

# **AUSTRAL GOLD LIMITED**

AND ITS SUBSIDIARIES

ABN 30 075 860 472

**ANNUAL REPORT  
2009**



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## **Chairman's Letter**

Dear Shareholder

2008/09 has seen further progress, in particular on our wholly owned Guanaco gold/silver/copper project in northern Chile. This project remains the technical and expenditure focus of the Company.

Further drilling of previously discovered vein systems at Guanaco took place in the December 2008 half year. Geostatistical analysis in early 2009 of drilling results from the 2008 campaign has resulted in a significant increase to the gold and silver resource base at Guanaco, which now totals nearly one million ounces of gold and gold equivalent of silver. This resource is now large enough to mount a bankable feasibility study into restarting mining operations at Guanaco. Discussions with engineering companies with the capability to undertake such a study are in progress.

In addition, our operational management team has been strengthened with the appointment of a Chief Operations Officer, Stabro Kasaneva and a number of similarly highly experienced geological, mining and metallurgical personnel. The key tasks of this team are to contribute to the bankable feasibility study and to undertake a number of major pre-development activities, including further drilling, an exploration decline to access the higher grade Cachinalito vein mineralisation and final metallurgical studies.

It is anticipated that the Guanaco feasibility study will be completed in the December half of 2010, at which time a development decision to restart mining operations may be taken.

In July 2009, Austral Gold obtained formal Environmental Impact Approval and permits to restart mining operations at Guanaco.

On other projects, expenditure on site access has been undertaken which has resulted in Austral Gold earning into the AMINSA projects in the Province of San Juan in Argentina. The Company also now has title to four tenements in the Province of Santa Cruz in the south of Argentina and is waiting on approval of another five tenements.

Site surveys and research work has also been undertaken on the Company's Bullabulling gold exploration project in Western Australia.

In June 2009, Austral Gold entered into a revised Funding Agreement with Guanaco Capital Holding, increasing the facility amount to USD9million.

Austral Gold continues to be well served by its staff both on site at Guanaco and in our small Sydney office. 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 Natalia Zang – Non Executive Director Pablo Vergara del Carril - Non Executive Director Robert Trzebski - Non Executive Director
Company Secretary:	Catherine Lloyd Tony Strasser (acting)
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: <a href="mailto:info@australgold.com.au">info@australgold.com.au</a> Website: <a href="http://www.australgold.com.au">www.australgold.com.au</a>
Antofagasta, Chile Office:	14 de Febrero 1822, of. 8 Antofagasta, Chile Telephone: 56-55-440304 Facsimile: 56-55-440305
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:	Deacons
Listed: Code:	Australian Stock Exchange 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 also expects to acquire further properties in the Guanaco region and has acquired properties in Argentina.

The Company continues to explore and invest in its Guanaco Project ("Guanaco") in northern Chile to expand its mineral resources, increase the property's potential annual production and improve its financial viability.

In 2008, a two stage reverse circulation drilling program was undertaken at Guanaco.

Stage 1 drilling took place in June, July and August 2008 and included further work at Cachinalito Oeste. At Cachinalito Oeste, the previously identified gold/silver bearing structure was extended 650 meters to the west, where 12 holes encountered a silica/quartz vein structure with low grade gold/silver anomalies.

The reverse circulation drilling program was also successful in identifying a significant/quartz vein structure (named Natalia) 120 meters to the south and parallel to the Cachinalito Norte structure. Natalia contains the same mineral assemblages found in the gold-bearing veins in the district. Stage 2 drilling, comprising approximately 830 metres of reverse circulation drilling concentrated in the Dumbo pit floor, took place in late 2008 after interpretation and analysis of Stage 1 drilling.

Geostatistical analysis of the results of both drilling campaigns has now been completed.

In June 2009, the Company announced a significant increase to gold and silver resources at its wholly owned Guanaco Project in Chile following the Company's successful 2008 drill campaigns.

Total resources of gold at Guanaco are now 904,361 ounces, as detailed below. This total excludes approximately 53,000 gold equivalent ounces from the significant silver content of mineralisation.

GOLD Au	Tonnes	Grade (g/t)	Ounces
TOTAL INGROUND	14,745,058	1.47	709,347
TOTAL HEAP LEACH	11,111,380	0.55	195,014
TOTAL			904,361

- At Cachinalito Oeste, an incremental 11,530 ounces of gold at a 1.0 gram per tonne cut off grade has been added across all three resource categories. This increase was included in the total Cachinalito Oeste resources of 101,559 ounces in the 31 December 2008 Half Year Financial Statements
- Stage 2 drilling in the Dumbo and Perseverancia Pits has resulted in a further increase of 201,676 ounces of gold across all three resource categories.

Following this significant increase to gold resources, Austral Gold is now considering a Feasibility Study into restarting mining operations at Guanaco, and discussions with key contractors and consultants have commenced.

## EXPLORATION ACTIVITIES – SOUTH AMERICA

### 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.

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.

#### Project Description

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



Guanaco is located in the Paleogene/Eocene belt, a structural trend which runs north/south down the centre of Chile. This trend accommodates several large copper/gold mining operations including Zaldívar, 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 1.0 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.



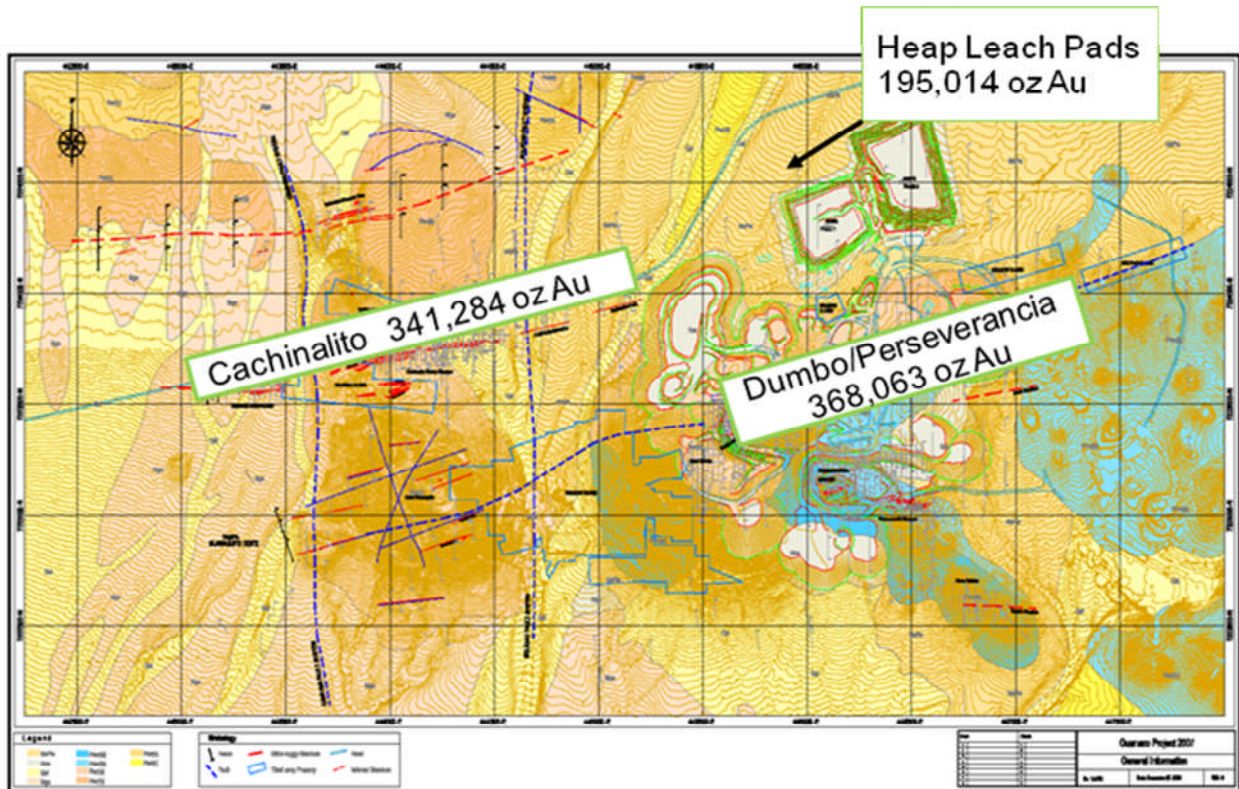


The photograph above shows the east view of the Dumbo open pit showing the deepest of the past workings. The photograph below shows the leach pads, north of the Dumbo pit.



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 Guanaco project has the benefit of substantial infrastructure and plant from previous mining operations. Austral Gold has a major ground position at Guanaco, secure water rights and environmental permits already approved for the reactivation of the Mine. These assets contribute significantly towards de-risking the project and have removed potential hurdles to restarting mining operations.

