AUSTRAL GOLD LIMITED

HALF-YEAR FINANCIAL REPORT

DECEMBER 2013

ALL FIGURES REPORTED IN USD

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 and Associates Suite 4, Level 9 341 George Street Sydney NSW 2000	
Registered Principal Office:	Suite 206, 80 William Street Sydney NSW 2011 Tel: +61 (02) 9380 7233 Fax: +61 (02) 8354 0992 Email: info@australgold.com.au Web: www.australgold.com.au	
Antofagasta, Chile Office:	14 de Febrero 2065, of. 1103 Antofagasta, Chile Tel: +56 (55) 2892 241 Fax: +56 (55) 2893 260	
Buenos Aires, Argentina Office:	Bolivar 108 Buenos Aires (1066) Argentina Tel: +54 (11) 4323 7500 Fax: +54 (11) 4323 7591	
Share Registry:	Computershare 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	

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 2013 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 2013 and the Auditors' Review Report.

Directors

The Directors of Austral Gold Limited are:

- **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

All Directors were in office for the full reporting period, being 1 July to 31 December 2013 and up to the date of this report.

Review of operations and likely developments

On 1 July 2013 Austral Gold changed its functional and reporting currency to United States Dollars (US$). As a result, all figures presented in this financial report are in US$ including prior period figures.

The consolidated revenue and profit for the half-year ended 31 December 2013 was US$38,142,120 (31 December 2012: US$30,329,182) and US$7,001,461 (31 December 2012: US$1,787,947) respectively.

Further information on the Company's operations during the half-year ended 31 December 2013 has been released in the Company's announcements and reports to the ASX. These are available for review on the Company's website at www.australgold.com.au.

Corporate

At the AGM held on 27 November 2013, all resolutions as set out in the Notice of Annual General Meeting were approved by shareholders.

Auditors Independence Declaration

The lead auditors' independence declaration for the period ended 31 December 2013 has been received and is included in this report.

Signed in accordance with a resolution of the Directors in Sydney.

Robert Trzebski
Director
13 March 2014

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Sydney NSW 2000

Australia

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

As lead auditor for the review of Austral Gold Limited for the half-year ended 31 December 2013, 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 review; and
2. 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 period.

Tim Sydenham
Partner

BDO East Coast Partnership

Sydney, 13 March 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.

Review of Activities

The strategy of Austral Gold Limited (the Company) is to maximize shareholder value through the development of mineral deposits in which the Company has an interest.

The Company continues to explore and invest in its Guanaco gold and silver mine ("Guanaco") in northern Chile to expand the mineral resource, increase the mine's annual production and mine life and improve its financial viability. This is our primary focus. Complementing the Company's operations in South America are its investments in Canadian TSX-V listed companies, Argentex Mining Corporation ("Argentex") and Goldrock Mines Corp ("Goldrock").

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

Background

In January 2003 Austral Gold Limited obtained, through its subsidiary Golden Rose International Limited (GRIL), an option to acquire the Guanaco Project in Chile from Compañia Minera Kinam Guanaco Limitada, a wholly-owned subsidiary of Kinross Gold Corporation.

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

Project and Mine Description

The 100% owned Guanaco mine has been operated by the Company 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 down the centre of Chile, and hosts several large gold and copper mining operations including: Zaldivar, El Penon and Escondida.

The Guanaco operation includes the mining of ore from the Quillota open pit, however, the majority of the ore processed comes from the Cachinalito underground 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 the 75m and 200m levels and is contained in long shoots. High grade ore shoots (up to 180 g/t Au), 0.5 to 3.0m wide, have been mined out, but the lower grade halos, below 3 g/t, can reach up to 20m in width. The alteration pattern and the mineralogical makeup of the Guanaco ores have led to its classification as a high sulfidation epithermal deposit.

Production

Production from heap leach processes, using existing leach pads and new ore mined from two open pit mines, plus the underground operation generated 50,226 Oz of gold and 74,031 Oz of silver in the 12 months to December 2013. The average cash operating cost was approximately US$667/oz.

