676,397)	(176,116)
(Decrease)/increase in trade and other payables	728,618	(71,419)	514,500	(840)
Net receivable acquired through subsidiary	928,827	-	-	-
Cash flow from operations	**(192,721)**	**(859,408)**	**(1,912,661)**	**(973,425)**

There were no unused loan or credit facilities at year-end.

27 Related parties

Directors

The name of each person holding the position of Director during the year are, Mark Bethwaite, Pablo Vergara del Carril, Robert Trzebski, Eduardo Elsztain, Saul Zang and Natalia Zang. Amounts paid to Directors are set out in the Directors Report

Directors' holdings of shares and share options

The parent company, IFISA holds 61% interest in Austral Gold Limited.

Mr Pablo Vergara del Carril is a Director of Austral Gold Limited, Guanaco Capital Holding and of Guanaco Mining Company. He has no direct holding in either shares or options in any of these companies with the exception of Guanaco Capital Holding in which he holds shares.

Messrs. Elsztain and Zang are Directors of Austral Gold Limited, Guanaco Capital Holding, Guanaco Mining Company and IFISA and hold indirectly shares through their interests in Guanaco Capital Holding and indirectly through IFISA.

Mr Bethwaite, a Director of Austral Gold Limited and Guanaco Mining Company, holds 37,987 shares indirectly in Austral Gold Limited through Fine Wine Superannuation Fund.

Mr Trzebski is a director of Austral Gold Limited and Guanaco Mining Company.

Wholly owned and partly owned subsidiaries

Aggregate amounts receivable from Golden Rose Pty Limited as at 30 June 2008 were $159,719 (2007: $131,601). Impairment losses of $nil were provided against this loan in the year ended 30 June 2008.

Aggregate amounts receivable from Golden Rose International Limited as at 30 June 2008 were $2,122,142 (2007: $448,717).

Aggregate amount payable to Guanaco Capital Holding Corp as at 30 June 2008 was nil (2007: $946,161).

Interest paid to Guanaco Capital Holding during the year ended 30 June 2008 was $113,724. (2007: nil).

Funds advanced to the Group from Guanaco Capital Holding during the year ended 30 June 2008 was $2,001,910 (2007: $250,000).

Funds repaid to Guanaco Capital Holding during the year ended 30 June 2008 were $2,840,711 (2007: nil).

28 Subsequent events

a) Acquisition of Guanaco Capital Holding Argentina SA (GCHA). The transaction was effected on 4 August 2008.

GCHA, a company duly incorporated under the Argentinean Law is the owner of 9 tenement applications totalling almost 85,000 hectares in the Argentinian Province of Santa Cruz and an Earn In Agreement signed with Argentina Minera S.A. (Aminsa) and its founders to jointly explore tenements covering approximately 227,000 hectares in the Argentinian Province of San Juan.

b) Signing of Funding Agreement with Guanaco Capital Holding Corporation (GCH):

Austral Gold Limited has signed a Funding Agreement with GCH upon which GCH has committed to lend Austral Gold Limited up to US$4 million at 12-month term deposit interest rate published by Westpac.

Ultimate parent entity

The Parent Entity is controlled by IFISA which is incorporated in Uruguay. The ultimate beneficial owner of IFISA is IFIS which is incorporated in Bermuda.

AUSTRAL GOLD LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of Austral Gold Limited:

a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards and give a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date.

b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A.

Signed in accordance with a resolution of the directors.

Francis Mark Bethwaite	Robert Trzebski
Chairman	Director
Sydney, 23 September 2008	Sydney, 23 September 2008

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Austral Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Austral Gold Limited, which comprises the Balance Sheets as at 30 June 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration for both Austral Gold Limited and of Austral Gold Group (the consolidated entity). The consolidated entity comprises the entity and it's subsidiaries at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of Austral Gold Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Chartered Accountants
& Business Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Austral Gold Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to note2(x) in the financial statements which indicates that the on going viability of the consolidated entity and the recoverability of its non current assets is dependent on the success of The Guanaco Project. The existence of this material uncertainty may cast significant doubt about the consolidated entity's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 16 of the Directors' Report for the year ended 30 June 2008. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Austral Gold Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PKF

Bruce Gordon
Partner

23 September 2008
Sydney

ADDITIONAL INFORMATION REQUIRED
BY AUSTRALIAN STOCK EXCHANGE LIMITED

Additional information included in accordance with the Listing Rules of the Australian Stock Exchange Limited.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors and its Committees

Your board is responsible for the overall Corporate Governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

To assist in the execution of its responsibilities, your board has established an Audit Committee. The Audit Committee has a written mandate and operating procedures, which are reviewed on a regular basis. The effectiveness of the Audit Committee is also constantly monitored. Your board has also established a framework for the management of the Company including a system of internal control.

