

2012



[ANNUAL REPORT]

Austral Gold Limited ABN 30 075 860 472

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Corporate Directory

Directors:	Eduardo Elsztain Saul Zang Pablo Vergara del Carril Stabro Kasaneva Wayne Hubert Robert Trzebski Ben Jarvis	Chairman & Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
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Company Secretary:	Catherine Lloyd
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Antofagasta, Chile Office:	14 de Febrero 2065, of. 1103 Antofagasta, Chile Tel: +56 (55) 440 304 Fax: +56 (55) 440 305
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Buenos Aires, Argentina Office:	Bolivar 108 Buenos Aires (1066) Argentina Tel: +54 (11) 4323 7500 Fax: +54 (11) 4323 7591
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Share Registry:	Computershare GPO Box 2975 Melbourne VIC 3001 Tel: 1300 850 505 (<i>within Australia</i>) Tel: +61 3 9415 5000 (<i>outside Australia</i>)
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Auditors:	BDO East Coast Partnership (formerly PKF East Coast Practice) www.bdo.com.au
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Principal Bankers:	National Australia Bank Limited www.nab.com.au
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Solicitors:	Addisons Lawyers www.addisonslawyers.com.au
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Listed:	Australian Stock Exchange ASX: AGD
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Place of Incorporation:	Western Australia
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Chairman's Letter

Dear Shareholders,

2012 has been a year of significant progress for Austral Gold, one in which we have witnessed continued growth in gold and silver production at our flagship Guanaco project in Chile.

The team at Guanaco has worked hard to improve the performance of the mine and they are to be commended for their efforts. At a time when the gold price is again approaching record levels, it is pleasing to note that Guanaco is shaping up as a very valuable asset.

This improved performance is reflected in our growth in production which stood at 17,803 ounces of gold and 47,575 ounces of silver for the eight months to August 2012. This compares to total production of 12,373 ounces of gold and 37,511 ounces of silver for all of calendar 2011.

During the year, we continued to invest in the development of Guanaco and we are confident that this will lead to much greater value being realised for this project.

We are investing in new equipment and strengthening our operating procedures and this is expected to deliver production of 35,000 gold equivalent ounces in the 2012 calendar year.

Exploration has also been a focus for Austral Gold during 2012. We initiated a major exploration and resource definition drilling program at Guanaco and we expect this to lead to an upgrade of our existing inferred resources as well as identifying additional mineralisation across the project. It is our strong view that Guanaco has further upside.

Exploration efforts in Argentina remain a priority for the company and our technical team is encouraged by the prospects for our 8 de Julio project in the Santa Cruz Province. We continue to advance this project and we are also reviewing other exploration and development opportunities in Argentina – a market we know very well.

Your Board is very encouraged by the outlook for precious metals in 2013 and beyond. Global markets remain uncertain and central banks continue to implement stimulus programs to promote growth. All of which bodes well for the outlook for gold and gives us further encouragement as we ramp up production.

I would like to take this opportunity to thank our shareholders for their continued support for Austral Gold.

Eduardo Elsztain
Chairman

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.

The Company continues to explore and invest in its Guanaco gold and silver mine (“Guanaco”) in northern Chile to expand its mineral resources, increase the mine’s annual production and mine life and improve its financial viability. This is our primary focus.

The Company is seeking to acquire further properties in Chile and has acquired properties in Argentina. The Company is also assessing a number of options to expand its existing asset base in Chile and Argentina.

Guanaco Gold and Silver Mine, 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 from Compañía Minera Kinam Guanaco Limitada, a wholly-owned subsidiary of Kinross Gold Corporation.

At the General Meeting of the Company held on 14 March 2003, the Shareholders approved this acquisition and the Guanaco Project was acquired by Guanaco Compañía Minera Limitada - a company wholly owned by Guanaco Mining Company Limited (GMC) and incorporated in Chile.

Project and Mine Description

The Guanaco mine is the company’s primary asset located approximately 220km SE of Antofagasta in Northern Chile. It is at an elevation of some 2,700m and 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a structural trend which runs north/south down the centre of Chile, and hosts several large gold and copper mining operations including: Zaldívar, El Penon and Escondida.



The Guanaco operation includes the mining of ore from two open pits (Defensa and Perseverancia) at an average grade of 1.6 g/t gold. The majority of the ore processed came from the Cachinalito underground and nearby vein systems with 419,000oz in gold JORC Measured and Indicated resources averaging 3.2 g/t. Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical zones with related hydrothermal breccias. Silicification grades outward into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system most of the gold mineralisation is concentrated between the 75m and 200m levels and is contained in long shoots. High grade ore shoots (up to 180 g/t Au), 0.5 to 3.0m wide, have been mined out, but the lower grade halos, below 3 g/t, can reach up to 20m in width. The alteration pattern and the mineralogical makeup of the Guanaco ores have led to its classification as a high sulfidation epithermal deposit.



Guanaco recommenced operations in August 2010 and poured its first doré bars in October 2010. In the 2012 calendar year, the company is forecasting total production of approximately 35,000 gold equivalent ounces from this operation.



Top: Panoramic view taken from “Cerro Estrella” of the Dumbo Pit and behind it the processing plant, Heaps 1, 2 and 3 and the pregnant solution ponds.

Above: The refurbished crushing plant.

Right: The first gold doré pouring in October 2010.





Production

Production from heap leach processes, using existing leach pads and new ore mined from two open pit mines, plus the underground operation generated 17,803oz of gold and 47,575oz of silver in the 8 months to August 2012. The cash operating cost was approximately US\$ 942 /oz.

Production figures were behind budget due to labour supply issues experienced by the mining contractors; lower grade ore from the open pit; and ongoing cyanide supply issues across the mining sector in Chile.



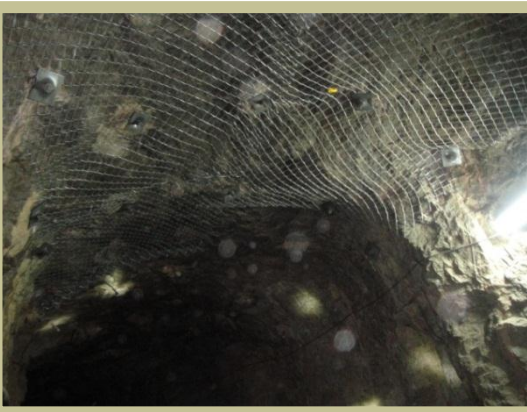
Production results for July and August 2012 have shown a strong improvement, with August 2012 gold production reaching 105% of budget. This trend is expected to continue with new production from the Quillota open pit due to commence in September 2012. In addition, a new higher-capacity carbon regeneration kiln has been commissioned from Australia. This investment is expected to further improve production efficiency from 2013.

In summary, we are confident of meeting our 35,000 gold equivalent ounces production estimate for the 2012 calendar year.



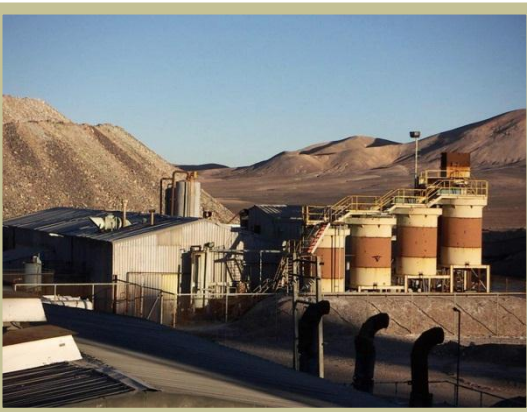
Gold and Silver Production:

Production	2010 Cal Year	2011 Cal Year	Jan-Aug 2012	Cal Year Forecast
Gold (Au Oz)	332	12,373	17,803	33,000
Silver (Ag Oz)	431	37,511	47,575	99,000



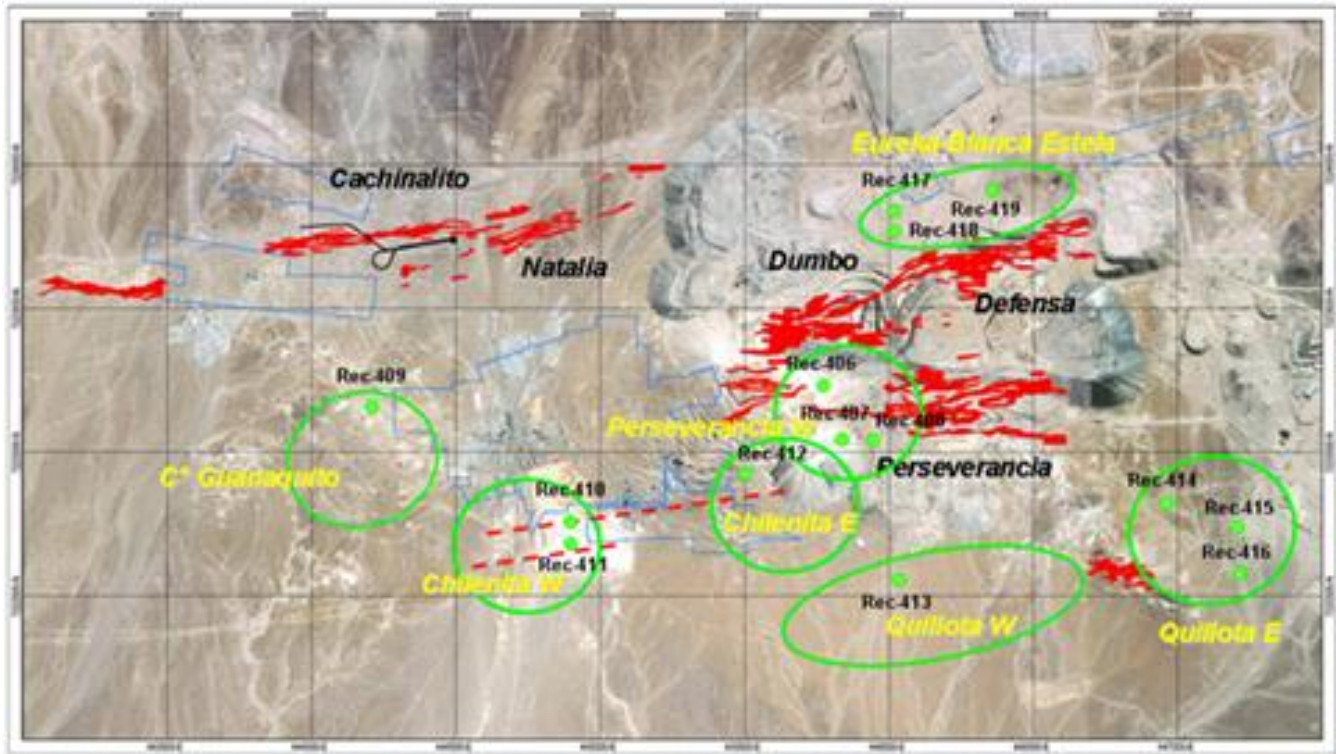
Guanaco Operational Performance:

