

AUSTRAL GOLD LIMITED

AND ITS CONTROLLED ENTITIES
ABN 30 075 860 472

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2007

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Austral Gold Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the auditors' review report thereon.

DIRECTORS

The directors of Austral Gold Limited (the Company) at any time during or since the end of the half-year are:

Name

Mark Bethwaite
Chairman / Non-Executive Director

Robert Trzebski
Non-Executive Director

Eduardo Elsztain
Non-Executive Director

Saul Zang
Non-Executive Director

Pablo Vergara del Carril
Non-Executive Director

Natalia Zang
Alternate Non-Executive Director

All Directors were in office for the full reporting period, being 1 July 2007 to 31 December 2007.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The consolidated loss for the half-year ended 31 December 2007 was \$337,019 (31 December 2006: \$674,289 loss). Included in the reported loss are foreign exchange gains of \$40,463.

Further information on the Company's operations during the half-year ended 31 December 2007 has been released in the Company's earlier announcements and reports to the ASX for the September and December quarters. These are available for review on the Company's website at www.australgold.com.au.

CORPORATE

At the AGM held on 30 November 2007, shareholders voted in favour of all resolutions as set out in the Notice of Annual General Meeting.

In summary, those resolutions were to

- receive and consider the Annual Financial Report together with the Directors' and Auditor's Reports for the period ending 30 June 2007
- adopt the Remuneration Report
- re-elect Mr Eduardo Elsztain as a Director
- re-elect Mr Saul Zang as a Director

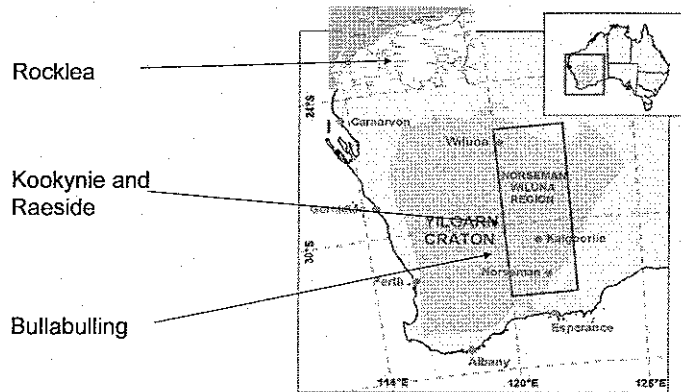
Appointment of Officers

Ms Denise Lindfield resigned as Chief Financial Officer & Company Secretary on 30 November 2007 and Ms Catherine Lloyd was appointed Chief Financial Officer & Company Secretary on the same day.

EXPLORATION ACTIVITIES

AUSTRALIA

Australian Exploration Areas



Bullabulling Project, (95% interest)

The Bullabulling Project is located 60 kilometres west-southwest of Kalgoorlie-Boulder in the Eastern Goldfields Province of Western Australia. The project comprises eight granted Prospecting Licences covering a total area of 12.33 square kilometres in the historical Bullabulling gold mining area.

Exploration by the Company has comprised geological structural interpretation of satellite imagery that resulted in identification of a major shear zone about 12 to 14 kilometres wide which cuts across the P15/4514 to P15/4516 tenement group. In November – December 2006, 22 lag samples were collected along a 1,800 metres long north-south traverse to the north of the Great Eastern Highway. The results of this program indicated a significant anomaly. The analytical results indicate that background gold values range between 2 parts per billion (ppb) and 6 ppb. The anomaly has a peak of more than 300 ppb (0.34 parts per million). Exploration of the Bullabulling Project is an ongoing project.

An exploration program for 2007/08 has been submitted to the WA Department of Industry & Resources. This program includes extensive additional soil lag sampling for the southern tenement group. Soil lag sampling is also planned to investigate an interpreted shear zone in P15/4518 and P15/4519 of the northern tenement group. A program of soil lag sampling is planned for the P15/4514 to P15/4519 tenements. The objective is to identify significant gold targets and investigate deep target potential by RC drilling.

Contract field personnel are currently being sought to carry out this program during the June 2008 half year.

Kookynie Project (95% interest)

The Kookynie Project is located about 45 km south east of Leonora in the Eastern Goldfields Province and is comprised of four Prospecting Licences P40/1112, P40/1116, P40/1117 and P40/1118. Previous exploration activity has been concentrated on the search for regolith (weathered rock) hosted near surface small gold deposits.

Due to low mineral prospectivity, the Company has decided to relinquish these tenements.

