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AUSTRAL GOLD LIMITED

AND ITS CONTROLLED ENTITIES
ABN 30 075 860 472

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2010

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 2010 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.

AUSTRALGOLD

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Corporate Directory

Directors:	Mark Bethwaite AM - Chairman Eduardo Elsztain – Non Executive Director Saul Zang – Non Executive Director Robert Trzebski - Non Executive Director Pablo Vergara del Carril - Non Executive Director Stabro Kasaneva – Executive Director
Company Secretary:	Jemma Dudley-Smith
Registered Principal Office:	Suite 605, Level 6, 80 William Street Sydney NSW 2011 Telephone: (02) 9380 7233 Facsimile: (02) 9380 7972 Email: info@australgold.com.au Website: www.australgold.com.au
Antofagasta, Chile Office:	14 de Febrero 1822, of. 8 Antofagasta, Chile Telephone: 56-55-440304 Facsimile: 56-55-440305
Auditors:	PKF Level 10, 1 Margaret Street Sydney NSW 2000
Share Registry:	Computershare GPO Box 2975 Melbourne VIC 3001 Tel (within Australia) 1300 850 505 Tel (outside Australia) +61 3 9415 5000
Principal Bankers:	National Australia Bank Limited
Solicitors:	Norton Rose Australia
Listed: Code:	Australian Stock Exchange AGD
Place of Incorporation:	Western Australia

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2010 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:

Mark Bethwaite AM
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

Stabro Kasaneva
Executive Director

All Directors were in office for the full reporting period, being 1 July 2010 to 31 December 2010.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The consolidated profit for the half-year ended 31 December 2010 was $2,042,294 (31 December 2009: $2,297,772). Included in the reported profit are unrealised foreign exchange gains of $4,135,754 (31 December 2009: $525,063).

Further information on the Company's operations during the half-year ended 31 December 2010 has been released in the Company's 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 29 November 2010, 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 year ended 30 June 2010
- adopt the Remuneration Report
- re-elect Mr Mark Bethwaite as Chairman
- re-elect Mr Pablo Vergara del Carril
- Approval of Total Aggregate Remuneration to Directors