Your Directors believe that these assets, combined with the significant increase in gold resources, provide a strong platform on which to mount a Feasibility Study into restarting mining operations at Guanaco. Negotiations with key contractors and consultants have commenced and shareholders, with the intention to progress towards restarting mining operations at Guanaco.



A detailed summary of the total resources estimate at Guanaco is set out below.

GOLD Au												
INGROUND	Measured			Indicated			Inferred			TOTAL		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Cachinalito Oeste	334,310	3.22	34,631	526,940	2.99	50,373	203,012	2.50	16,555	1,064,262	2.97	101,559
Cachinalito Central	540,340	5.42	94,209	645,340	4.18	86,622	464,460	3.94	58,894	1,650,140	4.52	239,725
Dumbo Oeste	35,877	2.65	3,062	183,387	2.58	15,190	1,105,442	1.67	59,490	1,324,706	1.82	77,724
Perseverancia	8,537	1.45	399	29,696	2.40	2,289	38,540	2.41	2,986	76,773	2.30	5,674
Dumbo, Defensa, Perseverancia (Open pit)	1,575,013	0.84	42,653	5,050,459	0.80	141,571	4,003,705	0.78	100,441	10,629,177	0.80	284,665
<b>TOTAL INGROUND</b>	<b>2,494,077</b>	<b>2.18</b>	<b>174,954</b>	<b>6,435,822</b>	<b>1.38</b>	<b>296,045</b>	<b>5,815,159</b>	<b>1.27</b>	<b>238,366</b>	<b>14,745,058</b>	<b>1.47</b>	<b>709,347</b>

HEAP LEACH	Measured			Indicated			Inferred			TOTAL		
	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces
Heap Leach Pads - Phase I	3,897,578	0.512	64,160	-	-	-	939,094	0.512	15,459	4,836,672	0.512	79,619
Heap Leach Pads - Phase II	4,436,567	0.572	81,591	-	-	-	1,838,141	0.572	33,804	6,274,708	0.572	115,395
<b>TOTAL HEAP LEACH</b>	<b>8,334,145</b>	<b>0.542</b>	<b>145,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,777,235</b>	<b>0.542</b>	<b>49,263</b>	<b>11,111,380</b>	<b>0.546</b>	<b>195,014</b>

TOTAL GOLD 904,361

\* The total number of gold ounces certified by NCL is 284,665, from which 201,676 are new reported ounces and 82,989 were already reported and certified by Magri.

Dr Robert Trzebski (AUSIMM Member No. 228664) is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Masters in International Project Management and has over 13 years 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 consents to the inclusion of the resource figures identified in the context they have been provided in this report.

### AMINSA Project – Argentina

Austral Gold owns an Earn In Agreement signed with Argentina Minera SA. (AMINSA) and its founders to jointly explore tenements covering approximately 227,000 hectares in the Province of San Juan. The property is located within the Porphyry Piuquenes - Los Azules corridor near Xstrata's advanced copper exploration project called El Pachón in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile. AGA will earn in up to 50% of AMINSA in 5 years by contributing up to US \$15 million over this period. Copper and gold initial exploration activities were deferred to January 2010. The transaction was effected through Austral Gold Argentina (formerly Guanaco Capital Holding Argentina SA.) (AGA), a company duly incorporated under Argentinean law and 98% owned by Austral Gold Limited.

On February 27, the Board of AGD announced that the AMINSA Earn In Agreement between AGA and AMINSA and their founding shareholders, Patricio Jones, Ricardo Martinez and Roberto Martinez, has been amended. Whilst the quantum of investment and the percentage earn in by AGA has not changed, the amendment permits the use of up to US\$700,000 contributions from AGA for investments outside the AMINSA project in the Province of San Juan, Argentina, in accordance with the investment strategies to be agreed by the AMINSA management committee, where AGA has two representatives, out of a total of four members. In addition, the amendment sets out deferred dates for the payment of some future contributions.

In order to fulfil the liabilities assumed in the Investment and shareholder agreement and its amendment between AMINSA and AGA signed on June 30, 2008 and on December 26, 2008 respectively, AGA had contributed the total amount of US\$1,800,000, acquiring a 7% of the Project

and of AMINSA's shares. With this contribution, AGA completed the first year of the committed five-year-contributions.

The second year of AGA's commitment with AMINSA has begun. During this year, AGA will contribute the total amount of US\$2,000,000. Therefore, AGA will acquire another 7% and an accumulated 14% of the Project and of AMINSA's shares. It has been agreed with Patricio Jones to schedule a meeting for November to discuss the next timeline of contributions for the second year.

Due to the snow and current weather conditions in the area, the roads are closed and the Company is planning the campaign for 2009/2010.

### **Santa Cruz Project – Argentina**

During the third quarter of 2008, the Board of AGD announced that it has acquired applications for tenements in the Province of Santa Cruz, Argentina and an Earn In Agreement to jointly explore tenements in the Province of San Juan, Argentina.

The transaction was effected through the acquisition of AGA, which is the owner of 9 tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz.

During the first week of April 2009, an archaeological report was presented to the local authority from which approval took place during the first week of May 2009.

On July 28 the mining authority formally approved the EIA submitted in 2008. As a result of the suspension of activities that took place during the 2<sup>nd</sup> and 3<sup>rd</sup> week of July the approval of the prospecting permits was delayed. On August 4, the approval for areas I, III, IV and V was obtained. It is expected to obtain the approval for the rest of the areas by the end of 2009.

## **EXPLORATION ACTIVITIES - AUSTRALIA**

### **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.

In September 2008, Austral Gold contracted the services of Optiro Pty Limited, a mining consulting firm in Western Australia, to explore and evaluate resources at Bullabulling. Optiro commenced research, desktop and field work on these tenements.

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.

Following this report, Austral Gold decided to surrender 5 of the 8 tenements that it owned. These tenements include P15/4514, P15/4518, P15/4520, P15/4521 and P15/4522.

Further exploration work is planned for the three remaining tenements at Bullabulling to which Austral Gold has title, namely P15/4515, P15/4516 and P15/4519.

## **CORPORATE ACTIVITIES**

On 19 June 2009, the Company entered into a revised Funding Agreement with Guanaco Capital Holding Corp. increasing the facility amount to US\$9 million (an increase of US\$5 million from the previous facility amount). Interest rate: From 01/04/2009 to 30/06/2009: 3.50%. The interest rate applied is the 12-month term deposit interest rate for amounts \$100,000 < \$250,000 published by Westpac. This rate is to be reviewed quarterly (on a calendar basis) by the Board of Directors of Guanaco Capital Holding Corp and Austral Gold

# **DIRECTORS REPORT**

## **AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2009**

Your Directors present the following report for the financial year ended 30 June 2009 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 2009 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 2009 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](http://www.australgold.com.au).

### **REVIEW AND RESULTS OF OPERATIONS**

#### **Operating Results and Dividends**

The Group's net loss attributable to members for the year ended 30 June 2009 was \$4,262,025 (2008: profit \$11,766,323).

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 total assets of the Group have decreased by \$6,536,513 from 30 June 2008 to \$59,264,602. The 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) and Guanaco Capital Holding Corporation (GCH), who confirm that they will continue to support Austral Gold Limited by providing adequate financial assistance only in accordance with the details contained in the Funding Agreement signed between Austral Gold Limited and GCH.

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**

Drilling will continue and it is anticipated that the Company will embark on a feasibility study into the relaunch of mining and processing operations at Guanaco. Any feasibility study will take some months to complete, and may lead to a development decision by Dec 2010.

### **EVENTS SUBSEQUENT TO BALANCE DATE**

#### **Key Management Appointments**

The company has significantly strengthened its management team with several key appointments to work towards recommencement of mining operations at Guanaco, its wholly owned gold/copper project in Region II of Chile.

Mr Stabro Kasaneva has recently joined the company as Chief Operating Officer. Stabro Kasaneva has had a distinguished career in the mining sector and brings many years of industry experience to our team.

Other key management positions recently filled include:

Rodrigo Ramirez as General Manager,  
Ivan Caceres as Plant and Processes Manager,

Christian Cubelli as Exploration and Geology Manager,  
Rafael Ocariz as Metallurgic Senior Engineer

With these key professional appointments, the Company is now well positioned to commence a Feasibility Study, to undertake other pre-development activities and ultimately to recommence operations at Guanaco.

#### **Chile: Environmental Impact Approval (EIA)**

During the month of July 2009, the Company has obtained the final consolidated Environmental Impact Approval and permits to restart operations. All local entities have agreed with their conformity. The company has now the required permits to reactivate and to restart operations.

#### **Argentina, Province of Santa Cruz: 8 de Julio**

On July 28 the mining authority formally approved the EIA submitted in 2008. As a result of the suspension of activities that took place during the 2nd and 3rd week of July the approval of the prospecting permits was delayed. On August 4, the approval for areas I, III, IV and V was obtained. It is expected to obtain the approval for the rest of the areas by the end of 2009.