	Jan – June 2012
Total Ore Mined (t)	387,032
Ore from Open Pits (t)	309,458
Open Pit Grade (Au g/t)	1.17
Ore from Underground (t)	49,896
Underground Grade (Au /t)	6.49
Ore from Old Heaps (t)	27,678
Old Heap Grade (Au g/t)	0.8
Weighted Average Recovery (%)	58
Gold Produced (oz)	11,533
Silver Produced (oz)	36,968
Cash operating cost (US\$/oz)	972



Safety

Two lost time incidents (LTIs) and two no-lost time accidents (NLTAs) were reported involving employees of the Company and its subsidiaries during the year ended 30 June 2012. These incidents have been thoroughly investigated and in all cases corrective actions have been identified and implemented to prevent recurrence. Safety is a core value of the Company and the implementation of strategies to identify and manage risks in our workplaces being our highest priority.



Exploration Program

With production now well underway, the geological team has undertaken a review of the results from the 2010 drilling campaign to define an approach for the identification of extensions and new resources at Guanaco. In undertaking the review, the geological team reviewed data from the 50-60,000 metres of drilling completed to date.

The 2012 Guanaco exploration program for precious metals involved 12,000 metres of RC drilling. The epithermal program was built around three main objectives:

1) Exploration of new epithermal deposits with ~200k oz resource potential.

This objective corresponds to the activities developed in an 11,700 ha area of focus within the 40,031 mine property at Guanaco. The program is focused mostly in the covered areas both east and west of the Guanaco deposit, that have never seriously been explored in the past where several lineaments following the projection of the major corridors are present. Currently, geologists are working on a reconnaissance program in these areas and an IP geophysics profile is in progress to support the target generation program.

2) Near mine extensions to existing epithermal ore bodies.

Either lateral extensions or parallel zones providing 20-30k oz potential. This program also includes the revision of intersections with gold grades greater than 5 g/t Au identified through previous drilling campaigns such as Veta Nueva (6m/21 g/t Au), San Lorenzo, and Cerro Guanaco veins (4.8m/10 g/t Au).

3) Upgrade of inferred resources.

This program is targeting to upgrade approximately 600,000oz of gold that are currently in the inferred category into the measured and indicated categories.

Reserves & Resources

Guanaco's resource inventory is outlined in the table below. The resource inventory was last updated by AMEC in July 2011 and is compliant with NI 43-101 and JORC Standards.

Total Resources

Resources	Measured (Me)			Indicated (Ind)			Total (Me + Ind)			Inferred (Inf)		
	Ton (kt)	Grade (g/t)	Ounces Au	Ton (kt)	Grade (g/t)	Ounces Au	Ton (kt)	Grade (g/t)	Ounces Au	Ton (kt)	Grade (g/t)	Ounces Au
Gold (Au)												
Underground (>1.0 g/t Au)	1,264	3.7	150,506	2,862	2.91	268,018	4,126	3.15	418,524	2,553	2.42	198,824
Open Pit (>0.4 g/t Au)	657	1.7	35,794	766	1.45	35,692	1,423	1.57	71,486	15	1.63	810
Heap Leach (>0.4 g/t Au)	8,334	0.54	145,748				8,334	0.54	145,748	2,777	0.55	49,261
Total	10,255	1.01	332,048	3,628	2.60	303,710	13,883	1.43	635,758	5,345	1.44	248,895
Silver(Ag)												
Underground	1,264	7.88	320,078	2,862	10.65	979,507	4,126	9.80	1,299,585	2,553	11.34	930,362
Open Pit	657	15.05	317,851	766	12.18	299,879	1,423	13.51	617,730	15	10.27	5,097
Heap Leach	8,334	2.66	712,175				8,334	2.66	712,715	2,777	2.63	234,946
Total	10,255	4.09	1,350,104	3,628	10.97	1,279,386	13,883	5.89	2,629,490	5,345	6.81	1,170,405



Copper Porphyry System

Work continues to develop the exploration model of the deep copper porphyry system potential at Guanaco. Preliminary recommendations were received in April from several respected geology consultants following a field visit and review of available geological information. The results were encouraging and confirm the high potential in the area for exploration of this type of mineralisation.

On the back of these encouraging recommendations, an experienced geologist was engaged to identify areas that present the best opportunities for the exploration of a copper porphyry. This resulted in a drilling campaign involving 5 holes of 1000m each. (400m RC pre-collar and 600m DDH). The first three holes were drilled in July and August and due to an operational failure by the contractor one hole had to be abandoned at 580m.

After initial analysis a further three drill holes of 1000m each have been identified with drilling due to commence in the next month.



*Left: Drilling rigs at Guanaco
Above: one of the heap leach pads at Guanaco*

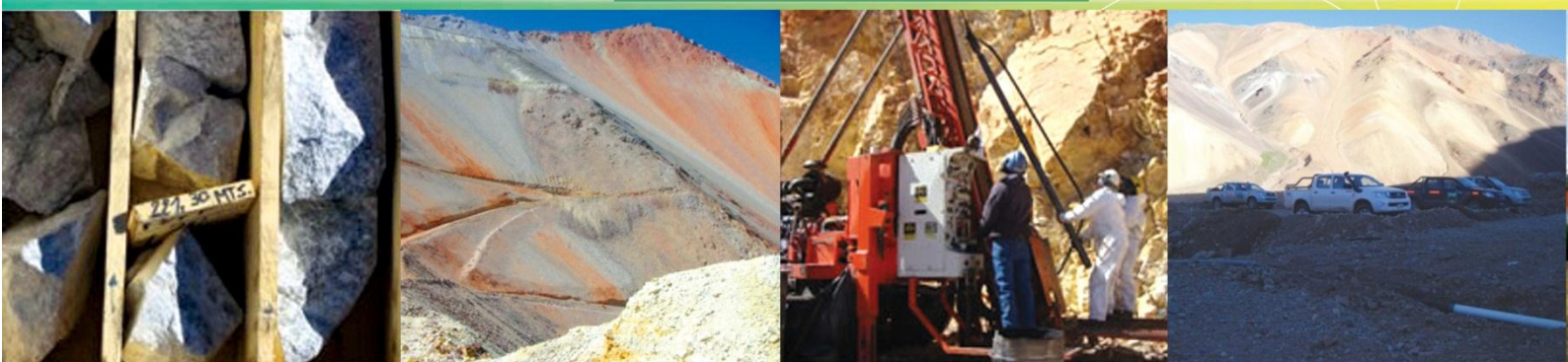
AMINSA Project – San Juan, Argentina

San Juan is in the north west of Argentina, near the border with Chile. Under an Agreement with Argentina Minera SA (AMINSA), Austral Gold is earning an interest in tenements covering approximately 270,000 hectares in San Juan.

The properties are located near Xstrata's advanced El Pachón copper exploration project in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

During 2011/2012 a four-hole drilling program was completed totalling 898 meters. This program was designed to test a surface gold anomaly in the Rincones de Araya East sector. Logging of the four holes recognised polymictic brecciated rocks with silica alteration and in some cases argillic alteration. The first few meters of the holes showed a strong oxidation with leaching textures where the gaps were filled with limonite and some vuggy silica. According to the observations of the completed holes and obtained grades, it can be concluded that the strongest surface geochemical gold anomalies, emplaced in a favourable lithology and alteration complemented by favourable geophysics, were entirely drilled.

Images of the San Juan exploration site



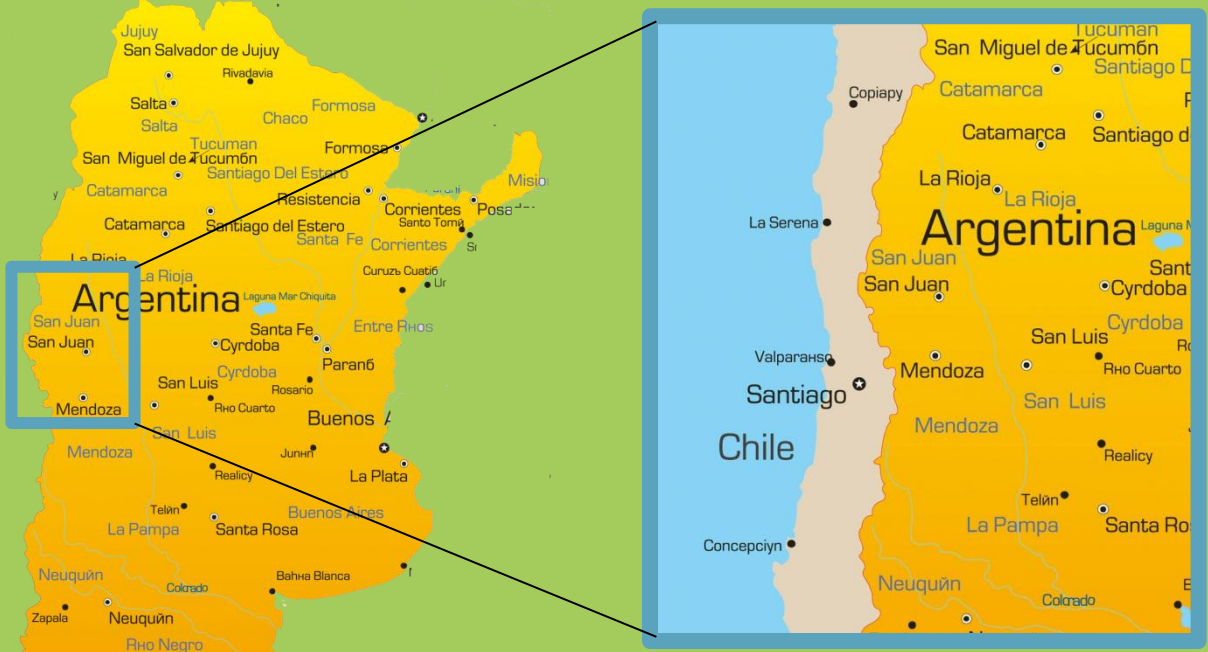
8 de Julio Project - Santa Cruz, Argentina

In southern Patagonia, Austral Gold has nine tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz.