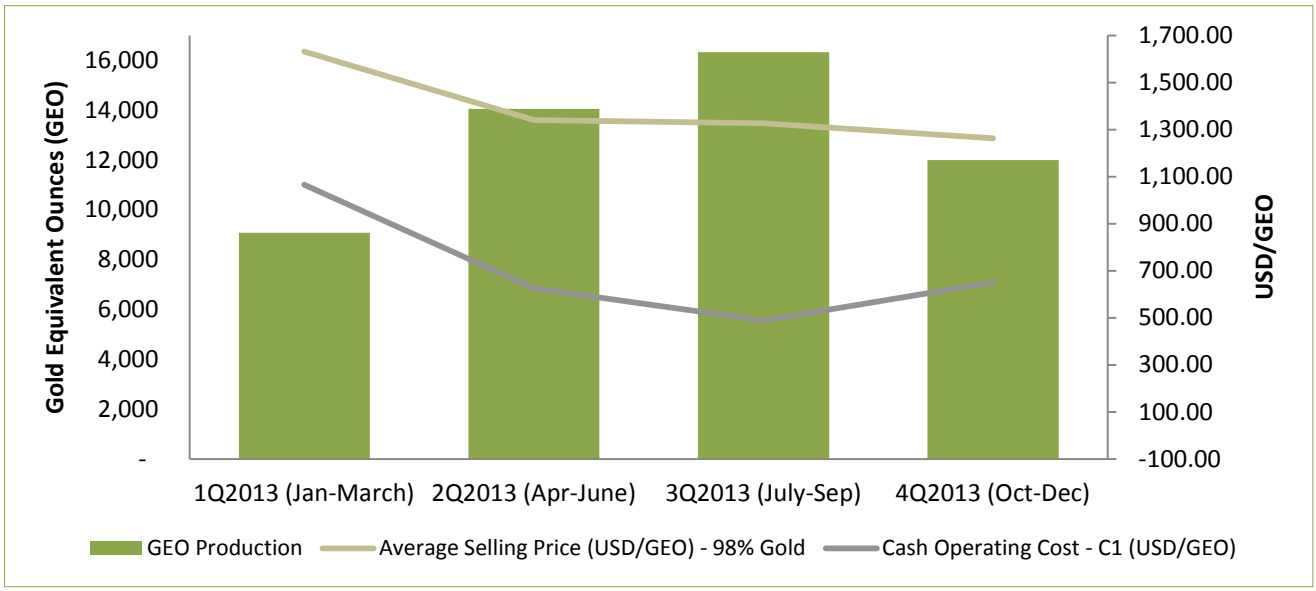
Gold and Silver Production:

Production	2011 Calendar Year	2012 Calendar Year	2013 Calendar Year	2014 (Budget) Calendar Year
Gold (Au Oz)	12,373	28,902	50,226	50,278
Silver (Ag Oz)	37,511	74,807	74,031	35,715

Guanaco Operational Performance:

	12 months to December 2013
Total Ore Mined (t)	**634,700**
Ore from Open Pits (t)	**391,174**
Open Pit Grade (Au g/t)	1.46
Ore from Underground (t)	**221,411**
Underground Grade (Au /t)	5,22
Gold Weighted Average Recovery (%)	**75.6%**
Silver Weighted Average Recovery (%)	**64.4%**
Gold Produced (oz)	**50,226**
Silver Produced (oz)	**74,031**
Cash operating cost (US$/oz)	**667**

2013 Gold Equivalent Ounces (GEO) Production per quarter



Note: The Operating cash cost (C1) for the Guanaco Mine (non-GAAP measures) includes: Mine, Plant, G&A, Smelting, and Refining costs.

Safety

During the 2013 calendar year, two lost-time accidents (LTA´s) and 31 nil lost-time accidents (NTLA´s) were reported involving employees of the Company and third-party contractors. All incidents were investigated and corrective actions have been identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Company and the implementation of strategies to identify and manage risks in our workplaces is a key priority.

Exploration Program

During the second half of 2013, several activities that include re-logging of RC chips, trenches, field and database revision work were made at the Cerro Guanaquito and Salvadora-Los Nanos sectors. The main objective was to define the geological and mineralisation model in those areas and evaluate potential additional resources.

- **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.

- **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. In the area, a new vein primarily named Olvidada Vein (NW strike), has been described and is supposed to be a later structure similar to Despreciada Vein, containing Au and Ag enrichment by remobilization. There is potential for finding high-grade zones at the intersections of the primary mineralization (normally close to the E-W strike) with the NW structures; but mainly on the extensions of these structures below the cover, where the old miners could not detect the mineralization.