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EXPLORATION ACTIVITIES

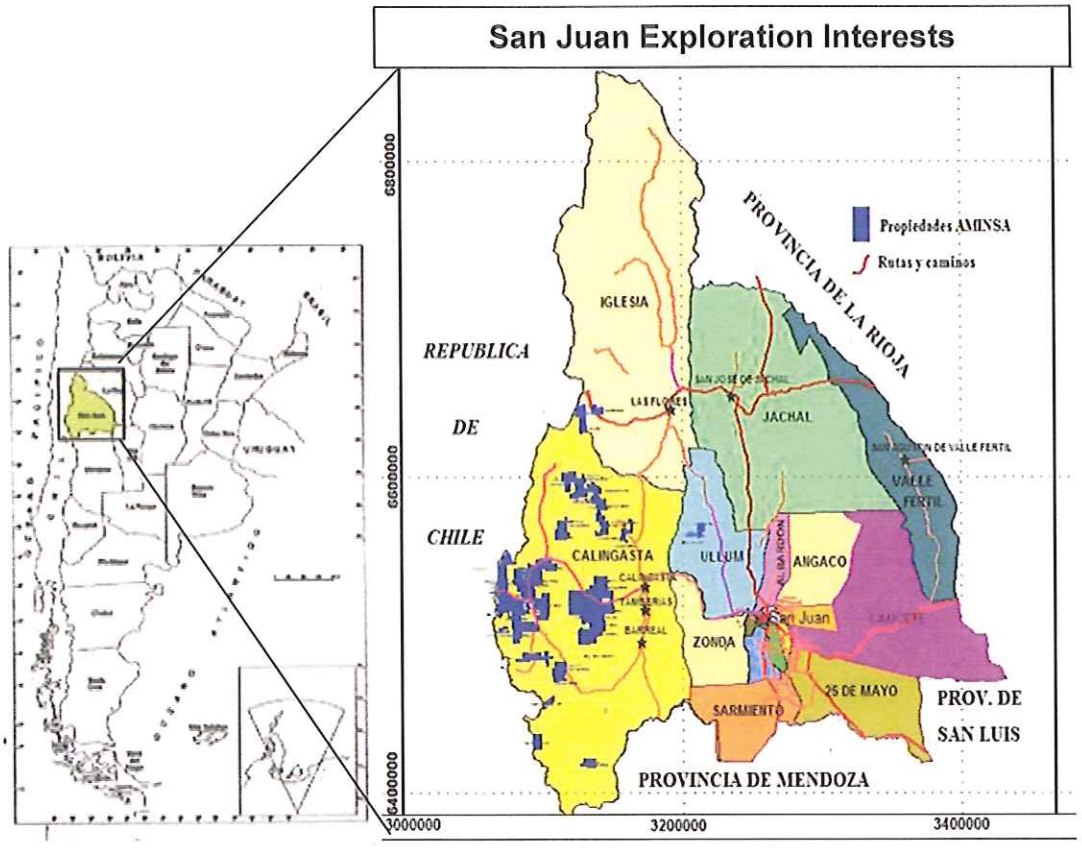
SOUTH AMERICA

Austral Gold has exploration areas in Argentina and Chile and a significant mineral deposit in Chile.

In Argentina, Austral Gold is active in the province of San Juan and has interests in the province of Santa Cruz.

San Juan, Argentina

San Juan is in the north west of Argentina, near the border with Chile. Under an Agreement with Argentina Minera SA (AMINSA), Austral Gold is earning an interest in tenements covering approximately 227,000 hectares in San Juan.



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

AMINSA hired field staff to collect surface samples to further investigate the gold anomaly discovered in the last campaign. The target has been called "Rincones de Araya Este" and the objective of this sampling campaign is to determine the source of the anomaly.

Santa Cruz, Argentina

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

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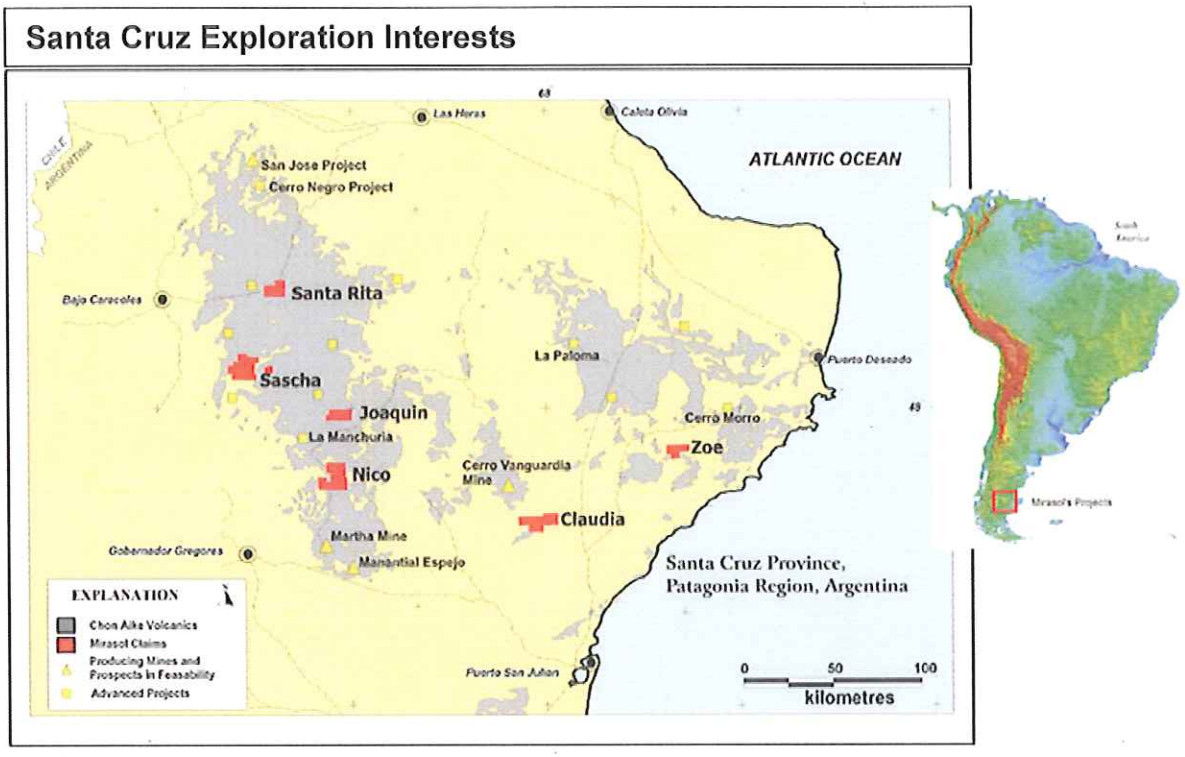