Rocklea Project (100% interest)

The Rocklea Project comprises a total area of approximately 207 square kilometres located in the West Pilbara Mineral Field of Western Australia, approximately 30 kilometres south-west of the town of Tom Price. Exploration Licence EL47/952 was granted by the WA Department of Industry and Resources on 21 January 2008. On 14 January 2008, Austral Gold Limited appointed Prime Corporate Finance Pty Limited to manage the sale of the Rocklea Project and an Information Memorandum has since been distributed to interested parties.

Raeside Project (75% interest)

The Raeside Project comprises Exploration Licence application E37/736 covering a total area of about 210 sq km and is centred 60 km west-northwest of Leonora.

Following a re-evaluation of all available data, the Company decided to relinquish this tenement.

CHILE

Guanaco Project, 51% interest

Exploration drilling at Guanaco has been focused in the Cachinalito, Dumbo and Perseverancia systems. Some 20,000 metres of reverse circulation drilling involving 100 holes was undertaken at Guanaco in calendar 2007.

Geophysics

In the December quarter, a geophysical program using a resistivity technique developed by Zonge was conducted with over 60 kilometres of linear profile data recorded. This data is now being analysed with the objective of identifying new drilling targets.

Geochemistry

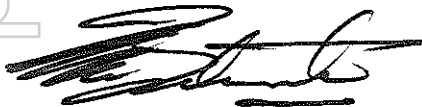
Samples of cuttings from reverse circulation air drilling were collected in the Cachinalito Central and Cachinalito Oeste areas. These samples will be used for tests to design a milling and grinding circuit.

Geology

Mapping of the Sierras Las Pailas and Inesperada sectors continued and were 50% and 80% complete respectively by the end of December.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with the audit independence requirements of the Corporations Act 2001, the directors have received and are satisfied with the "Auditors' Independence Declaration" provided by the Austral Gold Limited external auditors PKF. The Auditors' Independence Declaration has been attached on page 14 of this half year financial report.



Mark Bethwaite
Chairman

Dated: 12 March 2008

CONDENSED INCOME STATEMENT

For the period ended 31 December 2007

	Note	Consolidated	
		Half Year	Half Year
		31 December 2007	31 December 2006
		\$	\$
Revenue	3	1,031	111,973
Other income	3	40,463	-
Finance Costs		(58,835)	(10)
Other expenses from ordinary activities			
- Exploration and evaluation expenditure		-	(10,490)
- Exchange rate differences		-	(413,466)
- General and administration expenses		(284,498)	(362,296)
- Share of loss of associate		(35,180)	-
Profit / (Loss) before income tax		(337,019)	(674,289)
Income tax		-	-
Profit / (Loss) after income tax		(337,019)	(674,289)
Loss after tax attributable to minority interest		-	-
Net profit/ (loss) attributable to members of the parent entity		(337,019)	(674,289)
Earnings per share (EPS)			
Basic EPS (cents)		(0.005)	(0.002)
Diluted EPS (cents)		(0.005)	(0.002)

There were no other non-owner transaction changes in equity.

All amounts relate to continuing operations.

The above condensed Income Statement is to be read in conjunction with the notes to the financial statements.

CONDENSED INTERIM BALANCE SHEET

As at 31 December 2007

	Consolidated	
	31 December 2007	30 June 2007
Note	\$	\$
Current Assets		
Cash and cash equivalents	47,242	136,317
Trade and other receivables	14,199	28,086
Total Current Assets	61,441	164,403
Non- Current Assets		
Financial Assets	24,065,168	22,997,678
Intangible assets	2,155,764	2,116,888
Plant and equipment	11,162	12,848
Exploration and evaluation expenditure	7,086	7,086
Total Non- Current Assets	26,239,180	25,134,500
Total Assets	26,300,621	25,298,903
Current Liabilities		
Trade and other payables	15,635	47,933
Short Term Borrowings	2,317,196	946,161
Total Current Liabilities	2,332,831	994,094
Total Liabilities	2,332,831	994,094
Net Assets	23,967,790	24,304,809
Equity		
Issued capital	15,914,254	15,914,254
Accumulated losses	(2,182,835)	(1,845,816)
Reserves	10,236,371	10,236,371
Minority equity interest	-	-
Total Equity	23,967,790	24,304,809

The condensed Interim Balance Sheet is to be read in conjunction with the notes to the financial statements.

