

**AUSTRALGOLD**

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16 February 2010

Ms Jenny Cutri  
Assistant Manager, Issuers (Perth)  
Australian Securities Exchange (ASX)  
2 The Esplanade  
Perth WA 6000

Dear Ms Cutri

I refer to your fax of 12 February 2010 regarding Austral Gold Limited's Quarterly Report Appendix 5B for the quarter ended 31 December 2009. I am responding on behalf of our Company Secretary Catherine Lloyd, to whom you addressed your fax, as she is currently on leave.

Austral Gold Limited (the Company) is an exploration company and relies on financing provided from its majority shareholder, Inversiones Financieras Del Sur SA (IFISA).

In answer to your questions 1, 2 and 3, please be advised that the Company has recently put in place a new Funding Agreement with Guanaco Capital Holding Limited (an associate of IFISA). This funding agreement dated 9 February 2010 has a facility limit of USD25million and an expiry date of 31 March 2011. It replaces a predecessor funding agreement which had a facility limit of USD9million. Approximately USD16million additional funding is now available to the Company to meet its expenditure obligations into the future, including the steps now being taken towards the restart of mining and processing operations at its Guanaco gold, silver and copper project in Northern Chile.

In response to your question 4, the Board is aware of its reporting obligations under ASX Listing Rule 3.1 and Directors believe they have provided all information to enable a fully informed market with regard to Austral Gold. The Company's operations have for some years been funded by the major shareholder and the new Funding Agreement provides for a continuation of this arrangement.

In response to your question 5, asking the Company to confirm it is in compliance with Listing Rule 12.2 *Financial Condition*, the Board is aware of the Company's negative cash flow position. It continuously reviews expenditure against available funds and forecasted cash flows to ensure funds are used efficiently to achieve the Company's strategy.

The Board has and continues to discuss potential future sources of funding and will report these to the market in line with continuous disclosure requirements.

Yours Sincerely

Mark Bethwaite  
Chairman



ASX Markets Supervision Pty Ltd  
ABN 26 087 780 489  
2 The Esplanade  
Perth WA 6000

GPO Box D187  
Perth WA 6840

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12 February 2010

Ms Catherine Lloyd  
Company Secretary  
Austral Gold Limited  
Suite 605  
Terrace Towers Level 6  
80 William Street  
SYDNEY NSW 2011

Facsimile: (02) 9380 7972

Dear Catherine

**Austral Gold Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2009 released to ASX Limited ("ASX") on 28 January 2010 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and debtors of \$0.
2. Net negative operating cash flows for the quarter of \$1,744,000.
3. Cash at end of quarter of \$371,000.
4. Loan facility of \$406,000 available.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5.00 p.m. W.S.T. on Wednesday 17 February 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0003.

Yours sincerely



Jenny Cutri  
Assistant Manager, Issuers (Perth)