AUSTRAL GOLD LIMITED

HALF-YEAR FINANCIAL REPORT

DECEMBER 2014

ALL FIGURES REPORTED IN USD

Contents

Corporate Directory....2
Directors' Report....3
Independent Auditor's Declaration....4
Review of Activities....5
Financial Statements....8
Notes to the Half-Year Financial Statements....12
Directors' Declaration....21
Independent Auditor's Report....22

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 Investor Services GPO Box 2975 Melbourne VIC 3001 Tel: 1300 850 505 *(within Australia)* Tel: +61 3 9415 5000 *(outside Australia)*	
Auditors:	BDO East Coast Partnership www.bdo.com.au	
Principal Bankers:	National Australia Bank Limited www.nab.com.au	
Solicitors:	Addisons Lawyers www.addisonslawyers.com.au	
Listed:	Australian Securities 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 2014 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 Securities Exchange.

Directors' Report

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2014 and the Auditor's 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 2014 and up to the date of this report.

Review of operations

The consolidated revenue and profit for the half-year ended 31 December 2014 was US$36,467,698 (31 December 2013: US$38,142,120) and US$6,594,571 (31 December 2013: US$7,001,461) respectively.

The consolidated statement of financial position has been strengthened considerably with the conversion of US$53.7 million in debt to equity in December 2014.

Further information on the Company's operations during the half-year ended 31 December 2014 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 16 December 2014, all resolutions as set out in the Notice of Annual General Meeting were approved by shareholders.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 31 December 2014 has been received and is included in this half year report.

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

Robert Trzebski
Director
11 March 2015

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF AUSTRAL GOLD LIMITED

As lead auditor for the review of Austral Gold Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 11 March 2015

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.

Review of Activities

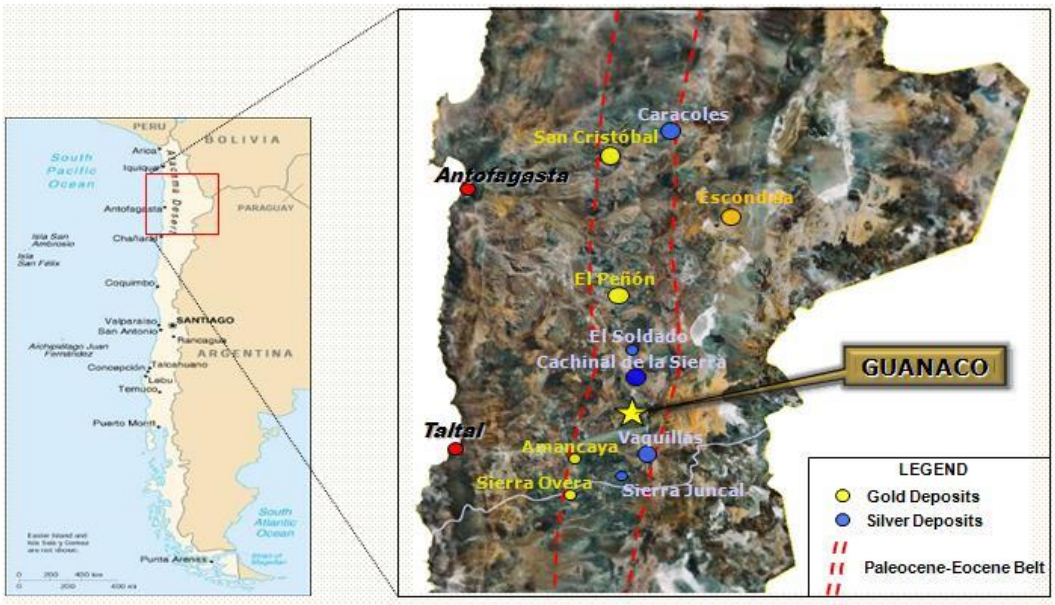
The strategy of Austral Gold Limited ('the Company') is to maximize shareholder value through the development of mineral deposits in which the Company has an interest.