#### **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

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 26 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, re-elected as a Director and Chairman by shareholders 26 November 2008.**

Eduardo Elzstain

*Non Executive Director*

Mr Elzstain studied Economic Sciences at University of Buenos Aires (Universidad de Buenos Aires). He is a member of the World Economic Forum, the Group of Fifty and Asociación Empresaria Argentina (Argentine Business Association) and has been engaged in the real estate businesses for more than twenty years.

He is the Chairman of the Board of Directors of IRSA Inversiones y Representaciones SA [NYSE: IRS], Argentina's largest and most diversified real estate company, Alto Palermo, Shopping Alto Palermo SA. [NASDAQ: APSA], Argentina's leading shopping centre company with more than 10 shopping malls, Cresud SA.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, Banco Hipotecario SA. [BASE: BHIP], Argentina's largest mortgage bank, BACS Banco de Crédito & Securitización and Consultores Asset Management among other companies.

He is also Vice-Chairman of E-Commerce Latina SA, and BrasilAgro – Companhia Brasileira de Propriedades Agrícolas [BOVESPA: AGRO3]; a company which replicates Cresud's business strategy in Brazil among other companies.

**Appointed 29 June 2007**

Saul Zang

*Non Executive Director*

Mr Zang obtained a law degree from University of Buenos Aires (Universidad de Buenos Aires). He is a member of the International Bar Association (Asociación Internacional de Abogados) and the Interamerican Federation of Lawyers (Federación Interamericana de Abogados). He is a founding member of the law firm Zang, Bergel & Viñes.

He is also first Vice-Chairman of the Board of Directors of IRSA and

Shopping Alto Palermo SA, and Vice-Chairman of Alto Palermo, Puerto Retiro and Fibesa; and Director of Banco Hipotecario, Nuevas Fronteras SA., Tarshop and Palermo Invest SA.

Mr Zang is Adviser and Member of the Board of Directors of the Buenos Aires Stock Exchange and he has also advised national and international companies in different areas of the legal practice, including the privatization process of YPF SA and State Owned Electricity Company of the Province of Buenos Aires.

**Appointed 29 June 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 SA. [BASE: BHIP], Milkaut SA (an Argentine leading dairy company), Nuevas Fronteras (owner of the Intercontinental Hotel in Buenos Aires) and Emprendimiento Recoleta SA (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, re-elected by shareholders 26 November 2008.**

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**

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 11 years professional experience in corporate finance and asset management having worked for Alto Palermo SA and Jazzya Investments including two years as Managing Director.

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

**Appointed 19 March 2008**

## 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:

Director	Directors' meetings		Audit Committee meetings	
	A	B	A	B
Mark Bethwaite	10	10	2	2
Pablo Vergara del Carril	9	10	1	2
Robert Trzebski	10	10	*	*
Eduardo Elsztain	4	10	*	*
Saul Zang	4	10	*	*
Natalia Zang	9	10	2	2

**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 (directly or indirectly) 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	Ordinary Shares	Options
F M Bethwaite	37,987	-
P Vergara del Carril	68,119	-
R Trzebski	-	-
E Elsztain	4,686,206	64,509
S Zang	1,435,668	16,391
N Zang	620,000	-

It is also noted:

1. P Vergara de Carril, E Elsztain, S Zang and N Zang are directors of Guanaco Capital Holding Corp which holds 25,789,330 shares and 50,000 options.
2. E Elsztain and S Zang are directors of IFISA which holds 116,928,869 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.

200,000 shares were issued to Mr Carlos Peralta, Exploration and Geology Manager, Guanaco in May 2009.

600,000 shares were issued to Ms Natalia Zang in June 2009.



## B) Details of Remuneration

### Details of Remuneration for the Year ended 30 June 2009

2009	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		Total \$
	Cash & Salary Fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Shares	Options	
<b>Non-executive directors</b>								
F M Bethwaite		-	-	100,000*	-	-	-	100,000
R Trzebski	36,697	-	-	3,302	-	-	-	40,000
N Zang	-	-	-	-	-	48,000	-	48,000
<b>Total non-executive directors</b>	<b>36,697</b>	<b>-</b>	<b>-</b>	<b>103,302</b>	<b>-</b>	<b>48,000</b>	<b>-</b>	<b>188,000</b>
<b>Other Key Management Personnel</b>								
C Lloyd	107,033	-	-	9,633	-	-	-	116,666
C Peralta	270,754	-	-	-	-	16,000	-	286,754
T Strasser	7,339	-	-	661	-	-	-	8,000
<b>TOTAL</b>	<b>421,823</b>	<b>-</b>	<b>-</b>	<b>113,596</b>	<b>-</b>	<b>64,000</b>	<b>-</b>	<b>599,420</b>

\*Salary Sacrifice

### 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	
<b>Non-executive directors</b>								
F M Bethwaite	61,102	-	-	38,898	-	-	-	100,000
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
<b>Total non-executive directors</b>	<b>97,799</b>	<b>-</b>	<b>-</b>	<b>42,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,000</b>
C Lloyd	59,806	-	-	5,382	-	-	-	65,188
C Peralta	57,415	-	-	-	-	-	-	57,415
D Lindfield	33,880	-	-	-	-	-	-	33,880
<b>TOTAL</b>	<b>248,900</b>	<b>-</b>	<b>-</b>	<b>47,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296,483</b>

## C) Share Based Payments

Other than noted above, 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:

	2009 \$	2008 \$
<b>Audit services</b>		
Audit and review of financial reports	63,540	64,490
<b>Non-audit services</b>		
Tax advice in respect of potential group re-structuring and financing options	-	20,110
<b>Total</b>	<b>63,540</b>	<b>84,600</b>

#### 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 2009 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney, 24 September 2009.



Francis Mark Bethwaite  
Director



Robert Trzebski  
Director



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Austral Gold Limited for the year ended 30 June 2009, 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 the entities it controlled during the year.

PKF

**Bruce Gordon**  
Partner

**Sydney**  
28 September 2009

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The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

# INCOME STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue					
Operating activities	3	27,454	32,662	20,854	32,662
Non-operating activities	3	28,632	14,693,641	-	4,986,867
		56,086	14,726,303	20,854	5,019,529
Depreciation expense	4	(67,452)	(7,884)	(2,185)	(3,046)
Exploration and evaluation expenditure	4	(41,313)	-	-	-
Finance costs	4	(140,714)	(113,785)	(135,018)	(58,549)
Administration expenses		(843,002)	(749,056)	(674,751)	(692,215)
Impairment losses	4	(3,626,989)	(2,155,764)	(262,848)	-
Loss on disposal of subsidiary	24	-	-	(6,062,633)	-
Gains/(losses) from foreign exchange	4	401,359	107,360	388,542	93,013
Share of net losses of equity accounted investments	25	-	(40,851)	-	-
<b>(Loss)/profit before income tax</b>		<b>(4,262,025)</b>	<b>11,766,323</b>	<b>(6,728,039)</b>	<b>4,358,732</b>
Income tax benefit	6	-	-	-	-
<b>(Loss)/profit for the year</b>		<b>(4,262,025)</b>	<b>11,766,323</b>	<b>(6,728,039)</b>	<b>4,358,732</b>
(Loss)/profit attributable to minority equity interest		-	-	-	-
(Loss)/profit attributable to members of the Parent Entity		<b>(4,262,025)</b>	<b>11,766,323</b>	<b>(6,728,039)</b>	<b>4,358,732</b>
(Loss)/earnings per share (cents per share):					
Basic (loss)/earnings per share		(2.53)c	16.64c	(4.00)c	6.16
Diluted (loss)/earnings per share	7	(2.53) c	16.64c	(4.00)c	6.16

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 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	240,679	2,311,093	35,529	1,982,957
Other receivables	10	54,046	25,745	5,629	2,940
<b>TOTAL CURRENT ASSETS</b>		<b>294,725</b>	<b>2,336,838</b>	<b>41,158</b>	<b>1,985,897</b>
<b>NON-CURRENT ASSETS</b>					
Other receivables	10	1,573,458	984,001	-	2,214,903
Financial assets	11	2,236,831	-	45,926,590	43,749,380
Intangible assets	12	-	-	-	-
Plant and equipment	13	154,529	175,219	7,617	9,802
Exploration and evaluation expenditure	14	55,005,059	62,305,057	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>58,969,877</b>	<b>63,464,277</b>	<b>45,934,207</b>	<b>45,974,085</b>
<b>TOTAL ASSETS</b>		<b>59,264,602</b>	<b>65,801,115</b>	<b>45,975,365</b>	<b>47,959,982</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	240,849	776,553	23,856	561,824
Borrowings	16	5,775,638	313,743	5,213,390	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,016,487</b>	<b>1,090,296</b>	<b>5,237,246</b>	<b>561,824</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	16	240,174	515,053	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>240,174</b>	<b>515,053</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>6,256,661</b>	<b>1,605,349</b>	<b>5,237,246</b>	<b>561,824</b>
<b>NET ASSETS</b>		<b>53,007,941</b>	<b>64,195,766</b>	<b>40,738,119</b>	<b>47,398,158</b>
<b>EQUITY</b>					
Issued capital	17	44,398,254	44,334,254	44,398,254	44,334,254
Retained earnings/(accumulated losses)	18	5,658,482	9,920,507	(3,660,135)	3,063,904
Reserves	20	2,951,104	9,940,917	-	-
Minority Interest	19	101	88	-	-
<b>TOTAL EQUITY</b>		<b>53,007,941</b>	<b>64,195,766</b>	<b>40,738,119</b>	<b>47,398,158</b>