During December 2010, mapping of the entire property of 8 de Julio was completed. Operations Director Stabro Kasaneva and a consultant reviewed the results and 13 target areas were mapped at a larger scale. At least three areas indicate veins with potential oreshoots. 91 samples were sent for ICP assaying.

The geological report and final map is expected soon. Further exploration will depend on the results of geochemical sampling. The Company anticipates applying ground magnetics in at least three areas considered as high priority due to the indicators of surface mineralisation.

Guanaco Project, Chile

The Guanaco project is the Company's key asset. Guanaco is located some 220 kilometres south east of Antofagasta in northern Chile at an elevation of 2600 metres. There has been significant and ongoing progress at Guanaco during the December 2010 half year.

First Gold Production
On 26 October 2010, the Company announced pouring the first gold Dore bar from retreatment of heap leach material. Gold production is not yet continuous as the commissioning of the processing plant continues. Gold production for the quarter ending 31 December 2010 was 331 ounces and silver production 431 ounces. With resolution of a number of commissioning problems, gold production is expected to improve in coming quarters.

Recommencement of Open Cut Mining
On 6 October 2010, the Company announced the engagement of Incopesa, an open cut mining contractor, to undertake open pit mining and heap leach operations at Guanaco. Work on deepening existing open pits and re-handling heap leach material for secondary treatment has now commenced with freshly mined ore now being delivered to the primary crusher.

Decline Construction
Decline construction was completed in December 2010 with a total length of 1,641 meters. Two ventilation raises and civil works at the decline portal were also constructed.

Minesite Exploration
In September the 2010 drilling program concluded after completing 85 reverse circulation drill holes totaling 15,257 metres. The results of this drilling program are now being interpreted. During December 2010, the geology team focused on the conceptualisation of an exploration program in the Herradura-Salvadora sector to conduct a drilling campaign in 2011.

Exploration Tenements
There has been an increase of about 22% in the Company's tenements near Guanaco since June 2010. New claims were submitted during this half year for 28 tenements totaling 7,500 hectares.

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 17 of this half year Financial Report.

Mark Bethwaite

Chairman

Dated: 16 March 2011

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STATEMENT OF COMPREHENSIVE INCOME

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Half Year Consolidated	
		31 December 2010	31 December 2009
		$	$
Continuing Operations			
Operating activities		983	816
Other revenue		6	3
	3	**989**	**819**
Depreciation expense		(27,102)	(22,678)
Exploration and evaluation expenditure written off		(287)	(5,058)
Finance costs		(1,363,696)	(110,633)
Administration expenses		(499,423)	(352,560)
Employee benefits expense		(203,941)	(156,943)
Impairment loss reversal		-	2,419,762
Gain from foreign exchange		4,135,754	525,063
Profit from continuing operations before income tax		**2,042,294**	**2,297,772**
Income tax expense		-	-
Profit from continuing operations after income tax		**2,042,294**	**2,297,772**
Profit after tax attributable to minority equity interest		-	-
Net Profit for the period		**2,042,294**	**2,297,772**
Other Comprehensive Loss			
Foreign currency translation		(7,924,067)	(2,827,725)
Total comprehensive income for the period		**(5,881,773)**	**(529,953)**
Earnings per share (cents per share):			
Basic earnings per share		1.21c	1.36c
Diluted earnings per share		1.21c	1.36c

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

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STATEMENT OF FINANCIAL POSITION

