

2014 ANNUAL REPORT



AUSTRALGOLD



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CORPORATE DIRECTORY

Directors:

Eduardo Elsztain

Chairman & Non-Executive Director

Saul Zang

Non-Executive Director

Pablo Vergara del Carril

Non-Executive Director

Stabro Kasaneva

Executive Director

Wayne Hubert

Independent Non-Executive Director

Robert Trzebski

Independent Non-Executive Director

Ben Jarvis

Independent Non-Executive Director

Company Secretary:

Andrew Bursill

Franks & Associates
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Sydney NSW 2000

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Share Registry:

Computershare Investor Services

GPO Box 2975
Melbourne VIC 3001
Tel: 1300 850 505 (within Australia)
Tel: +61 3 9415 5000 (outside Australia)

Auditors:

BDO East Coast Partnership

www.bdo.com.au

Principal Bankers:

National Australia Bank Limited

www.nab.com.au

Solicitors:

Addisons Lawyers

www.addisonslawyers.com.au

Listed:

Australian Stock Exchange

ASX: AGD

Place of Incorporation:

Western Australia



CHAIRMAN'S LETTER



Dear Shareholders,

Austral Gold has experienced another year of strong progress shaped by successful acquisitions, equity investments, and record levels of production.

Record production continues

Once again, it is encouraging to note that Austral Gold has delivered record production at the company's flagship Guanaco project in Chile. Gold production for the Financial Year 2014 (FY14) was 50,193 ounces (39,843 for FY13), with 61,240 ounces of silver (77,382 for FY13), which equates to 51,237 gold equivalent ounces (41,133 for FY13). These figures are in line with guidance provided throughout the year.

This is a pleasing outcome for the company, as the cash flow from this production gives Austral Gold the financial flexibility to pursue its growth objectives. This result also reflects the dedication and hard work of Austral Gold's Technical Team and especially the operational team at the Guanaco mine, complemented by our executives in Antofagasta and Buenos Aires, all of whom are to be commended for their efforts.

Strategic acquisitions ongoing

In FY14, Austral Gold completed its acquisition of strategic stakes in TSX-V listed entities Argentex Mining Limited (TSX-V: ATX) ('Argentex') and Goldrock Mines Corp ('Goldrock') (TSX-V: GRM). Austral Gold has invested circa CAD\$14.3 million in acquiring key stakes of 19.9% and 15% respectively in these companies, both of which hold significant gold-silver projects in Argentina.

Through our subsidiary Guanaco Compañía Minera SpA ('Guanaco'), in June 2014 Austral Gold entered into an agreement to acquire the Amancaya exploration property in Chile, a gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares. Consideration for this asset will be an aggregate amount of US\$12 million, negotiated as payable in a series of five six-monthly instalments until 2016, as well as a royalty agreement.



The purchase of Amancaya will be a significant step for Austral Gold, as its proximity to our existing Guanaco mine will not only provide synergies and cost benefits, but will also give our Chilean asset base much greater scale.

In June 2014, Austral Gold (through Guanaco) also acquired a 51% interest in Humberto Reyes Arriendo de Maquinarias SpA (“Humberto Reyes”), a mining services company in Chile. Humberto Reyes has been undertaking underground contract mining at Austral Gold’s Guanaco mine since 2011. Guanaco will assume management control over Humberto Reyes, an important step in controlling costs as well as maintaining and increasing production levels.

These acquisitions are both significant milestones towards Austral Gold reaching our goal of annual production of 100,000 ounces of gold within 24 months and becoming a leading South America-focused precious metals resource company.

Another achievement for Austral Gold during the year was the exit of the royalty agreement with Kinross, the former owners of Guanaco. Payments totalling US\$7.5 million were made during the year to terminate this commitment.

Strengthening Productivity and Controlling Costs

During FY14, Guanaco renewed the agreement with its workforce at the mine, negotiating an incentivised scheme which has assisted in lifting production levels. We are also pleased to note that our safety record has improved significantly in FY14, with 3 lost-time accidents occurring (4 in FY13) and 18 nil-lost-time accidents (24 in FY13). These figures include Austral Gold employees and third party contractors.

All of these factors have greatly assisted with boosting productivity and controlling costs at the Guanaco mine, with average cash operating costs for FY14 remaining very competitive around US\$630 per gold equivalent ounce.

Reporting in US dollars

In January 2014, the Board of Austral Gold announced that it was changing its accounting policy to enable all financial reporting in US dollars (US\$), as from 1 July 2013.

This change better reflects the profile of Austral Gold’s consolidated revenues, costs and cash flows as its primary operations relate to gold, which is widely quoted and traded in US\$. Additionally, US\$ is the internal reporting currency for Austral Gold’s operating subsidiaries.



“The Board is committed to growing Austral Gold to become a leading South America-focused precious metals company”

Financial Year 2015 (FY15)

Austral Gold is in the strongest position in its history as we enter FY15. Our strategic acquisitions, combined with a solid financial position, and backed by an experienced management team, all provide the platform for further growth. FY15 will be a year of consolidation as we take stock of our FY14 acquisitions, maintain our strong operating cashflows and assess the next steps in further expanding our operations.

We will focus on bringing Amancaya to production stage, starting with a feasibility study which has been initiated with Austral Gold’s engineering team with completion expected by the end of 2014.

We have again budgeted to produce 50,000 ounces of gold in FY15 with costs in line with our consistently low cost structure.

As always, we remain committed to the wellbeing of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards.

Longer Term Objectives

We will focus on developing Amancaya by utilising the resources we have at Guanaco with a view to increasing our production to 100,000 ounces of gold within the next 24 months. We will also assess further acquisitions which fit with our strategic objectives.

The Board is committed to growing Austral Gold to become a leading South America-focused precious metals company, and in doing so, delivering maximum value to shareholders. I would like to thank our shareholders for their continued support.

Eduardo Elsztain

Chairman

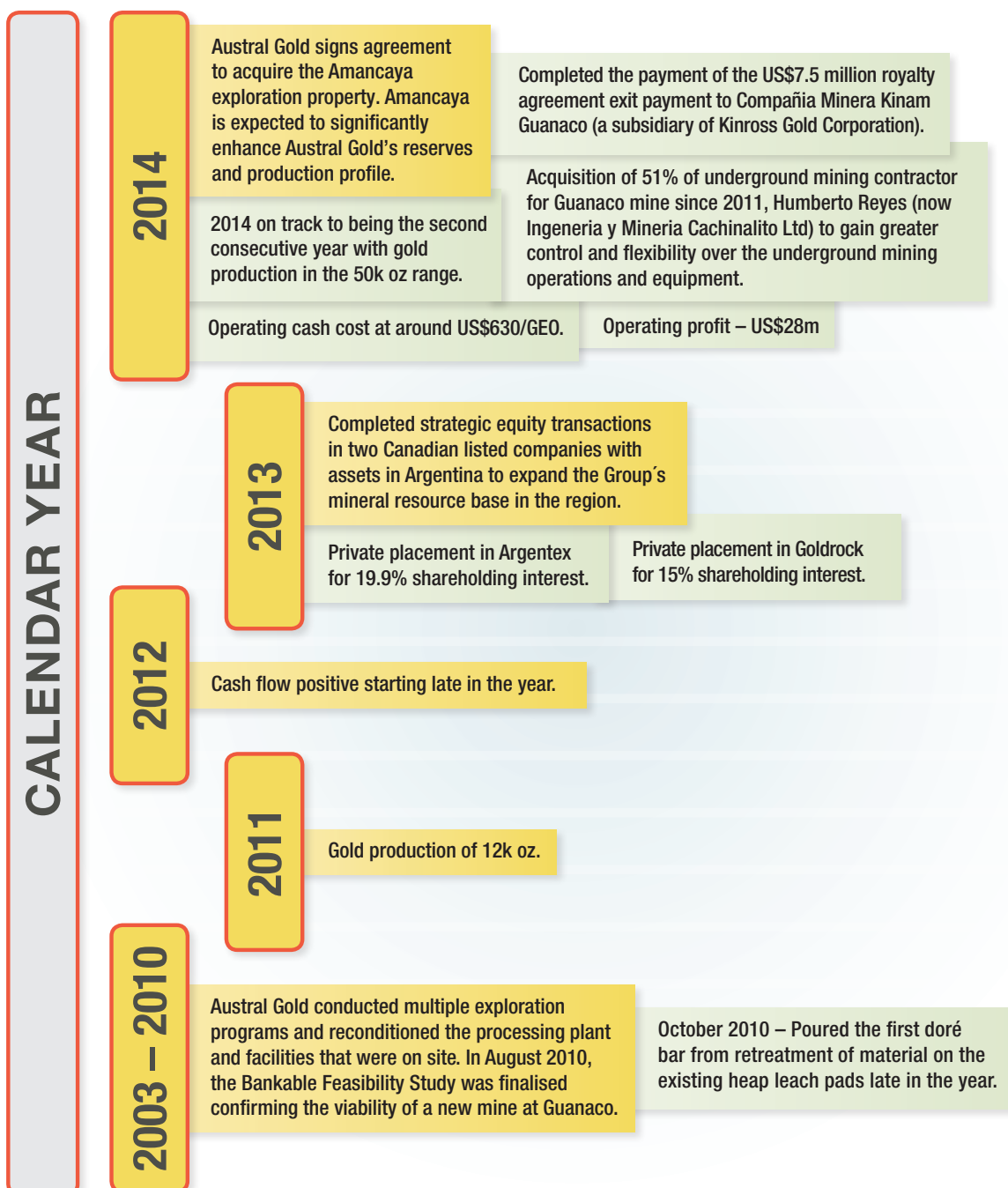




REVIEW OF ACTIVITIES



Key milestones for Austral Gold





Austral Gold Limited ('the Company') and its subsidiaries ('the Group') remain committed to maximising shareholder value as it continues to explore and invest in its flagship asset, the Guanaco gold and silver mine, and expand and invest in South America precious metals opportunities.

Guanaco Gold and Silver Mine, Chile (100% interest)

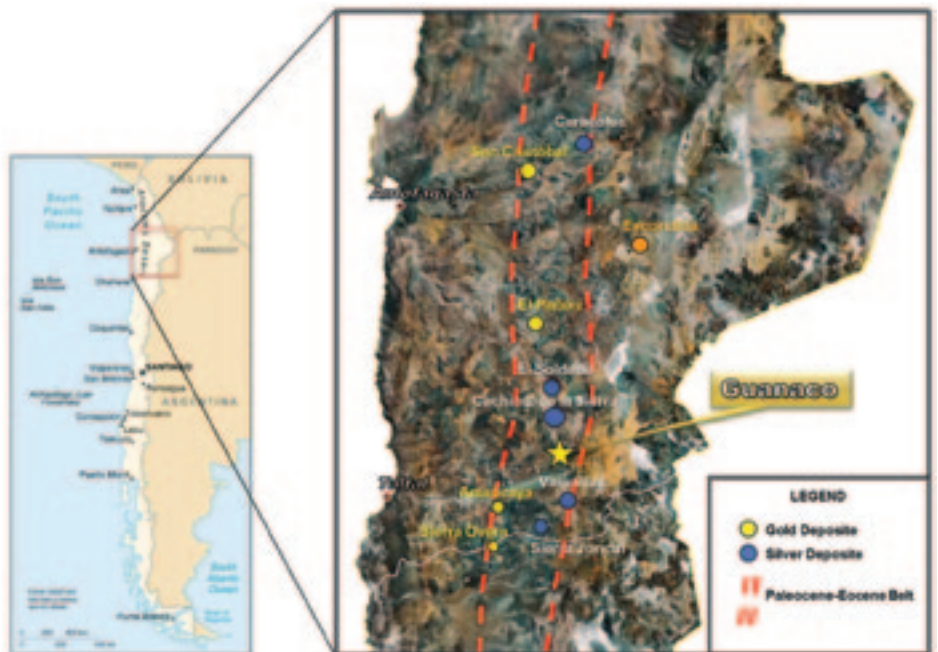
Project and Mine Description

The 100% owned Guanaco mine has been operated by Austral Gold since September 2009 and remains the Company's flagship asset. Guanaco is located approximately 220km SE of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway. Guanaco is located in the Palaeocene/Eocene belt, a structural trend which runs north/south through the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Peñon and Escondida.