Detailed geological observations in these two areas (Guanaquito and Salvadora-Los Nanos) confirmed the hypothesis on the mineralization pulses and main controls of the mineralization; in particular a confirmation of the syn and post-mineralization structural setting, and the presence of a non-lithological horizontal control, due to metal precipitation triggered by fluid mixing.

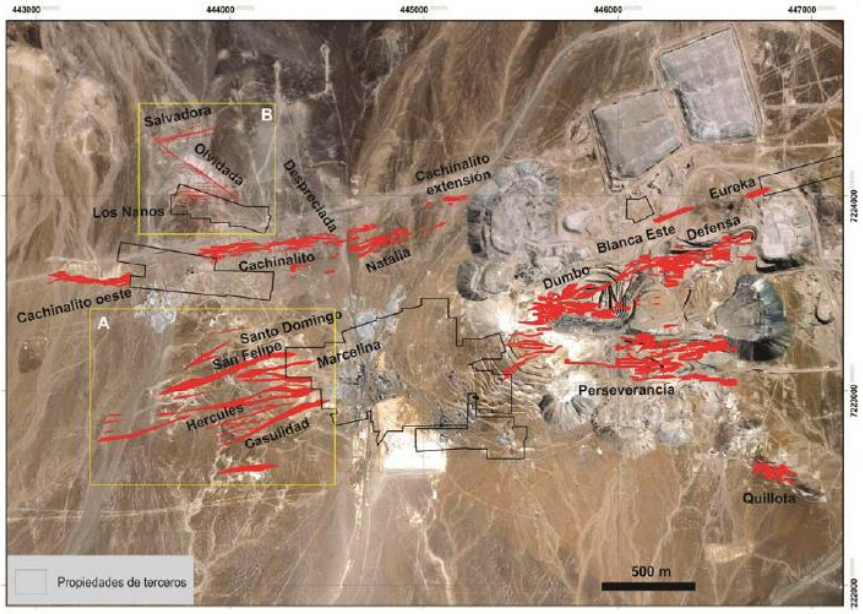


Figure 3: Cerro Guanaquito and Salvadora-Los Nanos areas.

A predictive model will be outlined for the Guanaco deposit. The model is supported by the precipitation of Au and Ag (Cu increasing at depth) along ENE to WNW structures, but contained in the 2600 to 2750 metres deep vertical interval. Then, a group of later NW faults reactivated the system, precipitating Ag-rich remobilized mineralisation in narrow and irregular zones mainly located at the intersections with the ENE to WNW structures.

A brownfield exploration program is being prepared for the high sulphidation area at Guanaco. The program, which will be developed during the first half of 2014, will consist of a detailed ground magnetic survey that will define the structural setting (especially in the covered areas), detailed mapping and sampling, and an improvement of the geological database (not completely digital).

8 de Julio Project - Santa Cruz, Argentina

In southern Patagonia, Austral Gold has nine tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz (the “8 de Julio Project”).

In 2013, the Company completed the 2013 exploration season of this project where a new systematic surface channel sampling program was executed. The study was carried out using a circular diamond 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 samples. The Barroso Grande area remains the most attractive target with gold grades up to 12 g/t where further geophysics studies were performed during 2013 covering an area of 38 km². That is, a total of 332 lines (or 910 km) of exploration study. As a result of this work, several buried structures were identified for the next exploration season with trends similar to the Deseado Massif general structure setting. In 2013, environmental approval was granted to commence trenching and drilling at the 8 de Julio property.

The next campaign will include further geological mapping and surface sampling.

Santa Cruz, Argentina

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries
For the half year ended 31 December 2013
All figures are reported in US$

	Notes	Half-Year Consolidated 31 Dec 2013 US$	Half-Year Consolidated 31 Dec 2012 US$
CONTINUING OPERATIONS			
Revenue	3	38,142,120	30,329,182
Total revenue		**38,142,120**	**30,329,182**
Cost of sales		(16,838,808)	(16,365,415)
Depreciation and amortisation expense		(7,610,095)	(5,129,498)
Finance costs		(1,223,401)	(990,674)
Administration expenses		(3,321,333)	(3,598,784)
Gain from foreign exchange		728,066	1,167,009
Profit before income tax expense		**9,876,549**	**5,411,820**
Income tax expense		(2,875,088)	(3,623,873)
Profit after income tax expense		**7,001,461**	**1,787,947**
OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Loss arising on revaluation of financial assets, net of tax		(5,211,044)	-
Total comprehensive income for the period		**1,790,417**	**1,787,947**
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	4	4.1	1.1
Diluted earnings per share	4	4.1	1.1