The Company continues to explore and invest in its flagship asset, the Guanaco gold and silver mine ('Guanaco') in northern Chile and expand and invest in South America precious metals opportunities.

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

Project and Mine Description

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



Currently, the majority of the ore processed from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades. Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical zones with related hydrothermal breccias. Silicification grades outward into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system most of the gold mineralisation is concentrated between depths of 75m and 200m and is contained in elongated shoots. High grade ore shoots (up to 180 g/t Au), 0.5 to 3.0m wide, have been exploited, but the lower grade halos, below 3 g/t, can reach up to 20m in width. The alteration pattern and the mineralogical composition of the Guanaco ores have led to the classification as a high-sulfidation epithermal deposit.

Production

Total production from the heap-leach process reached a total of 50,375 gold ounces and 46,458 silver ounces in the 12-month period ended December 2014. The average cash operating cost for the same period for the Guanaco mine was approximately US$558/gold-equivalent ounce (GEO).

For the six-month period ended 31 December 2014, the Guanaco mine produced 27,933 gold ounces and 19,684 silver ounces with an operating cash cost of approximately US$508/GEO.

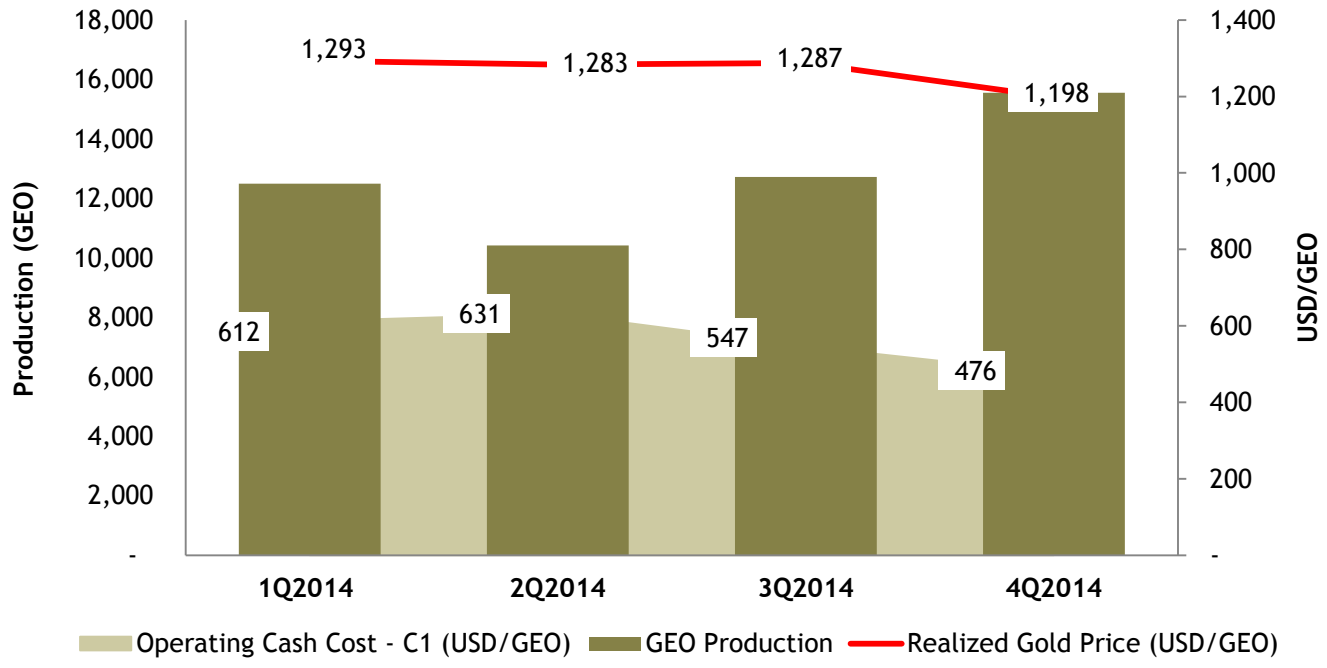
Gold and Silver Production:

Production	2011 Calendar Year	2012 Calendar Year	2013 Calendar Year	2014 Calendar Year	2015 (Budget) Calendar year
Gold (Au Oz)	12,373	28,902	50,226	50,375	50,000
Silver (Ag Oz)	37,511	74,807	74,031	46,458	49,000

Guanaco Operational Performance:

	12 months to December 2014
Total Ore Processed (t)	397,966
Underground grade (g/t Au)	5.2
Gold Recovery (%)	80.5
Gold Produced (Au oz)	50,375
Silver Produced (Ag oz)	46,458
Cash operating cost (US$/GEO)	558

2014 Gold Equivalent Ounces (GEO) Production per quarter



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

Safety

During the half year ended 31 December 2014, one lost-time accident (LTAs) occurred and three nil lost-time accidents (NTLAs) were reported involving employees and third-party contractors of the Group. All accidents were investigated and corrective actions were identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Group. The implementation of safety best practices along with a sound risk management program are key priorities for Austral Gold.

Exploration Program

The Exploration team continued to advance on the exploration program within the current mine development area of the Guanaco deposit, mainly in the Cachinalito Vein System and the geological mapping program of the identified area of interest.

In addition, preparation of the report of the district mapping works advanced. The objective is to supplement this report with petrography, ICP and geochemistry and radiometric dating in order to have all the information available to make a final model of the system, along with recommendations for exploration.

Amancaya Project, Chile (100% interest)

Since the acquisition of this low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares in July 2014, an Environmental Impact Statement was submitted and approval to proceed with the Amancaya exploration was received.

The geotechnical drilling campaign started with holes GTA-1 (140m), GTA-2 (79.8m) and GTA-3 (185.35m, partial depth) drilled, a total of 405.15m. This campaign includes drilling a total of 790m needed for the technical study that has to be presented to local mining authorities.

The results from this campaign, as well as the final review of the in-house feasibility study, are scheduled to be finalised in the coming weeks.

8 de Julio Project - Santa Cruz, Argentina (100% interest)

The Company and its subsidiaries ('the Group') hold several exploration licences (cateos) and "manifestations of discovery" over more than 76,000 hectares in the Deseado Massif corridor in the Province of Santa Cruz.

During 2014, the Group submitted an Environmental Impact Report as requested by government authorities. In addition, the Group continues with i) the conversion of cateos to manifestations of discovery, and ii) the filing of base geological reports in compliance with local regulations.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2014

All figures are reported in US$

		Half –Year Consolidated	
	Notes	31 Dec 2014 US$	31 Dec 2013 US$
CONTINUING OPERATIONS			
Revenue	3	36,467,698	38,142,120
Cost of sales		(14,087,726)	(16,838,808)
Gross profit		**22,379,972**	**21,303,312**
Administration expenses		(3,203,646)	(3,321,333)
Gain from foreign exchange		67,084	728,066
Operating profit		**19,243,410**	**18,710,045**
Impairment		(96,102)	-
Finance costs		(1,134,610)	(1,223,401)
Depreciation and amortisation expense		(7,443,567)	(7,610,095)
Profit before income tax expense		**10,569,131**	**9,876,549**
Income tax expense	6	(3,974,560)	(2,875,088)
Profit after income tax expense		**6,594,571**	**7,001,461**
Profit attributable to:			
Owners of the Company		6,476,925	7,001,461
Non-controlling interests		117,646	-
		6,594,571	**7,001,461**
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Loss arising on revaluation of financial assets, net of tax		(3,518,448)	(5,211,044)
ITEMS THAT MAY BE CLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign currency translation		(503)	(7,361)
Total comprehensive income for the year		**3,075,620**	**1,783,056**
Comprehensive income attributable to:			
Owners of the Company		2,957,974	1,783,056
Non-controlling interests		117,646	-
		3,075,620	**1,783,056**
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	4	3.5c	4.1c
Diluted earnings per share	4	3.5c	4.1c