Currently, the majority of the ore processed from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades.

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 depths of 75m and 200m and is contained in elongated shoots. High grade ore shoots (up to 180 g/t Au), 0.5m to 3.0m wide, have been exploited, but the lower grade halos, below 3 g/t Au, can reach up to 20m in width. The alteration pattern and the mineralogical composition of the Guanaco ores have led to the classification as a high-sulfidation epithermal deposit.





Production

Total production from the heap-leach process reached a total of 50,193 gold ounces and 61,240 silver ounces during the 12-month period ended June 2014.

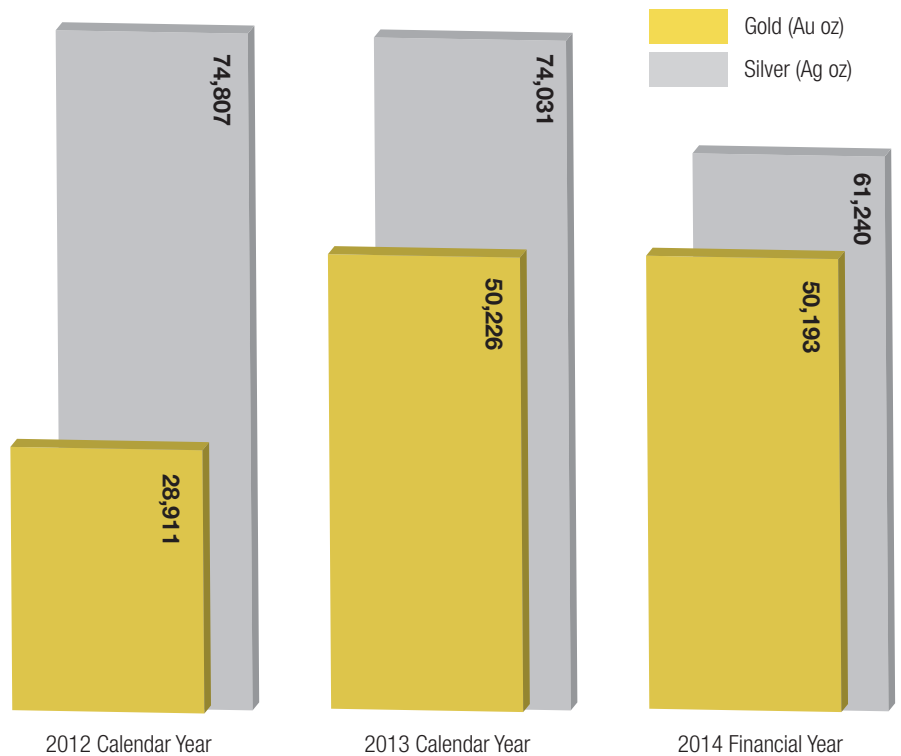
The Company reached its target of producing 50,000 gold ounces in FY14 despite the harsh winter conditions and the lower than expected grades in a small portion of the underground mine in the June quarter.

For the 12-month period ended June 2014, the average operating cash cost was US\$630/gold-equivalent ounce.

Guanaco Operational Performance

Jul 2013 – June 2014	
Total Ore processed (t)	457,795
Underground grade (g/t Au)	5.29
Gold Recovery (%)	77
Gold Produced (Au oz)	50,193
Silver Produced (Ag oz)	61,240
Cash operating cost (US\$/GEO)	630

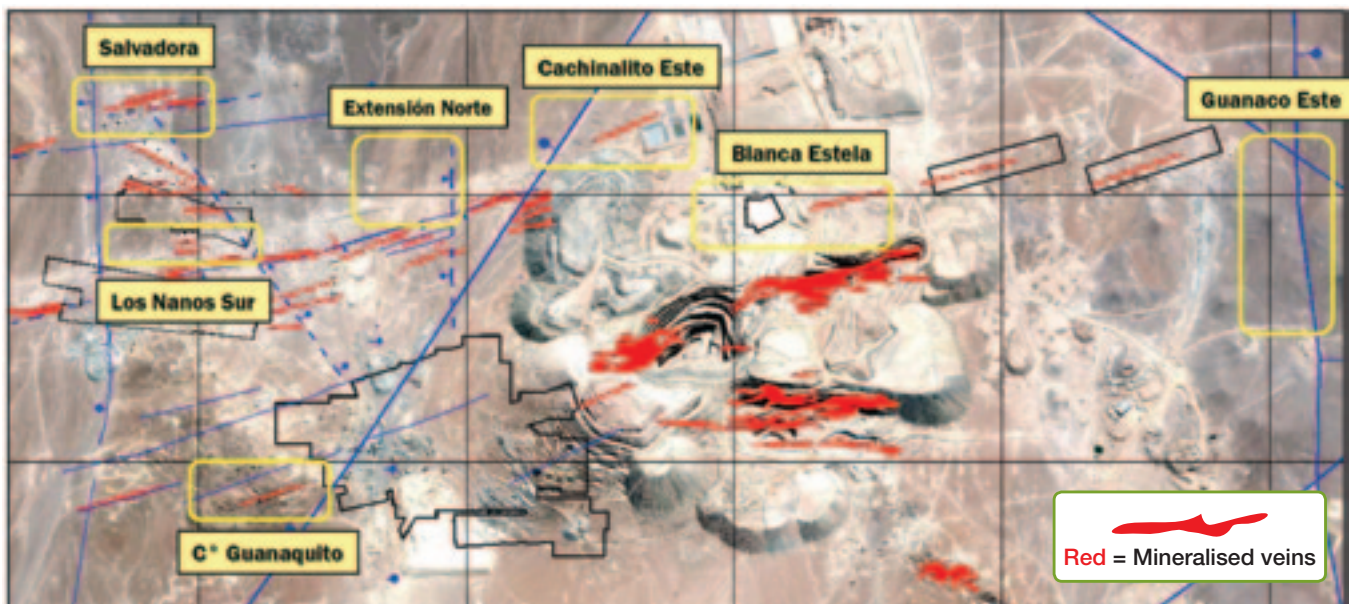
Gold and Silver Production





Quarterly production - Gold (Au) oz





Safety

Three (3) lost-time accidents (LTAs) occurred and eighteen (18) nil-lost-time accidents (NLTAs) were reported involving employees and third party contractors of the Group during the year ended 30 June 2014. All accidents were investigated and corrective actions were identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Group. The implementation of safety best practices along with a sound risk management program are key priorities for Austral Gold.

Exploration Program

The Geology Team continued to advance on its exploration program within the current mine development area of the Guanaco deposit including the main corridors: Cachinalito, Dumbo-Defensa and Salvadora-Los Nanos.

The exploration program for the 12-month period ended June 2014 comprised several activities such as (i) 2,800 metres of drilling, (ii) re-logging of RC chips, (iii) further geophysics studies, (iv) review of historical geological database, amongst others. The program also identified new sectors to explore such as (a) Salvadora-Los Nanos, (b) Cerro Guanaquito, and (c) Veta Nueva.

- Salvadora-Los Nanos structures are possibly related to a deeper source of metals and can be compared with Cachinalito in terms of the host rock and style of mineralization. Salvadora (ENE strike) and Los Nanos (E-W to WNW strike) are related to the primary high sulphidation mineralization.
- Cerro Guanaquito is a group of parallel ENE structures located in the same regional structure as Dumbo-Defensa Trend and is very similar in terms of the host rock and the style of mineralization.

- Veta Nueva is a new mineralization vein selected as one of the targets with high potential to be explored during 2014. This vein has some higher grade intercepts, albeit insufficient drilling has been undertaken to date.

For the second half of calendar year 2014, main exploration activities will include: (i) an update of inner mine geology (to further understand the mineralization of the entire Cachinalito vein system), (ii) an underground drilling campaign of about 1,000 metres (to confirm the continuity of veins previously identified as well as the potential eastern continuity of the San Lorenzo vein), and (iii) an update of the geological district mapping scale 1:5,000 (to further understand the structural-alteration-mineralization problematic of the Guanaco district).



"We remain committed to the wellbeing of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards."





8 de Julio Project - Santa Cruz, Argentina

The 8 de Julio site is comprised of 30 mining properties equivalent to 82,101 hectares in the Deseado Massif corridor of the Province of Santa Cruz (the “8 de Julio Project”). Four of these properties are classified as “Cateos” (23,232 hectares) while the remaining properties are already classified as “Manifestation of discovery” (58,869 hectares).

In June 2013, Austral Gold Argentina completed the 2013 exploration season of the 8 de Julio Project where a new systematic surface sampling was executed. The study was carried out using a circular saw over 78 channels from the most prospective tenements (Barroso Grande, Barroso Chico, Los Pinos-Aguada Norte

and El Salitral) leading to 200 additional samples including 23 rock chip and float ones. The Barroso Grande area remains the most attractive target with gold grades up to 12 g/t where further geophysics studies were performed covering an area of 38 km², a total of 332 lines (or 910km) of exploration study. As a result of this test, several buried structures were identified for further exploration with trends similar to the Deseado Massif general structure setting.

During 2014, the company concluded with an Environmental Impact Report (EIR) as requested by the mining authorities of the province of Santa Cruz. In addition, the company continues with (i) the conversion of cateos to manifestation of discovery (MDs), and (ii) the completion of base geological reports in compliance with local regulations.





DIRECTORS' REPORT





Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2014

Your Directors present the following report for the financial year ended 30 June 2014 together with the financial report of Austral Gold Limited (the Company) and the consolidated financial report of the consolidated entity, being the Company and its subsidiaries, (referred to hereafter as the Group) for the year ended 30 June 2014 and the auditor's 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 The Review of Activities. There were no significant changes in the nature of those activities during the year.

Review and Results of Operations

Operating Results and Dividends

The Group's net loss attributable to shareholders for the year ended 30 June 2014 was US\$11,681,223 (2013: loss US\$7,683,590).

The Group reached a record revenue high of US\$66,376,158 (2013: US\$64,209,315) following the record production volumes of 50,193 gold equivalent ounces (GEO) that offset the decrease in gold prices during FY14.

Cost of sales decreased by 11% contributing to 51% gross margin for the current year (2013 gross margin % : 44%). The better margins are mainly due to (i) the higher production of gold ounces, (ii) the higher mix of ore extracted from the underground mine with higher grades than the Open Pit, (iii) the decrease in the consumption and purchase price of cyanide, and (iv) the lower amount of accrued royalties.

Administration expenses increased by 17% to US\$6,721,746 (2013: US\$5,734,792) mainly as a result of (i) fees to Non-Executive Directors that started to be remunerated in FY14, (ii) new shares issued to the Chief Operating Officer and (iii) legal fees related to Argentex, Goldrock and Humberto Reyes transactions.

The magnitude of foreign exchange gains and losses in the operating profit (FY14 gain of US\$545,299 vs. FY13 loss of US\$6,148,499) have greatly diminished after the change to US\$ as the functional currency of the Group effective 1 July 2013.

During FY14 the Company posted a loss of US\$7.5 million to the profit or loss and other comprehensive income statement related to the one-off Kinam royalty agreement exit fee. By making this payment, the Group extinguishes the requirement to pay royalties to the previous owner of the site on future Guanaco production.

In the current year, impairment losses of US\$10 million were charged to the statement of profit or loss and other comprehensive income. As of 30 June 2014, the fair value of the Guanaco mine was US\$59 million (7% post-tax discount rate) while net book value of the mine was US\$69 million (prior to the impairment)



as the Group continues to invest in its flagship asset. With relatively low levels of capex foreseen for the remaining life of the mine and the potential to create synergies with the new Amancaya project acquisition, management believes that the value on the assets impaired will be realised in future years.

Finance costs are predominantly the accrued interest of the IFISA loan.

No dividends of the Company or its subsidiaries have been paid, declared or recommended since the end of the financial year. A payment of US\$933,866 in the form of a return of capital was made to shareholders on 12 December 2013.

Financial Position

The net assets of the Group have decreased by US\$19,732,920 since 30 June 2013 to US\$14,098,372 at 30 June 2014 (2013: US\$33,831,292).