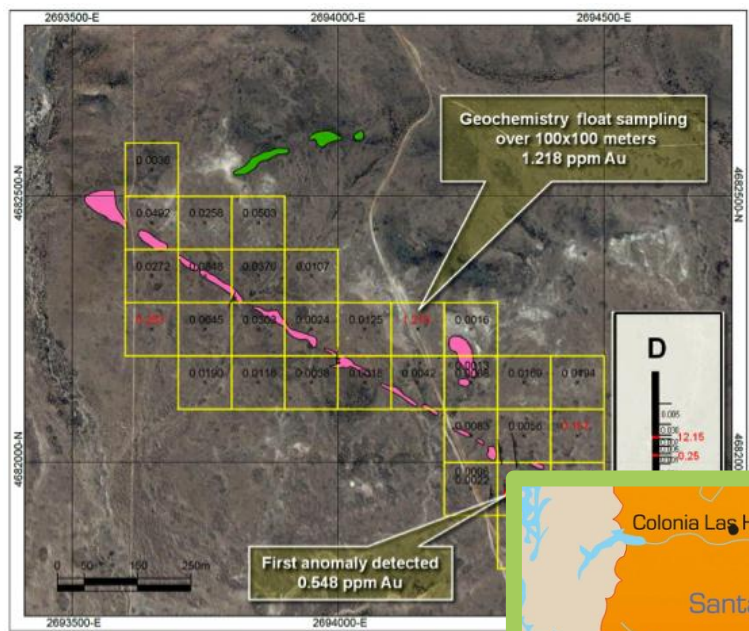
During the year important results were received from the trench program developed in the Campo Barroso Grande of the Estancia 8 de Julio. A comprehensive strategy is being designed in order to more aggressively advance with the exploration of this prospect.

A geophysics consulting company will perform a resistivity study and the geochemical sampling program in the area will be expanded. The following figure reflects the level of progress with the latest results and the next activities considered for the projects.

- Expansion of the 100x100m geochemical mesh for silica and quartz vein float, to the entire Barroso Grande field.
- Development of a new geophysical program corresponding to a resistivity gradient in the Barroso Grande field where important gold values were obtained.
- Start with the systematic sampling of the other sectors/targets identified in the geological mapping.
- Planned drilling of holes that will test the vertical extension of the mineralized column.



Images of the 8 de Julio exploration site



Director's Report

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2012

Your Directors present the following report for the financial year ended 30 June 2012 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 2012 and the auditors' report thereon.

Principal Activities

The principal activities of the Company during the course of the financial year were exploration, evaluation of mineral properties, and gold and silver production 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 2012 has been released through the Company's announcements and reports to the Australian Stock Exchange. This information can also be accessed from the Company's website at 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 2012 was \$15,923,280 (2011: profit \$13,325,218).

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 \$4,715,734 since 30 June 2011 to \$97,972,109 at 30 June 2012.

The Company has the support of its substantial shareholder, Inversiones Financieras del Sur S.A. (IFISA) and associates, who confirm that they will continue to support Austral Gold Limited by providing adequate financial assistance in accordance with the details contained in the Funding Agreements between Austral Gold Limited and IFISA.

The Directors are confident 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

Since its incorporation, Austral Gold has been an explorer for gold. First production of gold and silver from Guanaco occurred in late 2010, and in line with the forecast commissioning period, commercial production generated the Company's first operating income in January 2011. FY2012 saw the stabilisation of production with the focus now shifting to maximise efficiency of the operations.

Events Subsequent to Balance Date

There have been no reportable events since 30 June 2012 to the date of this report.

Performance In Relation To Environmental Regulation

The Group's exploration activities are subject to environmental regulations.

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).

Dr Robert Trzebski 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 17 years professional experience in mineral exploration, project management and research and development.

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

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
<p>Eduardo Elzstain</p> <p>Chairman Appointed 2 Jun 11</p> <p>Non-Executive Director Appointed 29 Jun 07 Re-elected by shareholders 20 Nov 09</p>	<p>Mr Elzstain is the Chairman of:</p> <ul style="list-style-type: none">(i) IRSA, a public company listed on the New York Stock Exchange and the Buenos Aires Stock Exchange and Argentina's largest real estate company;(ii) Cresud, a leading agri-business public company listed on the NASDAQ and the Buenos Aires Stock Exchange, which directly and indirectly controls approximately 1 million hectares of rural land;(iii) APSA, a retail leading public company listed on the NASDAQ and the Buenos Aires Stock Exchange;(iv) Banco Hipotecario, one of Argentina's largest commercial banks, listed on the Buenos Aires Stock Exchange and with an ADR Program in New York with its shares traded over the counter; and(v) BrasilAgro—Companhia Brasileira de Propriedades Agrícolas, a public company listed on the BOVESPA (Brazil). Mr. Elzstain is also a director of Hersha Hospitality Trust, a hospitality public company listed on the New York Stock Exchange. <p>Mr. Elzstain has extensive experience in capital markets in a variety of economic cycles and geographic locations. Mr. Elzstain is also the Chairman of the Governing Board of the World Jewish Congress, member of the World Economic Forum, the Group of 50, Argentina's Association of Corporations (AEA) and Endeavor, an organization that helps high-impact entrepreneurs in emerging countries to promote economic growth and development. He was also an attendee of the G20 Business Summit in Seoul. Mr Elzstain is also a member of the Board of Directors of the Buenos Aires Stock Exchange.</p> <p>Mr Elzstain has not held any other Directorships with listed entities in the last three years.</p>
<p>Wayne Hubert</p> <p>Non-Executive Director Appointed 18 Oct 11 Re-elected 30 Nov 11</p>	<p>Mr. Hubert is a highly experienced and accomplished mining executive with over 15 years' experience working in the South American resources sector. From 2006 until 2010 he was the Chief Executive Officer of ASX-listed Andean Resources Limited, and led the team that increased Andean's value from \$70 million to \$3.5 billion in four years. Andean was developing a world-class silver and gold mine in Argentina with a resource of over 5 million ounces of gold when it was acquired by Goldcorp Inc. of Canada.</p> <p>Mr. Hubert, who holds a Bachelor degree in Engineering and a Master of Business Administration and has held executive roles for Meridian Gold with experience in operations, finance and investor relations. Currently he is a Director of: Samco Gold Limited [TSX], a company focused on gold exploration in Argentina; Midas Gold Corp [TSX], a Canadian company with a 5.7 million ounce gold resource and Lithic Resources [TSX].</p> <p>Other than stated above, Mr Hubert has not held any other Directorships with listed entities in the last three years.</p>
<p>Stabro Kasaneva</p> <p>Executive Director Appointed 7 Oct 09, Re-elected by shareholders 20 Nov 09</p>	<p>Mr Kasaneva is the also the Chief Operating Officer for Austral Gold Limited. Mr Kasaneva holds a degree in Geology from the Universidad Católica del Norte, Chile. He has more than 20 years' experience in geology and exploration of gold deposits, mainly focused on the Paleocene belt in Northern Chile, where Guanaco Austral Gold's flagship gold/copper project is located.</p> <p>Mr Kasaneva has not held any other Directorships with listed entities in the last three years.</p>

Saul Zang**Non-Executive Director**

Appointed 29 Jun 07

Re-elected by shareholders 30 Nov 11

Mr Zang obtained a law degree from Universidad de Buenos Aires. He is a member of the International Bar Association and the Interamerican Federation of Lawyers and is a founding member of the law firm Zang, Bergel & Viñes.

Mr Zang currently holds Vice-Chairmanships on the Boards of IRSA, Shopping Alto Palermo SA, and Alto Palermo and holds Directorships with Cresud [Nasdaq / BASE], Alto Palermo [Nasdaq / BASE], Banco Hipotecario [BASE], BrasilAgro [Bovespa], Puerto Retiro and Fibesa; Nuevas Fronteras SA, Tarshop and Palermo Invest SA.

Mr Zang is an adviser and Member of the Board of Directors of BASE and provides legal advice to national and international companies, including the privatisation process of YPF SA and the Province of Buenos Aires' electricity company.

Mr Zang has not held any other Directorships with listed entities in the last three years.

Pablo Vergara del Carril**Non-Executive Director**

Appointed 18 May 06

Re-elected by shareholders 29 Nov 10

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) Alto Palermo [Nasdaq / BASE] 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.

Mr Vergara del Carril has not held any other Directorships with listed entities in the last three years.

Robert Trzebski**Non-Executive Director**

Appointed 10 Apr 07

Re-elected by shareholders 30 Nov 11

Dr Robert Trzebski holds a degree in Geology, a PhD in Geophysics, a Masters in International Project Management and has over 18 years of professional experience in mineral exploration, project management and mining services. He is currently Executive Officer of Austmine Ltd, Executive Director of Australia-Latin America Business Council and Director of Columbus Minerals Pty Ltd.

As a fellow of the Australian Institute of Mining and Metallurgy, Dr Trzebski has acted as the Competent Person (CP) for the Company's ASX releases.

Dr Trzebski has not held a Directorship of any other listed company in the last three years.

Ben Jarvis**Non-Executive Director**

Appointed 2 Jun 11

Re-elected 30 Nov 11

Ben Jarvis is the Managing Director and co-founder of Six Degrees Investor Relations, an Australian advisory firm that provides investor relations and communication services to a wide range of resources, technology, healthcare and industrial services companies listed on the Australian Securities Exchange.

Ben is also a Director of Eagle Nickle [ASX] and South American Tin Limited, a company focused on tin exploration and development in Bolivia, ORO SA Limited, a gold exploration company with projects in Bolivia, and Arena Minerals Pty Limited, a private company developing an iron sands mining operation in Indonesia. Ben was educated at the University of Adelaide where he majored in Politics.