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 31 December 2013

All figures are reported in US$

		Consolidated		
	Notes	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
ASSETS				
Current assets				
Cash and cash equivalents		8,328,263	4,586,313	477,347
Trade and other receivables	7	7,022,897	10,327,612	3,137,105
Financial assets	8	134,405	-	-
Inventories	6	3,003,764	3,413,204	3,612,197
Total current assets		**18,489,329**	**18,327,129**	**7,226,649**
Non-current Assets				
Other receivables	7	489,699	1,644,344	3,889,090
Financial assets	8	5,108,285	47,002	345,519
Intangible assets	9	56,066,527	58,827,339	69,043,103
Plant and equipment	10	25,219,239	22,081,833	20,454,223
Exploration and evaluation expenditure	11	422,659	346,698	174,554
Total Non-current assets		**87,306,409**	**82,947,216**	**93,906,489**
TOTAL ASSETS		**105,795,738**	**101,274,345**	**101,133,138**
LIABILITIES				
Current liabilities				
Trade and other payables	12	12,152,176	4,722,204	5,752,709
Provisions		648,218	480,604	288,624
Royalties payable		1,022,704	1,719,223	733,467
Total current liabilities		**13,823,098**	**6,922,031**	**6,774,800**
Non-current Liabilities				
Provisions		934,865	831,297	754,562
Borrowings	13	55,205,379	55,614,409	58,263,946
Deferred tax liability		5,920,143	4,075,316	1,146,230
Total non-current liabilities		**62,060,387**	**60,521,022**	**60,164,738**
TOTAL LIABILITIES		**75,883,485**	**67,443,053**	**66,939,538**
NET ASSETS		**29,912,253**	**33,831,292**	**34,193,600**
EQUITY				
Issued capital	15	39,803,088	39,003,832	39,003,832
Accumulated losses		(5,353,066)	(12,698,850)	(5,015,260)
Reserves		(4,537,879)	7,526,270	204,972
Non-controlling interest		110	40	56
TOTAL EQUITY		**29,912,253**	**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 half year ended 31 December 2013

All figures are reported in US$

		Consolidated				
	Notes	Issued capital US$	Accumulated losses US$	Reserves US$	Non-controlling interest US$	Total US$
Balance at 1 July 2012		39,003,832	(5,015,260)	204,972	56	34,193,600
Total comprehensive income for the period		-	1,787,947	-	-	1,787,947
Foreign exchange movements from translation of financial statements to US dollars		-	-	(1,214,053)	-	(1,214,053)
Increase in minority interest attributable to foreign exchange		-	-	-	22	22
Balance at 31 December 2012		**39,003,832**	**(3,227,313)**	**(1,009,081)**	**78**	**34,767,516**
Balance at 30 June 2013		**39,003,832**	**(12,698,850)**	**7,526,270**	**40**	**33,831,292**
Foreign exchange movements from change of accounting policy	2(v)	*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 period		-	7,001,461	(5,211,044)	-	**1,790,417**
Foreign exchange movements from translation of financial statements to US dollars		-	-	(7,361)	-	**(7,361)**
Transactions with owners in their capacity as owners:						
Shares issued	15	185,756	-	-	-	**185,756**
Return of Capital	15	(933,866)	-	-	-	**(933,866)**
Balance at 31 December 2013		**39,803,088**	**(5,353,066)**	**(4,537,879)**	**110**	**29,912,253**