As at June 30, 2014, the Group continued showing healthy liquidity figures with a current ratio equal to 1.4x along with US\$4 million cash balance and a cash conversion cycle of 14 days. All accounts receivable from gold sales were collected in advance before the end of the financial year.

The inventory balance for the year was slightly above the level of FY13 (following the higher stock of cyanide (244 tons in FY14 vs. 96 tons in FY13)).

The increase in plant and equipment is mainly driven by the acquisition of Humberto Reyes Arriendo de Maquinarias SpA (now trading as Ingenieria y Minería Cachinalito Limitada, "Cachinalito") with US\$~5 million of mining equipment and vehicles.

The balance of non-current financial assets (US\$6,339,952 at 30 June 2014) reflects the fair value of the equity investments in Argentex and Goldrock at their market prices as traded in the TSX-V.

The decrease in intangibles is mainly explained by the US\$10 million impairment loss on the Guanaco mine and foreign exchange adjustments related to the change in the functional currency on 1 July 2013.

The non-current loan with IFISA accounts for approximately 80% of total liabilities, a similar proportion to FY13.

As from FY14, the equity balance also includes a negative reserve of US\$3.9 million that reflects the fair value fluctuation of the Argentex and Goldrock investments.

The Group used part of its strong FY14 operating cashflows of US\$30.0 million (FY13: US\$20.4 million) to invest in exiting the Kinam royalty agreement and to make private placements in two TSX-V listed securities. Similarly, the future commitments for the acquisitions of Cachinalito and Amancaya are expected to be met using cash generated by operations and the Group's cash flow forecast indicates that no further draw-downs on the existing debt facility will be required to meet future obligations of the Group. Therefore, 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 other than those disclosed in the Review and Results of Operations above.



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, with gold production steadily increasing since this time. The Guanaco gold and silver mine remains the Company's key asset and a focus of management along with its new acquisition, Amancaya.

Events Subsequent to Balance Date

Acquisition of Amancaya project in Chile

Final closing of this transaction took place on 8 August 2014 and the first payment of US\$3 million was made to the escrow agent, a Canadian law firm, on that date. The payment has subsequently been released from escrow and all the mining properties have been duly transferred to the Group.

On 17 June 2014, the Company and its subsidiary, Guanaco, entered into an asset transfer agreement with a 100%-owned subsidiary of Yamana Gold Inc., Minera Meridian Ltda (the Seller) to acquire the Amancaya exploration property (Amancaya) located 70km

east of the city of Tatal in Northern Chile. Amancaya is a low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares. As part of the acquisition, the Company also secures the rights to exploration projects currently under application, as well as water rights, underlying property and necessary easements.

Consideration for Amancaya will be an aggregate amount of US\$12 million of cash instalments. In addition to the US\$3 million paid on closing, payments of US\$1 million, US\$3 million, US\$3 million and US\$2 million are payable within each successive six-month period. A royalty agreement has also been entered into on closing whereby the Company will pay 2.25% of the net smelter return (NSR) to the Seller on production from the Amancaya mining concessions.

Performance In Relation To Environmental Regulation

The Group has no exploration activities in Australia and is therefore not subject to any particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory.

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 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 20 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 & OFFICERS

The Directors and Officers of the Company throughout and since the end of the financial year are:



Eduardo Elsztain

Chairman

Appointed 29 Jun 2007

Re-elected by shareholders

28 Nov 2012

Mr Elsztain is the Chairman of:

- (i) IRSA (NYSE: IRSA, BASE: IRSA): Argentina's largest real estate company, operating a diversified portfolio of shopping centres, office buildings, luxury hotels and residential properties in Argentina and United States;
- (ii) Cresud (NASDAQ: CRESY, BASE: CRES): a leading agri-business company, with presence in Argentina and Bolivia, involved in activities such as crop production, beef cattle raising and milk production;
- (iii) BrasilAgro (NYSE: LND, BOVESPA:AGRO3): Companhia Brasileira de Propriedades Agrícolas, Cresud's arm in Brazil and Paraguay;

(iv) Banco Hipotecario (BASE: BHIP): one of Argentina's largest commercial banks, engaged in the personal banking and corporate banking sectors.

(v) (Co-Chairman) IDB Development (TASE:IDBD), a leading conglomerate in the State of Israel which directly and indirectly owns Clal Insurance Enterprises Holdings (TASE: CLIS), Shufersal (TASE: SAE), Cellcom (NYSE & TASE: CEL), Properties & Building Corp. (TASE: PTBL), ADAMA Agricultural Solutions, Elron Electronic Industries (TASE: ELRN) among others;

Mr Elsztain is a member of the World Economic Forum, the Group of 50 and of Argentina's Association of Corporations (AEA).

He is Chairman of "Fundación IRSA", a foundation that promotes education for children and young adults and also serves as Vice-President of the World Jewish Congress.

Mr Elsztain has not held any other Directorships with listed companies in the last three years.



Stabro Kasaneva

**Executive Director
Chief Operating Officer**

Appointed 7 Oct 2009

Re-elected by shareholders

28 Nov 2012

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/silver project, is located.

Mr Kasaneva has not held any other Directorships with listed companies in the last three years.



Saul Zang

Non-Executive Director

Appointed 29 Jun 2007

Re-elected by shareholders
30 Nov 2011

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 (NYSE: IRSA, BASE: IRSA), Shopping Alto Palermo SA, and Alto Palermo and holds Directorships with Cresud (NASDAQ: CRESY, BASE: CRES), Alto Palermo (NASDAQ: APSA, BASE: APSA), Banco Hipotecario (BASE: BHIP), BrasilAgro (NYSE: LND, BOVESPA:AGRO3), Puerto Retiro and Fibesa; Nuevas Fronteras SA, Tarshop and Palermo Invest SA.

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



Robert Trzebski

Non-Executive Director
Member of the Audit Committee

Appointed 10 Apr 2007

Re-elected by shareholders
27 Nov 2013

Dr Trzebski holds a degree in Geology, PhD in Geophysics, Masters in Project Management and has over 20 years of professional experience in mineral exploration, project management and mining services. He is currently Chief Operating Officer of Austmine 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 companies in the last three years.



Ben Jarvis

Non-Executive Director

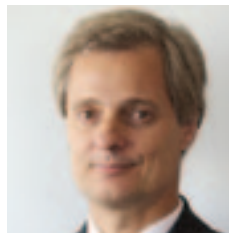
Appointed 2 Jun 2011

Re-elected by shareholders
30 Nov 2011

Mr Jarvis is the Managing Director and co-founder of Six Degrees Investor Relations, an Australian advisory firm that provides investor relations to a broad range of companies listed on the Australian Securities Exchange.

Mr Jarvis is also a Director of South American Tin Limited, an unlisted public company focused on tin exploration and project development in Bolivia. Mr Jarvis was educated at the University of Adelaide where he majored in Politics.

In the last three years, Mr Jarvis also held Directorships with the listed companies, Connexion Limited and Eagle Nickel Limited.



Pablo Vergara del Carril

Non-Executive Director
Chairman of the Audit Committee

Appointed 18 May 2006

Re-elected by shareholders
27 Nov 2013

Mr Vergara del Carril is a lawyer and is professor of Postgraduate Degrees for Capital Markets, Corporate Law and Business Law at the Argentine Catholic University.

He is a director of Banco Hipotecario SA. [BASE: BHIP], 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 companies in the last three years.



Wayne Hubert

Non-Executive Director
Member of the Audit Committee

Appointed 18 Oct 2011

Re-elected by shareholders
30 Nov 2011

Mr Hubert is a 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.

Mr Hubert holds a 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: Midas Gold Corp [TSX], a Canadian company with a 5.7 million ounce gold resource, Lithic Resources [TSX] and Argentex Mining Corporation (ATX).

Mr Hubert has not held any other Directorships with listed companies in the last three years.

Andrew Bursill (Franks & Associates)

Company Secretary

Appointed 10 Jan 2014

Since commencing his career as an outsourced CFO and Company Secretary in 1998, Mr Bursill has been CFO, Company Secretary and/or Director for numerous ASX listed, unlisted public and private companies, in a range of industries including mineral exploration, oil and gas exploration and biotechnology.

Catherine Lloyd

Former CFO and Company Secretary

Resigned 9 Jan 2014

Ms Lloyd held office as Chief Financial Officer and Company Secretary during the financial year, until her resignation on 9 January 2014.

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 Company during the financial year are:

Director	Directors' meetings		Audit Committee meetings	
	A	B	A	B
Pablo Vergara del Carril	3	4	3	3
Robert Trzebski	3	4	3	3
Eduardo Elsztain	2	4	N/A	N/A
Saul Zang	1	4	N/A	N/A
Stabro Kasaneva	2	4	N/A	N/A
Ben Jarvis	3	4	N/A	N/A
Wayne Hubert	3	4	N/A	N/A

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Shares and Options

During or since the end of the financial year, the Company has not granted options over its ordinary shares.

At the date of this report there are 140,949 options over the Company's ordinary shares with an exercise price of \$0.30 expiring 15 November 2016. No shares have been issued during or since the end of the year as a result of the exercise of an option over unissued shares.

Indemnity and Insurance of Officers

Under a deed of access, indemnity and insurance, the Company indemnifies each person who is a director or secretary of Austral Gold Limited against:

- any liability (other than for legal costs) incurred by a director or secretary in his or her capacity as an officer of the Company or of a subsidiary of the Company; and
- against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by a Secretary in his or her capacity as

an officer of the Company or of a subsidiary of the Company.

The above indemnities:

- apply only to the extent the Company is permitted by law to indemnify a director or secretary;
- are subject to the Company's constitution and the prohibitions in section 199A of the Corporations Act; and
- apply only to the extent and for the amount that a director or secretary is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a related body corporate or an insurer).

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.



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 Securities 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	144,817,951
S Zang	1,435,668
S Kasaneva	1,691,398
B Jarvis	-
W Hubert	1,750,000

It is also noted:

1. 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 2014.
2. E Elsztain and S Zang are directors of IFISA which holds 115,842,415 shares according to the last substantial holder notice lodged in September 2014. E Elsztain is the ultimate beneficial owner of IFISA.

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 level of remuneration for non-executive directors is considered with regard to the practices of other public companies and the aggregate amount of fees paid to non-executive directors approved by shareholders.

At this stage, the level of remuneration is based on market rates and is not directly linked to shareholders' wealth.

Remuneration of executive director and Chief Operating Officer (COO) Stabro Kasaneva is made up of a fixed component and a variable component equal to 50% of the fixed component. Performance against pre-determined targets are used to determine the portion of the variable component paid.

The targets are based on financial and non-financial indicators and include production, safety and new business.

The bonus (variable component) paid in the year ended 30 June 2014 represents 100% achievement of his 2013 calendar year targets. Stabro Kasaneva was awarded 100% bonus (comprising a cash bonus of US\$167,128 and a share-based payment of US\$185,756) based on the following three main achievements for the year:

- Record production of 50K gold ounces.
- Competitive Cash Costs below US\$700/oz.
- Initiation and execution of both the Argentex and Goldrock private placements.



Details of Remuneration (current year)

YEAR ENDED 30 JUNE 2014

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary & Fees	Cash Bonus	Non-monetary Benefits	Super-annuation	Retirement Benefits	Shares	Options	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
E. Elsztain	80,000	-	-	-	-	-	-	80,000
S. Zang	40,000	-	-	-	-	-	-	40,000
S Kasaneva	340,253	167,128	-	-	-	185,756	-	693,137
W Hubert	48,000	-	-	-	-	-	-	48,000
R Trzebski	33,682	-	-	3,116	-	-	-	36,798
B Jarvis	33,682	-	-	3,116	-	-	-	36,798
P Vergara del Carril	40,000	-	-	-	-	-	-	40,000
Total Directors	615,617	167,128	-	6,232	-	185,756	-	974,733
OTHER KEY MANAGEMENT PERSONNEL								
C Lloyd	72,193	-	-	5,355	-	-	-	77,548
Total KMP	72,193	-	-	5,355	-	-	-	77,548
Total 2014	687,810	167,128	-	11,587	-	185,756	-	1,052,281

Non-executive directors that are associates of the Company's major shareholder (Eduardo Elsztain, Saul Zang and Pablo Vergara del Carril) received fees from the Group for the first time in 2014 after Board approval as the Group became cash flow positive. Independent non-

executive directors (Robert Trzebski, Ben Jarvis and Wayne Hubert) receive between US\$35,000 and US\$48,000 pa which reflects the demands and responsibilities of their position.