In the last three years, Mr Jarvis also held a Directorship with Connexion Limited.

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	
	Attended	Held during Office	Attended	Held during Office
Pablo Vergara del Carril	6	6	2	2
Robert Trzebski	6	6	2	2
Eduardo Elsztain	6	6	n/a	n/a
Saul Zang	3	6	n/a	n/a
Stabro Kasaneva	6	6	n/a	n/a
Ben Jarvis	6	6	n/a	n/a
Wayne Hubert	4	4	n/a	n/a

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 there are 140,949 unissued shares under option with an exercise price of \$0.30 expiring 15 November 2016.

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
P Vergara del Carril	68,119
R Trzebski	-
E Elsztain	144,467,951
S Zang	1,435,668
S Kasaneva	-
B Jarvis	-
W Hubert	1,750,000

It is also noted:

1. P Vergara de Carril, E Elsztain and S Zang are directors of Guanaco Capital Holding Corp which holds 24,289,330 shares according to the last substantial holder notice lodged in September 2012.
2. E Elsztain and S Zang are directors of IFISA which holds 115,492,415 shares according to the last substantial holder notice lodged in September 2012.

Remuneration Report (Audited)

Remuneration Policy

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

The Company reviews information about remuneration levels in the various labour markets in which it competes. Total fixed compensation for a particular grade of employee is aimed at the median level of the relevant market.

Remuneration of key management personnel is currently not linked to shareholder wealth generation and is determined with reference to labour market rates.

Non-executive directors' remuneration

Non-executive directors that are associates of the Company's major shareholder (Eduardo Elsztain, Saul Zang and Pablo Vergara del Carril) do not receive any fees or payments from the Group. Independent non-executive directors (Robert Trzebski, Ben Jarvis and Wayne Hubert) receive between \$40,000 and \$50,000 pa which reflects the demands and responsibilities of their position.

Details of Remuneration

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary & Fees \$	Cash Bonus \$	Non-monetary Benefits \$	Super-annuation \$	Retirement Benefits \$	Shares \$	Options \$	\$
YEAR ENDED 30 JUNE 2012								
S Kasaneva	308,135	*310,184	-	-	-	-	-	618,319
W Hubert	35,150	-	-	-	-	-	-	35,150
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
B Jarvis	36,697	-	-	3,303	-	-	-	40,000
Total Directors	416,679	310,184	-	6,606	-	-	-	733,469
OTHER KEY MANAGEMENT PERSONNEL								
C Lloyd	123,089	-	-	11,078	-	-	-	134,167
Total KMP	123,089	-	-	11,078	-	-	-	134,167
Total 2012	539,768	310,184	-	17,684	-	-	-	867,636

*\$165,765 of this bonus relates to the years ended 30 June 2011 and 30 June 2010.

YEAR ENDED 30 JUNE 2011

M Bethwaite	44,372	-	-	47,295	-	-	-	91,667
S Kasaneva	300,955	-	-	-	-	-	-	300,955
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
B Jarvis	3,058	-	-	275	-	-	-	3,333
Total Directors	385,082	-	-	50,873	-	-	-	435,955
OTHER KEY MANAGEMENT PERSONNEL								
C Lloyd	59,633	-	-	5,367	-	-	-	65,000
J Dudley-Smith	49,541	-	-	4,459	-	-	-	54,000
Total KMP	109,174	-	-	9,826	-	-	-	119,000
Total 2011	494,256	-	-	60,699	-	-	-	554,955

Service Agreements

Further to his responsibilities as a Director of Austral Gold Limited, Stabro Kasaneva is employed by the Group as Chief Operating Officer. His employment contract commenced in September 2009 and has no fixed termination date. The termination period is 30 days notice by either party. His salary is paid in Chilean pesos and is subject to a 6-monthly review. Details of payments made for the year ended 30 June 2012 are contained in the table above.

Share Based Payments

There were no share based payments made to Directors or key management personnel during the year.

This concludes the Remuneration Report which has been audited.

Auditors

BDO (formerly PKF East Coast Practice) 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 of the Company and its subsidiaries – BDO and Nexia respectively – for audit and non-audit services provided during the year are set out in the adjacent table.

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 Corporations 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.

Fees paid or payable for services provided by the auditors of Austral Gold Limited are set out in the table above.

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 2012 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney



Ben Jarvis

Director

28 September 2012

	2012 \$	2011 \$
Audit Services and review of financial reports	101,476	96,492
Non-audit services	2,585	-
Total auditors fees	104,061	96,492

DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF AUSTRAL GOLD LIMITED

As lead auditor of Austral Gold Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Austral Gold Limited and the entities it controlled during the period.



Tim Sydenham

Partner

BDO East Coast Partnership

Sydney, 28 September 2012

Financial Statements

Statement of Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2012

	Consolidated		
	Notes	2012 \$	2011 \$
CONTINUING OPERATIONS			
Revenue	4	30,389,567	8,265,081
Total revenue		30,389,567	8,265,081
Cost of sales		(22,872,651)	(8,568,851)
Depreciation and amortisation expense	5	(5,410,824)	(733,039)
Finance costs	5	(4,859,464)	(652,503)
Administration expenses		(3,770,073)	(1,470,111)
Employee benefits expense		(1,146,455)	(1,111,706)
(Impairment losses) / reversal of impairment	5	(4,917,831)	10,564,676
(Loss) / gain from foreign exchange		(2,229,932)	7,031,711
(Loss) / profit before income tax		(14,817,663)	13,325,218
Income tax expense	7	(1,105,617)	-
(Loss) / profit after income tax		(15,923,280)	13,325,218
(Loss) / profit after tax attributable to outside equity interest		-	-
Net (Loss) / profit for the year		(15,923,280)	13,325,218
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		2,093,363	(9,956,531)
Income tax on items of comprehensive income		-	-
Total comprehensive income for the year		(13,829,917)	3,368,687
(LOSS) / EARNINGS PER SHARE (cents per share):			
Basic (loss) / earnings per share	8	(9.4)c	7.9c
Diluted (loss) / earnings per share	8	(9.4)c	7.9c

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

Austral Gold Limited and its Subsidiaries
as at 30 June 2012

		Consolidated		
	Notes	2012 \$	*2011 restated \$	*2010 restated \$
ASSETS				
Current assets				
Cash and cash equivalents	10	469,876	1,309,145	1,399,382
Trade and other receivables	12	3,088,005	5,342,263	3,061,046
Inventories	11	3,555,662	1,438,653	-
Total current assets		7,113,543	8,090,061	4,460,428
Non-current Assets				
Other receivables	12	3,828,225	6,070,447	7,871,386
Financial assets	13	340,111	4,306,285	4,061,595
Intangible assets	14	66,332,753	64,083,041	49,409,557
Plant and equipment	15	20,185,655	20,021,794	4,266,272
Exploration and evaluation expenditure	16	171,822	116,215	39,065
Total Non-current assets		90,858,566	94,597,782	65,647,875
TOTAL ASSETS		97,972,109	102,687,843	70,108,303
LIABILITIES				
Current liabilities				
Trade and other payables	17	5,924,731	6,139,889	5,007,846
Provisions	18	22,047	12,179	12,142
Borrowings	19	721,988	181,680	22,561,292
Total current liabilities		6,668,766	6,333,748	27,581,280
Non-current Liabilities				
Provisions	18	742,752	639,755	-
Borrowings	19	57,352,048	49,818,669	-
Deferred tax liability	7	1,128,290	-	-
Total non-current liabilities		59,223,090	50,458,424	-
TOTAL LIABILITIES		65,891,856	56,792,172	27,581,280
NET ASSETS		32,080,253	45,895,671	42,527,023
EQUITY				
Issued capital	20	44,400,742	44,400,742	44,400,742
Retained earnings/(accumulated losses)	21	(6,105,160)	9,818,120	(3,507,098)
Reserves	23	(6,215,387)	(8,323,247)	1,633,284
Outside equity interest	22	58	56	95
TOTAL EQUITY		32,080,253	45,895,671	42,527,023

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

* Refer to Note 2.29 for an explanation of the restatement

Statement of Changes in Equity

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2012

Consolidated

	Notes	Issued capital \$	Retained earnings/ accumulated losses) \$	Reserves \$	Minority interest \$	Total \$
Balance at 30 June 2010		44,400,742	(3,507,098)	1,633,284	95	42,527,023
Profit for the year	21	-	13,325,218	-	-	13,325,218
Other comprehensive Income		-	-	(9,956,531)	-	(9,956,531)
Decrease in minority interest attributable to foreign exchange	22	-	-	-	(39)	(39)
Balance at 30 June 2011		44,400,742	9,818,120	(8,323,247)	56	45,895,671
Loss for the year	21	-	(15,923,280)	-	-	(15,923,280)
Other comprehensive income		-	-	2,093,363	-	2,093,363
Increase in minority interest attributable to foreign exchange	22	-	-	-	2	2
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Options issued	23	-	-	14,497	-	14,497
Balance at 30 June 2012		44,400,742	(6,105,160)	(6,215,387)	58	32,080,253

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

Statement of Cash Flows

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2012

		Consolidated	
	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		30,112,158	8,088,356
Payments to suppliers and employees		(22,581,080)	(13,036,020)
Net cash provided through / (used in) operating activities	28	7,531,078	(4,947,664)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		10,738	-
Purchase of property, plant and equipment		(1,946,477)	(16,104,284)
Investment in unlisted shares		(1,216,219)	(1,261,127)
Payment for exploration and evaluation expenditure		(63,572)	(93,660)
Investment in development assets		(4,016,475)	(7,589,164)
Interest received		1,787	7,102
Net cash used in investing activities		(7,230,218)	(25,041,133)
Cash flows from financing activities			
Loans from related party		2,595,002	31,222,579
Repayment to related party		(2,353,664)	-
Net cash provided through financing activities		241,338	31,222,579
Movement attributable to foreign currency translation		(1,381,467)	(1,324,019)
Net (decrease) / increase in cash held		(839,269)	1,233,782
Cash at beginning of financial year		1,309,145	1,399,382
Cash at end of financial year	10	469,876	1,309,145

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

Notes to the Financial Statements

1 CORPORATE INFORMATION

The financial report of Austral Gold Limited (“the Company”) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 28 September 2012.