Composition of Board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report.

Audit Committee

The Audit Committee has a documented Charter, approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr Mark Bethwaite (Non Executive Director – Chairman Audit Committee)
- Mr Pablo Vergara del Carril (Non Executive Director)
- Ms Natalia Zang (Non Executive Director)

Audit Committee Meetings are also attended by the external auditors and management representatives as required.

The responsibility of the audit committee includes:

- Reviewing the financial report and other financial information distributed externally;
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditors' independence;
- Liaising with the external auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner and;
- Monitoring the procedure in place to ensure compliance with the Corporation Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the following:

Audit planning:

- To discuss the external audit plan
- To discuss any significant issues that may be foreseen
- To discuss the impact of any proposed changes in accounting policies on the financial statements
- To review the fees proposed for the audit work to be performed

Prior to announcements of results:

- To review the half yearly and preliminary final report prior to lodgement of these documents with ASX, and any significant adjustments required as a result of the audit; and
- To make the necessary recommendations to the Board for the approval of these documents.

Annual reporting:

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- To review the draft financial report and audit report and to make the necessary recommendations to the Board for the approval of the financial report.

Remuneration Committee

All remuneration decisions are made by the Board.

The Board is cognisant of the objectives concerning remuneration and they are:

- to appropriately reward and thereby encourage excellent performance by management and directors, as measured by growth of the Company;
- to devise and/or approve appropriate incentives to facilitate growth, focussing not just on salary but on a range of remuneration methods;
- to take into account the requirements and expectations of all stakeholders, including shareholders, so that remuneration is balanced by expectations concerning profitability of the Company.

The Board will review:

- policies for the annual remuneration of directors and senior management;
- the basis of calculation of remuneration of those persons to ensure the appearance of reasonableness;
- current industry practice in the remuneration of directors and senior executives of similar size and industry entities;
- different methods of remuneration, including:
    - bonus schemes;
    - employee Share Option Scheme;
    - fringe benefits;
    - superannuation;
    - retirement and termination packages.

The Board will also review:

- professional indemnity policies;
- related party disclosures in the financial statements;
- communication with major stakeholders to gauge their views on remuneration packages.

The Board's objectives concerning remuneration are to devise appropriate criteria for Board membership, and identify specific individuals for Board membership.

The Board takes into account:

- the skill sets of current Board members;
- the current and future requirements of the Company for skills in particular areas which it lacks;
- the value to stakeholders of a Board comprising individuals with high levels of independence and stature.

The Board fosters open and confidential communications at its meetings and with the entire Board on potential nominees.

The Board will initiate an annual review of Board and individual director performance, including a review of Board size, committee structures, and effectiveness of Board meetings.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

- Financial reporting – an annual budget is prepared by management and approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared as required. The Company reports to shareholders quarterly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements.
- Investment appraisal – the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entities state of affairs. Information is communicated to shareholders as follows:

- The Annual Report is available to all shareholders (through the Company web site). The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the quarterly report contains summarised financial information and a review of the operations of the Group during the period.

These reports are posted on the Company's website at www.australgold.com.au; as are announcements made to the ASX.

The shareholders are responsible for voting on the appointment of directors.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Groups strategy and goals. Important issues are presented to the shareholders as single resolutions.

Securities Trading Policy

The Group's share trading policy restricts the times and circumstances in which directors, employees and parties legally related to them, may trade in shares of the Company or its listed controlled entity. Trading is not permitted when directors or employees possess price sensitive information which has not yet been disclosed to the market.

Principles of Good Corporate Governance and Best Practice Recommendations

In August 2007, the ASX Corporate Governance Council (**Council**) re-released its "Corporate Governance Principles and Recommendations" (**Recommendations**).

Listing Rule 14.10.3 requires a company to disclose the extent to which the entity has followed the Recommendations set by the Council during the reporting period. If the entity has not followed all of the recommendations it must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the entity must state the period during which it had been followed.