CFO/Company Secretary Catherine Lloyd resigned from her position effective 9

January 2014. Replacing her in the finance part of her role is the Finance Manager of Austral Gold Limited, Alison Crealy. This role does not meet the definition of KMP under IFRS. The Company Secretary from 10 January 2014 is Andrew Bursill of Franks & Associates.

Details of Remuneration (prior year)

YEAR ENDED 30 JUNE 2013

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary & Fees	Cash Bonus	Non-monetary Benefits	Super-annuation	Retirement Benefits	Shares	Options	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
S Kasaneva	329,380	166,483	-	-	-	-	-	495,863
W Hubert	49,143	-	-	-	-	-	-	49,143
R Trzebski	38,932	-	-	3,373	-	-	-	42,305
B Jarvis	38,932	-	-	3,373	-	-	-	42,305
P Vergara del Carril	1,458	-	-	-	-	-	-	1,458
Total Directors	457,845	166,483	-	6,746	-	-	-	631,074

In addition, one gold coin gifted in May 2013 to each director listed above.

OTHER KEY MANAGEMENT PERSONNEL								
C Lloyd	121,792	-	-	10,961	-	-	-	132,753
Total KMP	121,792	-	-	10,961	-	-	-	132,753
Total 2013	579,637	166,483	-	17,707	-	-	-	763,827

Service Agreements

Further to his responsibilities as a Director of Austral Gold Limited, Stabro Kasaneva is employed by the Group as COO. His employment contract commenced

in September 2009 and has no fixed termination date. The termination period is 30 days notice by either party and the termination payment provided for under the contract is approximately US\$28,000 plus any pro rata bonus accrued. 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 2014 are contained in the table opposite.



Share Based Payments

On 27 December 2013, a share-based payment of 1,691,398 new ordinary shares was issued to Stabro Kasaneva, as part of a performance bonus following his outstanding role in leading the Guanaco Mine project and business development activities as Chief Operating Officer.

During 2013, the Company achieved record production levels, providing positive operating cashflows and allowing the Company to increase growth potential through ongoing exploration and strategic acquisitions.

For this reason, the Board decided to seek shareholder approval for making the share-based payment and it was approved at the Annual General Meeting on 27 November 2013.

Mr Kasaneva also received a cash bonus of US\$167,128. Therefore, for the year ended 30 June 2014, 51% of Mr Kasaneva's remuneration was related to performance and 49% was fixed.


Auditors

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.



The directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney.



Robert Trzebski

Director

30 September 2014



“The Guanaco gold and silver mine remains the Company’s key asset and a focus for management, along with its new acquisition, Amancaya.”





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Australia

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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Sydenham
Partner

BDO East Coast Partnership

Sydney, 30 September 2014

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



FINANCIAL STATEMENTS



Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2014 – All figures are reported in US\$

	Notes	Consolidated	
		2014 US\$	2013 US\$
CONTINUING OPERATIONS			
Revenue	4	66,376,158	64,209,315
Cost of sales	5	(32,115,429)	(36,269,466)
Gross profit		34,260,729	27,939,849
Administration expenses	5	(6,721,746)	(5,734,792)
Gain/(loss) from foreign exchange		545,299	(6,148,499)
Operating profit		28,084,282	16,056,558
Royalty agreement exit fee	14	(7,500,000)	-
Impairment of assets	14	(10,000,000)	(1,738,752)
Profit before interest, tax, depreciation & amortisation		10,584,282	14,317,806
Finance costs	5	(2,369,908)	(2,180,145)
Depreciation and amortisation expense	5	(17,180,541)	(16,892,165)
Loss before income tax expense		(8,966,167)	(4,754,504)
Income tax expense	7	(2,641,568)	(2,929,086)
Loss after income tax expense		(11,607,735)	(7,683,590)
Profit/(loss) attributable to:			
Owners of the Company	21	(11,681,223)	(7,683,590)
Non-controlling interests		73,488	-
		(11,607,735)	(7,683,590)
OTHER COMPREHENSIVE INCOME			
Items that may not be classified subsequently to profit or loss			
Loss arising on revaluation of financial assets, net of tax	23	(3,970,036)	-
Items that may be classified subsequently to profit or loss			
Foreign currency translation	23	(17,862)	7,321,298
Total comprehensive income for the year		(15,595,633)	(362,292)
Comprehensive income attributable to:			
Owners of the Company		(15,669,121)	(362,292)
Non-controlling interests		73,488	-
		(15,595,633)	(362,292)
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	8	(6.82)c	(4.50)c
Diluted earnings per share	8	(6.82)c	(4.50)c

The above Statement of Profit or Loss and Other 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 2014 – All figures are reported in US\$

	Notes	Consolidated		
		30 June 2014 US\$	30 June 2013 US\$	1 July 2012 US\$
ASSETS				
Current assets				
Cash and cash equivalents	10	4,347,075	4,586,313	477,347
Trade and other receivables	12	3,375,885	10,327,612	3,137,105
Financial assets	13	278,072	-	-
Inventories	11	3,934,932	3,413,204	3,612,197
Total current assets		11,935,964	18,327,129	7,226,649
Non-current assets				
Other receivables	12	589,582	1,644,344	3,889,090
Financial assets	13	6,339,952	47,002	345,519
Intangible assets and goodwill	14	36,348,774	58,827,339	69,043,103
Plant and equipment	15	28,124,421	22,081,833	20,454,223
Exploration and evaluation expenditure	16	506,718	346,698	174,554
Total non-current assets		71,909,447	82,947,216	93,906,489
TOTAL ASSETS		83,845,411	101,274,345	101,133,138
LIABILITIES				
Current liabilities				
Trade and other payables	17	5,620,582	4,722,204	5,752,709
Provisions	18	595,969	480,604	288,624
Borrowings	19	2,271,375	1,719,223	733,467
Total current liabilities		8,487,926	6,922,031	6,774,800
Non-current liabilities				
Trade and other payables	17	1,127,280	-	-
Provisions	18	1,695,702	831,297	754,562
Borrowings	19	54,274,278	55,614,409	58,263,946
Deferred tax liability	7	4,161,853	4,075,316	1,146,230
Total non-current liabilities		61,259,113	60,521,022	60,164,738
TOTAL LIABILITIES		69,747,039	67,443,053	66,939,538
NET ASSETS		14,098,372	33,831,292	34,193,600
EQUITY				
Issued capital	20	39,803,088	39,003,832	39,003,832
Accumulated losses	21	(24,035,750)	(12,698,850)	(5,015,260)
Reserves	23	(3,307,372)	7,526,270	204,972
Non-controlling interest	22	1,638,406	40	56
TOTAL EQUITY		14,098,372	33,831,292	34,193,600

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

Statement of Changes in Equity

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2014 – All figures are reported in US\$

	<i>Consolidated</i>					Total US\$
	Notes	Issued capital US\$	Accumulated losses US\$	Reserves US\$	Non-controlling interest US\$	
Balance at 30 June 2012		39,003,832	(5,015,260)	204,972	56	34,193,600
Total comprehensive income for the year	21, 23	-	(7,683,590)	7,321,298	-	(362,292)
Increase in non-controlling interest attributable to foreign exchange	22	-	-	-	(16)	(16)
Balance at 30 June 2013		39,003,832	(12,698,850)	7,526,270	40	33,831,292
<i>Foreign exchange movements from change of accounting policy</i>	1.3	1,547,366	344,323	(6,845,744)	70	(4,953,985)
Balance at 1 July 2013		40,551,198	(12,354,527)	680,526	110	28,877,307
Total comprehensive income for the year	21, 22, 23	-	(11,681,223)	(3,987,898)	73,488	(15,595,633)
Acquisition of subsidiary with non-controlling interests	22	-	-	-	1,564,808	1,564,808
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payment	20	185,756	-	-	-	185,756
Return of capital	20	(933,866)	-	-	-	(933,866)
Balance at 30 June 2014		39,803,088	(24,035,750)	(3,307,372)	1,638,406	14,098,372

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 2014 – All figures are reported in US\$

	Notes	Consolidated	
		30 June 2014 US\$	30 June 2013 US\$
Cash flows from operating activities			
Receipts from sale of goods		71,315,617	64,106,069
Payments to suppliers and employees		(40,212,271)	(43,659,164)
Taxes paid	7	(977,185)	-
Interest paid		(106,719)	-
Net cash provided through operating activities	29	30,019,442	20,446,905
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	75,274
Purchase of plant and equipment	15	(1,514,177)	(1,318,510)
Payment for investment in financial assets	13	(7,854,486)	(479,362)
Deposit for investment in Argentex		-	(2,693,003)
Payment to exit the Kinam royalty	14	(7,500,000)	-
Investment in subsidiaries (Cachinalito), net of cash acquired	28	(132,346)	-
Payment for exploration and evaluation expenditure	16	(160,020)	(156,456)
Payment for investment in development assets	14	(8,249,887)	(7,011,619)
Interest received		14,018	5,240
Net cash used in investing activities		(25,396,898)	(11,578,436)
Cash flows from financing activities			
Proceeds from borrowings		313,609	-
Return of capital to shareholders	20	(933,866)	-
Repayment of borrowings to related party	19	(4,644,316)	(4,398,307)
Net cash used in financing activities		(5,264,573)	(4,398,307)
Movement attributable to foreign currency translation		402,791	(361,195)
Net (decrease) / increase in cash held		(239,238)	4,108,967
Cash at beginning of financial year		4,586,313	477,346
Cash at end of financial year	10	4,347,075	4,586,313

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Reporting entity

Austral Gold Limited ("the Company") is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries ("the Group") and are presented in English. They were authorised for issue in accordance with a resolution of the Board of Directors on 29 September 2014.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.2 Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

1.3 Presentation and functional currency

The consolidated financial statements are presented in United States dollars (US\$) which is the presentation and functional currency of the Group.

At the time of the Q2 quarterly results, it was announced that the Board had decided to change the Group's reporting currency to US Dollars (US\$) as from 1 July 2013. At the same time, the parent company, Austral Gold Limited, changed its functional currency to US\$ to align itself to the rest of the Group and its operations and the new US\$ presentation currency.

The majority of the Group's sales and earnings originate in US\$ or US\$-quoted commodities (eg. gold) and the change of presentation currency to US\$ more closely aligns the Group's external reporting with the profile of the Group, as well as with current internal management reporting.

The change of the Group's presentation currency has been accounted for in accordance with AASB 121 The Effects of Changes in Foreign Exchange Rates. The following methodology was used to re-present the 2013 results, originally reported in Australian dollars (as well as earlier comparative figures), into US\$:

- Income and expenses were translated at the average exchange rate for the relevant period;
- Assets and liabilities were translated at the closing exchange rate for each reporting date; and
- Equity items were translated at historical exchange rates.

The relevant exchange rates used were as follows:

	Year ended 30 June 2013 AUD = US\$	As at 1 July 2012 AUD = US\$
Average rate	1.021183	–
Closing rate	0.913300	1.015900

With the exception of the parent entity, the Group's controlled entities had used US\$ as the functional currency prior to 1 July 2013, and the Group had presented its consolidated results in Australian dollars (\$A). The change in presentation from A\$ to US\$ at 1 July 2013 resulted in the reversal of foreign exchange differences previously recognised in the Foreign Currency Translation Reserve ('Reserves').

The overall impact of this change in accounting policy was a decrease in the overall net assets of the Group from US\$33.83 million on 30 June 2013 to US\$28.88 million on 1 July 2013, an overall decrease of US\$4.95 million. This is a one-off impact and will ensure that the operations and financial results going forward from this date are consistent and a better reflection of the underlying business.

The following table summarises the re-stated balances in the statement of financial position upon implementation of the new accounting policy.