Austral Gold Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities 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, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for profit oriented entities.

The financial report covers the Consolidated Entity of Austral Gold Limited and its subsidiaries (“the Group”) and are presented in English.

The financial report of Austral Gold Limited and its subsidiaries complies with International Financial Reporting Standards (IFRS).

Parent entity information

In accordance with the Corporations Act, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

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.

2.1 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.

2.2 Statement of compliance

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

2.3 Presentation currency

The financial report is presented in Australian dollars which is the presentation currency of the Group.

2.4 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 / reversal of impairment of development assets

Where indicators of impairment or reversal of impairment are identified the recoverable amounts 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.

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 amounts of the assets are determined. No indicators of impairment were identified in the current year.

2.5 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 27 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.

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

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

2.6 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.

Sale of minerals

Sale of minerals is recognised at the point of sale, which is when the customer has taken delivery of the goods, the risks and rewards have been transferred to the customer and there is a valid contract.

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.

2.7 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 Statement of Financial Position are shown inclusive of GST/VAT.

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

2.8 Intangibles

Development assets

When the technical and commercial feasibility of an undeveloped mining project has been demonstrated the project enters the development phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling and other subsurface expenditure. When full commercial operation commences, the accumulated costs are transferred into producing assets.

2.9 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 Statement of Financial Position where:

2.9.1 rights to tenure of the area of interest are current; and

2.9.2 one of the following conditions is met:

- i such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- ii exploration and/or evaluation activities in the area of interest have not, at Statement of Financial Position 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 Statement of Comprehensive Income 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.

2.10 Investments

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

2.11 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 is between 5% - 33%.

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.

2.12 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 Statement of Financial Position 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:

- i Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
- ii Income and expenses for each Statement of Comprehensive Income are translated at the average rate of exchange.
- iii All resulting exchange differences are recognised as a separate component of equity.

2.13 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash includes:

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

2.14 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 Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at Statement of Financial Position 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 :

- i 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
- ii 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:

- iii 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
- iv 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 Statement of Financial Position 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 Statement of Financial Position 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.

2.15 Inventories

Raw materials and work in progress are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Finished goods are stated at net realisable value. Net realisable value is determined using the prevailing metal prices.

2.16 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.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

2.18 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 Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

2.19 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.

2.20 Leases

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

2.21 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 or 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 Statement of Comprehensive Income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or 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.

2.22 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:

- i** the rights to receive cash flows from the asset have expired;
- ii** 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
- iii** the Group has transferred its rights to receive cash flows from the asset and either:
 - iv** has transferred substantially all the risks and rewards of the asset, or
 - v** has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or determined to be impaired, at which time the accumulative gain or loss previously reported in equity is recognised in profit or loss. Where the value of available-for-sale financial assets cannot be reliably estimated the asset is carried at cost.

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.

2.23 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.

2.24 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.

2.25 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are capitalised for qualifying assets.

2.26 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 employee superannuation funds. Contributions made by the Company are legally enforceable. Contributions are made in accordance with the requirements of the Superannuation Guarantee Legislation.

2.27 Going concern

At the reporting date the Group had net current assets of \$444,777 (2011: \$1,756,313) and had net cash inflows from operations of \$7,531,078 (2011: net cash outflows of \$4,947,664) for the year ended 30 June 2012. In addition:

- i production from Guanaco yielded revenue from operations of \$30,112,061 in the 12 months to 30 June 2012 (2011: \$8,088,356);
- ii draw downs on the loan from IFISA ceased in February 2012 and a repayment of \$2,353,664 to IFISA was made in May 2012;
- iii At 30 June 2012 the Group is able to draw down an additional \$9,793,284 on the loan from IFISA should it be necessary;
- iv the interest rate applicable to the loan from IFISA was renegotiated down to 4% pa in June 2012 which represents significant on-going savings to the Group.

Based on the above, the directors believe the going concern basis of preparation of the financial report is appropriate.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.29 Restatement of comparatives

A reclassification has been made prior to period figures relating to the pre-payment of royalties at acquisition of the Guanaco mining concessions. \$6.4 million paid at the time of acquisition has previously been reported as part of intangible assets and is now being disclosed separately as a pre-payment.

The balance of \$5.3 million at 30 June 2012 (\$6 million at 30 June 2011) has been included in the Statement of Financial Position as follows:

	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$
Other current assets	1.5 million	2.0 million	-
Other non-current assets	3.8 million	4.0 million	7.6 million
Total	5.3 million	6.0 million	7.6 million

3 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 2012 but have not been applied in preparing this financial report. They are not expected to have a material impact on the Group when they are adopted.

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

AASB No.	Title	Issue Date	Operative Date
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
20	Stripping Costs in the Production Phase of a Surface Mine	Nov 2011	1 Jan 2013
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013
2012 - 2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	Jun 2012	1 Jan 2013
2012 - 3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Jun 2012	1 Jan 2014
2012 - 5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	Jun 2012	1 Jan 2013

Operative Date applies to annual reporting periods beginning on or after this date

3.1 Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.

Stripping costs incurred during the development phase of a mine are usually capitalised and depreciated or amortised on a systematic basis (typically units of production method) once production begins.

Interpretation 20 deals with the situation where an entity continues to remove overburden and to incur stripping costs during the production phase of the mine. Stripping in this phase may produce inventory and/or provide access to deeper levels of material that have a higher ratio of ore to waste.

This interpretation outlines that stripping activity which provides benefit in the form of inventory produced should be accounted for in accordance with the principles of AASB 102 Inventories. To the extent the benefit is improved access to ore, the entity shall recognise these costs as a non-current asset, if certain criteria are met. This interpretation refers to the non-current asset as the 'stripping activity asset' and it shall be accounted for as an addition to, or as an enhancement of an existing asset.

Consolidated

4 REVENUE

	2012 \$	2011 \$
Operating activities		
Revenue from gold and silver sales	30,112,061	8,088,356
Interest revenue	1,787	7,102
Other	275,719	169,623
Total revenue	30,389,567	8,265,081

Consolidated

5 PROFIT/LOSS FOR THE YEAR

	2012 \$	2011 \$
Expenses		
Depreciation of plant and equipment	2,496,319	565,219
Amortisation of intangible	2,914,505	167,860
Total depreciation and amortisation	5,410,824	733,079
Finance costs - related parties	4,859,464	652,503
Rental expense on operating leases	30,755	19,224
Impairment of financial assets	4,917,831	-
Reversal of prior years' impairment	-	(10,564,676)
Defined contribution plan expense	21,094	26,061

Consolidated

6 AUDITORS' REMUNERATION

	2012 \$	2011 \$
Remuneration of the auditors of the parent entity (BDO) for:		
Auditing or reviewing the financial reports	66,000	55,500
Other services/taxation	-	-
Total auditors' remuneration – parent entity (BDO)	66,000	55,500
Remuneration of auditors of subsidiaries (Nexia) for:		
Auditing or reviewing the financial reports	35,476	41,492
Other services/taxation	2,585	-
Total auditors' remuneration – subsidiaries (Nexia)	38,061	41,492

Consolidated

7 INCOME TAX EXPENSE

	2012 \$	2011 \$
(Loss) / profit before tax	(14,817,663)	13,325,218
Prima facie income tax (benefit) / expense calculated at 30% on the (loss)/profit	(4,445,299)	3,997,565
Difference due to overseas tax rate	150,031	-
Non deductible expenses / (exempt revenue)	2,573,186	(3,380,089)
Temporary differences previously not brought into account	1,273,011	-
Temporary differences not brought into account	1,554,688	(617,476)
Income tax expense	1,105,617	-
Deferred tax asset		
Tax loss carried forward	4,094,913	-
Accrual for mine closure	137,409	-
Accrual for vacations	48,480	-
Total deferred tax assets	4,280,802	-
Deferred tax liabilities		
Mining concessions	(4,440,821)	-
Other receivables	(968,271)	-
Total deferred tax liabilities	(5,409,092)	-
Net deferred tax liabilities	1,128,290	-

8 (LOSS) / EARNINGS PER SHARE

Classification of securities as ordinary shares

Ordinary shares have been included in basic (loss)/earnings per share.

	Consolidated	
	2012 \$	2011 \$
Earnings reconciliation		
Net (loss) / profit	(15,923,280)	13,325,218
Net (loss) / profit attributable to outside equity interests	-	-
Net (loss) / profit	(15,923,280)	13,325,218
Weighted average number of shares used as the denominator		
Number for basic earnings per share	169,139,739	169,139,739
Number for diluted earnings per share	169,139,739	169,139,739
Basic earnings/(loss) per ordinary share	(9.4)c	7.9c
Diluted earnings/(loss) per ordinary share	(9.4)c	7.9c

9 SEGMENTS

Management have determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM"). The CODM considers the business from both an operations and geographic perspective and has identified two reportable segments, Australia and South America. The CODM monitors the performance in these two regions separately.