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 2009**

	Note	Issued capital	Share capital pending issue	Retained earnings/ (accumulated losses)	Reserves	Minority interest	Total
		\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
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
Impairment losses	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
<b>Balance at 30 June 2008</b>		<b>44,334,254</b>	<b>-</b>	<b>9,920,507</b>	<b>9,940,917</b>	<b>88</b>	<b>64,195,766</b>
Net loss attributable to members of the Consolidated Group		-	-	(4,262,025)	-	-	(4,262,025)
Impairment losses	20	-	-	-	(9,959,985)	-	(9,959,985)
Foreign currency translation	20	-	-	-	2,970,172	-	2,970,172
Shares issued during the year	17	64,000	-	-	-	-	64,000
Increase in minority interest attributable to foreign exchange	19	-	-	-	-	13	13
<b>Balance at 30 June 2009</b>		<b>44,398,254</b>	<b>-</b>	<b>5,658,482</b>	<b>2,951,104</b>	<b>101</b>	<b>53,007,941</b>
<b>Parent Entity</b>							
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
<b>Balance at 30 June 2008</b>		<b>44,334,254</b>	<b>-</b>	<b>3,063,904</b>	<b>-</b>	<b>-</b>	<b>47,398,158</b>
Shares issued during the year	17	64,000	-	-	-	-	64,000
Net loss attributable to members of the Parent Entity		-	-	(6,724,039)	-	-	(6,724,039)
<b>Balance at 30 June 2009</b>		<b>44,398,254</b>	<b>-</b>	<b>(3,660,135)</b>	<b>-</b>	<b>-</b>	<b>40,738,119</b>

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 2009

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(1,926,072)	(78,936)	(1,869,757)	(1,854,112)
Finance costs		(140,714)	(113,785)	(135,018)	(58,549)
<b>Net cash used in operating activities</b>	26	<b>(2,066,786)</b>	<b>(192,721)</b>	<b>(2,004,775)</b>	<b>(1,912,661)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of plant and equipment		30,389	-	-	-
Purchase of property, plant and equipment		(48,519)	(9,860)	-	-
Proceeds from sale of exploration and evaluation expenditure		-	4,986,867	-	4,986,867
Investment in unlisted shares		(2,236,831)	-	-	-
Payment for exploration and evaluation expenditure		(3,358,104)	(327,604)	-	-
Interest received		21,062	32,662	20,854	32,662
Investment in subsidiaries		-	-	(5,433,599)	-
Investment in associate		-	(1,766,269)	-	(1,103,027)
Cash acquired from subsidiary		-	290,502	-	-
<b>Net cash (used in)/provided through investing activities</b>		<b>(5,592,003)</b>	<b>3,206,298</b>	<b>(5,412,745)</b>	<b>3,916,502</b>
<b>Cash flows from financing activities</b>					
Loans from related party		5,588,375	2,001,910	5,470,092	1,260,016
Repayments to related party		-	(2,840,711)	-	(1,417,003)
<b>Net cash provided through/(used in) financing activities</b>		<b>5,588,375</b>	<b>(838,801)</b>	<b>5,470,092</b>	<b>(156,987)</b>
Net (decrease)/increase in cash held		(2,070,414)	2,174,776	(1,947,428)	1,846,854
Cash at beginning of financial year		2,311,093	136,317	1,982,957	136,103
<b>Cash at end of financial year</b>	9	<b>240,679</b>	<b>2,311,093</b>	<b>35,529</b>	<b>1,982,957</b>

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 2009

#### 1. Corporate information

The financial report of Austral Gold Limited (“the Company”) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 24 September 2009.

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.

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 (“the Group”), and as an individual parent entity and are presented in English.

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) Functional and presentation currency

The financial report is presented in Australian dollars which is the functional currency of the Company.

##### (d) Use of estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities with the next financial year are discussed below:

###### *Estimated impairment of goodwill*

The Group tests at each reporting date whether goodwill has suffered any impairment. The recoverable amount of cash generating units has been determined based on independent expert reports. The calculations require the use of assumptions. Refer to note 12 for details of these assumptions and the potential impact of changes to the assumptions.

###### *Estimated impairment of exploration and evaluation assets*

The Group tests at each reporting date whether there are any indicators of impairment as identified by AASB 6 “Exploration for and Evaluation of Mineral Resources”. Where indicators of impairment are identified the recoverable of the assets are determined. The recoverable amounts of the assets have been determined using reports from independent experts. The calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### **Accounting Policies**

##### **(a) Basis of consolidation**

A subsidiary is any entity that 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 as 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.

##### ***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.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### **(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.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### (f) 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.

#### (g) 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.

#### (h) Translation of foreign currency items

The functional and presentation currency of Austral Gold Limited is Australian dollars (\$).

The functional currency of Guanaco Mining Company is American dollars (US\$) and its presentation currency is Australian dollars (\$).

The functional currency of Austral Gold Argentina is Argentinean Pesos and its presentation currency 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 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

#### (i) 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



# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

- Other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

#### **(j) 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.

#### **(k) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### **(l) 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.

#### **(m) 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.

#### **(n) 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.

#### **(o) 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.

#### **(p) 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.

#### **(q) 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

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

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.

#### ***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

#### **(r) 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.

#### **(s) 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.

#### **(t) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### (u) 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.

#### (v) Going concern

The Company and the Group recorded losses of \$6,728,039 and \$4,262,205 respectively for the year ended 30 June 2009. This result along with other conditions detailed below, create a material uncertainty which may cast significant doubt over the Company and the Group's ability to continue as going concerns.

The on going viability of the Company and the Group and the recoverability of their non-current assets is dependent on the successful development 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 Company and 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 and the Group.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Company and the Group can continue to meet their 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.

The Directors have negotiated with the Group's principal shareholder to extend the available loan facility of US\$4m to US\$9m (refer note 16 for terms and conditions), at the reporting date the Group had drawn down US\$4.2m. The Directors have reviewed the cash flow forecasts of the Group for the 12 months to September 2010 and believe the funding will be sufficient to enable the Group to pay its debts.

#### **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 2009 but have not been applied in preparing this financial report:

## 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.

## Australian Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning on or after</u> )
8	Operating Segments	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Revised)	Sep 2007	1 Jan 2009
123	Borrowing Costs (Revised)	Jun 2007	1 Jan 2009
3	Business Combinations (Revised)	Mar 2008	1 Jul 2009
127	Consolidated and Separate Financial Statements (Amended)	Mar 2008	1 Jul 2009
2008 - 1	Amendments to Australian Accounting Standards: Share-Base Payments: Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008 - 5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jan 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 <u>beginning on or after</u> )
17	Distributions of Non-cash Assets to Owners	Dec 2008	1 Jul 2009
18	Transfers of Assets from Customers	Mar 2009	Ending 1 Jul 2009

### AASB 8 Operating Segments

- (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;

# NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2009

- (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 Presentation of Financial Statements (Revised)**

AASB 101 (Revised) 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 revised standard also changes presentation and terminology of the primary financial statements. The new requirements do not change the recognition, measurement or disclosure of specific transactions and other events.

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

#### **AASB 123 Borrowing Costs (Revised)**

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 borrowing costs as an expense; or
- (b) Capitalise them as part of the carrying amount of a qualifying asset.

Under the revised Standard, only the capitalisation treatment is permitted.

Adoption of AASB 123 (Revised) will result in the capitalisation of all interest expenses on qualifying assets. All other borrowing costs must be expensed. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The amendment to AASB 123 is unlikely to have a material impact on the amounts presented in the financial statements.

#### **AASB 3 Business Combinations (Revised)**

AASB 3 (Revised) changes the way in which an entity will account for business combinations. The key changes from the previous AASB 3 (as issued in July 2004 and amended to December 2007) are:

- (a) The scope is broadened to cover business combinations involving only mutual entities and business combinations achieved by contract alone.
- (b) The definitions of a business and a business combination are amended and additional guidance is added for identifying when a group of assets constitutes a business.
- (c) For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted.