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 2014

All figures are reported in US$

	Notes	Consolidated 31 Dec 2014 US$	Consolidated 30 Jun 2014 US$
ASSETS			
Current assets			
Cash and cash equivalents		10,254,207	4,347,075
Trade and other receivables	8	10,014,421	3,375,885
Financial assets	9	209,601	278,072
Inventories	7	2,606,840	3,934,932
Total current assets		**23,085,069**	**11,935,964**
Non-current assets			
Other receivables	8	201,412	589,582
Financial assets	9	2,795,958	6,339,952
Intangible assets and goodwill	10	31,496,743	36,348,774
Plant and equipment	11	28,959,720	28,124,421
Exploration and evaluation expenditure	12	12,472,869	506,718
Total non-current assets		**75,926,702**	**71,909,447**
TOTAL ASSETS		**99,011,771**	**83,845,411**
LIABILITIES			
Current liabilities			
Trade and other payables	13	13,854,655	5,620,582
Provisions		663,207	595,969
Borrowings	14	1,428,028	2,271,375
Total current liabilities		**15,945,890**	**8,487,926**
Non-current Liabilities			
Trade and other payables	13	5,215,526	1,127,280
Provisions		1,781,069	1,695,702
Borrowings	14	600,735	54,274,278
Deferred tax liability		4,634,124	4,161,853
Total non-current liabilities		**12,231,454**	**61,259,113**
TOTAL LIABILITIES		**28,177,344**	**69,747,039**
NET ASSETS		**70,834,427**	**14,098,372**
EQUITY			
Issued capital	16	93,537,023	39,803,088
Accumulated losses		(17,558,825)	(24,035,750)
Reserves		(6,826,323)	(3,307,372)
Non-controlling interest		1,682,552	1,638,406
TOTAL EQUITY		**70,834,427**	**14,098,372**

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 2014

All figures are reported in US$

		Half-Year Consolidated				
	Notes	Issued capital US$	Accumulated losses US$	Reserves US$	Non-controlling interest US$	Total US$
Balance at 1 July 2013		**40,551,198**	**(12,354,527)**	**680,526**	**110**	**28,877,307**
Profit for the period			7,001,461			**7,001,461**
Other comprehensive income for the year, net of income tax				(5,211,044)		**(5,211,044)**
Foreign exchange movements from translation of financial statements to US dollars		-	-	(7,361)	-	**(7,361)**
Total comprehensive income for the period		**-**	**7,001,461**	**(5,218,405)**	**-**	**1,783,056**
Transactions with owners in their capacity as owners:						
Shares issued		185,756	-	-	-	**185,756**
Return of Capital		(933,866)	-	-	-	**(933,866)**
Balance at 31 December 2013		**39,803,088**	**(5,353,066)**	**(4,537,879)**	**110**	**29,912,253**
Balance at 1 July 2014		**39,803,088**	**(24,035,750)**	**(3,307,372)**	**1,638,406**	**14,098,372**
Profit for the period			6,476,925			**6,476,925**
Other comprehensive income for the year, net of income tax				(3,518,448)	117,646	**(3,400,802)**
Foreign exchange movements from translation of financial statements to US dollars		-	-	(503)	-	**(503)**
Total comprehensive income for the period		**-**	**6,476,925**	**(3,518,951)**	**117,646**	**3,075,620**
Transactions with owners in their capacity as owners:						
Dividend distribution		-	-	-	(73,500)	**(73,500)**
Shares issued	16	53,733,935	-	-	-	**53,733,935**
Balance at 31 December 2014		**93,537,023**	**(17,558,825)**	**(6,826,323)**	**1,682,552**	**70,834,427**

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 2014
All figures are reported in US$