In accordance with Listing Rule 14.10.3 the Company states that it has complied with each of the Eight Essential Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council.

Principal No		Recommendation	Compliance or Explanation for Non-compliance
1	1.1	Establish and disclose the functions reserved to the Board and those delegated to senior management.	A formal policy document outlining board and management functions has not been established. The directors have determined that given the size and direction of the Company, hands on day-to-day management and supervision by directors is currently in its best interests. Delegation of specific responsibilities to senior management is agreed and documented in Board Meetings.
1	1.2	Disclose the process for evaluating the performance of senior executives	The Board reviews senior management performance and assesses remuneration in line with this review annually.
2	2.1	A majority of the Board should be independent directors.	Four of the six directors are not considered independent due to their relationship with IFISA, the Company's majority shareholder and other significant shareholders. This situation is unlikely to change.
2	2.2	The chairperson should be an independent director.	The Chairman is an independent, non-executive director.
2	2.3	The same individual should not exercise the roles of chairperson and chief executive officer.	The Company has not appointed a chief executive officer because the directors have determined that the appointment and cost of a chief executive officer is not necessary or justified at this time. For the present the directors are carrying out the responsibilities of chief executive officer with the daily assistance of the company secretary and such outside expert assistance and advice as is necessary.
2	2.4	The Board should establish a nomination committee.	The Board does not have a nomination committee because in the directors' view, a Company of this size and stage of development can best operate with the functions of a nomination committee undertaken by the full Board.
2	2.5	Disclose the process for evaluating the performance of the Board, its Committees and individual directors.	The Board intends to review its overall performance and performance of individual directors within the next 12 months.
3	3.1	Establish a code of conduct and disclose a summary addressing • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.	The Company is in the process of formalising a code of conduct policy which will be posted on the Company's website when adopted.

Principal No		Recommendation	Compliance or Explanation for Non-compliance
3	3.2	Establish and disclose a policy concerning trading in company securities by directors, senior executives and employees.	The Board is in the process of reviewing a share trading policy which will be published on the Company's web site when adopted. Directors and senior management are aware of their disclosure requirements when trading directly or indirectly in the Company shares.
4	4.1	Establish an Audit Committee	Complies.
4	4.2	Structure the audit committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the board • at least three members	The Audit Committee comprises Mark Bethwaite (as Chairman), Pablo Vergara del Carril and Natalia Zang. The committee lacks a majority of independent directors as recommended. The members of the Audit Committee possess the requisite financial expertise and industry experience necessary to effectively carry out the Committee's mandate.
4	4.3	The Audit Committee should have a formal charter.	The Audit Committee has a documented charter approved by the Board.
5	5.1	Establish and disclose written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Formal written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for that compliance are not currently in place. Formal policies will be drafted and will be posted on the Company's website when adopted. The Company is in regular contact with its solicitors to ensure ASX compliance.
6	6.1	Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings.	The new Board is committed to the objective of proper communication with shareholders and actively promotes shareholder involvement in the Company including regular information on the Company's website. A formal policy will be drafted to express these goals and will be posted on the Company's website when adopted.
7	7.1	Establish and disclose policies for the oversight and management of material business risks.	The board is formulating its policies on these matters which will be posted on the Company's website when adopted.
7	7.2	Design and implement a risk management and internal control system to manage the company's material business risks and report on whether those risks are being managed effectively.	The Company's system of risk management and internal control is basic, yet appropriate for the size and nature of transaction incurred. The Board seek external advice when considering new or significant transactions to ensure risks are identified and addressed in a timely manner.

Principal No		Recommendation	Compliance or Explanation for Non-compliance
7	7.3	The Board should disclose whether it has received assurance from senior management that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The sign-off received by the Board from the CFO relates to financial reporting. It is limited by knowledge and belief and provides a reasonable, but not absolute level of assurance with regards to the system of risk management and internal control.
8	8.1	Establish a Remuneration Commitee	The Company cannot justify the operation of a Remuneration Committee. All remuneration decisions are made by the Board.
8	8.2	Distinguish the structure of non-executive directors remuneration from that of executive directors and senior management.	The Board is cognisant of the objectives concerning remuneration of directors and senior management and is committed to the design of appropriate structures to fulfil these objectives.