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### FOR THE YEAR ENDED 30 JUNE 2009

- (d) The requirements for how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination are clarified.
- (e) The period during which changes to deferred tax benefits acquired in a business combination can be adjusted against goodwill has been limited to the measurement period (through a consequential amendment to AASB 112).
- (f) An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability.
- (g) Costs the acquirer incurs in connection with the business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses (rather than included in goodwill).
- (h) Consideration transferred by the acquirer, including contingent consideration, must be measured and recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with AASB 139 Financial Instruments: Recognition and Measurement, AASB 137 Provisions, Contingent Liabilities and Contingent Assets or other Australian Accounting Standards, as appropriate (rather than by adjusting goodwill). The disclosures required to be made in relation to contingent consideration are enhanced.
- (i) Application guidance is added in relation to when the acquirer is obliged to replace the acquiree's share-based payment awards; measuring indemnification assets; rights sold previously that are reacquired in a business combination; operating leases; and valuation allowances related to financial assets such as receivables and loans.
- (j) For business combinations achieved in stages, having the acquisition date as the single measurement date is extended to include the measurement of goodwill. An acquirer must remeasure any equity interest it holds in the acquiree immediately before achieving control at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.
- (k) Previously the requirements for restructures of local governments were included in AASB 3 (issued July 2004 and amended to December 2007). Those requirements were excluded from this Standard, based on the Board's decision to consider the suitability of this Standard for combinations among not-for-profit entities in the short-term.
- (l) The application AASB 3 (Revised) and AASB 127 (Amended) will supersede Interpretation 1001 Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements, Interpretation 1002 Post-Date-of-Transition Stapling Arrangements and Interpretation 1013 Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements.

Adoption of AASB 3 (Revised) is likely to result in substantial changes in the way in which an entity accounts for business combinations however as the amendments will be applied prospectively there will be no amendments to the 2009 comparative figures in the Group's 2010 annual report.

#### **AASB 127 Consolidated and Separate Financial Statements (Amended)**

AASB 127 (Amended) changes the way in which an entity will account for consolidated and separate financial statements. The key changes from the previous AASB 127 (as issued in July 2004 and amended to December 2007) are:

- (a) The term minority interest is replaced by the term non-controlling interest, with a new definition.
- (b) An entity must attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The previous version required excess losses to be allocated to the owners of the



# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

parent; except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

- (c) Requirements are added to specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. The previous version did not have requirements for such transactions.
- (d) Requirements are added to specify how an entity measures any gain or loss arising on the loss of control of a subsidiary. Any such gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The previous version required the carrying amount of an investment retained in the former subsidiary to be regarded as its cost on initial measurement of the financial asset in accordance with AASB 139.
- (e) The application of AASB 3 (Revised) and AASB 127 (Amended) will supersede Interpretation 1001 Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements, Interpretation 1002 Post-Date-of-Transition Stapling Arrangements and Interpretation 1013 Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements.

There is unlikely to be any changes to the way the financial statements are presented in the 2010 financial year as a result of the adoption of these amendments.

#### **AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations**

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 which the entity has already complied with.

#### **AASB 2008-2 Amendments to Australian Accounting Standards: Puttable Financial Instruments and Obligations arising on Liquidation**

AASB 2008-2 introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity.

Adoption of AASB 2008-2 will result in certain puttable financial instruments covered by the standard being reclassified from financial liabilities to equity. This amendment of AASB 132 also necessitates consequential amendments to AASB 7, AASB 101, AASB 139 and Interpretation 2.

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

#### **AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project**

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 accounting standards.

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. The subjects of the principal amendments to the Standards are set out in the preface to the standard.

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

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### **AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate**

- (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.
- (b) 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;
- (c) 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;
- (d) 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
- (e) 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.

The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report of the Group.

#### **Main features of newly issued or amended Australian Interpretations**

##### **Interpretation 17 Distributions of Non-cash Assets to Owners**

This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.

This Interpretation clarifies that:

- (a) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- (b) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and
- (c) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report.

## **Interpretation 18 Transfers of Assets from Customers**

The Interpretation addresses the following issues:

- (a) Is the definition of an asset met?
- (b) If the definition of an asset is met, how should the transferred item of property, plant and equipment be measured on initial recognition?
- (c) If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- (d) How should the entity account for a transfer of cash from its customer?

The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>3 Revenue</b>				
<i>From operating activities</i>				
Interest revenue	21,062	32,662	20,854	32,662
Other	6,392		-	-
	27,454	32,662	20,854	32,662
<i>Non-operating activities</i>				
- Gain/(loss) on disposal of plant and equipment	28,632	-	-	-
- Gain on sale of tenement	-	4,986,867	-	4,986,867
- Gain on investment revaluation	-	4,856,904	-	-
- Discount on acquisition of subsidiary	-	4,849,870	-	-
	28,632	14,693,641	-	4,986,867
<b>4 Profit/(loss) from the year</b>				
<b>(a) Expenses</b>				
Depreciation of plant and equipment	67,452	7,884	2,185	3,046
Exploration and evaluation expenditure	41,313	-	-	-
Finance costs - related parties	140,714	113,785	135,018	58,549
Rental expense on operating leases - minimum lease payments	20,136	32,404	20,136	32,404
<b>(b) Revenue and Net Gains</b>				
Foreign currency translation gain/(loss)	401,359	107,360	388,542	93,013
<b>(c) Impairment losses</b>				
Impairment of goodwill	33,992	2,155,764	-	-
Impairment of exploration and evaluation expenditure	3,592,997	-	-	-
Impairment of investment in subsidiaries			131,008	
Impairment of loans to subsidiaries	-	-	131,840	-
	3,626,989	2,155,764	262,848	-

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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>5 Auditors' remuneration</b>				
Remuneration of the auditors of the Parent Entity for:				
- auditing or reviewing the financial reports	63,540	64,490	63,540	64,490
- other services/taxation	-	20,110	-	20,110
	<b>63,540</b>	<b>84,600</b>	<b>63,540</b>	<b>84,600</b>
Remuneration of auditors of subsidiaries – Abelovich, Polano & Asociados S.R.L	28,229	3,530	-	-
<b>6 Income tax benefit</b>				
Prima facie income tax benefit calculated at 30% on the operating (loss)/profit from ordinary activities	(1,278,608)	3,529,897	(2,017,212)	1,307,620
Tax losses carried forward/(utilised)	291,719	(1,911,916)	295,786	(1,307,620)
Non deductible expenses	967,689	(1,617,981)	1,702,227	-
Total income tax benefit	-	-	-	-
Tax losses carried forward	13,751,271	13,732,071	15,249,232	15,230,033

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.

# NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2009

#### 7 (Loss)/earnings per share

##### Classification of securities as ordinary shares

Ordinary shares have been included in basic (loss)/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 considered 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	
	2009 \$	2008 \$
<b>Earnings reconciliation</b>		
Net (loss)/profit	(4,262,025)	11,766,323
Net (loss)/profit attributable to outside equity interests	-	-
Net (loss)/profit	(4,262,025)	11,766,323

	2009 Number	2008 Number
<b>Weighted average number of shares used as the denominator</b>		
Number for basic and diluted earnings per share	168,375,687	70,705,276
Number for diluted earnings per share	168,375,687	70,705,276
<b>Basic (loss)/earnings per ordinary share</b>	(2.53)c	16.64c
<b>Basic and diluted (loss)/earnings per ordinary share</b>	(2.53)c	16.64c

#### 8 Segments

##### Business segments

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

##### Geographical segments

The Group's operations are conducted in South America (Chile and Argentina) and Australia. At 30 June 2009 the Company holds a 100% interest in Guanaco Mining Company, the owner of the Guanaco Project in Chile.

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	2009 \$	2009 \$	2009 \$	2008 \$	2008 \$	2008 \$
	Australia	South America	Consolidated	Australia	South America	Consolidated
Interest revenue	20,854	208	21,062	32,662	-	32,662
Gain/(loss) on sale of asset	-	28,632	28,632	4,986,867	-	4,986,867
Other	-	6,392	6,392	-	(18)	(18)
Segment revenue	20,854	35,232	56,086	5,019,529	(18)	5,019,511
Gain on revaluation			-			4,856,904
Acquisition discount			-			4,849,888
<b>Total revenue</b>			<b>56,086</b>			<b>14,726,303</b>
Segment (loss)/profit	(549,560)	(85,476)	(635,036)	4,348,564	(133,269)	4,215,295
Gain on revaluation			-			4,856,904
Acquisition discount			-			4,849,888
Impairment			(3,626,989)			(2,155,764)
<b>Total (loss)/profit</b>			<b>(4,262,025)</b>			<b>11,766,323</b>
<b>Segment Assets</b>	48,775	59,215,827	<b>59,264,602</b>	1,995,699	63,805,416	<b>65,801,115</b>
<b>Segment Liabilities</b>	(5,237,737)	(1,018,924)	<b>(6,256,661)</b>	(561,824)	(1,043,525)	<b>(1,605,349)</b>
<b>Depreciation</b>	2,185	65,267	<b>67,452</b>	2,185	5,699	<b>7,884</b>

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>9 Cash and cash equivalents</b>				
Cash at call and in hand	234,684	2,305,098	29,534	1,976,962
Short-term bank deposits	5,995	5,995	5,995	5,995
	240,679	2,311,093	35,529	1,982,957

**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	240,679	2,311,093	35,529	1,982,957
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**Risk Exposure**

The Group's and the parent entity's exposure to interest rate risk is discussed in note 21. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.