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2010

	Notes	Consolidated	
		31 December 2010	30 June 2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		88,180	1,399,382
Other receivables		5,932,328	3,061,046
TOTAL CURRENT ASSETS		6,020,508	4,460,428
NON-CURRENT ASSETS			
Other receivables		40,530	280,943
Financial assets		4,028,241	4,061,595
Intangible assets	5	69,463,673	57,000,000
Plant and equipment		3,605,256	4,266,272
Exploration and evaluation expenditure	4	73,547	39,065
TOTAL NON-CURRENT ASSETS		77,211,247	65,647,875
TOTAL ASSETS		83,231,755	70,108,303
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,210,442	5,007,846
Provisions		14,755	12,142
Borrowings		41,361,332	22,561,292
TOTAL CURRENT LIABILITIES		46,586,529	27,581,280
TOTAL LIABILITIES		46,586,529	27,581,280
NET ASSETS		36,645,226	42,527,023
EQUITY			
Issued capital		44,400,742	44,400,742
Accumulated losses		(1,464,804)	(3,507,098)
Reserves		(6,290,783)	1,633,284
Minority Interest		71	95
TOTAL EQUITY		36,645,226	42,527,023

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

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STATEMENT OF CHANGES IN EQUITY

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Issued capital	Retained earnings/ (accumulated losses)	Reserves	Minority interest	Total
	$	$	$	$	$
Consolidated				-	
Balance at 1 July 2009	**44,398,254**	**5,658,482**	**2,951,104**	**101**	**53,007,941**
Total comprehensive income for the period	-	2,297,772	(2,827,725)	-	(529,953)
Decrease in minority interest attributable to foreign exchange	-	-	-	(9)	(9)
Balance at 31 December 2009	**44,398,254**	**7,956,254**	**123,379**	**92**	**52,477,979**
				-	
Balance at 1 July 2010	**44,400,742**	**(3,507,098)**	**1,633,284**	**95**	**42,527,023**
Total comprehensive income for the period	-	2,042,294	(7,924,067)	-	(5,881,773)
Decrease in minority interest attributable to foreign exchange	-	-	-	(24)	(24)
Balance at 31 December 2010	**44,400,742**	**(1,464,804)**	**(6,290,783)**	**71**	**36,645,226**

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

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STATEMENT OF CASH FLOWS

AUSTRAL GOLD LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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	Half Year Consolidated	
	31 December 2010	31 December 2009
	$	$
Cash flows from operating activities		
Payments to suppliers and employees	(3,131,631)	(333,563)
Net cash used in operating activities	**(3,131,631)**	**(333,563)**
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	-
Purchase of property, plant and equipment	(32,453)	-
Investment in unlisted shares	(590,045)	(1,102,049)
Payment for exploration and evaluation expenditure	(43,840)	(2,384,600)
Investment in development assets	(18,389,116)	-
Interest received	983	816
Net cash (used in)/provided through investing activities	**(19,054,471)**	**(3,485,833)**
Cash flows from financing activities		
Loans from related party	18,800,040	3,960,682
Net cash provided through/(used in) financing activities	**18,800,040**	**3,960,682**
Movement attributable to foreign currency translation	2,074,860	-
Net increase/(decrease) in cash held	(3,386,062)	141,286
Cash at beginning of financial year	1,399,382	240,679
Cash at end of financial year	**88,180**	**381,965**

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

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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 2010.

The nature of the operations and principal activities of the consolidated entity 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 2010, 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 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Going Concern

The consolidated entity's current liabilities exceed its current assets by $40,566,021 (30 June 2010: $23,120,852).

This condition indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The consolidated entity currently has funding agreements in place with its major shareholder and a related party which provides a facility of up to US$51,000,000. This agreement terminates in March 2012. The consolidated entity's major shareholder has indicated that it will continue to support and fund the consolidated entity.

The ongoing viability of the consolidated entity and the recoverability of its non-current assets is dependent on future funding and the success of the Guanaco project. The Directors believe they will be successful in obtaining sufficient funds, 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. However, if additional funds are not sourced, the going concern basis may not be appropriate with the result that the consolidated entity 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 half year financial report. No allowance for such circumstances has been made in the half year 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 2010 ('the Consolidated Entity').

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-Consolidated Entity transactions, have been eliminated in full.