	2012			2011		
	Australia \$	South America \$	Consolidated \$	Australia \$	South America \$	Consolidated \$
Revenue from gold and silver sales	-	30,112,061	30,112,061	-	8,088,356	8,088,356
Interest revenue	1,787	-	1,787	1,841	5,261	7,102
Other	-	275,719	275,719	-	169,623	169,623
Total segment revenue	1,787	30,387,780	30,389,567	1,841	8,263,240	8,265,081
Amortisation	-	(2,914,505)	(2,914,505)	-	(261,669)	(261,669)
Depreciation	(1,545)	(2,494,774)	(2,496,319)	(1,449)	(563,770)	(565,219)
(Impairment) / Reversal of impairment	-	(4,917,831)	(4,917,831)	-	10,564,676	10,564,676
- Finance costs	(4,859,464)	-	(4,859,464)	(652,503)	-	(652,503)
Other	(9,012,859)	(22,111,869)	(31,124,728)	3,275,224	(7,300,372)	(4,025,148)
Segment profit/(loss)	(13,872,081)	(2,051,199)	(15,923,280)	2,623,113	10,702,105	13,325,218
Segment assets	68,457	97,903,652	97,972,109	84,739	102,603,104	102,687,843
Segment liabilities	57,572,254	8,319,602	65,891,856	49,945,132	6,847,040	56,792,172

10 CASH AND CASH EQUIVALENTS	Consolidated	
	2012 \$	2010 \$
Cash at call and in hand	462,855	1,302,124
Short-term bank deposits	7,021	7,021
Total cash and cash equivalents	469,876	1,309,145

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows, is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	469,876	1,309,145
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Risk Exposure

The Group's exposure to interest rate risk is discussed in note 24. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

11 INVENTORIES	Consolidated	
	2012 \$	2011 \$
Raw materials – at cost	462,932	278,441
Work in progress – at cost	629,246	165,781
Finished goods – at net realisable value	2,463,484	994,431
Total inventories	3,555,662	1,438,653

12 TRADE AND OTHER RECEIVABLES	Consolidated	
	2012 \$	2011 \$
CURRENT		
Other current receivables	627,897	23,030
Pre-payments	1,486,330	2,053,241
GST/VAT receivable	589,029	2,800,645
Trade receivables	384,749	465,347
Total current receivables	3,088,005	5,342,263
NON CURRENT		
GST/VAT receivable	63,092	2,077,241
Pre-payments	3,765,133	3,993,206
Total non-current receivables	3,828,225	6,070,447
TRADE DEBTORS		
The ageing of trade receivables is 0 – 30 days	384,749	465,347

12.1 Past due but not impaired

There were no receivables past due at 30 June 2012 (2011: nil).

12.2 Fair value and credit risk

Due to the short term nature of trade 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 24 for more information on the risk management policy of the Group and the credit quality of the receivables.

12.3 Key Customers

The Company is not reliant on any one customer to sell gold and silver produced from the Guanaco mine.

13 FINANCIAL ASSETS	Consolidated	
	2012 \$	2011 \$
Investment in unlisted shares (AMINSA) – opening balance	4,306,285	4,061,595
Additions	1,216,219	1,261,127
Impairment	(4,917,831)	-
Movement attributable to foreign currency translation	(264,562)	(1,016,437)
Total investment in unlisted shares	340,111	4,306,285

These financial assets are carried at cost less accumulated impairment losses. There are no fixed returns or fixed maturity date attached to these investments. Refer to note 24 for detailed information on financial instruments.

Impairment

An independent expert has been engaged to value the AMINSA project in San Juan. Due to climatic conditions in the region, the asset is inaccessible for parts of the year and the valuation was unable to be completed in time for this report. As a result, an impairment of \$4,917,831 has been made to the carrying value of the investment in AMINSA this financial year. The Company expects to reverse this impairment to the extent permitted by accounting standards when the valuation is completed.

14 INTANGIBLE ASSETS	Consolidated	
	2012 \$	2011 \$
Guanaco		
Cost	69,409,044	62,250,901
Accumulated amortisation	(3,076,291)	(167,860)
Development assets – Guanaco	66,332,753	64,083,041

MOVEMENTS IN CARRYING VALUE

Reconciliations of the carrying amounts for intangible assets are set out below:

Carrying amount at beginning of year	64,083,041	49,409,557
Additions	4,016,475	8,495,210
Recognition of restoration provision	-	639,755
Amortisation	(2,914,505)	(167,860)
Impairment reversal	-	10,564,676
Movement attributable to foreign currency translation	1,147,742	(4,858,297)
Carrying amount at end of year	66,332,753	64,083,041

Impairment - Guanaco

The Guanaco project has been determined by Management to be a single cash generating unit ("CGU"). The intangible assets noted above and the plant and equipment as included in note 15 below are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Management have assessed the fair value of the Guanaco project to be \$104 million, based on an independent valuation using a discounted cash flow model and the following assumptions:

Gold price: USD 1,785 / oz - 1,834 / oz

Life of Mine: 5 years

Discount Rate: 12% (before tax)

Management performed a sensitivity analysis on this valuation and determined that a 10% decrease in gold prices would still not cause an impairment to the carrying value of the Guanaco Project in the 30 June 2012 accounts.

15 PLANT AND EQUIPMENT	Consolidated	
	2012 \$	2011 \$
Plant and equipment - at cost	23,942,242	20,857,912
Accumulated depreciation	(3,756,587)	(836,118)
Carrying amount at end of year	20,185,655	20,021,794
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of year	20,021,794	4,266,272
Additions	1,946,477	18,023,147
Disposals	(50,655)	(287)
Depreciation	(2,496,319)	(565,219)
Movement attributable to foreign currency translation	764,358	(1,702,119)
Carrying amount at end of year	20,185,655	20,021,794

Plant and equipment has been included in the Guanaco cash generating unit. Refer note 14 for discussion on impairment.

16 EXPLORATION AND EVALUATION EXPENDITURE	Consolidated	
	2012 \$	2011 \$
Costs carried forward in respect of areas of interest in:		
Opening balance	116,215	39,065
Additions for the year	63,572	93,660
Movement attributable to foreign currency translation	(7,965)	(16,510)
Carrying amount at end of year	171,822	116,215

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.

17 TRADE AND OTHER PAYABLES	Consolidated	
	2012 \$	2011 \$
CURRENT		
Trade creditors and accruals	5,924,731	6,139,889

Refer to note 24 for detailed information on financial instruments.

18 PROVISIONS	Consolidated	
	2012 \$	2011 \$
CURRENT		
Employee entitlements	22,047	12,179
MOVEMENT IN CURRENT PROVISIONS		
Opening balance	12,179	12,142
Charged to the statement of comprehensive income	9,868	37
Closing balance	22,047	12,179

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.

NON CURRENT		
Mine closure	742,752	639,755
MOVEMENT IN NON CURRENT PROVISIONS		
Opening balance	639,755	-
Charged to the statement of comprehensive income	102,997	-
Recognised as part of the cost of intangible asset	-	639,755
Closing balance	742,752	639,755

The restoration provision relates to the estimated costs of dismantling and restoring mining sites and exploration tenements to their original condition at the end of the life of the mine or exploration drilling program. The provision at year end represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required for meeting environmental obligations for existing tenements after activities have been completed. The provision is reviewed annually by the Directors.

The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US\$1,099,870;
- Life of Mine: 5 years; and
- Discount rate of 12%

19 BORROWINGS	Consolidated	
	2012 \$	2011 \$
CURRENT		
Royalty payable	721,988	181,680
Total current borrowings	721,988	181,680
NON-CURRENT		
Loan – IFISA #1	57,352,048	29,803,422
Loan – IFISA #2	-	20,015,247
Total non-current borrowings	57,352,048	49,818,669

19.1 Loan Inversiones Financieras del Sur SA (IFISA) #1

The borrowings are unsecured. Interest is charged at 4%. The loan comprises principal of \$48,283,298 and capitalised interest of \$9,068,750. The loan is repayable as follows:

- i when sufficient cash flows of the Group allow;
- ii at the election of IFISA to subscribe for shares in the Group (contingent on shareholder approval);
- iii on successful completion of an equity raising by the Group; or
- iv failing all of the above by 30 September 2014.

19.2 Loan Inversiones Financieras del Sur SA (IFISA) #2

During the year this agreement was consolidated into one single agreement (Loan IFISA #1).

19.3 Royalty payable

In accordance with the signed agreement with Compania Minera Kinam Guanaco, the Company is required to pay quarterly amounts determined as the greater between;

- i The equivalent of USD75,000 or
- ii The “NPI”, that is approximately 5% of the income from the sale of concentrate less the necessary costs to produce the concentrate.

The Company can decide to cease to pay these quarterly amounts at any time with the payment of the local currency equivalent of USD 7,500,000 (without deducting royalties already paid).

The balance of \$721,988 corresponds to the amount accrued up to 30 June 2012, that remains unpaid.

Risk exposure

The Group’s risk exposure is currency risk, as the Group is responsible for repaying the loans in US\$. Further details of this risk exposure is provided in note 24.

Fair value

The carrying value of the loan approximates its fair value.

20 ISSUED CAPITAL	Consolidated	
	2012 \$	2011 \$
Fully paid ordinary shares	44,400,742	44,400,742
ORDINARY SHARES*	2012	2011
	Number of shares	Number of shares
Balance at the beginning of the year	169,139,739	169,139,739
Balance at end of year	169,139,739	169,139,739

* Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares do not have any par value.

21 RETAINED EARNINGS / (ACCUMULATED LOSSES)	Consolidated	
	2012 \$	2011 \$
Retained earnings / (accumulated losses) at beginning of year	9,818,120	(3,507,098)
Net (loss) /profit for the year	(15,923,280)	13,325,218
(Accumulated losses) / retained earnings at end of year	(6,105,160)	9,818,120

22 OUTSIDE EQUITY INTERESTS	Consolidated	
	2012 \$	2011 \$
Outside equity interests in subsidiaries comprise:		
Acquired as part of subsidiary	58	56

23 RESERVES	Consolidated	
	2012 \$	2011 \$
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at beginning of year	(8,323,247)	1,633,284
Movement attributable to translation of foreign subsidiaries	2,093,363	(9,956,531)
Balance at end of year	(6,229,884)	(8,323,247)
SHARE OPTION RESERVE		
Balance at beginning of year	-	-
Options issued November 2011	14,497	-
Balance at end of year	14,497	-
Total Reserves	(6,215,387)	(8,323,247)

23.1 Nature and purpose of reserves

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.

Share Option Reserve

Options granted / issued as share-based payments are recognised in the share option reserve. The assessed fair value at grant date of options granted during the year ended 30 June 2012 was 10.29 cents per option. The fair value at grant date was independently determined using a Black-Scholes option pricing model, using the following input:

- i Exercise price:** 30 cents
- ii Grant date:** 15 November 2011
- iii Expiry date:** 15 November 2016
- iv Share price at grant date:** 25 cents
- v Expected price volatility:** 44.99%
- vi Expected dividend yield:** 0%
- vii Risk-free interest rate:** 5.5%

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise borrowings, receivables, 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 risk 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 holds the following financial instruments:

	Consolidated	
	2012 \$	2011 \$
FINANCIAL ASSETS		
Cash and cash equivalents	469,876	1,309,145
Trade and other receivables	1,012,646	488,377
Investment in AMINSA	340,111	4,306,285
Total financial assets	1,822,633	6,103,807
FINANCIAL LIABILITIES		
Trade and other payables	(6,620,103)	(5,998,314)
Other financial liabilities	(57,352,048)	(50,000,349)
Total financial liabilities	(63,972,151)	(55,998,663)
Net exposure	(62,149,518)	49,894,856

24.1 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.