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

Statement of Cash Flows

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2013

All figures are reported in US$

		Consolidated	
		31 Dec 2013 US$	31 Dec 2012 US$
Cash flows from operating activities			
Receipts from sale of goods		38,663,595	27,831,294
Payments to suppliers and employees		(19,824,800)	(16,774,973)
Net cash provided through operating activities		**18,838,795**	**11,056,321**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	70,970
Purchase of property, plant and equipment		(645,785)	(647,989)
Payment for investment in listed shares		(7,863,826)	(160,078)
Payment for exploration and evaluation expenditure		(75,961)	(36,285)
Payment for investment in development assets		(4,794,991)	(5,339,760)
Interest received		24,804	4,013
Net cash used in investing activities		**(13,355,759)**	**(6,109,129)**
Cash flows from financing activities			
Interest paid		(12,875)	(1,540)
Return of capital to shareholders		(933,866)	-
Loans from related party		-	-
Repayment to related party		(1,524,367)	(3,962,070)
Net cash used in financing activities		**(2,471,108)**	**(3,963,610)**
Movement attributable to foreign currency translation		730,022	(95,527)
Net increase in cash held		3,741,950	888,055
Cash at beginning of the period		4,586,313	477,347
Cash at end of the period		**8,328,263**	**1,365,402**

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

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 half year financial report incorporating the entities that it controlled (the Group) during the period ended 31 December 2013.

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 has been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 as appropriate for for-profit orientated entities.

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 2013, which complies with International Financial Reporting Standards.

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 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(ii) Basis of accounting

The Half-year Financial Report has been prepared on a historical cost convention except for, where applicable, the revaluation of certain financial assets at fair value.

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 2013 ('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 inter-company 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 had control.

(iv) Significant accounting policies

The Half-year 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 2013 except for the following standards that have been early adopted and are effective for the financial half-year ended 31 December:

- AASB 9 *Financial Instruments*

The Company 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 Comprehensive Income.

Dividend income is recognised in the profit or loss.

As a result of the application of AASB 9, fair value losses of $5.2 million for the half-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 13 *Fair value measurement*

The Company has applied AASB 13 *Fair value measurement* (AASB13) and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and 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.

Management assessed that cash and cash equivalents, trade receivables and other receivables and trade payables and other payables approximate their fair value largely due to the short-term maturities of these instruments.

(v) Presentation currency

Having announced at the time of the Q2 quarterly results that the Board had decided to change the Group's reporting currency to US Dollars (US$) as from 1 July 2013, these financial statements and the accompanying notes are the first to be reported in US$.

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$:

a) Income and expenses were translated at the average exchange rate for the relevant period;

b) Assets and liabilities were translated at the closing exchange rate for each reporting sheet date: and

c) Equity items were translated at historical exchange rates.

The relevant exchange rates used were as follows:

	6 months ended 31 December 2013 AUD = US$	Year ended 30 June 2013 AUD = US$	As at 1 July 2012 AUD = US$
Average rate	0.921433	1.021183	-
Closing rate	0.88730	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 AUD. The change in presentation from AUD to US$ at 1 July 2013 had 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$ 33.8 million on 30 June 2013 to US$28.8 million on 1 July 2013, an overall decrease of US$ 4.9 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.

(vi) Change in parent company functional currency

As at 1 July 2013, 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.

3 REVENUE AND OTHER INCOME

	Half-Year Consolidated	
	31 Dec 2013 US$	**31 Dec 2012 US$**
Operating activities		
Revenue from gold and silver sales	38,001,670	30,218,689
Interest revenue	24,804	4,013
Other revenue	115,646	106,480
Total revenue	**38,142,120**	**30,329,182**

4 EARNINGS PER SHARE

Classification of securities as ordinary shares *Ordinary shares have been included in basic earnings per share.*	Half-Year Consolidated	
	31 Dec 2013 US$	**31 Dec 2012 US$**
Earnings reconciliation		
Profit after income tax expense	7,001,461	1,787,947
Weighted average number of shares used as the denominator		
Number for basic earnings per share	169,453,988	169,139,739
Number for diluted earnings per share	169,453,988	169,139,739
Basic earnings per ordinary share (cents)	4.1	1.1
Diluted earnings per ordinary share (cents)	4.1	1.1

5 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.