CONDENSED CASH FLOW STATEMENT

For the period ended 31 December 2007

	Consolidated	
	Half Year 31 December 2007	Half Year 31 December 2006
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(340,105)	(371,532)
Finance costs		(10)
Net cash used in operating activities	(340,105)	(371,542)
Cash flows from investing activities		
Proceeds from sale of plant and equipment		-
Interest received	1,031	10,139
Payments for exploration and evaluation expenditure		(44,519)
Net cash provided by/(used) in investing activities	1,031	(34,380)
Cash flows from financing activities		
Proceeds from issue of shares		540,000
Proceeds from borrowings	250,000	-
Net cash provided by financing activities	250,000	540,000
Net increase / (decrease) in cash held	(89,075)	134,078
Cash at the beginning of the period	136,317	223,650
Cash at the end of the period	47,242	357,728

The condensed cash flow statement is to be read in conjunction with the notes to the financial statements.

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CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2007

CONSOLIDATED	Attributable to equity holders of the parent				Total	Minority Interest	Total Equity
	Issued capital	Equity pending Issue	Accumulated losses	Reserves			
	\$	\$	\$	\$	\$		\$
At 1 July 2006	37,281,992	1,000,000	(32,346,793)	-	5,935,199	-	5,935,199
Reduction of share capital (AGM 24/11/2006)	(31,898,426)	-	31,898,426	-	-	-	-
Loss for the period	-	-	(674,289)	-	(674,289)	-	(674,289)
Shares issued	1,540,000	(1,000,000)	-	-	540,000	-	540,000
At 31 December 2006	6,923,566	-	(1,122,656)	-	5,800,910	-	5,800,910

CONSOLIDATED	Attributable to equity holders of the parent				Total	Minority Interest	Total Equity
	Issued capital	Equity pending Issue	Accumulated losses	Reserves			
	\$	\$	\$	\$	\$		\$
At 1 July 2007	15,914,254	-	(1,845,816)	10,236,371	24,304,809	-	24,304,809
Loss for the period	-	-	(337,019)	-	(337,019)	-	(337,019)
Shares issued	-	-	-	-	-	-	-
At 31 December 2007	15,914,254	-	(2,182,835)	10,236,371	23,967,790	-	23,967,790

The transaction reducing share capital on 24 November 2006 was not reflected in the 30 June 2007 accounts in error. Prior period comparatives in this report have been amended to correct this omission.

The condensed statement of changes in equity is to be read in conjunction with the notes to the financial

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Austral Gold Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. Austral Gold Limited has prepared a consolidated financial report incorporating the entities that it controlled during the period ended 31 December 2007.

The nature of the operations and principal activities of the Group are described in the directors report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of preparation of half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Austral Gold Limited as at 30 June 2007, which was prepared based on Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

It is also recommended that the half-year financial report be considered together with any public announcements made by Austral Gold Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

Included in non-current assets is an investment in Guanaco Mining Company Limited amounting to \$24,065,168 and, in addition, goodwill relating to the Guanaco Mining project of \$2,155,764. The ongoing viability of the consolidated entity and the recoverability of its non-current assets is dependent on the success of the project. The Directors believe that the project will be ultimately successful and that the non-current assets are included in the interim Financial Report at their recoverable amount.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure and exploration commitments and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the consolidated entity will be able to fund future operations and continue to meet its debts as and when they become due and payable through the ongoing support of the Company's major shareholder, equity raising, and sale or joint venturing of interests held in mineral tenements and projects.

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

(II) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(III) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Austral Gold Limited and the entities it controlled during the period ended 31 December 2007 ('the Group').

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

Adjustments (if any) are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Controlled entities are consolidated from the date on which control is transferred to the Group and will cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of an entity in the Group, the consolidated financial statements will include the results for the part of the reporting period during which Austral Gold Limited has control.

(IV) Significant accounting policies

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report of Austral Gold Limited for the year ended 30 June 2007.

3. REVENUE AND OTHER INCOME

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Revenue		
Interest received	1,031	111,973
Other income		
Revenue from outside operating activities:		
Exchange rate differences	40,463	-

4. EQUITY SECURITIES ISSUED

	Consolidated			
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	Number of Shares	Number of Shares	\$	\$
Shares issued via placements	-	35,813,954	-	1,540,000
	-	35,813,954	-	1,540,000

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5. SEGMENT INFORMATION

Business segments

The consolidated entity operates in one business segment being precious mineral exploration.

