

AUSTRAL GOLD LIMITED

AND ITS CONTROLLED ENTITIES
ABN 30 075 860 472

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2008

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 2008 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 2008 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
Chairman / Non-Executive Director

Robert Trzebski
Non-Executive Director

Eduardo Elsztain
Non-Executive Director

Saul Zang
Non-Executive Director

Pablo Vergara del Carril
Non-Executive Director

Natalia Zang
Non-Executive Director

All Directors were in office for the full reporting period, being 1 July 2008 to 31 December 2008.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The consolidated loss for the half-year ended 31 December 2008 was \$12,351,539 (31 December 2007: \$337,019 loss). Included in the reported loss are unrealised foreign exchange losses of \$615,180 and impairment losses of \$11,182,947.

Further information on the Company's operations during the half-year ended 31 December 2008 has been released in the Company's earlier announcements and reports to the ASX for the September and December quarters. These are available for review on the Company's website at www.australgold.com.au.

CORPORATE

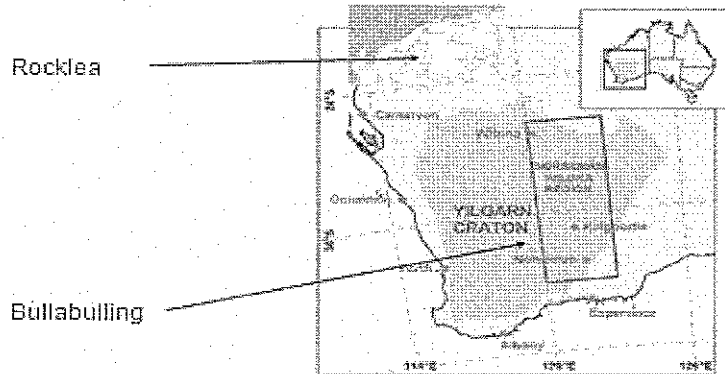
At the AGM held on 26 November 2008, shareholders voted in favour of all resolutions as set out in the Notice of Annual General Meeting.

In summary, those resolutions were to

- o receive and consider the Annual Financial Report together with the Directors' and Auditor's Reports for the year ended 30 June 2008
- o adopt the Remuneration Report
- o re-elect Mr Pablo Vergara del Carril as a Director
- o re-elect Mr Francis Mark Bethwaite as a Director

EXPLORATION ACTIVITIES

AUSTRALIA



Bullabulling Project

Based on an independent expert review of our Australian exploration portfolio commissioned two years ago, Austral Gold has rationalised this portfolio.

With the sale of our former Rocklea iron ore tenement in April 2008, which realized \$5.25 million for Austral Gold, the one Australian exploration area on which Austral Gold is now focusing is Bullabulling.

This tenement, in which Austral Gold holds a 95% interest, is located about 60 kilometres west of Kalgoorlie in Western Australia as can be seen in the diagram above.

Bullabulling is prospective for gold and we have, through a Perth based exploration contractor, commenced a program of research and field activity at Bullabulling. The objective of this program is to identify targets for further prospecting or drilling.