	31 Dec 2013			31 Dec 2012		
	Australia US$	South America US$	Consolidated US$	Australia US$	South America US$	Consolidated US$
Revenue from gold and silver sales	-	38,001,670	38,001,670	-	30,218,689	30,218,689
Interest revenue	1,342	23,462	24,804	822	3,191	4,013
Other revenue	-	115,646	115,646	-	106,480	106,480
Total segment revenue	**1,342**	**38,140,778**	**38,142,120**	**822**	**30,328,360**	**30,329,182**
Cost of sales	-	(16,838,808)	(16,838,808)	-	(14,737,541)	(14,737,541)
Amortisation	-	(4,658,310)	(4,658,310)	-	(3,099,009)	(3,099,009)
Depreciation	(711)	(2,951,074)	(2,951,785)	(803)	(2,029,686)	(2,030,489)
Finance costs	(1,115,348)	(108,053)	(1,223,401)	(989,134)	(1,540)	(990,674)
(Loss)/gain from foreign exchange	(47)	728,113	728,066	1,279,818	(112,809)	1,167,009
Other	(644,876)	(2,676,457)	(3,321,333)	(496,067)	(4,730,591)	(5,226,658)
Income tax expense	-	(2,875,088)	(2,875,088)	-	(3,623,873)	(3,623,873)
Segment profit/(loss)	(1,759,640)	8,761,101	7,001,461	(205,364)	1,993,311	1,787,947
Segment assets	1,561,912	104,233,826	105,795,738	127,973	104,479,604	104,607,577
Segment liabilities	55,330,048	20,553,437	75,883,485	54,809,942	15,030,118	69,840,060

6 INVENTORIES

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
Raw materials – at cost	1,473,719	954,708	470,293
Work in progress – at cost	1,007,642	665,962	639,251
Finished goods – at net realisable value	522,403	1,792,534	2,502,653
Total inventories	**3,003,764**	**3,413,204**	**3,612,197**

7 TRADE AND OTHER RECEIVABLES

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
CURRENT			
Trade receivables	4,400,518	4,980,827	390,867
Other current receivables	352,338	2,964,230	637,881
Pre-payments	1,843,911	1,844,583	1,509,963
GST/VAT receivable	426,130	537,972	598,394
Total current receivables	**7,022,897**	**10,327,612**	**3,137,105**
NON CURRENT			
GST/VAT receivable	66,419	94,312	64,091
Pre-payments	409,981	1,550,032	3,824,999
Other	13,299	-	-
Total non-current receivables	**489,699**	**1,644,344**	**3,889,090**

8 FINANCIAL ASSETS

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
CURRENT			
Bonds – level 1	134,405	-	-
Total current financial assets at fair value	**134,405**	**-**	**-**
NON CURRENT			
Listed equity securities - level 1	5,108,285	47,002	345,519
Total non-current financial assets at fair value	**5,108,285**	**47,002**	**345,519**

Listed equity securities represents the fair value of the Company's 19% investment in Argentex Mining (TSV: ATX) and 15% investment in Goldrock Mines (TSV: GRM), both acquired during the period. An impairment charge of US$5.2 million relating to these investments has been recognised in other comprehensive income.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy 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 consolidated entity only holds bonds and listed equity securities, 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.

Transfers

During the half year ended 31 December 2013, the consolidated entity has no level 2 or level 3 financial instruments. As such, there have been no transfers between the financial instrument levels of hierarchy.

9 INTANGIBLE ASSETS

	Consolidated		
	31 Dec 2013 US$	**30 Jun 2013 US$**	**1 Jul 2012 US$**
Development assets-Guanaco			
Cost	67,062,663	73,377,220	72,232,386
Accumulated amortisation	(17,915,162)	(14,549,881)	(3,189,283)
Carrying value - Development assets-Guanaco	**49,147,501**	**58,827,339**	**69,043,103**
Royalty agreement exit fee			
Cost	7,500,000	-	-
Accumulated amortisation	(580,974)	-	-
Carrying value - Royalty agreement exit fee	**6,919,026**	**-**	**-**
Total intangible assets			
Cost	74,562,663	73,377,220	72,232,386
Accumulated amortisation	(18,496,136)	(14,549,881)	(3,189,283)
Total Carrying Value – Intangible assets	**56,066,527**	**58,827,339**	**69,043,103**
MOVEMENTS IN CARRYING VALUE - *Development assets - Guanaco*			
Carrying amount at beginning of the period/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 period/year	**53,998,000**	**69,043,103**	**-**
Additions for the period/year	4,794,991	7,011,619	-
Reclassification to plant and equipment	(5,568,154)	(5,866,785)	-
Amortisation for the period/year	(4,077,336)	(11,360,598)	-
Carrying amount at end of the period/year	**49,147,501**	**58,827,339**	**-**
MOVEMENTS IN CARRYING VALUE - *Royalty agreement exit fee*			
Carrying amount at beginning of the period/year	-	-	-
Additions for the period/year	7,500,000	-	-
Amortisation for the period/year	(580,974)	-	-
Carrying amount at end of the period/year	**6,919,026**	**-**	**-**

In September 2013, the Company exercised the exit option of the royalty agreement with Compania Minera Kinam Guanaco by which the company will pay US$7,500,000 as an exit-fee in three quarterly instalments during 2014 (refer to Note 12). 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. The asset is being amortised over the life of the mine.