	30 June 2013		1 July 2012	
	A\$	US\$	A\$	US\$
Consolidated assets	105,459,524	101,274,345	97,972,109	101,133,138
Consolidated liabilities	73,845,457	67,443,053	65,891,856	66,939,538
Net assets	31,614,067	33,831,292	32,080,253	34,193,600
Contributed equity	44,400,742	39,003,832	44,400,742	39,003,832
Reserves	740,629	7,526,270	(6,215,387)	204,972
Accumulated losses	(13,527,348)	(12,698,850)	(6,105,160)	(5,015,260)
Earnings per share (cents per share)	(4.4)c	(4.5)c	-	-

1.4 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2014 is detailed 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.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is used using other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 – a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The Group hold bonds and listed equity securities at fair value, which are measured at the closing bid price at the end of the reporting period. All financial assets held at fair value fall within Level 1 of the fair value hierarchy.

1.5 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

A subsidiary is any entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Non-controlling interests in the equity and results of the subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2.2 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.

2.3 Goods and services tax (GST)/ Value added tax (VAT)

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 authorities. 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.

2.4 Foreign currency translation

The financial statements are presented in United States Dollars (US\$), which is the Group's functional and presentation currency from 1 July 2013.

Foreign currency transactions

Foreign currency transactions are translated into US\$ using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 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.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

2.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and carried forward in the statement of financial position where:

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

2.6.2 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 reporting 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 the area are continuing.

Expenditure relating to pre-exploration activities is written off to the profit or loss 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.

2.7 Investments in subsidiaries

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

2.8 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 the statement of profit or loss in the year the asset is de-recognised.

2.9 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.

2.10 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 reporting date.

Deferred income tax is provided on all temporary differences at reporting 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:

- i** 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
- ii** 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 reporting 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 reporting 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.

2.11 Inventories

Materials and supplies 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. Gold and gold-in-process are stated at net realisable value. Net realisable value is determined using the prevailing metal prices.

2.12 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.

2.13 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. They are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2.14 Interest bearing liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

2.15 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.

2.16 Leases

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

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

2.17 Impairment of non-financial 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 profit or loss. 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.

2.18 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; or
- 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:
 - a) has transferred substantially all the risks and rewards of the asset; or
 - b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Fair value through Other Comprehensive Income

The Group's investments in equity securities are classified as 'fair value through Other Comprehensive Income'. Subsequent to initial recognition fair value through other comprehensive income investments are measured at fair value with gains or losses being recognised directly through Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

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.

2.19 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.

2.20 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.

2.21 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are attributable to qualifying assets, in which case they are then capitalised as part of the assets.

2.22 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.

2.23 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.

2.24 New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The Group has early adopted AASB 9 Financial Instruments (AASB9), issued in December 2009 (as amended), with effect from 1 July 2013.

In accordance with AASB 9 the Group has designated its investments in equity securities as 'fair value through Other Comprehensive Income'. This results in all realised and unrealised gains and losses from its investments being recognised directly through Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

As a result of the application of AASB 9, fair value losses of US\$4.9 million for the year were recognised directly through Other Comprehensive Income and not in profit or loss. There was no impact on the Statement of Financial Position as the assets already reflected fair value of the investments at reporting date.

As the application of this standard did not impact the financial position or performance in the previous financial year no adjusted opening financial position or any other impacts are required to be disclosed.

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. There is no material impact on the adoption of this standard.

AASB 12 Disclosures of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. This standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint arrangements. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a

market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011–10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012–2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The consolidated entity amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2011–4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied AASB 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors' report.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY 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 2014 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.

AASB 2013–9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Three amendments were made to AASB 9, which includes adding the new hedge accounting requirements into AASB 9, deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. The Group has not yet made an assessment of the impact of these amendments.

AASB 2012–3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

4. REVENUE

	<i>Consolidated</i>	
	30 June 2014 US\$	30 June 2013 US\$
Operating activities		
Revenue from gold and silver sales	66,147,537	64,106,070
Interest revenue	14,018	5,240
Other revenue	214,603	98,005
Total revenue	66,376,158	64,209,315

5. LOSS FOR THE YEAR

	<i>Consolidated</i>	
	30 June 2014 US\$	30 June 2013 US\$
Loss before income tax includes the following specific expenses:		
Depreciation of plant and equipment	5,889,667	5,531,567
Amortisation of intangible assets	11,290,874	11,360,598
Total depreciation and amortisation	17,180,541	16,892,165
Finance costs - related parties	2,225,707	1,875,243
Finance costs - other	144,201	304,902
Total finance costs	2,369,908	2,180,145
Rental expense on operating leases	14,162	15,726
Defined contribution plan expense	21,184	20,985
Share-based payment	185,756	-

6. AUDITORS' REMUNERATION

	<i>Consolidated</i>	
	30 June 2014 US\$	30 June 2013 US\$
Remuneration of the auditors of the parent entity (BDO) for:		
Auditing or reviewing the financial reports	59,246	72,790
Other services	11,932	-
Total auditors' remuneration – parent entity (BDO)	71,178	72,790
Remuneration of auditors of subsidiaries (Nexia & PKF) for:		
Auditing or reviewing the financial reports	68,858	74,966
Other services/taxation	19,501	22,086
Total auditors' remuneration – subsidiaries (Nexia & PKF)	88,359	97,052

7. INCOME TAX EXPENSE

	<i>Consolidated</i>	
	30 June 2014 US\$	30 June 2013 US\$
Amounts recognised in profit and loss		
Current tax paid	977,185	-
Current tax payable	1,577,846	-
Deferred tax expense	86,537	2,929,086
Income tax expense	2,641,568	2,929,086
Reconciliation of effective tax rate		
Loss before tax	(8,966,167)	(4,754,504)
Prima facie income tax benefit calculated at 30% on the loss	(2,689,850)	(1,426,351)
Difference due to overseas tax rate	(2,062,663)	464,995
Non-deductible expenses	7,394,081	5,670,308
Temporary differences not brought into account	-	(1,779,866)
Income tax expense	2,641,568	2,929,086
Deferred tax balances		
Deferred tax assets		
Tax loss carried forward	-	698,539
Accrual for mine closure	339,140	150,912
Leasing assets	14,477	-
Accrual for vacations	117,644	91,239
Total deferred tax assets	471,261	940,690
Deferred tax liabilities		
Mining concessions	(4,562,669)	(5,016,006)
Other receivables	(70,445)	-
Total deferred tax liabilities	(4,633,114)	(5,016,006)
Net deferred tax liabilities	(4,161,853)	(4,075,316)
Movement in deferred tax balances		
Opening balance	(4,075,316)	(1,146,230)
Charged to profit or loss	(86,537)	(2,929,086)
Closing balance	(4,161,853)	(4,075,316)

8. EARNINGS PER SHARE

Classification of securities as ordinary shares

Ordinary shares have been included in basic earnings per share.

	Consolidation	
	30 June 2014 US\$	30 June 2013 US\$
Earnings reconciliation		
Net loss attributable to owners	(11,681,223)	(7,683,590)
Net profit attributable to non-controlling interests	73,488	-
Net loss	(11,607,735)	(7,683,590)

Weighted average number of shares used as the denominator

Number for basic earnings per share	170,138,779	169,139,739
Number for diluted earnings per share	170,138,779	169,139,739
Basic earnings per ordinary share (cents)	(6.82)c	(4.50)c
Diluted earnings per ordinary share (cents)	(6.82)c	(4.50)c

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.

	2014			2013		
	Australia US\$	South America US\$	Consolidated US\$	Australia US\$	South America US\$	Consolidated US\$
Revenue from gold and silver sales	-	66,147,537	66,147,537	-	64,106,070	64,106,070
Interest revenue	2,617	11,401	14,018	1,972	3,268	5,240
Other	-	214,603	214,603	-	98,005	98,005
Total segment revenue	2,617	66,373,541	66,376,158	1,972	64,207,343	64,209,315
Cost of sales	-	(32,115,429)	(32,115,429)	-	(36,269,466)	(36,269,466)
Administration expenses	(1,227,840)	(5,493,906)	(6,721,746)	(968,305)	(4,766,487)	(5,734,792)
Gain/(loss) from foreign exchange	-	545,299	545,299	(6,338,580)	190,081	(6,148,499)
Royalty agreement exit fee	-	(7,500,000)	(7,500,000)	-	-	-
Impairment of assets	-	(10,000,000)	(10,000,000)	-	(1,738,752)	(1,738,752)
Finance costs	(2,225,707)	(144,201)	(2,369,908)	(1,873,253)	(306,892)	(2,180,145)
Amortisation	-	(11,290,874)	(11,290,874)	-	(11,360,598)	(11,360,598)
Depreciation	(1,418)	(5,888,249)	(5,889,667)	(1,577)	(5,529,990)	(5,531,567)
Income tax expense	-	(2,641,568)	(2,641,568)	-	(2,929,086)	(2,929,086)
Segment (loss)/profit	(3,452,348)	(8,155,387)	(11,607,735)	(9,179,743)	1,496,153	(7,683,590)
Segment assets	1,791,062	82,054,349	83,845,411	2,527,679	98,746,666	101,274,345
Segment liabilities	53,288,757	16,458,282	69,747,039	55,735,224	11,707,829	67,443,053
Acquisition of non-current assets	-	4,849,924	4,849,924	-	-	-

10. CASH AND CASH EQUIVALENTS

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
Cash at call and in hand	4,202,553	2,787,250	470,214
Short-term bank deposits	144,522	1,799,063	7,133
Total cash and cash equivalents	4,347,075	4,586,313	477,347

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	4,347,075	4,586,313	477,347
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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

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
Materials and supplies – at cost	2,749,369	1,620,670	1,109,544
Gold bullion and gold in process– at net realisable value	1,185,563	1,792,534	2,502,653
Total inventories	3,934,932	3,413,204	3,612,197

12. TRADE AND OTHER RECEIVABLES

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
CURRENT			
Trade receivables	480,294	4,980,827	390,867
Other current receivables	419,231	2,964,230	637,881
Pre-payments	937,450	1,844,583	1,509,963
GST/VAT receivable	1,538,910	537,972	598,394
Total current receivables	3,375,885	10,327,612	3,137,105
NON CURRENT			
GST/VAT receivable	116,910	94,312	64,091
Pre-payments	472,066	1,550,032	3,824,999
Other	606	–	–
Total non-current receivables	589,582	1,644,344	3,889,090
TRADE DEBTORS			
The ageing of trade receivables is 0 – 30 days	480,294	4,980,827	390,867

12.1 Past due but not impaired

There were no receivables past due at 30 June 2014 (2013: 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

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
CURRENT			
Bonds – level 1	278,072	–	–
Total current financial assets at fair value	278,072	–	–
NON CURRENT			
Listed equity securities – level 1	6,339,952	47,002	345,519
Total non-current financial assets at fair value	6,339,952	47,002	345,519

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 30 June 2014.

Bonds are US\$ Argentina government bonds maturing in October 2015, but with the ability to redeem at any time, and with a fixed interest rate of 7% payable biannually.

Listed equity securities represents the fair value of the Company's 19.9% investment in Argentex Mining (TSX-V: ATX) and 15% investment in Goldrock Mines (TSX-V: GRM), both acquired during 2014. A fair value movement of US\$3.9 million relating to these investments has been recognised in other comprehensive income.

Fair value hierarchy

Refer to Note 1.4 of these financial statements for details of the fair value hierarchy.

Transfers

During the year ended 30 June 2014, the consolidated entity had no level 2 or level 3 financial instruments. As such, there were no transfers between the financial instrument levels of hierarchy.