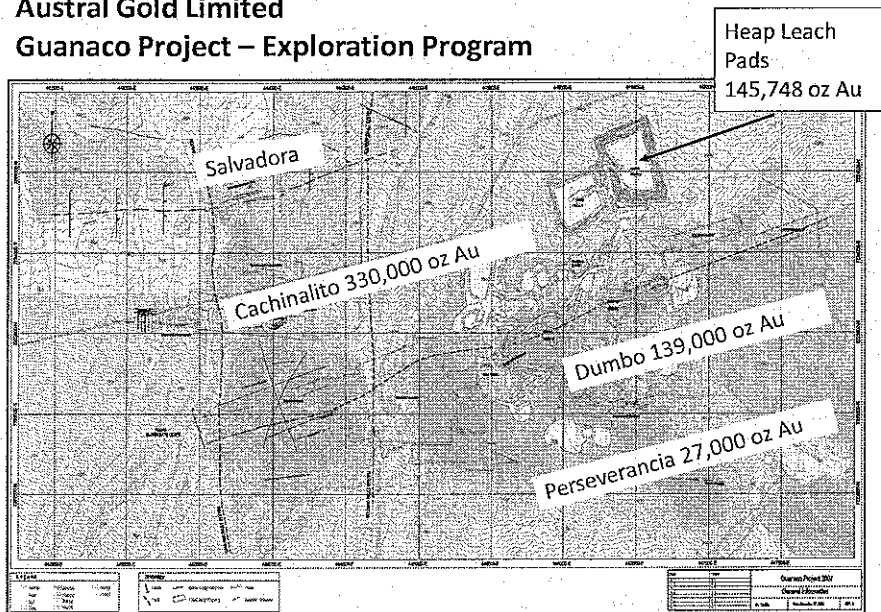
SOUTH AMERICA

Guanaco Project, Chile

Following shareholder approval for the acquisition of the remaining 49% of Guanaco at the 28 May 2008 General Meeting, Austral Gold now owns 100% of the Guanaco Project.

Guanaco is located some 220 kilometres south east of Antofagasta in Northern Chile at an elevation of 2,600 metres.

Austral Gold Limited Guanaco Project – Exploration Program



The picture above shows the principal vein systems at Guanaco.

These systems all strike east north east/west south west and dip steeply to the north.

Exploration drilling at Guanaco has been focused in the Cachinalito, Dumbo and Perseverancia systems. The combined measured, indicated and inferred resources of contained ounces of gold as a result of that drilling are shown on each vein.

Stage 1 drilling took place in June, July and August 2008. The program was successful in identifying a significant silica/quartz vein structure 120 meters to the south and parallel to the Cachinalito Norte structure. This vein structure was named Natalia and contains the same mineral assemblages found in the gold-bearing veins in the district. Also, at Cachinalito Oeste, the gold/silver bearing structure was extended 650 meters to the west, where 12 holes encountered a silica/quartz vein structure with low grade gold/silver anomalies.

After interpretation and analysis of Stage 1 drilling, Stage 2 comprising approximately 750 metres of reverse circulation drilling was performed in November and December 2008.

The following table shows the global resource position at Guanaco.

GOLD Au	Cachinalito Oeste			Cachinalito Central			Dumbo West			Perseverancia			TOTAL		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Measured	334,310	3.22	34,631	540,340	5.42	94,203	158,440	2.88	14,660	65,780	4.04	8,540	1,098,870	4.30	152,040
Indicated	526,940	2.97	50,373	645,340	4.18	86,622	523,820	2.65	44,662	101,540	3.76	12,284	1,797,640	3.36	193,941
Inferred	203,012	2.54	16,555	464,460	3.94	58,894	1,405,440	1.77	80,068	58,700	3.27	6,173	2,131,612	2.36	161,690
TOTAL	1,064,262	2.97	101,559	1,650,140	4.52	239,725	2,087,700	2.08	139,390	226,020	3.71	26,997	5,028,122	3.14	507,671
SILVER Ag	Cachinalito Oeste			Cachinalito Central			Dumbo West			Perseverancia			TOTAL		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Measured	318,320	3.33	34,079	540,340	3.42	59,378	158,440	10.55	53,725	65,780	18.48	39,082	1,082,880	6.35	186,264
Indicated	432,040	3.61	50,185	645,340	3.89	80,730	523,820	11.36	191,380	101,540	14.49	47,316	1,702,740	6.75	369,611
Inferred	189,100	3.59	21,820	464,460	4.97	74,170	1,405,440	11.62	524,826	58,700	16.26	30,677	2,117,700	9.57	651,493
TOTAL	939,460	3.51	106,084	1,650,140	4.04	214,278	2,087,700	11.47	769,931	226,020	16.11	117,075	4,903,320	7.66	1,207,368

Measured, indicated and inferred resources of contained gold total just over half a million ounces. These numbers exclude any gold remaining in leach pads from earlier operations.