The fair value of the Group's investment in AMINSA cannot be reliably estimated without obtaining and independent valuation as AMINSA's primary activity is exploration and evaluation of mineral resources. This investment is accordingly carried at cost less impairment.

24.2 Risk Exposures and Responses

24.2.1 Interest Rate Risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable interest rates were denominated in US dollars, however the risk is within the Australian interest rate market. All other borrowings are at a fixed rate and therefore do not carry interest rate risk.

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

Weighted Average Interest rate	Consolidated	Weighted Average Interest rate	Consolidated
2012 %	2012 \$	2011 %	2011 \$
-	-	8.9	29,803,422

Sensitivity analysis

At 30 June 2012, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$nil higher/lower (2011: \$298,034) mainly as a result of the Group's variable interest rate borrowings.

24.2.2 Currency Risk

At 30 June 2012 the Group had the following exposure to foreign currency:

	Consolidated	
	2012 \$	2011 \$
FINANCIAL ASSETS		
Cash and cash equivalents	428,869	1,239,167
Trade and other receivables	1,008,296	484,245
Investment in AMINSA	340,111	4,306,285
FINANCIAL LIABILITIES		
Trade and other payables	(6,421,293)	(5,870,045)
Other financial liabilities	(57,352,048)	(50,000,349)
Net exposure	(61,996,065)	(49,840,697)

Sensitivity analysis

The net exposure from financial assets and liabilities subject to exchange rate risk has been calculated using an exchange rate of USD/AUD 1.0159.

Based on the financial instruments held at 30 June 2012, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the Group's post tax profit would have been \$6,298,180 lower/higher (2011: \$4,132,300). The movement is mainly due to foreign exchange gains/losses on translation of US Dollar denominated financial instruments as detailed above.

24.2.3 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 Statement of Financial Position 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.

24.2.4 Price Risk

The Group's revenues are exposed to fluctuations in the gold and other prices. Gold and silver produced is sold at prevailing market prices in US dollars.

The Group has resolved that for the present time the production should remain unhedged. The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the business.

24.2.5 Liquidity Risk

The liquidity of the Group is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost effective manner. Management continuously reviews the Group's liquidity position through cash flow projections based upon the current life of mine plan to determine the forecast liquidity position and maintain appropriate liquidity levels.

Financing arrangements

Under the funding agreement amended in June 2012, the Group had access to the following undrawn United States dollar denominated borrowing facilities at the reporting date:

	Consolidated	
	2012 USD	2011 USD
Total facility	59,000,000	59,000,000
Total used	49,051,002	48,597,507
Amount available	9,948,998	10,402,493

These loans may be drawn at any time and are repayable on the terms and conditions as set out in note 19.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities 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.

	Consolidated				
	< 6 months \$	6-12 mnths \$	1 -5 years \$	>5 years \$	Total \$
YEAR ENDED 30 JUNE 2012					
FINANCIAL LIABILITIES					
Trade and other payables	6,620,103	-	-	-	6,620,103
Borrowings	-	-	62,477,732*	-	62,477,732
Total 2012 liabilities	6,620,103	-	62,477,732	-	69,097,835
YEAR ENDED 30 JUNE 2011					
FINANCIAL LIABILITIES					
Trade and other payables	5,998,314	-	-	-	5,998,314
Borrowings	-	323,255	65,459,982*	-	65,783,237
Total 2011 liabilities	5,998,314	323,255	65,459,982*	-	71,781,551

*This amount is based on the following assumptions:

- i there are no additional draw downs on the IFISA loan facility;
- ii the loan is held to 30 September 2014 and is not repaid or converted into equity by IFISA; and
- iii interest of \$5,125,684 (2011: \$15,641,313) calculated using rates disclosed in note 19.

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 Statement of Financial Position strength and flexibility using cash flow forecast analysis and a detailed budget process. There were no changes in the Group's approach to capital management during the year.

25 DIVIDENDS

No dividends were paid or proposed during the year.

26 COMMITMENTS

26.1 AMINSA Earn-in commitments

These obligations are not provided for in the accounts and are payable:

I.	Consolidated	
	2012 \$	2011 \$
Within one year – AMINSA Earn-in commitments	3,000,000	1,190,476
One year or later and no later than five years	-	-
Total commitments	3,000,000	1,190,476

26.2 Operating lease commitments

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

	Consolidated	
	2012 \$	2011 \$
Within one year	-	25,529
One year or later and no later than five years	-	-
Total operating lease commitments	-	25,529

The Group rents offices at Suite 605/ 80 William Street, Sydney. The property lease is on a month-to-month basis. Rent is payable monthly in advance.

27 SUBSIDIARIES	Country of Incorporation	2012 % owned	2011 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera	Chile	99.998	99.998
Austral Gold Argentina	Argentina	99.750	99.661

28 CASH FLOW INFORMATION	Consolidated	
	2012 \$	2011 \$
Reconciliation of cash flow from operations with (loss)/profit after income tax:		
(Loss)/profit after income tax	(15,923,280)	13,325,218
Non-cash flows in (loss) / profit		
Interest expense capitalised	4,859,464	652,503
Impairment loss/(reversal)	4,917,831	(10,564,676)
Interest received	(1,787)	(7,102)
Exchange rate loss / (gain)	2,229,932	(7,031,711)
Depreciation and amortisation	5,410,824	826,888
Net cash used in operating activities before change in assets and liabilities	1,492,984	(2,798,880)
Changes in assets and liabilities:		
Increase in inventory	(2,055,251)	(1,438,653)
(Decrease) / increase in trade and other receivables	5,049,174	(2,753,594)
Increase in trade and other payables	834,315	1,942,805
Movement attributable to foreign currency translation	(2,209,855)	100,658
Cash flow from/(used in) operations	7,531,078	(4,947,664)

29 PARENT ENTITY INFORMATION	Consolidated	
	2012 \$	2011 \$
Information relating to Austral Gold Limited:		
Current assets	61,905	94,943
Total assets	83,886,037	89,630,448
Current liabilities	706,257	49,945,133
Total liabilities	58,058,306	49,945,133
Net assets	25,827,731	39,685,315
Issued capital	44,400,742	44,400,742
Accumulated losses	(18,587,508)	(4,715,427)
Reserves	14,497	-
Total shareholders' equity	25,827,731	39,685,315
Profit/(loss) of the parent entity	(13,872,081)	1,203,676
Total comprehensive income of the parent entity	(13,886,578)	1,203,676
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	None	None
Details of any contingent liabilities of the parent entity	None	None
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	None	None

30 SUBSEQUENT EVENTS

There have been no reportable events subsequent to 30 June 2012 up to the date of this report.

31 RELATED PARTIES

31.1 Directors

The names of each person holding the position of Director during the year are; Eduardo Elsztain, Pablo Vergara del Carril, Robert Trzebski, Saul Zang, Stabro Kasaneva, Ben Jarvis and Wayne Hubert (appointed 18 October 2011). Amounts paid to Directors are set out in the table below.

31.2 Directors' holdings of shares and share options

The parent company, IFISA holds 68% interest in Austral Gold Limited.

Mr Eduardo Elsztain is a Director of Austral Gold Limited, Guanaco Capital Holding, Guanaco Mining Company, IFISA and President of Austral Gold Argentina SA. He holds 144,467,951 shares indirectly in Austral Gold Limited.

Mr Saul Zang is a Director of Austral Gold Limited, Guanaco Capital Holding, Guanaco Mining Company, Austral Gold Argentina SA and IFISA and he holds 1,435,668 shares indirectly 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.

E Elsztain and **S Zang** are directors of IFISA which holds 115,492,415 shares according to the last substantial holder notice lodged in September 2012.

P Vergara del Carril, **E Elsztain** and **S Zang** are directors of Guanaco Capital Holding Corp which holds 24,289,330 shares according to the last substantial holder notice lodged in September 2012.

Mr Stabro Kasaneva is a Director of Austral Gold Limited and does not hold any shares either directly or indirectly in Austral Gold Limited

Dr Robert Trzebski is a Director of Austral Gold Limited and does not hold any shares either directly or indirectly in Austral Gold Limited.

Mr Ben Jarvis is a Director of Austral Gold Limited and does not hold any shares either directly or indirectly in Austral Gold Limited.

Mr Wayne Hubert is a Director of Austral Gold Limited. He holds 1,750,000 shares indirectly in Austral Gold Limited.

31.3 Directors and Senior Management Remuneration

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary & Fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Retirement benefits \$	Shares \$	Options \$	
YEAR ENDED 30 JUNE 2012								
DIRECTORS								
S Kasaneva	308,135	*310,184	-	-	-	-	-	618,319
W Hubert	35,150	-	-	-	-	-	-	35,150
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
B Jarvis	36,697	-	-	3,303	-	-	-	40,000
Total Directors	416,679	310,184	-	6,606	-	-	-	733,469

*\$165,765 of this bonus relates to the years ended 30 June 2011 and 30 June 2010.