14. INTANGIBLE ASSETS

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
Development assets-Guanaco			
Cost	65,273,913	73,377,220	72,232,386
Accumulated amortisation	(29,947,134)	(14,549,881)	(3,189,283)
Carrying value - Development assets-Guanaco	35,326,779	58,827,339	69,043,103
Goodwill			
Cost	1,021,995	-	-
Carrying value - Goodwill	1,021,995		
Total intangible assets			
Cost	66,295,908	73,377,220	72,232,386
Accumulated amortisation	(29,947,134)	(14,549,881)	(3,189,283)
Total Carrying Value – Intangible assets	36,348,774	58,827,339	69,043,103

MOVEMENTS IN CARRYING VALUE – *Development assets – Guanaco*

Carrying amount at beginning of the year	58,827,339	69,043,103	-
Foreign exchange movements from change of accounting policy	(4,829,339)	-	-
Restated carrying amount at beginning of the year	53,998,000	69,043,103	-
Additions for the year	8,249,887	7,011,619	-
Reclassification to plant and equipment	(5,568,154)	(5,866,785)	-
Write-off	(62,080)	-	-
Amortisation for the year	(11,290,874)	(11,360,598)	-
Impairment	(10,000,000)	-	-
Carrying amount at end of the year	35,326,779	58,827,339	-

MOVEMENTS IN CARRYING VALUE – *Goodwill*

Carrying amount at beginning of the year	-	-	-
Additions for the year	1,021,995	-	-
Carrying amount at end of the year	1,021,995	-	-

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 that is an intrinsic part of the mine and its structure (included in note 15) are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Management have assessed the fair value and book value of the Guanaco project to be US\$59 million (2013: US\$75m) which resulted in a US\$10 million impairment charge, due largely to the drop in the gold price assumptions used in the valuation. The fair value is based on an independent valuation using a discounted cash flow model and the following assumptions:

- Gold price: US\$1,278/oz – US\$1,228/oz (2013: US\$1,498/oz – US\$1,230/oz)
- Life of Mine: 5 years (2013: 6 years)
- Discount Rate (post-tax): 7% (2013: 7.2%)

Royalty agreement exit fee

In September 2013, the Company exercised the exit option of the royalty agreement with Compañía Minera Kinam Guanaco by which the company paid US\$7,500,000 as an exit-fee in three quarterly instalments to 30 June 2014. This eliminates the need to pay any future royalties that had in the past been calculated monthly as a percentage of Guanaco mine gold production. This amount has been fully expensed in the Statement of Profit or Loss and Other Comprehensive Income, which is in addition to the impairment of US\$10 million detailed above.

Goodwill

Goodwill has arisen on the acquisition of a subsidiary. For further details refer to Note 28.

The recoverable amount of the goodwill arising from the Cachinalito business has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for Cachinalito:

- 7% post-tax discount rate;
- Average 3% per annum projected growth rate; and
- 2% growth rate for terminal value.

The discount rate of 7% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Cachinalito business, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 2 – 3% growth in accordance with the acquisition strategy and has no reason to revise this estimation based on current performance.

Sensitivity

Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- The discount rate would be required to increase by 5% before goodwill would need to be impaired, with all other assumptions remaining constant.
- Negative growth rate of at least 1.25% per annum before goodwill would need to be impaired, with all other assumptions remaining constant.

15. PLANT AND EQUIPMENT

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
Plant and equipment - at cost	43,797,029	31,245,395	24,087,677
Accumulated depreciation	(15,672,608)	(9,163,562)	(3,633,454)
Carrying amount at end of year	28,124,421	22,081,833	20,454,223
MOVEMENTS IN CARRYING VALUE			
Carrying amount at beginning of year	22,081,833	20,454,223	-
Foreign exchange movements from change of accounting policy	(124,644)	-	-
Restated carrying amount at beginning of the year	21,957,189	20,454,223	-
Additions for the year	6,488,638	1,318,510	-
Reclassification from intangible assets	5,568,154	5,866,785	-
Disposals for the year	-	(25,610)	-
Depreciation for the year	(5,889,667)	(5,531,568)	-
Movement attributable to foreign currency translation	107	(507)	-
Carrying amount at end of year	28,124,421	22,081,833	20,454,223

Part of the plant and equipment has been included in the Guanaco cash generating unit. Refer to note 14 for discussion on impairment. Plant and equipment that does not form part of the Guanaco cash generating unit are being carried at the lower of their book value and recoverable amount.

The Group leases production equipment under a number of finance leases. At 30 June 2014, the net carrying amount of lease equipment was US\$2,601,931 (2013: nil).

16. EXPLORATION AND EVALUATION EXPENDITURE

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
Costs carried forward in respect of areas of interest:			
Carrying amount at the beginning of the year	346,698	174,554	-
Additions for the year	160,020	156,455	-
Movement attributable to foreign currency translation	-	15,689	-
Carrying amount at end of year	506,718	346,698	174,554

The recovery of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the areas of interest.

17. TRADE AND OTHER PAYABLES

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
CURRENT			
Trade payables	1,953,896	4,054,560	4,219,263
Accrued expenses	559,264	500,671	1,503,277
Income tax payable	1,746,165	-	-
Other payables	1,361,257	166,973	30,169
Total current trade and other payables	5,620,582	4,722,204	5,752,709
NON CURRENT			
Other payables	1,127,280	-	-

Refer to note 24 for detailed information on financial instruments.

18. PROVISIONS

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
CURRENT			
Employee entitlements	595,969	480,604	288,624
MOVEMENT IN CURRENT PROVISIONS			
Opening balance	480,604	288,624	-
Charged to the profit or loss	115,365	193,725	-
Movement attributable to foreign currency translation	-	(1,745)	-
Closing balance	595,969	480,604	288,624

The current provision for employee entitlements 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. The entire balance of employee benefits is expected to be settled within the next 12 months.

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
NON CURRENT			
Mine closure	1,695,702	831,297	754,562
MOVEMENT IN NON CURRENT PROVISIONS			
Opening balance	831,297	754,562	-
Charged to the profit or loss	864,405	76,735	-
Closing balance	1,695,702	831,297	754,562

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\$2,076,000;
- Remaining life of Mine: 5 years; and
- Discount rate (post-tax) of 7%

19. BORROWINGS

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
CURRENT			
Lease liability	1,248,671	-	-
Royalty payable	1,022,704	1,719,223	733,467
Total current borrowings	2,271,375	1,719,223	733,467
NON-CURRENT			
Lease liability	1,078,478	-	-
Loan – IFISA	53,195,800	55,614,409	58,263,946
Total non-current borrowings	54,274,278	55,614,409	58,263,946
LOAN IFISA			
Balance at beginning of year	55,614,409	58,263,946	-
Repayments of principal and interest	(4,644,316)	(4,521,883)	-
Interest	2,225,707	1,872,346	-
Balance at end of year	53,195,800	55,614,409	58,263,946

Refer to note 24 for detailed information on financial instruments.

19.1 Loan Inversiones Financieras del Sur SA (IFISA)

The borrowings are unsecured. Interest is charged at 4%. The loan comprises principal of US\$42,529,119 (30 June 2013: US\$44,529,120) and capitalised interest of \$10,666,681 (30 June 2013: US\$11,085,289). The loan is repayable as follows:

- when sufficient cash flows of the Group allow;
- at the election of IFISA to subscribe for shares in the Group (contingent on shareholder approval);
- on successful completion of an equity raising by the Group; or
- failing all of the above by 31 December 2015.

The fair value of the above loan is dependent on the actual date of settlement per options (i) to (iv) above and the comparable market interest rate. Therefore, the fair value may be different to the carrying value of US\$53,195,800.

19.2 Royalty payable

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

- The equivalent of US\$75,000 or
- The "NPI", that is approximately 5% of the income from the sale of concentrate less the necessary costs to produce the concentrate.

As described in note 14, the Company exercised the exit option of the royalty agreement which, as from September 2013, eliminated the need to pay or accrue any future royalties. The royalty payable above reflects royalties owing to Kinam prior to exercising the exit option.

19.3 Lease liabilities

Refer to note 15 for further information on plant and equipment secured under finance leases.

20. ISSUED CAPITAL

	<i>Consolidated</i>		
	2014	2013	2012
Fully paid ordinary shares (US\$)	39,803,088	39,003,832	39,003,832
Number of ordinary shares at year end	170,831,137	169,139,739	169,139,739
Movements in ordinary share capital	Date	Number of ordinary shares	US\$
Balance at 30 June 2012		169,139,739	39,003,832
Balance at 30 June 2013		169,139,739	39,003,832
Foreign exchange movements from change of accounting policy	1 July 2013	-	1,547,366
Balance at 1 July 2013		169,139,739	40,551,198
Share-based payment to Chief Operating Officer	27 December 2013	1,691,398	185,756
Return of Capital to shareholders	12 December 2013	-	(933,866)
Balance at 30 June 2014		170,831,137	39,803,088

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.

Return of capital to shareholders

A payment of US\$933,866 in the form of a return of capital was made to shareholders on 12 December 2013.

Share-based payment

On 27 December 2013, after approval at the Annual General Meeting, a share-based payment of 1,691,398 new ordinary shares was issued to Stabro Kasaneva, for his services as an Executive Director and Chief Operating Officer of the Company. The shares were issued for nil consideration at the share price at that date for a total value of US\$185,756, which has been included as part of administration expenses in the statement of profit or loss and other comprehensive income.

21. RETAINED EARNINGS/ (ACCUMULATED LOSSES)

	<i>Consolidated</i>		
	2014 US\$	2013 US\$	2012 US\$
(Accumulated losses)/retained earnings at beginning of year	(12,698,850)	(5,015,260)	11,430,878
Foreign exchange movements from change of accounting policy - AGD functional currency change from AUD to USD	344,323	-	-
Net loss for the year	(11,681,223)	(7,683,590)	(16,446,138)
Accumulated losses at end of year	(24,035,750)	(12,698,850)	(5,015,260)

22. NON CONTROLLING INTEREST

	Consolidated		
	2014 US\$	2013 US\$	2012 US\$
Non controlling interest in subsidiaries comprise:			
Acquired as part of subsidiary	1,638,406	40	56

23. RESERVES

	Consolidated		
	2014 US\$	2013 US\$	2012 US\$
FOREIGN CURRENCY TRANSLATION RESERVE			
Balance at beginning of year	7,513,029	191,731	-
Foreign exchange movements from change of accounting policy	(6,845,744)	-	-
Foreign exchange movements from translation of financial statement to US dollars	(17,862)	7,321,298	-
Balance at end of year	649,423	7,513,029	191,731
SHARE OPTION RESERVE			
Balance at beginning of year	13,241	13,241	-
Options issued November 2011	-	-	13,241
Balance at end of year	13,241	13,241	13,241
ASSET REVALUATION RESERVE			
Balance at beginning of year	-	-	-
Fair value movement during the year	(3,970,036)	-	-
Balance at end of year	(3,970,036)	-	-
Total Reserves	(3,307,372)	7,526,270	204,972

Nature and purpose of reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the non US\$ denominated non-monetary balances of Group Companies are recognised in the foreign currency translation reserve. The reserve is recognised in profit or 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. No options were granted during the year ended 30 June 2014.

Asset Revaluation Reserve

The reserve is used to recognise increments and decrements in the fair value of equity securities.

24. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

The Group recognises the importance of risk management, and has adopted a Risk Management and Internal Compliance and Control policy which describes the role and accountabilities of management and of the Board. The Directors manage the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to the main financial risks by being aware of market forecasts for interest rates, foreign exchange rates, commodity and market prices. The Group does not have significant exposure to credit risk and liquidity risk is monitored through general business budgets and forecasts.

Interest Rate Risk

The Group's main interest rate risk arises from long term borrowings. The Group's borrowings are at a fixed rate of 4% (2013: 4%) and therefore do not carry any variable interest rate risk.

Foreign Currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations.

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the functional currency of the Group. The risk is measured using cash flow forecasting. Foreign currency risk is minimal as most of the transactions are settled in US\$.

Price Risk

The Group's revenues are exposed to fluctuations in the price of 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.



Source: Bloomberg



Source: Bloomberg

Financial Market Risk

The financial market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices, which occurs due to the Group's investment in listed securities where share prices can fluctuate over time. This risk however is not deemed to be significant as these investments are held for long term strategic purposes and therefore movement in the market prices do not impact the short-term profit or loss or cash flows of the Group.

Credit Risk

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

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.

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 with IFISA, the Group had access to the following undrawn US dollar denominated borrowing facilities at the reporting date:

	Consolidated		
	2014 US\$	2013 US\$	2012 US\$
Total facility	59,000,000	59,000,000	59,000,000
Total used	42,529,119	44,529,119	49,051,002
Amount available	16,470,881	14,470,881	9,948,998

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 US\$	6–12 months US\$	1–5 years US\$	>5 years US\$	Total US\$
YEAR ENDED 30 JUNE 2014					
FINANCIAL LIABILITIES					
Trade and other payables	5,620,582	-	1,127,280	-	6,747,862
Lease liabilities	676,070	676,069	1,147,456	-	2,499,595
Royalty payable	1,022,704	-	-	-	1,022,704
Loan - IFISA	-	-	53,195,800*	-	53,195,800
Total 2014 liabilities	7,319,356	676,069	55,470,536	-	63,465,961
YEAR ENDED 30 JUNE 2013					
FINANCIAL LIABILITIES					
Trade and other payables	4,722,204	-	-	-	4,722,204
Royalty payable	-	1,719,223	-	-	1,719,223
Loan - IFISA	-	-	55,614,409*	-	55,614,409
Total 2013 liabilities	4,722,204	1,719,223	55,614,409	-	62,055,836

*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 31 December 2015 and is not repaid or converted into equity by IFISA; and
- iii interest of US\$10,666,681 (2013: US\$11,085,289) calculated using rates disclosed in note 19.