**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>10 Other receivables</b>				
<i>Current</i>				
Advances	4,920	2,940	-	2,940
Other debtors	49,126	22,805	5,629	-
	54,046	25,745	5,629	2,940
<i>Non current</i>				
<i>Amounts receivable from:</i>				
Subsidiaries	-	-	198,797	2,281,860
Less: Impairment losses	-	-	(198,797)	(66,957)
GST Receivable	1,573,458	984,001	-	-
	1,573,458	984,001	-	2,214,903

**a) Impaired receivables**

As at 30 June 2009 a receivable within the parent entity with a nominal value of \$198,797 (2008:\$132,008) was impaired. The amount of the provision was \$198,797 (2008: \$66,957). The impairment arose over Management's doubt as to whether the subsidiary would generate sufficient cash flows either from operations or sale of assets to repay the amounts due, it was assessed that no portion of the receivable is expected to be recovered.

**b) Fair value and credit risk**

Due to the short term nature of current receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 21 for more information on the risk management policy of the Group and the credit quality of the receivables.

<b>11 Financial assets</b>				
Investments in subsidiaries	-	-	46,057,598	-
Investment in unlisted shares	2,236,831	-	-	-
Less: Impairment losses	-	-	(131,008)	43,749,380
	2,236,831	-	45,926,590	43,749,380

These financial assets are carried at cost less accumulated impairment losses. There are no fixed returns or fixed maturity date attached to these investments.

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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>12 Intangible assets</b>				
Goodwill	-	-	-	-
<b>Movements in carrying value</b>				
Reconciliations of the carrying amounts for goodwill are set out below:				
Carrying amount at beginning of year	-	2,116,888	-	-
Additions	33,992	38,876	-	-
Impairment losses	(33,992)	(2,155,764)	-	-
Carrying amount at end of year	-	-	-	-

**Impairment**

Goodwill is allocated to the cash-generating units (CGUs) on the same basis as the allocation of identifiable assets and liabilities acquired.

In accordance with AASB 136 Goodwill is required to be tested annually for impairment. Management have calculated the recoverable amount of each cash-generating unit, and where the recoverable amount of the cash generating unit is lower than its carrying value the cash generating unit has been written down to its recoverable amount.

As a result of the impairment testing impairment losses, amounting to \$33,992 (2008: \$2,155,764), were recognized in the year ended 30 June 2009. The impairment losses have been disclosed in intangibles above.

<b>13 Plant and equipment</b>				
Plant and equipment - at cost	472,595	413,770	16,354	16,354
Accumulated depreciation	(318,066)	(238,551)	(8,737)	(6,552)
	154,529	175,219	7,617	9,802
<b>Movements in carrying value</b>				
<i>Plant and equipment</i>				
Carrying amount at beginning of year	175,219	12,848	9,802	12,848
Additions	48,519	170,255	-	-
Disposals	(3,942)	-	-	-
Depreciation	(65,267)	(7,884)	(2,185)	(3,046)
Carrying amount at end of year	154,529	175,219	7,617	9,802

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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>14 Exploration and Evaluation Expenditure</b>				
Costs carried forward in respect of areas of interest in:				
Opening balance	62,305,057	7,086	-	-
Movement attributable to foreign exchange	2,894,888	-	-	-
Business combination adjustments	-	62,300,000	-	-
Additions for the year	3,358,104	-	-	-
Impairment losses	(13,552,990)	(2,029)	-	-
	55,005,059	62,305,057		-

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.

**Impairment**

In accordance with impairment indicators identified in AASB 6 Management determined there was sufficient data to indicate that, although development in a specific area of interest is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by way of sale.

Management have calculated the recoverable amount of the assets assigned to each area of interest, and where the recoverable amount of the assets is lower than their carrying value the assets are written down to their recoverable amount.

The recoverable amount of the assets has been based on the higher of their fair value less costs to sell and value in use. Fair value less costs to sell has been determined by an independent expert using the following valuation techniques:

- Enterprise value
- Expenditure value;
- Comparative values;
- EBITDA Multiple;
- Net present value

As a result of the impairment testing impairment losses, amounting to \$13,552,990 (2008: \$2,029), were recognized in the year ended 30 June 2009. The impairment losses have been disclosed in exploration and evaluation assets above.

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>15 Trade and other payables</b>				
<b>Current</b>				
Trade creditors and accruals	229,385	776,553	12,392	561,824
Provisions – employee benefits	11,464	-	11,464	-
	240,849	776,553	23,856	561,824
<b>Movement in provisions</b>				
Opening balance	-	-	-	-
Charged to the income statement	11,464	-	11,464	-
Closing balance	11,464	-	11,464	-

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**Amounts not expected to be settled within the next 12 months**

The current provision for leave includes all unconditional entitlements in accordance with the applicable legislation. The entire amount is presented as current, since the Group does not have an unconditional right to defer payment.

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>16 Borrowings</b>				
<b><i>Current</i></b>				
Loan – Guanaco Capital Holding Corp.	5,214,170	-	5,213,390	
Loan – Kinam	561,468	313,743	-	-
	5,775,638	313,743	5,214,170	
<b><i>Non current</i></b>				
Financial liabilities – Kinam Loan	240,174	515,053	240,174	-

***Loan Guanaco Capital Holding***

The borrowings are unsecured. Interest is charged at the Wetspac 12 month fixed deposit rate for investments of between \$100,000 and \$250,000. The loan comprises principal of \$5,097,187 and capitalised interest of \$116,203. The loan is repayable as follows:

- When sufficient cash flows of the Group allow therefore;
- At the election of Guanaco Capital Holding to subscribe for shares in the Group;
- On successful completion of an equity raising by the Group; or
- Failing all of the above 30 September 2010.

***Loan Kinam***

The borrowings are unsecured, interest free and repayable at a rate of US\$75,000 per quarter. The financial liabilities are carried at cost as Management have determined that the amortised cost would not differ materially from the face value of the debt.

**Risk exposure**

The Group and the parent entity's risk exposure is currency risk, as the Group is responsible for repaying the loans in US\$, and interest rate risk on the Guanaco Capital Holding Corp Loan. Further details of these risk exposures is provided in note 21.

**Fair value**

The carrying value of the loans approximates their fair value.

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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>17 Issued capital</b>				
Fully paid ordinary shares	44,398,254	44,334,254	44,398,254	44,334,254
			<b>2009 No.</b>	<b>2008 No.</b>
<b>Ordinary Shares<sup>+</sup></b>				
Balance at the beginning of the year			168,312,125	66,812,125
16 June 2008			-	101,500,000
19 May 2009			200,000	
5 June 2009			600,000	
Balance at end of year			169,112,125	168,312,125
<p><sup>+</sup> Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.</p> <p>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.</p>				
<b>18 Retained earnings/ (Accumulated losses)</b>				
Accumulated profits at beginning of year	9,920,507	(1,845,816)	3,063,904	(1,294,828)
Net profit/(loss) for the year	(4,262,025)	11,766,323	(6,724,039)	4,358,732
Retained earnings/(Accumulated losses) at end of year	5,658,482	9,920,507	(3,660,135)	3,063,904
<b>19 Minority equity interests</b>				
Minority equity interests in subsidiaries comprise:				
Acquired as part of subsidiary	101	88	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>20 Reserves</b>				
Asset Revaluation Reserve				
Balance at beginning of year	9,959,992	10,236,371	-	-
Impairment losses	(9,959,992)	(276,379)	-	-
Balance at end of year	-	9,959,992	-	-
Foreign Currency Translation Reserve				
Balance at beginning of year	(19,075)	-	-	-
Movement attributable to translation of foreign subsidiaries	2,970,179	(19,075)	-	-
Balance at end of year	2,951,104	(19,075)	-	-
Total Reserves	2,951,104	9,940,917	-	-

***Nature and purpose of reserves***

**Asset Revaluation Reserve**

The asset revaluation reserve arose from the application of step-acquisition accounting principles for the acquisition of certain subsidiaries within the Group and relates to the exploration and evaluation assets. The exploration and evaluation assets were tested for impairment as described in note 14 and in accordance with the Accounting Standards the impairment loss has first been applied to the asset revaluation reserve and then to the Income Statement.

**Foreign Currency Translation Reserve**

Exchange differences arising on translation of the foreign subsidiaries are recognised in the foreign currency translation reserve. The reserve is recognised in the profit and loss when the net investment is disposed of.

**21 Financial risk management objectives and policies**

The Group's principal financial instruments comprise borrowings, receivables and cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (including currency risk and interest rate 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. The Group does not have significant exposure to credit risk and liquidity risk is monitored through general business budgets and forecasts.