OTHER KEY MANAGEMENT PERSONNEL

C Lloyd	123,089	-	-	11,078	-	-	-	134,167
Total KMP	123,089	-	-	11,078	-	-	-	134,167
Total 2012	539,768	310,184	-	17,684	-	-	-	867,636

YEAR ENDED 30 JUNE 2011

DIRECTORS								
M Bethwaite	44,372	-	-	47,295	-	-	-	91,667
S Kasaneva	300,955	-	-	-	-	-	-	300,955
R Trzebski	36,697	-	-	3,303	-	-	-	40,000
B Jarvis	3,058	-	-	275	-	-	-	3,333
Total Directors	385,082	-	-	50,873	-	-	-	435,955

OTHER KEY MANAGEMENT PERSONNEL

C Lloyd	59,633	-	-	5,367	-	-	-	65,000
J Dudley-Smith	49,541	-	-	4,459	-	-	-	54,000
Total KMP	109,174	-	-	9,826	-	-	-	119,000
Total	494,256	-	-	60,699	-	-	-	554,955

31.4 Borrowings from majority shareholder

	IFISA 2012 \$	IFISA 2011 \$	GCH 2011 \$	TOTAL 2011 \$
Amount payable at end of year	57,352,048	49,818,669	-	49,818,669
Interest	4,859,464	1,504,719	1,964,321	3,469,040
Funds received	2,595,002	20,045,678	11,112,633	35,158,311
Funds repaid	(2,353,664)	-	-	-

31.5 Ultimate parent entity

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

Directors' Declaration

The Directors of Austral Gold Limited declare that:

- 1) The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - i comply with Accounting Standards and the Corporations Regulations 2001; and
 - ii give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.
- 2) The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards
- 3) In the directors' opinion, 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 received the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Ben Jarvis
Director

Sydney,
28 September 2012

INDEPENDENT AUDITOR'S REPORT

To the members of Austral Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Austral Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Austral Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 19 to 20 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Austral Gold Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO



Tim Sydenham

Partner

Sydney, 28 September 2012

Additional Information

Included in accordance with the Listing Rules of the Australian Stock Exchange Ltd and as required by Australian Securities Exchange Ltd.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2012

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.

Composition of the Board

The names of the Company directors 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 controls 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 Pablo Vergara del Carril (Non-Executive Director)
- Dr Robert Trzebski (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:

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;
- 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.

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, and levels of authority.

Gender Diversity

Austral Gold does not have a documented gender diversity policy. The Board is cognisant of the benefits that come with gender diversity in the workforce, but are unable to make this objective a priority at this stage.

Whilst Austral Gold no longer has any female Directors following the resignation of Natalia Zang in December 2009, Austral Gold is proud to have a female CFO and Company Secretary to support the Board of Directors.

The Role of Shareholders

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

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

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

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

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

Securities Trading Policy

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

Principles of Good Corporate Governance and Best Practice Recommendations

In June 2010 the ASX Corporate Governance Council released its *Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition* which came into effect on 1 January 2011.

Listing Rule 4.10.3 requires a company to disclose the extent to which the entity has followed the Recommendations during the reporting period. The entity must identify those recommendations it has not followed and give reasons for not following them. If a recommendation has only been followed for part of the period, the entity must state the period during which it had been followed.

In accordance with Listing Rule 4.10.3 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.

No	Recommendation	Compliance or Explanation for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A formal policy document outlining board and management functions has not been established. The directors have determined that given the size and direction of the Company, hands on day-to-day management and supervision by directors is currently in its best interests. Delegation of specific responsibilities to senior management is agreed and documented in Board Meetings.
1.2	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.
2.1	A majority of the Board should be independent directors.	Four of the six non-executive directors are not considered independent due to their relationship with IFISA, the Company's major shareholder. From August 2012 Wayne Hubert becomes independent.
2.2	The chair should be an independent director.	The Chairman is Eduardo Elsztain, the ultimate beneficial holder of the Company's majority shareholder.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The role of chair is held by Eduardo Elsztain. The Company has not appointed a chief executive officer rather they have appointed director, Stabro Kasaneva as the Chief Operating Officer.
2.4	The Board should establish a nomination committee.	The Board has not established a nomination committee. 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.
2.5	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.
3.1	Establish a code of conduct and disclose a summary addressing the practices necessary to: maintain confidence in the company's integrity take into account their legal obligations and the reasonable expectations of stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.	The Company's code of conduct is published on the Company's website under Corporate Governance.
3.2	Establish a policy concerning diversity including: measurable objectives for achieving gender diversity an annual process for assessing diversity objectives and the company's progress in achieving them.	Austral Gold does not have a documented gender diversity policy. The Board is cognisant of the benefits that come with gender diversity in the workforce, but are unable to make this objective a priority at this stage.
3.3	Disclose the measurable objectives for achieving gender diversity set by the board and its progress towards achieving them.	Austral Gold does not have a documented gender diversity policy.

No	Recommendation	Compliance or Explanation for Non-compliance
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board	Whilst Austral Gold no longer has any female Directors following the resignation of Natalia Zang in December 2009, Austral is proud to have a female CFO and Company Secretary to support the Board of Directors.
4.1	The board should establish an audit committee	The Company has an audit committee.
4.2	Structure the audit committee so that it: consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members	The Audit Committee comprises Robert Trzebski (as Chairman) and Pablo Vergara del Carril. Both are non-executive directors. The committee lacks a majority of independent directors which is a reflection of the composition of the Board and influence of the major shareholder. The members of the Audit Committee possess the requisite financial expertise and industry experience necessary to effectively carry out the Committee's mandate.
4.3	The Audit Committee should have a formal charter.	The Audit Committee has a documented charter approved by the Board. The charter is published on the Company's website under Corporate Governance.
5.1	Establish and disclose written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.	The Company's Continuous Disclosure Policy is available on the Company's website.
6.1	Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.	The Company's Shareholder Communications Policy is available on the Company's website under Corporate Governance.
7.1	Establish and disclose policies for the oversight and management of material business risks.	The Company's Risk Management and Internal Control Policy is available on the Company's website.
7.2	Design and implement a risk management and internal control system to manage the company's material business risks and report on whether those risks are being managed effectively.	The Company's system of risk management and internal control is basic, yet appropriate for the size and nature of transactions incurred. The Board seeks external advice when considering new or significant transactions to ensure risks are identified and addressed in a timely manner.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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.
8.1	Establish a remuneration committee	The Company cannot justify the operation of a Remuneration Committee. All remuneration decisions are made by the Board.
8.2	Remuneration committee structure so that it: consists of a majority of independent directors is chaired by an independent chair has at least three members	The Company cannot justify the operation of a Remuneration Committee. All remuneration decisions are made by the Board.
8.3	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. Details of remuneration are set out in the remuneration report contained in the Directors Report.

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 its size.

Statement of Issued Capital

As at 31 August 2012 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.

As at 31 August 2012, there exist 140,949 unlisted options as set out below:

No of options	Exercise Price	Expiry Date	No of Holders
140,949	\$0.30	15 Nov 2016	1

Distribution of fully paid ordinary shares

at 31 August 2012

Size of Holding	Holders	Shares held
1 - 100	191	9,526
101 - 1,000	448	247,513
1,001 - 5,000	288	775,284
5,001 - 10,000	82	669,562
10,001 - 50,000	56	1,213,903
50,001 - 100,000	18	1,261,694
>100,001	25	164,962,257
	1,108	169,139,739

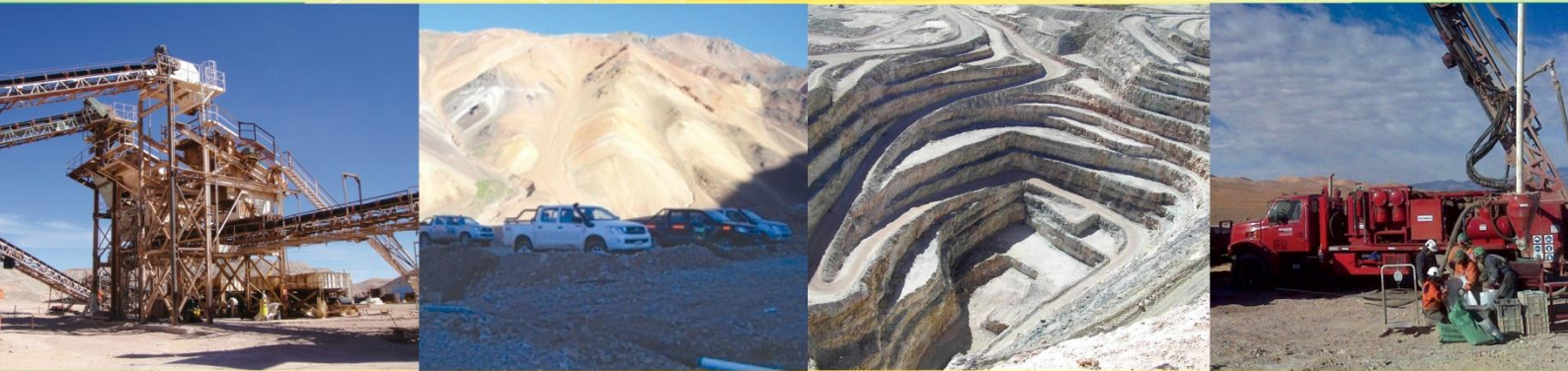
Substantial Shareholders

In accordance with substantial holder notice lodged on 21 September 2012

Registered Holder	Beneficial Holder	Shares Held
Citicorp Nominees	Inversiones Financieras Del SUR SA (IFISA)	114,716,915
HSBC Custody Nominees	Inversiones Financieras Del SUR SA (IFISA)	775,500
HSBC Custody Nominees	Guanaco Capital Holding Corp	24,289,330
Citicorp Nominees	Eduardo Sergio Elsztain	4,686,206
		144,467,951

Top twenty shareholders as at 31 August 2012

Rank	Name	No. of shares	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	124,081,801	73.35
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	25,064,830	14.82
3	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,190,954	1.89
4	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,179,077	1.88
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,682,674	0.99
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,598,926	0.94
7	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.68
8	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	849,557	0.50
9	HAZLAHA INVESTMENTS LIMITED	770,416	0.46
10	Mr PHILIP DOUGLAS CHISHOLM	317,195	0.19
11	JP MORGAN TRUST COMPANY LTD <THE AUSTRIA A/C>	297,445	0.18
12	LIMOL TRADING CORP	297,445	0.18
13	MR RODNEY DAVID JACKSON	271,185	0.16
14	MOSHE AMBARCHI	250,000	0.15
15	JOAMEL HOLDINGS PTY LTD <ROXBURGH SUPER FUND A/C>	250,000	0.15
16	BIRCHALL PROJECTS LTD	230,000	0.14
17	MR CARLOS PERALTA TORREJON	227,614	0.13
18	MR MARCUS EINFELD	200,000	0.12
19	GREENFORD INVESTMENTS LIMITED	200,000	0.12
20	MOUNTAIN SIDE HOLDINGS LTD	194,800	0.12
	Total	164,282,184	97.13
	Other	4,857,555	2.87
	Total shares on issue	169,139,739	100.00



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