Defaults and breaches

During the current and prior years, there were no defaults or breaches on the loan or any of the other financial liabilities.

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 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.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

25. DIVIDENDS

No dividends were paid or proposed during the year (2013: Nil).

A payment of US\$933,866 in the form of a return of capital was made to shareholders on 12 December 2013.

26. COMMITMENTS

	2014 US\$	2013 US\$	2012 US\$
LEASE COMMITMENTS – FINANCE			
Committed at the reporting date and recognised as liabilities, payable:			
Within one year	1,352,139	-	-
One to five years	1,147,456	-	-
Total commitment	2,499,595	-	-
<i>Less: Future finance charges</i>	<i>(172,446)</i>	-	-
Net commitment recognised as liabilities	2,327,149	-	-
Representing:			
Lease liability – current	1,248,671	-	-
Lease liability – non-current	1,078,478	-	-

27. SUBSIDIARIES

	Country of Incorporation	2014 % owned	2013 % owned	2012 % owned
PARENT ENTITY				
Austral Gold Limited	Australia			
SUBSIDIARIES				
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.930	99.852	99.750
Ingeniería y Minería Cachinalito Limitada	Chile	51.000	-	-

28. ACQUISITION OF SUBSIDIARY

On 3 June 2014, the Group acquired 51% of the shares and voting interest in Humberto Reyes. As a result, the Group obtained control of Humberto Reyes, now Ingeniería y Minería Cachinalito Limitada.

This is a key strategic investment for the Group since it provides flexibility to accelerate mining of the Guanaco mine resource; allows greater control over safety and production practices at the Guanaco mine and ensures a continued competitive cost for future underground development.

In June 2014, Ingeniería y Minería Cachinalito Limitada contributed revenue of US\$280,066 and profit of US\$149,976 to the Group's results. If the acquisition had occurred on 1 July 2013, management estimates that the profit or loss before tax would have improved by US\$770,749. In determining this, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2013.

28.1 Consideration transferred

The purchase price is approximately US\$2.7 million to be paid in an upfront payment of US\$450,000 and the remainder in monthly cash instalments over three years from existing cash reserves (to be paid partially in Chilean pesos, partially in US\$).

The Group also has the possibility to acquire the remaining 49% in 2.5 years at a price to be agreed upon by both parties.

28.2 Acquisition-related costs

The Group incurred acquisition-related costs of US\$56,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

28.3 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	US\$
Plant and equipment – owned	2,584,478
Plant and equipment – leased	2,265,446
Cash and cash equivalents	283,026
Trade receivables	268,422
Other receivables	211,479
Lease liabilities	(2,013,540)
Other liabilities	(405,825)
Total identifiable net assets acquired	3,193,486

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Plant and equipment – owned	Quoted marked prices for similar items
Plant and equipment – leased	Quoted marked prices for similar items

28.4 Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Note	US\$
Consideration transferred/transferrable	28.1	2,650,673
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Ingenieria y Minería Cachinalito Limitada		1,564,808
Fair value of identifiable net assets	28.3	(3,193,486)
Goodwill	14	1,021,995

The goodwill is attributable to the strategic and cost advantages to the Group that are expected to be realised as a result of controlling the Guanaco underground mine operator.

28.5 Cash used to acquire subsidiary, net of cash acquired

	US\$
Acquisition date fair value of total consideration	2,650,673
Less: Consideration payable at reporting date	(2,202,617)
Cash consideration to acquire subsidiary	448,056
Less: Cash and cash equivalents acquired	(315,710)
Net cash paid to acquire subsidiary	132,346

29. CASH FLOW INFORMATION

<i>Consolidated</i>		
	2014	2013
	US\$	US\$

Reconciliation of cash flow from operations with loss after income tax:

Loss after income tax	(11,607,735)	(7,683,590)
Non-cash flows in loss		
Interest expense capitalised	2,225,707	1,872,346
Royalty agreement exit fee	7,500,000	-
Impairment loss	10,000,000	1,738,752
Interest received	(14,018)	(5,240)
Equity-settled share-based payment transaction	185,756	-
Foreign exchange translation (gain)/ loss	(545,299)	6,148,499
Depreciation and amortisation	17,180,541	16,892,265
Net cash from operating activities before change in assets and liabilities	24,924,952	18,963,032
Changes in assets and liabilities:		
Decrease / (increase) in inventory	(521,728)	198,993
Decrease / (increase) in trade and other receivables	5,288,401	(2,608,376)
Increase / (decrease) in trade and other payables	(1,920,374)	3,098,691
Increase / (decrease) in tax payable	1,664,383	-
Movement attributable to foreign currency translation	583,808	794,565
Cash flow from operations	30,019,442	20,446,905

30. PARENT ENTITY INFORMATION

Information relating to Austral Gold Limited

	<i>Consolidated</i>		
	2014	2013	2012
	US\$	US\$	US\$
Current assets	114,404	2,523,105	62,889
Total assets	75,880,676	75,144,628	85,219,825
Current liabilities	11,548,361	4,151,698	717,487
Total liabilities	64,744,162	59,766,107	58,981,433
Net assets	11,136,514	15,378,521	26,238,392
Issued capital	39,803,088	39,003,832	39,003,832
Accumulated losses	(28,661,951)	(26,944,062)	(17,766,383)
Reserves	(4,623)	3,318,751	5,000,943
Total shareholders' equity	11,136,514	15,378,521	26,238,392
Loss of the parent entity	(3,476,033)	(9,179,715)	(14,320,150)
Total comprehensive income of the parent entity	(3,476,033)	(9,179,715)	(14,320,150)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	None	None	None
Details of any contingent liabilities of the parent entity	None	None	None
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	None	None	None

31. SUBSEQUENT EVENTS

Acquisition of Amancaya project in Chile

Final closing of this transaction took place on 8 August 2014 and the first payment of US\$3 million was made to the escrow agent, a Canadian law firm, on that date. The payment has subsequently been released from escrow and all the mining properties have been duly transferred to the Group.

On 17 June 2014, the Company and its subsidiary Guanaco, entered into an asset transfer agreement with a 100%-owned subsidiary of Yamana Gold Inc. Minera Meridian Ltda (the Seller) to acquire the Amancaya exploration property (Amancaya) located 70km east of the city of Tatal in Northern Chile. Amancaya is a low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares. As part of the acquisition, the Company also secures the rights to exploration projects currently under application, as well as water rights, underlying property and necessary easements.

Consideration for Amancaya will be an aggregate amount of US\$12 million of cash instalments. In addition to the US\$3 million paid on closing, payments of US\$1 million, US\$3 million, US\$3 million and US\$2 million are payable within each successive six-month period. A royalty agreement has also been entered into on closing whereby the Company will pay 2.25% of the net smelter return (NSR) to the Seller on production from the Amancaya mining concessions.

32. RELATED PARTY TRANSACTIONS

32.1 Directors holdings of shares and share options

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

Mr Eduardo Elsztain holds 144,817,951 shares indirectly in Austral Gold Limited.

Mr Saul Zang holds 1,435,668 shares indirectly in Austral Gold Limited.

Mr Pablo Vergara del Carril holds 68,119 shares directly in Austral Gold Limited.

E Elsztain and **S Zang** are directors of IFISA which holds 115,842,415 shares according to the last substantial holder notice lodged in September 2014.

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 2014.

Mr Stabro Kasaneva holds 1,691,398, shares either directly or indirectly in Austral Gold Limited.

Mr Wayne Hubert holds 1,750,000 shares indirectly in Austral Gold Limited.

32.2 Directors and Key Management Personnel Remuneration

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2014 US\$	2013 US\$
Short-term employment benefits	854,938	746,120
Post-employment benefits	11,587	17,707
Share-based payments	185,756	-
Total	1,052,281	763,827

32.3 Borrowings from majority shareholder

	IFISA 2014 US\$	IFISA 2013 US\$	IFISA 2012 US\$
Amount payable at end of year	53,195,800	55,614,409	58,263,946
Interest incurred	2,225,707	1,872,346	-
Funds repaid	(4,644,316)	(4,521,883)	-

32.4 Ultimate parent entity

The Parent Entity is controlled by IFISA with a 68% interest in Austral Gold Limited and is incorporated in Uruguay. The ultimate beneficial owner of IFISA is Eduardo Elsztain.

DIRECTORS' DECLARATION

The Directors of Austral Gold Limited declare that:

1. The financial statements, comprising the statement of profit or loss and other 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 Act 2001; and
 - ii give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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:



Robert Trzebski

Director

Sydney

30 September 2014



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Level 11, 1 Margaret St
Sydney NSW 2000

Australia

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 statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 1, 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 2014 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 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Tim Sydenham
Partner

Sydney, 30 September 2014

ADDITIONAL INFORMATION

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2014

Austral Gold Limited (the Company) and its controlled entities (the Group) have adopted the corporate governance framework and practices set out in this statement. The framework and practices have been in place throughout the financial year, and comply with the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Recommendations), unless otherwise stated in the table below.

Listing Rule 4.10.3 requires a company to identify any 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 company must state the period during which it has been followed.

This statement has been approved by the Board, and the information provided remains current as at 31 August 2014. Company policies and charters are available in the Corporate Governance section of the Company's website at www.australgold.com.au.

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.	<p>Comply.</p> <p>The 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. A Board Charter has been adopted which sets out the respective roles and responsibilities of the Board and senior management.</p> <p>The specific responsibilities of the Board include:</p> <ul style="list-style-type: none"> the appointment, evaluation, remuneration and if necessary the removal of senior executives; developing corporate objectives, strategy and operations plans, in conjunction with management; approving and monitoring the progress of major capital expenditure, capital management, acquisitions, divestitures and major funding activities; monitoring the performance of senior management including the implementation of strategy and ensuring appropriate resources are available; maintaining an appreciation of areas of significant business risk and reviewing risk management systems; overseeing the management of safety, occupational health and environmental matters; satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company, and reviewing other reporting to shareholders; satisfying itself that there are appropriate reporting systems and internal controls in place; and satisfying itself that frameworks are in place to ensure the Company acts legally and responsibly on all matters and remains consistent with the code of conduct.
1.2	Disclose the process for evaluating the performance of senior executives.	<p>Comply.</p> <p>The Board annually reviews senior management performance against key performance indicators, including strategic, operational and financial indicators.</p>
1.3	Provide the information indicated in Guide to reporting on Principle 1.	<p>Comply.</p> <p>A copy of the Board Charter can be found on the Company's website.</p>
2.1	A majority of the Board should be independent directors.	<p>Do not comply.</p> <p>The Board regularly assesses the independence of its non-executive directors. Of the Company's seven directors, Eduardo Elzstain, Saul Zang and Pablo Vergara del Carril are not considered independent due to their relationship with IFISA, the Company's majority shareholder. Stabro Kasaneva is not independent due to his executive role. Wayne Hubert, Robert Trzebski and Ben Jarvis are considered to be independent non-executive directors.</p> <p>The Board believes that it has an appropriate composition given the nature, size and operations of the Company. The composition of the Board has remained unchanged throughout the year and at the date of this statement.</p>
2.2	The chair should be an independent director.	<p>Do not comply.</p> <p>Eduardo Elzstain is the ultimate beneficial holder of IFISA, the Company's majority shareholder. Therefore the Chairman of the Board is not considered to be independent.</p> <p>The Board believes that Mr Elzstain's beneficial interests in the Company's shares help to align his interests with those of other shareholders.</p>