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

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	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	240,679	2,311,093	35,529	1,982,957
Other receivables	54,046	12,913	5,629	2,940
Loans to subsidiaries	-	-	-	2,214,903
Other financial assets	-	-	45,926,590	43,374,380
Total financial assets	294,725	2,324,006	45,967,748	47,575,180
<b>Financial liabilities</b>				
Trade and other payables	(229,385)	(279,802)	(12,392)	(65,073)
Financial liabilities	(6,015,812)	(828,796)	(5,213,390)	-
Total financial liabilities	(6,245,624)	(1,108,598)	(5,225,782)	(65,073)
<b>Net exposure</b>	(5,950,899)	1,215,408	40,741,966	4,135,727

**Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market such as investments in unlisted subsidiaries is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**Risk Exposures and Responses**

**(a) Interest Rate Risk**

The Group and parent entity's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group and parent entity to cash flow interest rate risk. The Group and parent entity's borrowings at variable rates were denominated in US Dollars, however the risk is within the Australian interest rate market.

As at the reporting date the Group and the parent entity had the following variable interest rate borrowings:

	Interest rate %	Consolidated	Parent Entity	Weighted Average Interest rate %	Consolidated	Parent Entity
		2009 \$	2009 \$		2008 \$	2008 \$
Borrowings	2.5	5,214,170	5,213,390	0.0	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### Sensitivity analysis

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

#### (b) Currency Risk

At 30 June 2009 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	205,150	313,761	-	-
Other receivables	48,417	962,705	-	-
<b>Financial liabilities</b>				
Trade and other payables	(216,993)	(204,961)	-	-
Borrowings	(6,015,812)	(792,492)	(5,213,390)	-
<b>Net exposure</b>	<b>(5,979,238)</b>	<b>279,013</b>	<b>(5,213,390)</b>	<b>-</b>

#### Sensitivity analysis

The effect of volatility of foreign exchange 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 securitize its other receivables.

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.

#### Financing arrangements

The Group and the parent entity had access to the following undrawn United States dollar denominated borrowing facilities at the reporting date:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Floating rate				
Expiring 30				
September 2010 (loan				
facility)	4,805,568	-	4,805,568	-

This loan may be drawn at any time and is repayable on the terms and conditions as set out in note 16.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### 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 2009	< 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
<b>Consolidated</b>					
<b>Financial liabilities</b>					
Trade and other payables	229,385	-	-	-	229,385
Borrowings	5,494,904	280,734	240,174	-	6,015,812
	<b>5,724,289</b>	<b>280,734</b>	<b>240,174</b>	<b>-</b>	<b>6,245,197</b>
<b>Parent entity</b>					
<b>Financial liabilities</b>					
Trade and other payables	12,392	-	-	-	12,392
Borrowings	5,213,390	-	-	-	5,213,390
	<b>5,225,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,225,782</b>

Year Ended 30 June 2008	< 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
<b>Consolidated</b>					
<b>Financial liabilities</b>					
Trade and other payables	279,802	-	-	-	279,802
Borrowings	156,871	156,872	515,053	-	828,796
	<b>436,673</b>	<b>156,872</b>	<b>515,053</b>	<b>-</b>	<b>1,108,598</b>
<b>Parent entity</b>					
<b>Financial liabilities</b>					
Trade and other payables	65,073	-	-	-	65,073
Borrowings	-	-	-	-	-
	<b>65,073</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,073</b>

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### 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	
	2009 \$	2008 \$	2009 \$	2008 \$
Within one year – AMINSA Earn-in Commitments	2,495,415	49,320	-	49,320-
One year or later and no later than five years	-	-	-	-
	2,495,415	49,320	-	49,320-

##### Operating lease commitments

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

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Within one year	16,940	22,014	16,940	22,014
One year or later and no later than five years	-	16,940	-	16,940
	16,940	38,954	16,940	38,954

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 minimum 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

	2009 % owned	2008 % owned	Country of incorporation
<b>Particulars in relation to subsidiaries</b>			
<b>Parent Entity</b>			
Austral Gold Limited			Australia
<b>Subsidiaries</b>			
Guanaco Mining Company	100.000	100.000	British Virgin Islands
Guanaco Compañía Minería	99.997	99.997	Chile
Golden Rose Pty Limited	100.000	100.000	Australia
Austral Gold Argentina	98.000	-	Argentina
Golden Rose International Limited*	-	100.000	Australia

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

\*Golden Rose International Limited was deregistered in November 2008. The assets previously held by Golden Rose International Limited were transferred to Austral Gold Limited at their carrying value.

Austral Gold Limited's investment value in Golden Rose International Limited was \$8,237,537 (comprising a loan of \$2,311,685 and investment of \$5,925,852). Net assets were transferred from Golden Rose International Limited at \$2,174,904 resulting in the recognition of a loss in Austral Gold Limited's financial statements of \$6,062,633.

As Golden Rose International Limited was a wholly owned subsidiary of Austral Gold Limited there has been no financial impact recognised in the Consolidated Entity accounts as a result of this de-registration.

<b>Movements in carrying value of subsidiaries</b>	<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Carrying amount of investment in subsidiary at the beginning of the financial year	43,749,380	5,886,977
Acquisition relating to existing subsidiaries	-	38,875
Acquisition of Austral Gold Argentina (formerly Guanaco Capital Holding Argentina)	37,280	
Net disposal of subsidiaries	(3,073,661)	-
Transfer from investment in associate	-	9,206,789
Acquisition relating to new subsidiary	-	28,420,000
Impairment losses	(131,008)	-
Additional contributions	5,433,599	196,739
Carrying amount of investment in associate at end of year	45,926,590	43,749,380

On 8 August 2008, Austral Gold Limited acquired the issued capital of Austral Gold Argentina (formerly Guanaco Capital Holding Argentina) for a purchase consideration of \$37,280.

Austral Gold Argentina is an Argentinean based investment company which has an earn-in agreement to the AMINSA project.

Other than the purchase price no other costs such as transaction costs have been capitalised as part of the costs of the acquisition.

The values of the assets acquired and liabilities assumed have been valued at the acquisition date. Given the limited assets and liabilities of the company at acquisition date the carrying values of the assets and liabilities have been assumed to represent their fair value.

The goodwill recognised on the acquisition is attributable mainly to the right Austral Gold Argentina had to enter into the earn-in agreement in relation to the AMINSA project. None of the goodwill recognised is expected to be deductible for income tax purposes.

**NOTES TO THE FINANCIAL STATEMENTS**  
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Fair value of assets and liabilities at acquisition of Austral Gold Argentina	Assets/ (Liabilities) \$
<b>Current assets</b>	
Receivables	5,430
<b>Total assets</b>	<b>5,430</b>
<b>Current liabilities</b>	
Other payables	(2,142)
<b>Total liabilities</b>	<b>(2,142)</b>
Net assets acquired	3,288
Total Consideration	37,280
<b>Goodwill</b>	<b>33,992</b>

**25 Investments accounted for using the equity method**

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b><i>Movements in carrying value of associates</i></b>				
Carrying amount of investment in associate at the beginning of the financial year	-	22,997,678	-	8,585,080
Contributions paid	-	1,765,885	-	621,709
Share of loss	-	(40,851)	-	-
Transfer to investment in subsidiary	-	(24,722,712)	-	(9,206,789)
Carrying amount of investment in associate at end of year	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>26 Cash flow information</b>				
<i>Reconciliation of cash flow from operations with profit/(loss) after income tax</i>				
(Loss)/profit after income tax	(4,262,025)	11,766,323	(6,724,039)	4,358,732
Non-cash flows in profit				
Gain on revaluation of investment in associate	-	(4,856,904)	-	-
Acquisition discount	-	(4,849,888)	-	-
Share based payments	64,000	-	64,000	-
Impairment losses	3,626,989	2,116,888	262,848	-
Interest received	(21,062)	(32,662)	(20,854)	(32,662)
Exploration and evaluation expenditure written off	41,313	33,229	-	-
Exchange rate differences	(401,359)	(107,360)	(388,542)	(93,013)
Depreciation	67,452	7,884	2,185	3,046
Net gain on disposal of plant and equipment	(28,632)	-	-	-
Net gain on disposal of asset	-	(4,986,867)	6,062,633	(4,986,867)
Share of loss in associate	-	40,851	-	-
Net cash used in operating activities before change in assets and liabilities	(913,324)	(868,506)	(741,769)	(750,764)
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(617,758)	(981,660)	(2,689)	(1,676,397)
(Decrease)/increase in trade and other payables	(535,704)	728,618	(537,968)	514,500
Net receivable acquired through subsidiary	-	928,827	-	-
<b>Cash flow from operations</b>	<b>(2,066,786)</b>	<b>(192,721)</b>	<b>(1,282,426)</b>	<b>(1,912,661)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

### FOR THE YEAR ENDED 30 JUNE 2009

#### 27 Related parties

##### **Directors**

The names 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 69% 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 holds 68,119 shares directly in Austral Gold Limited.