Geographical segments

	31 December 2007		31 December 2006	
	Australia	Chile	Australia	Chile
	\$	\$	\$	\$
Revenue	41,494	-	111,973	-
Net gain/(loss)	(301,839)	(35,180)	(674,289)	-

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Since the last annual reporting date there has been no material change of any contingent liabilities or contingent assets.

7. CONTROLLED ENTITIES

Particulars in relation to controlled entities	Consolidated equity interest	
	31 December	30 June
	2007	2007
	%	%
Parent entity		
Austral Gold Limited		
Controlled entities		
Golden Rose Pty Limited	100	100
Golden Rose International Pty Limited	100	100

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 14 January 2008 the Company appointed Prime Capital Finance Pty Limited to manage the sale of the Rocklea Project.

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On 4 February 2008 the Company and Guanaco Capital Holding (GCH) signed a Funding Agreement upon which Austral Gold has requested GCH provide financing to satisfy the payment of costs and expenses relating to its interest in Guanaco Mining Company (GMC). The facility has a limit of up to USD 10,000,000 and accrues interest from 1 July 2007 at the 11-month term deposit interest rate published by Westpac every week. As of the date of signing the Funding Agreement the interest rate amount was 7.30% per annum. As of December 31, 2007 the monies lent by GCH to the Austral Gold consolidated group totalled AUD 1,816,997 equivalent to USD 1,594,589 (including AUD 42,786 equivalent to USD 37,549 in interest). These loans shall be repaid:

- (i) out of the proceeds resulting from the next rights issue or the issuance of equity securities,
- (ii) upon the injection of funds to the Company by a third party,
- (iii) the sale of Rocklea.

As a result of the above funding agreement, contributions totalling \$696,161 related to the period ended 30 June 2007 and accordingly, prior period comparative figures have been restated in this report.

On 4 February 2008 the Company and Guanaco Capital Holding (GCH) signed a Funding Agreement upon which Austral Gold has requested GCH to provide financing to satisfy the payment of costs and expenses of its ongoing operations. The facility has a limit of up to USD 1,500,000 and accrues interest from 1 July 2007 at the 11-month term deposit interest rate published by Westpac every week. As of the date of signing the Funding Agreement the interest rate was 7.30% per annum. As of December 31, 2007 the monies lent by GCH to Austral Gold totalled AUD 500,199 equivalent to USD 438,975 (including AUD 16,050 equivalent to USD 14,085 in interest). The Company shall repay the loan:

- (i) out of the proceeds resulting from the next rights issue or the issuance of equity securities,
- (ii) upon the injection of funds to the Company by a third party,
- (iii) the sale of Rocklea.

Other than as stated above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the consolidated entity, in future financial years.

9. DIVIDENDS

No dividends were declared or paid during the six months ended 31 December 2007.

DIRECTORS' DECLARATION

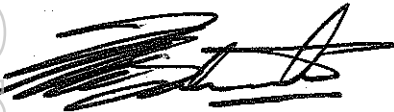
The Directors declare that the financial statements and notes set out on pages 5 to 12:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- b) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that Austral Gold Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Mark Bethwaite
Chairman

Dated: 12 March 2008



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION – HALF YEAR FINANCIAL REPORT

Auditor's Independence Declaration

As lead auditor for the audit of Austral Gold Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

Bruce Gordon
Partner

Sydney
12 March 2008

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRAL GOLD LIMITED

We have audited the accompanying Half Year Financial Report of Austral Gold Limited (the consolidated entity), prepared in accordance with AASB 134 "Interim Financial Reporting", which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the half year

Directors' Responsibility for the Half Year Financial Report

The Directors of Austral Gold Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Independence

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

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Auditor's Opinion

In our opinion

- (a) the financial report of Austral Gold Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

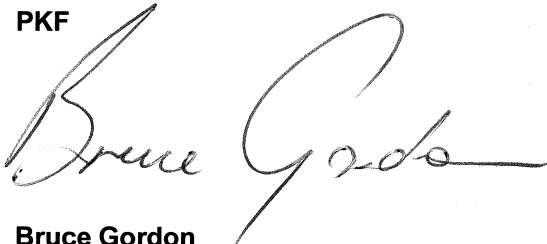
Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to the financial statements which indicates that the consolidated entity incurred a net loss of \$337,019 during the half year ended December 2007 and, as at that date, the consolidated entity's current liabilities exceeded its current assets by \$2,271,390. These conditions, along with other matters as set forth in Note 2(l), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

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



PKF

**Bruce Gordon**
Partner12 March 2008
Sydney