	Notes	Half-Year Consolidated 31 Dec 2014 US$	31 Dec 2013 US$
Cash flows from operating activities			
Receipts from sale of goods		30,299,344	38,663,595
Payments to suppliers and employees		(13,778,450)	(19,824,800)
Taxes paid		(1,410,540)	-
Net cash provided through operating activities		**15,110,354**	**18,838,795**
Cash flows from investing activities			
Purchase of plant and equipment		(693,304)	(645,785)
Payment for investment in listed shares		-	(7,863,826)
Deferred consideration for investment in subsidiaries (Cachinalito)		(627,554)	-
Payment for exploration and evaluation expenditure		(3,316,937)	(75,961)
Payment for investment in development assets		(3,606,094)	(4,794,991)
Interest received		870	24,804
Net cash used in investing activities		**(8,243,019)**	**(13,355,759)**
Cash flows from financing activities			
Interest paid		(220,247)	(12,875)
Return of capital to shareholders		-	(933,866)
Dividends distributed to minority interests		(73,500)	-
Repayment of borrowings		(298,386)	-
Repayment of borrowings to related party		(460,585)	(1,524,367)
Net cash used in financing activities		**(1,052,718)**	**(2,471,108)**
Movement attributable to foreign currency translation		92,515	730,022
Net increase in cash held		5,907,132	3,741,950
Cash at beginning of the period		4,347,075	4,586,313
Cash at end of the period		**10,254,207**	**8,328,263**

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 ('the Company') is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. This consolidated half-year financial report comprises the Company and its controlled entities ('the Group') for the half-year ended 31 December 2014. 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 the Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* and the Corporations Act 2001, as appropriate for for-profit orientated entities.

The Half-year Financial Report should be read in conjunction with the Annual Financial Report of Austral Gold Limited as at 30 June 2014, which complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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 2014 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 certain financial assets and liabilities which are stated 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

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

A list of subsidiaries is contained in note 17 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

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

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

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

(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 2014.

3 REVENUE

	Half-Year Consolidated	
	31 Dec 2014 US$	31 Dec 2013 US$
Operating activities		
Revenue from gold and silver sales	36,398,597	38,001,670
Interest revenue	870	24,804
Other revenue	68,231	115,646
Total revenue	**36,467,698**	**38,142,120**

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 2014 US$	 31 Dec 2013 US$
Earnings reconciliation		
Net profit attributable to owners	6,476,925	7,001,461
Net profit attributable to non-controlling interest	117,646	-
Net profit	**6,594,571**	**7,001,461**
Weighted average number of shares used as the denominator		
Number for basic earnings per share	191,023,324	169,453,988
Number for diluted earnings per share	191,023,324	169,453,988
Basic earnings per ordinary share (cents)	3.5	4.1
Diluted earnings per ordinary share (cents)	3.5	4.1

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.

	Half-Year Consolidated					
	31 Dec 2014			31 Dec 2013		
	Australia US$	South America US$	Consolidated US$	Australia US$	South America US$	Consolidated US$
Revenue from gold and silver sales	-	36,398,597	36,398,597	-	38,001,670	38,001,670
Interest revenue	870	-	870	1,342	23,462	24,804
Other revenue	-	68,231	68,231	-	115,646	115,646
Total segment revenue	**870**	**36,466,828**	**36,467,698**	**1,342**	**38,140,778**	**38,142,120**
Cost of sales	-	(14,087,726)	(14,087,726)	-	(16,838,808)	(16,838,808)
Amortisation	-	(3,112,202)	(3,112,202)	-	(4,658,310)	(4,658,310)
Depreciation	(583)	(4,330,782)	(4,331,365)	(711)	(2,951,074)	(2,951,785)
Finance costs	(998,720)	(135,890)	(1,134,610)	(1,115,348)	(108,053)	(1,223,401)
(Loss)/gain from foreign exchange	-	67,084	67,084	(47)	728,113	728,066
Administration expenses	(576,018)	(2,627,628)	(3,203,646)	(644,876)	(2,676,457)	(3,321,333)
Impairment	-	(96,102)	(96,102)	-	-	-
Income tax expense	-	(3,974,560)	(3,974,560)	-	(2,875,088)	(2,875,088)
Segment profit/(loss)	(1,574,451)	8,169,022	6,594,571	(1,759,640)	8,761,101	7,001,461
Segment assets	796,164	98,215,607	99,011,771	1,561,912	104,233,826	105,795,738
Segment liabilities	163,159	28,014,185	28,177,344	55,330,048	20,553,437	75,883,485