10 PLANT AND EQUIPMENT

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
Plant and equipment - at cost	37,314,668	31,245,395	24,087,677
Accumulated depreciation	(12,095,429)	(9,163,562)	(3,633,454)
Carrying amount at end of period/year	**25,219,239**	**22,081,833**	**20,454,223**
MOVEMENTS IN CARRYING VALUE			
Carrying amount at beginning of period/year	22,081,833	20,454,223	
Foreign exchange movements from change of accounting policy	(124,644)	-	
Restated carrying amount at beginning of the period/year	**21,957,189**	**20,454,223**	
Additions for the period/year	645,785	1,318,510	
Reclassification from intangible assets	5,568,154	5,866,785	
Disposals for the period/year	-	(25,610)	
Depreciation for the period/year	(2,951,785)	(5,531,568)	
Movement attributable to foreign currency translation	(104)	(507)	
Carrying amount at end of period/year	**25,219,239**	**22,081,833**	

11 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
Costs carried forward in respect of areas of interest in:			
Carrying amount at the beginning of the period/year	346,698	174,554	
Additions for the period/year	75,961	156,455	
Movement attributable to foreign currency translation	-	15,689	
Carrying amount at end of period/year	**422,659**	**346,698**	**174,554**

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.

12 TRADE AND OTHER PAYABLES

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
Trade payables	2,241,345	4,054,560	4,219,263
Accrued expenses	1,193,216	500,671	1,503,277
Income tax payable	1,030,261	-	-
Royalty agreement exit fee payable (Note 9)	7,500,000	-	-
Other	187,354	166,973	30,169
Total trade and other payables	**12,152,176**	**4,722,204**	**5,752,709**

13 BORROWINGS

	Consolidated		
	31 Dec 2013 US$	30 Jun 2013 US$	1 Jul 2012 US$
NON-CURRENT			
Loan – IFISA	55,205,379	55,614,409	58,263,946
Total non-current borrowings	**55,205,379**	**55,614,409**	**58,263,946**

13.1 Loan Inversiones Financieras del Sur SA (IFISA)

The borrowings are unsecured. Interest is charged at 4%. The loan comprises principal of US$44,529,120 (30 June 2013: US$44,529,120) and capitalised interest of $10,676,259 (30 June 2013: US$ 11,085,289). The loan is repayable as follows:

i when sufficient cash flows of the Group allow;

ii at the election of IFISA to subscribe for shares in the Group (contingent on shareholder approval);

iii on successful completion of an equity raising by the Group; or

iv failing all of the above by 31 December 2015.

The fair value of the above loan is dependent on the actual date of settlement per options (i) to (iv) above. Therefore, the fair value may be different to the carrying value of US$55.2 million.

14 DIVIDENDS

No dividends were paid or proposed during the period.

15 SHARE CAPITAL

On 27 December 2013, after approval at the Annual General Meeting, a share-based payment of 1,691,398 new shares was issued to Stabro Kasaneva, for his services as a Director and Chief Operating Officer of the Company.

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

16 SUBSIDIARIES

	Country of Incorporation	31 Dec 2013 % owned	30 Jun 2013 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company	British Virgin Islands	100.00	100.00
Guanaco Compañía Minera	Chile	99.998	99.998
Austral Gold Argentina	Argentina	99.919	99.852

17 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2013.

18 SUBSEQUENT EVENTS

There have been no reportable events subsequent to 31 December 2013 up to the date of this report.

19 RELATED PARTIES

19.1 Ultimate parent entity

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

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Robert Trzebski
Director

Sydney,
13 March 2014

Dr Robert Trzebski is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Masters in International Project Management and has over 17 years professional experience in mineral exploration, project management and research and development.

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austral Gold Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austral Gold Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 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 a 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 half-year 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 2013 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*. 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 review report.

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.

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 Austral Gold Limited 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 2013 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*

BDO East Coast Partnership

Tim Sydenham
Partner

Sydney, 13 March 2014