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

Where there is loss of control of an entity in the Consolidated Entity, the consolidated financial statements will include the results for the part of the reporting period during which Austral Gold Limited had 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 2010.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

3. REVENUE AND OTHER INCOME

	31 December 2010 $	31 December 2009 $
Revenue		
Interest Received	983	816
Other Revenue		
Gain on sale asset	6	3

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4. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2010 $	30 June 2010 $
Opening	39,065	55,005,059
Write-offs – tenements relinquished	(287)	(5,058)
Reclassification as intangible (refer note 5)	-	(55,000,000)
Additions for the year	43,840	38,862
Movement attributable to foreign currency translation	(9,071)	202
Closing	73,547	39,065

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

	Consolidated	
	31 December 2010 $	30 June 2010 $
5 INTANGIBLE ASSETS		
Development assets – Guanaco	69,463,673	57,000,000
Movements in carrying value		
Reconciliations of the carrying amounts for intangible assets are set out below:		
Carrying amount at beginning of year	57,000,000	-
Reclassification from exploration and evaluation expenditure	-	55,000,000
Additions	18,389,116	10,357,388
Impairment losses	-	(6,971,678)
Movement attributable to foreign currency translation	(5,925,443)	(1,385,710)
Carrying amount at end of year	69,463,673	57,000,000

Impairment - *Development assets*

Intangible asset additions at 31 December 2010 relate to the Guanaco Project.

To support the Directors' requirement to test the carrying value of Guanaco as at 31 December 2010 for impairment, an independent valuer was engaged to review his previous valuation.

The independent valuation report indicated a valuation range between $97.1million and $118.2million with a preferred value of $107.9million when using a comparative equivalent value methodology.

As a result of impairment testing, there were no impairment losses or reversals for the half year period ending 31 December 2010.

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6. SEGMENT INFORMATION

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segment is identified by Management as an area of interest, discrete financial information about this operating segment is reported to the executive management team on at least a monthly basis.

Management have identified South America and Australia as the consolidated entity's operating segments.

	31 December 2010 $			31 December 2009 $		
	Australia	South America	Consolidated	Australia	South America	Consolidated
Interest revenue	979	4	983	773	43	816
Gain/(loss) on sale of asset	-	6	6	-	3	3
Total segment revenue	979	10	**989**	773	46	**819**
Segment gain/(loss)	3,207,119	(1,164,825)	**2,042,294**	(440,785)	2,738,557	**2,297,772**
Segment assets	33,899	83,197,856	**83,231,755**	79,583	62,195,574	**62,275,157**
Segment liabilities	(41,199,978)	(5,386,551)	**(46,586,529)**	(8,787,500)	(1,009,674)	**(9,797,174)**
Depreciation	743	26,359	**27,102**	843	21,835	**22,678**

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

8. CONTROLLED ENTITIES

Subsidiaries	31 December 2010 % owned	30 June 2010 % owned	Country of incorporation
Particulars in relation to subsidiaries			
Parent Entity			
Austral Gold Limited			Australia
Subsidiaries			
Guanaco Mining Company	100.000	100.000	British Virgin Islands
Guanaco Compañía Mineria	99.997	99.997	Chile
Austral Gold Argentina	99.499	98.000	Argentina

9. COMMITMENTS

The consolidated entity has commitments under the AMINSA Earn-In Agreement totalling US$600,000 to 30 June 2011, and a further US$650,000 to 31 December 2011.

10. EVENTS SUBSEQUENT TO REPORTING DATE

Other than stated above, no matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

11. DIVIDENDS

No dividends were declared or paid during the six months ended 31 December 2010 (2009: nil).

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DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 7 to 15:

a) comply with AASB 134, 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 2010 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: 16 March 2011

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PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Austral Gold Limited for the half-year ended 31 December 2010, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

PKF

Tim Sydenham
Partner

Sydney
16 March 2011

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austral Gold Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Austral Gold Limited which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Austral Gold Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austral Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2(l) of the half-year financial report which indicates that the consolidated entity incurred a net comprehensive loss of $5,881,773 during the period ended 31 December 2010, and, as of that date, the consolidated entity's current liabilities exceed its current assets by $40,566,021 (30 June 2010: $23,120,852).

These conditions, along with other matters as set forth in Note 2(l), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

PKF

PKF

Tim Sydenham
Partner

Sydney
16 March 2011