6 INCOME TAX EXPENSE

	Half-Year Consolidated	
	31 Dec 2014 US$	31 Dec 2013 US$
Amounts recognised in profit and loss		
Current tax expense	3,502,289	1,030,261
Deferred tax expense	472,271	1,844,827
Income tax expense	**3,974,560**	**2,875,088**
Reconciliation of effective tax rate		
Profit before tax	10,569,131	9,876,549
Prima facie income tax calculated at 30%	3,170,739	2,962,965
Difference due to blended overseas tax rates*	(1,136,512)	(1,233,889)
Deferred tax not brought into account	597,001	1,285,879
Non-deductible expenses	-	(139,867)
Difference due to change in tax rate**	1,343,332	-
Income tax expense	**3,974,560**	**2,875,088**

* Chile tax rate: 21% (2013: 20%); Argentina tax rate: 35%

** The tax rate in Chile will increase progressively over the next three years.

7 INVENTORIES

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
Materials and supplies – at cost	2,561,813	2,749,369
Gold bullion and gold in process – at net realizable value	45,027	1,185,563
Total inventories	**2,606,840**	**3,934,932**

8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
CURRENT		
Trade receivables	6,647,778	480,294
Other current receivables	302,819	419,231
Pre-payments	317,558	937,450
GST/VAT receivable	2,746,266	1,538,910
Total current receivables	**10,014,421**	**3,375,885**
NON CURRENT		
GST/VAT receivable	116,961	116,910
Pre-payments	-	472,066
Other	84,451	606
Total non-current receivables	**201,412**	**589,582**

9 FINANCIAL ASSETS

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
CURRENT		
Bonds – level 1	209,601	278,072
Total current financial assets at fair value	**209,601**	**278,072**
NON CURRENT		
Listed equity securities - level 1	2,795,958	6,339,952
Total non-current financial assets at fair value	**2,795,958**	**6,339,952**

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 31 December 2014.

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

Listed equity securities represents the fair value of the Company's 19.9% investment in Argentex Mining Corporation (TSX-V: ATX) and 12.8% investment in Goldrock Mines Corp (TSX-V: GRM). A fair value movement of US$3.5 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 Group only hold bonds and listed equity securities at fair value, which are measured at the closing bid price at the end of the reporting period. All financial assets held at fair value fall within Level 1 of the fair value hierarchy.

Transfers

During the half year ended 31 December 2014, 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.

10 INTANGIBLE ASSETS

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
Development assets-Guanaco		
Cost	59,523,805	65,273,913
Accumulated amortisation	(28,952,955)	(29,947,134)
Carrying value - Development assets-Guanaco	**30,570,850**	**35,326,779**
Goodwill		
Cost	925,893	1,021,995
Accumulated amortisation	-	-
Carrying value - Goodwill	**925,893**	**1,021,995**
Total intangible assets		
Cost	60,449,698	66,295,908
Accumulated amortisation	(28,952,955)	(29,947,134)
Total Carrying Value – Intangible assets	**31,496,743**	**36,348,774**
MOVEMENTS IN CARRYING VALUE - *Development assets - Guanaco*		
Carrying amount at beginning of the period/year	**35,326,779**	**53,998,000**
Additions for the period/year	3,606,094	8,249,887
Reclassification to plant and equipment	(4,473,765)	(5,568,154)
Write-off	(68,781)	(62,080)
Amortisation for the period/year	(3,112,201)	(11,290,874)
Impairment	-	(10,000,000)
Disposals	(707,276)	-
Carrying amount at end of the period/year	**30,570,850**	**35,326,779**
MOVEMENTS IN CARRYING VALUE - *Goodwill*		
Carrying amount at beginning of the period/year	1,021,995	-
Additions for the period/year	-	1,021,995
Impairment	(96,102)	-
Carrying amount at end of the period/year	**925,893**	**1,021,995**