Mr Elsztain is a Directors of Austral Gold Limited, Guanaco Capital Holding, Guanaco Mining Company, Austral Gold Argentina SA. and IFISA and he directly holds 4,686,206 shares in Austral Gold Limited and indirectly shares through IFISA. He also holds 64,509 options in Austral Gold Limited.

Mr Zang is a Directors of Austral Gold Limited, Guanaco Capital Holding, Guanaco Mining Company, Austral Gold Argentina SA. and IFISA and he directly holds 1,435,668 shares in Austral Gold Limited. He also holds 16,391 options in Austral Gold Limited.

Ms. Zang is a Directors of Austral Gold Limited, Guanaco Capital Holding and Guanaco Mining Company and she directly holds 620,000 shares in Austral Gold Limited.

P Vergara de Carril, E Elsztain, S Zang and N Zang are directors 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 116,928,869 shares and 1,167,521 options

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 Robert Trebzi, does not hold any shares either directly or indirectly in Austral Gold Limited.

##### **Wholly owned and partly owned subsidiaries**

Aggregate amounts receivable from Golden Rose Pty Limited as at 30 June 2009 were \$198,797 (2008: \$159,719). Impairment losses of \$131,008 (2008: \$Nil) were provided against this loan in the year ended 30 June 2009.

Aggregate amounts receivable from Golden Rose International Limited as at 30 June 2009 were \$Nil (2008: \$2,122,142).

Aggregate amount payable to Guanaco Capital Holding Corporation as at 30 June 2009 was \$5,214,170 (2008: nil).

Interest paid to Guanaco Capital Holding during the year ended 30 June 2009 was \$135,018 (2008: \$113,724).

Funds advanced to the Group from Guanaco Capital Holding during the year ended 30 June 2009 was \$5,214,170 (2008: \$2,001,910).

Funds repaid to Guanaco Capital Holding during the year ended 30 June 2009 were \$Nil (2008: \$2,840,711).

## **28 Subsequent events**

### **Key Management Appointments**

Between the months of August and September 2009, the Company has strengthened its management team with several key appointments in its subsidiary Guanaco Compañía Minera Limitada:

Mr Stabro Kasaneva as Chief Operating Officer  
Mr Rodrigo Ramirez as General Manager,  
Mr Ivan Caceres as Plant and Processes Manager,  
Mr Christian Cubelli as Exploration and Geology Manager,  
Mr Rafael Ocariz as Metallurgic Senior Engineer

### **Chile: Environmental Impact Approval (EIA)**

During the month of July 2009, the Company has obtained the final consolidated Environmental Impact Approval and permits to restart operations. All local entities have agreed with their conformity. The company has now the required permits to reactivate and to restart operations.

### **Argentina, Province of Santa Cruz: 8 de Julio**

On July 28 the mining authority formally approved the EIA submitted in 2008. As a result of the suspension of activities that took place during the 2nd and 3rd week of July the approval of the prospecting permits was delayed. On August 4, the approval for areas I, III, IV and V was obtained. It is expected to obtain the approval for the rest of the areas by the end of 2009.

### **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**

The Directors of Austral Limited declare that:

- (a) in the directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on page 13, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.



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Francis Mark Bethwaite  
Chairman  
Sydney, 24 September 2009



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Robert Trzebski  
Director  
Sydney, 24 September 2009



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 (the company), which comprises the balance sheets as at 30 June 2009, 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 the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end and from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The Directors of the company 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 Equivalents to International Financial Reporting 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.

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*Independence*

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

*Significant Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(v) to the financial statements which indicates that the consolidated entity and company have recorded an operating loss of \$4,262,025 and \$6,728,039 respectively for the year ended 30 June 2009 and the current liabilities of the consolidated entity and of the company exceed current assets by \$5,721,762 and \$5,196,088 respectively. These conditions, along with other matters as set forth in Note 1(v), indicate the existence of a significant uncertainty about the consolidated entity's and company's ability to continue as going concerns, and therefore whether the consolidated entity and company may realise their assets and extinguish their liabilities in the ordinary course of business and at the amounts stated in the Financial Report.

*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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 17 of the Directors' Report for the year ended 30 June 2009. 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 2009 complies with Section 300A of the *Corporations Act 2001*.

**PKF**

**Bruce Gordon**  
Partner

**28 September 2009**  
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 2009**

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](http://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.	<p>A formal policy document outlining board and management functions has not been established.</p> <p>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.</p> <p>Delegation of specific responsibilities to senior management is agreed and documented in Board Meetings.</p>
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 <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of</li> </ul>	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
	unethical behaviour.	
3	3.2 Establish and disclose a policy concerning trading in company securities by directors, senior executives and employees.	<p>The Board is in the process of reviewing a share trading policy which will be published on the Company's web site when adopted.</p> <p>Directors and senior management are aware of their disclosure requirements when trading directly or indirectly in the Company shares.</p>
4	4.1 Establish an Audit Committee	Complies.
4	4.2 Structure the audit committee so that it consists of: <ul style="list-style-type: none"> <li>• only non-executive directors</li> <li>• a majority of independent directors</li> <li>• an independent chairperson, who is not chairperson of the board</li> <li>• at least three members</li> </ul>	<p>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.</p> <p>The members of the Audit Committee possess the requisite financial expertise and industry experience necessary to effectively carry out the Committee's mandate.</p>
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.	<p>The Company's system of risk management and internal control is basic, yet appropriate for the size and nature of transaction incurred.</p> <p>The Board seek external advice when considering new or significant transactions to ensure risks are identified and addressed in a timely manner.</p>



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 Committee	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 24 September 2009 the total issued capital of Austral Gold Limited was 169,139,739 ordinary shares. 169,139,739 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 23 September 2009 as detailed in paragraph b) below

### a) Distribution of fully paid ordinary shareholders at 23 September 2009

Size of Holding	Shareholders	Number of Shares Held
1 - 1,000	685	288,418
1,001 - 5,000	323	867,110
5,001 - 10,000	97	785,551
10,001 - 50,000	76	1,709,217
50,001 - 100,000	19	1,365,098
100,001 – 500,000	27	6,741,641
500,001 – 1,000,000	2	1,253,857
1,000,001 and over	4	156,128,847
<b>Total</b>	<b>1,233</b>	<b>169,139,739</b>

**b) Unlisted options on issue at 23 September 2009**

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 23 September 2009**

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	2	15,909
10,001 - 50,000	7	200,556
50,001 - 100,000	1	64,509
100,001 - 500,000	3	399,987
500,001 – 1,000,000	-	-
1,000,001 and over	2	2,945,551
<b>Total</b>	<b>29</b>	<b>3,650,538</b>

**d) Substantial Shareholders**

At 23 September 2009, the Company's register of substantial shareholdings shows the following:

Name	Shares Held
Inversiones Financieras Del SUR SA (IFISA)	116,928,869
Guanaco Capital Holding Corp	25,789,330

e) Top twenty shareholders as at 23 September 2009

Rank	Holder	No. of shares	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	125,924,290	74.45%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	25,789,330	15.25%
3	ANZ NOMINEES LIMITED - CASH INCOME A/C	3,256,962	1.93%
4	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.68%
5	MR JAMES GRANT BUNEGAR - SAM INVESTMENT A/C	653,857	0.39%
6	MS NATALIA ZANG	600,000	0.35%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	400,000	0.24%
8	NIAKO INVESTMENTS PTY LTD	396,005	0.23%
9	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	366,691	0.22%
10	MOSHE AMBARCHI	350,000	0.21%
11	J P MORGAN NOMINEES AUSTRALIA LIMITED	337,720	0.20%
12	HAZLAHA INVESTMENTS LIMITED	336,865	0.20%
13	LOXDEN PTY LTD <FRANK BRADY SUPER FUND A/C	300,000	0.18%
14	MR ANDREW MIDDLETON + MRS ELAINE MIDDLETON ANDREW MIDDLETON S/FUND A/C	300,000	0.18%
15	JP MORGAN TRUST COMPANY LTD -THE AUSTRIA A/C	297,445	0.18%
16	LIMOL TRADING CORP	297,445	0.18%
17	MR MARCELO CATZ	297,311	0.18%
18	BANNABY INVESTMENTS PTY LTD - BANNABY SUPER FUND A/	290,000	0.17%
19	PANSTYN INVESTMENTS P/L	290,000	0.17%
20	MR DANIEL GOBERMAN	250,942	0.15%
	<b>Cumulative total of top twenty shareholders</b>	<b>161,893,128</b>	<b>95.72%</b>

Schedule of Mineral Tenements as at 23 September 2009

Tenement	Project Name	Interest
P 15/4515	Bullabulling	95%
P 15/4516	Bullabulling	95%
P 15/4519	Bullabulling	95%