No	Recommendation	Compliance or Explanation for Non-compliance
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	<p>Comply.</p> <p>The Chairman is Eduardo Elsztain.</p> <p>The Board has not appointed a chief executive officer; rather it has appointed director Stabro Kasaneva as the Chief Operating Officer.</p> <p>The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board.</p> <p>There is a clear division of responsibilities between the Chairman and the Chief Operating Officer. The Board has delegated to the Chief Operating Officer the authority to manage the day-to-day affairs of the Company. The Board ensures that the Chief Operating Officer is appropriately qualified and experienced to discharge his responsibilities.</p>
2.4	The Board should establish a nomination committee.	<p>Do not comply.</p> <p>The Board has not established a nomination committee, as 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.</p>
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>Do not comply.</p> <p>The Board intends to develop a process for reviewing its overall performance, the performance of the Audit Committee and performance of individual directors within the next 12 months.</p>
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	<p>Do not comply.</p> <p>A performance evaluation review of the Board, Audit Committee and directors did not take place during the year. The Board intends to conduct these reviews within the next 12 months.</p> <p>Details of the directors' skills, experience, expertise, tenure, special responsibilities and attendance at Board meetings are set out in the Directors' Report.</p> <p>Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required.</p> <p>All directors have access to the Company Secretary.</p> <p>The Board considers the following factors when selecting new directors and when recommending directors to shareholders for re-election:</p> <ul style="list-style-type: none"> • whether between them the current directors have the appropriate skill sets, expertise, experience and diversity to meet the current and future requirements of the Company; • the value to stakeholders of having independent directors on the Board; • whether the director has sufficient time to meet his/her commitments as a director of the Company; • the duration of each director's tenure; and • whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making. <p>In the circumstances where the Board believes there is a need to appoint another director, certain procedures will be followed, including to:</p> <ul style="list-style-type: none"> • determine the skills and experience appropriate for the appointee; • agree the process and timetable for seeking such a person, which may involve an external search firm; and • consider a short list of candidates for interview. <p>The Board currently comprises seven directors and is considered to have an appropriate balance of skills and experience.</p>
3.1	<p>Establish a code of conduct and disclose the code or a summary addressing:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. 	<p>Comply.</p> <p>The Company's code of conduct is an ethical framework. It provides that directors, officers, employees and contractors of the Company are expected to act with integrity and to strive to enhance the reputation of the Company. In doing so, they must:</p> <ul style="list-style-type: none"> • act honestly, in good faith and in the best interests of the Company; • use due care and diligence in fulfilling the functions of their position; • not take advantage of their position for their personal gain or the gain of their associates; • preserve the confidentiality of information received in the course of their duties, which remains the property of the Company and can only be released or used with specific permission from the Company; • comply with the spirit as well as the letter of the law, and with the principles of the code; and • report any breaches of the code to the Company Secretary. The Company Secretary has the responsibility to arrange an investigation and to advise the relevant employee of the outcome and actions implemented.

No	Recommendation	Compliance or Explanation for Non-compliance												
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Do not comply. The Board is aware of the benefits that come with gender diversity in the workforce, but due to the Company's size and nature of operations, has not yet established a diversity policy or measurable objectives for achieving gender diversity.												
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board and its progress towards achieving them.	Do not comply. Refer to 3.2.												
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Comply. <table border="1"> <thead> <tr> <th>Description</th> <th>Number of women 2014</th> <th>Proportion of women 2014</th> </tr> </thead> <tbody> <tr> <td>Whole Group</td> <td>10</td> <td>3%</td> </tr> <tr> <td>Senior executives</td> <td>1</td> <td>8%</td> </tr> <tr> <td>Board members</td> <td>0</td> <td>0%</td> </tr> </tbody> </table>	Description	Number of women 2014	Proportion of women 2014	Whole Group	10	3%	Senior executives	1	8%	Board members	0	0%
Description	Number of women 2014	Proportion of women 2014												
Whole Group	10	3%												
Senior executives	1	8%												
Board members	0	0%												
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Comply. The Company's code of conduct is published on the Company's website under Corporate Governance.												
4.1	The Board should establish an audit committee.	Comply. The Company has an Audit Committee. The Board has established the Committee primarily to assist with fulfilling the Board's accounting and reporting responsibilities, and to maintain oversight of the external audit arrangements.												
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> 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. 	Comply. The Audit Committee comprises Pablo Vergara del Carril (non-executive director and Committee Chairman), Robert Trzebski (independent non-executive director), and Wayne Hubert (independent non-executive director). The members of the Audit Committee possess the requisite financial expertise and industry experience necessary to effectively carry out the Committee's mandate. The composition of the Committee has remained unchanged throughout the year and at the date of this statement.												
4.3	The Audit Committee should have a formal charter.	Comply. The Audit Committee has a charter approved by the Board. Its main responsibilities include: <ul style="list-style-type: none"> reviewing half yearly and preliminary financial reports and other financial information distributed externally; reviewing the implementation of major accounting changes; reviewing the adequacy of the reporting and accounting controls of the Company; reviewing the results and findings of the external auditor, the adequacy of accounting and financial controls, and monitoring the implementation of any recommendations made; considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence and, if non-audit services are provided, reporting to the Board on whether the Committee is satisfied that the auditor's independence has not been compromised; determining the independence and effectiveness of the external auditor; making recommendations to the Board on the appointment, replacement and remuneration of the external auditor; reviewing the scope of the external audit, including identified areas of risk; and annually monitoring the performance of the external auditor. The Board has retained responsibility for reviewing risk management and internal control systems. Audit Committee meetings are also attended by the external auditors and management representatives as required.												

No	Recommendation	Compliance or Explanation for Non-compliance
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	<p>Comply.</p> <p>A copy of the Audit Committee Charter can be found on the Company's website.</p> <p>Details of the Committee members' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.</p> <p>Should a change in auditor be considered necessary, a formal tendering process will be undertaken. The Committee will identify the attributes required of an auditor and ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.</p> <p>The Committee and the Board will consider the appointment in conjunction with senior management.</p> <p>In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations.</p> <p>The audit engagement partner will be rotated periodically, as required by the Corporations Act.</p>
5.1 and 5.2	<p>Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary.</p> <p>Provide the information indicated in the Guide to reporting on Principle 5.</p>	<p>Comply.</p> <p>The Company has a Continuous Disclosure Policy, which is available on the Company's website.</p> <p>The policy promotes timely and balanced disclosure of material information concerning the Company.</p>
6.1 and 6.2	<p>Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.</p> <p>Provide the information indicated in the Guide to reporting on Principle 6.</p>	<p>Comply.</p> <p>The Company has a Shareholder Communications Policy, which is available on the Company's website.</p> <p>The Board aims to ensure that the shareholders are well informed of the Company's activities.</p> <p>Annual Reports, quarterly reports and notices of general meetings are posted on the Company's website, along with other announcements made to the ASX.</p> <p>The Board encourages full participation of shareholders at annual general meetings. Shareholders who are unable to attend are encouraged to lodge proxy appointments in advance of the meeting.</p> <p>A representative of the auditor attends each annual general meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.</p>
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>Comply.</p> <p>The Company recognises the importance of risk management, and has adopted a Risk Management and Internal Compliance and Control policy which describes the role and accountabilities of management and of the Board.</p>
7.2	The Board should require management to design and implement a risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	<p>Comply.</p> <p>Management determines the Company's risk profile and is responsible for identifying emerging risks and formulating risk management strategies to manage identified risks. Since the year-end, the Company has been formalising its processes for documenting the Group's risk profile.</p> <p>The Board seeks external advice when considering new or significant transactions, so that risks can be identified and addressed in a timely manner.</p> <p>Key elements of the Group's internal control systems include:</p> <ul style="list-style-type: none"> the code of conduct, which sets out an ethical framework for directors, officers, employees and contractors in the conduct of the Group's business; financial reporting and budgeting systems, to provide timely, relevant and reliable information to management and the Board; and clearly defined guidelines for capital expenditure. <p>Management provides directors and officers with a weekly and monthly report discussing operations and material business risks the Group is currently facing and details how they are being effectively managed.</p>

No	Recommendation	Compliance or Explanation for Non-compliance
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.	Comply. The Board requires that the Chief Operating Officer and Finance Managers of both South America and Australia annually confirm in writing that the declaration provided in accordance with section 295A of the Corporations Act 2001 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 Board has received such a confirmation from the Chief Operating Officer and both Finance Managers in respect of this financial year.
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Comply. The Company's Risk Management and Internal Compliance and Control Policy is available on the Company's website.
8.1	Establish a remuneration committee	Do not comply. Due to the size of the Company, it is more efficient for the full Board to review remuneration policy matters. The Board considers: <ul style="list-style-type: none"> • executive remuneration and incentive policies; • the Company's recruitment, retention and termination policies and procedure for senior management; • superannuation arrangements; and • the remuneration of executive directors, with Mr Kasaneva excusing himself from the deliberations.
8.2	Structure the remuneration committee so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members 	Refer to 8.1 - not applicable.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply. The structure of non-executive directors' remuneration is clearly distinguished from the structure of executive director and senior management remuneration, in that non-executive directors' remuneration is not linked to the performance of the Group. Remuneration of non-executive directors is determined within the maximum amount approved by shareholders from time to time. The remuneration report contained in the Directors' Report details the remuneration of Directors and senior executives.
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	Comply. The non-executive directors receive no retirement benefits, other than statutory superannuation contributions for Australian resident directors. The Company has no equity based remuneration schemes, therefore employees cannot enter into transactions which limit the economic risk of their unvested entitlements.

Statement of Issued Capital

As at 31 August 2014 the total issued capital of Austral Gold Limited was 170,831,137 ordinary shares. 170,831,137 shares were quoted on the Australian Securities Exchange under the code AGD. The only shares of the Company on issue are fully paid ordinary shares. None of these shares are restricted securities or securities subject to voluntary escrow 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, by proxy, by attorney or by representative shall have one vote. On a poll, every member present in person, by proxy, by attorney or by representative shall have one vote for every share held.

As at 31 August 2014, there exist 140,949 unlisted options as set out below:

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

Options do not carry any voting rights.

These options were issued to Chad Williams, a consultant providing financial advisory and corporate finance services to the Group.

Distribution of fully paid ordinary shares

as at 31 August 2014

Size of Holding	Holders	Shares held	% of issued capital
1 – 100	188	9,365	0.01
101 – 1,000	427	236,127	0.14
1,001 – 5,000	271	722,996	0.42
5,001 – 10,000	80	651,711	0.38
10,001 – 50,000	55	1,247,331	0.73
50,001 – 100,000	18	1,221,072	0.71
>100,001	26	166,742,535	97.61
	1,065	170,831,137	100.00

The number of members holding less than a marketable parcel of 4,167 ordinary shares (based on a market price of AUD \$0.12 on 31 August 2014) is 853. They hold a total of 807,707 ordinary shares.

Substantial Shareholders

The Company has been notified of the following substantial shareholdings as at 24 September 2014:

Registered Holder	Beneficial Holder	Shares Held
Citicorp Nominees	Inversiones Financieras Del SUR SA (IFISA)	115,066,915
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
		144,817,951

Top twenty shareholders as at 31 August 2014

Rank	Name	No. of shares	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	126,045,070	73.78
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	25,065,230	14.67
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED LIMITED <EUROCLEAR BANK SA NV A/C>	2,966,330	1.74
4	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,094,651	1.23
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,052,932	1.20
6	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,586,669	0.93
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,485,576	0.87
8	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.68
9	FINARG1 SERVICES COMPANY LTD	770,416	0.45
10	MR RODNEY DAVID JACKSON	300,000	0.18
11	JP MORGAN TRUST COMPANY LTD <THE AUSTRIA A/C>	297,445	0.17
12	LIMOL TRADING CORP	297,445	0.17
13	MOSHE AMBARCHI	250,000	0.15
14	JOAMEL HOLDINGS PTY LTD <ROXBURGH SUPER FUND A/C>	250,000	0.15
15	DR PRASHANTA KUMER MALLICK + MRS RENU MALLICK <CLASSIC SUPER FUND A/C>	248,008	0.15
16	BIRCHALL PROJECTS LTD	230,000	0.13
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	0.11
	Total	165,920,451	97.13
	Other	4,910,686	2.87
	Total shares on issue	170,831,137	100.00