11 PLANT AND EQUIPMENT

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
Plant and equipment - at cost	48,961,903	43,797,029
Accumulated depreciation	(20,002,183)	(15,672,608)
Carrying amount at end of period/year	**28,959,720**	**28,124,421**
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of period/year	28,124,421	21,957,189
Additions for the period/year	693,304	6,488,638
Reclassification from intangible assets	4,473,765	5,568,154
Write-off	(17)	-
Depreciation for the period/year	(4,331,365)	(5,889,667)
Movement attributable to foreign currency translation	(388)	107
Carrying amount at end of period/year	**28,959,720**	**28,124,421**

12 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the period/year	506,718	346,698
Additions for the period/year	11,966,151	160,020
Carrying amount at end of period/year	**12,472,869**	**506,718**

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

Acquisition of the Amancaya property

During the period, the Group completed its acquisition of the Amancaya property. The property, acquired for US$12 million (with a present value of US$11,925,983), is currently recognised as exploration and evaluation expenditure as it is in the early exploration phase of development.

13 TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
CURRENT		
Trade payables	3,636,440	1,953,896
Accrued expenses	614,414	559,264
Income tax payable	3,837,914	1,746,165
Other payables	5,765,887	1,361,257
Total current trade and other payables	**13,854,655**	**5,620,582**
NON CURRENT		
Other payables	5,215,526	1,127,280

14 BORROWINGS

	Consolidated	
	31 Dec 2014 US$	30 Jun 2014 US$
CURRENT		
Lease liability	1,428,028	1,248,671
Royalty payable	-	1,022,704
Total current borrowings	**1,428,028**	**2,271,375**
NON CURRENT		
Lease liability	600,735	1,078,478
Loan – IFISA	-	53,195,800
Total non-current borrowings	**600,735**	**54,274,278**

14.1 Loan Inversiones Financieras del Sur SA (IFISA)

At the Annual General Meeting held on 16 December 2014, Austral Gold Limited shareholders voted to convert the entire balance of the loan with IFISA at that date (US$53,733,935) into equity in the Group's own shares.

14.2 Lease liabilities

The Group leases production equipment under a number of finance leases. At 31 December 2014, the net carrying amount of lease equipment was US$2,692,077 (30 June 2014: US$2,601,931).

14.3 Royalty payable

In late 2013, the Company exercised an option to exit the royalty agreement with the previous owners of the Guanaco mine, Compañia Minera Kinam Guanaco (subsidiary of Kinross Corporation).

15 DIVIDENDS

No dividends were paid or proposed during the period.

16 ISSUED CAPITAL

	31 Dec 2014	30 Jun 2014
Fully paid ordinary shares (US$)	93,537,023	39,803,088
Number of ordinary shares at year end	478,761,995	170,831,137

	Date	Number of ordinary shares	US$
Balance at 30 June 2014		170,831,137	39,803,088
Shares issued to convert IFISA debt to equity	19 December 2014	307,930,858	53,733,935
Balance at 31 December 2014		**478,761,995**	**93,537,023**

Conversion of debt to equity

On 19 December 2014, after approval at the Annual General Meeting, 307,930,858 new shares in Austral Gold were issued to IFISA to convert the debt into equity.

17 SUBSIDIARIES

	Country of Incorporation	31 Dec 2014 % owned	30 June 2014 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.930	99.930
Ingenieria y Mineria Cachinalito Limitada	Chile	51.000	51.000

18 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2014.

19 SUBSEQUENT EVENTS

There have been no reportable events subsequent to 31 December 2014 up to the date of this report.

20 RELATED PARTIES

20.1 Ultimate parent entity

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

20.2 Significant related party transaction during the period

During the period, IFISA converted its debt of US$53.7 million to equity following the shareholders' approval at the Annual General Meeting.

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 2014 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,
11 March 2015

Dr Robert Trzebski is a Director of Austral Gold Limited. He has a Degree in Geology, a PhD in Geophysics, a Masters in International Project Management and has over 20 years professional experience in mineral exploration, project management and research and development.

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

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

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 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 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 2014 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.

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 2014 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

Gareth Few
Partner

Sydney, 11 March 2015