The Board aspires to the highest standards of corporate governance and is fully supportive of and committed to the aims, spirit and letter of the Recommendations and to their implementation as appropriate for a company of this size.

Capital

As at 29 August 2008 the total issued capital of Austral Gold Limited was 168,312,125 ordinary shares.

168,312,125 shares were quoted on the Australian Securities Exchange under the code AGD.

The only shares of the Company on issue are ordinary shares. None of these shares are restricted securities within the meaning of the Listing Rules of the Australian Securities Exchange.

There are no restrictions on the voting rights attached to the fully paid ordinary shares. On a show of hands, every member present in person shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share held.

There exist a total of 3,650,538 unlisted options at 29 August 2008 as detailed in paragraph b) below

a) Distribution of fully paid ordinary shareholders at 29 August 2008

Size of Holding	Shareholders	Number of Shares Held
1 - 1,000	693	294,601
1,001 - 5,000	331	894,658
5,001 - 10,000	100	805,855
10,001 - 50,000	72	1,612,516
50,001 - 100,000	20	1,411,248
100,001 and over	34	163,293,247
Total	**1,250**	**168,312,125**

b) Unlisted options on issue at 29 August 2008

There are 3,650,538 unlisted options on issue as detailed below:

No of Options	Exercise price	Expiry date	No of Holders
877,334	$0.40	14/10/2009	1
2,773,204	$2.00	14/10/2009	27

IFISA holds 1,167,521 of these options.

GCH holds 50,000 of these options.

Securities approved for the purposes of Item 7 of section 611 of the Corporations Act:

Shareholders approved the issue of shares upon conversion of these options pursuant to Item 7 of section 611 of the Corporations Act. 1,217,521 of these options are yet to be exercised by IFISA or GCH.

c) Distribution of option holders at 29 August 2008

Size of Holding	Shareholders	Number of Shares Held
1 - 1,000	6	3,439
1,001 - 5,000	8	20,587
5,001 - 10,000	-	-
10,001 - 50,000	7	200,556
50,001 - 100,000	1	64,509
100,001 and over	6	3,361,447
Total	**28**	**3,650,538**

d) Substantial Shareholders

At 29 August 2008 the Company's register of substantial shareholdings shows the following:

Name	Shares Held
Inversiones Financieras del Sur SA (IFISA)	102,259,174
Guanaco Capital Holding (GCH)	25,789,330

e) Top twenty shareholders as at 29 August 2008

Rank	Holder	No. of shares	% of issued capital
1	Inversiones Financieras del Sur SA (IFISA)	102,259,174	60.76%
2	HSBC Custody Nominees (Australia) Limited	25,789,330	15.32%
3	Dolphin Fund PLC <Banco Nominees A/C>	14,669,695	8.72%
4	Eduardo Sergio Elsztain	5,650,132	3.36%
5	Citicorp Nominees Pty Limited	4,631,832	2.75%
6	ANZ Nominees Limited <Cash Income A/C>	1,471,127	0.87%
7	Saul Zang	1,435,668	0.85%
8	Asociacion Israelita Argentina	1,158,265	0.69%
9	Consultores Venture Capital SA	429,480	0.26%
10	HSBC Custody Nominees (Australia) Limited – GSI ECSA	400,000	0.24%
11	Niako Investments Pty Ltd	396,005	0.24%
12	Moshe Ambarchi	350,000	0.21%
13	Hazlaha Investments Limited	336,865	0.20%
14	HSBC Custody Nominees (Australia) Limited	305,083	0.18%
15	Loxen Pty limited	300,000	0.18%
16	JP Morgan Trust Company Ltd <The Austria A/C>	297,445	0.18%
17	Limol Trading Corp	297,445	0.18%
18	Mr Samuel Maltz	297,445	0.18%
19	Mr Marcelo Catz	297,311	0.18%
20	Mr Daniel Goberman	250,942	0.15%
	Cumulative total of top twenty shareholders	**161,023,244**	**95.70%**

Schedule of Mineral Tenements as at 19 September 2008

Tenement	Project Name	Interest
P 15/4514	Bullabulling	95%
P 15/4515	Bullabulling	95%
P 15/4516	Bullabulling	95%
P 15/4518	Bullabulling	95%
P 15/4519	Bullabulling	95%
P 15/4520	Bullabulling	95%
P 15/4521	Bullabulling	95%
P 15/4522	Bullabulling	95%