GOLD Au	Heap Leach Pads Phase I			Heap Leach Pads Phase II			TOTAL		
	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces
Measured	3,897,578	0.512	64,160	4,436,567	0.572	81,591	8,334,145	0.542	145,751
Indicated	-	-	-	-	-	-	-	-	-
Inferred	939,094	0.512	15,459	1,838,141	0.572	33,804	2,777,235	0.542	49,263
TOTAL	4,836,672	0.512	79,619	6,274,708	0.572	115,395	11,111,380	0.542	195,014
SILVER Ag	Heap Leach Pads Phase I			Heap Leach Pads Phase II			TOTAL		
	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces	Tonnes	Grade (ppm)	Ounces
Measured	3,897,578	2.767	346,738	4,436,567	2.767	365,447	8,334,145	2.767	712,185
Indicated	-	-	-	-	-	-	-	-	-
Inferred	939,094	2.562	83,544	1,838,141	2.562	151,410	2,777,235	2.562	234,954
TOTAL	4,836,672	2.665	430,282	6,274,708	2.665	516,857	11,111,380	2.665	947,139

Gold resources in heap leach pads at Guanaco are set out in the table above. The measured figure of 145,751 ounces rises to 195,014 ounces when the full areal extent of the pads, including the side slopes and other areas not able to be drilled, is taken into account. Estimated grades of the areas not able to be drilled were not calculated. However, as total tonnages are well established, these resources were assigned the same average grades as the rest of the material contained in the heaps and were categorised as inferred.

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 13 years of professional experience in mineral exploration, project management and research and development. Dr Robert Trzebski 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 resources figures identified above in the context they have been provided in this report.

As a result of market conditions, the Pre Feasibility Study into restarting mining and processing operations at Guanaco has been deferred.

In May 2008, the Company lodged a DIA (Declaración de Impacto Ambiental or Environmental Impact Declaration) to the CONAMA (Comisión Nacional de Medio Ambiente) for the restarting of the Guanaco mine in the future.

During the half year ended 31 December 2008, Austral Gold has made three announcements to further its interests in South America.

Santa Cruz Tenement Applications

On August 8 2008, Austral Gold announced it had acquired applications for tenements in the Province of Santa Cruz, Argentina. Guanaco Capital Holding Argentina (GCHA) wholly owned by Austral Gold, is the owner of 9 tenement applications totalling almost 85,000 hectares in the Macizo el Deseado area in the Province of Santa Cruz.

AMINSA

An Earn In Agreement was signed with Argentina Minera S.A. (Aminsa) and its founders, Patricio Jones, Ricardo Martinez and Roberto Martinez to jointly explore tenements covering approximately 227,000 hectares in the Province of San Juan in Argentina. The property is located within the Porphyry Piuquenes-Los Azules corridor near Xstrata's advanced El Pachón copper exploration project in Argentina and Los Pelambres owned by Antofagasta Minerals in Chile.

GCHA will earn in up to 50% of Aminsa in 5 years by contributing up to US \$15 million over the same period.

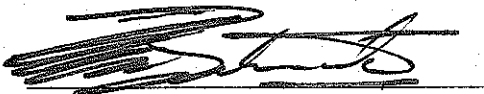
New Tenements near Guanaco

On September 18 2008, Austral Gold announced to the ASX that Guanaco Compañía Minera, the Chilean subsidiary of Guanaco Mining Company 100% owned by Austral Gold, has formally initiated the process to acquire an additional 49 concessions totalling 11,128 hectares located in close proximity to the Company's Guanaco advanced exploration project in Chile.

If granted, Guanaco Compañía Minera will hold almost 25,000 hectares in 270 concessions.

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 16 of this half year financial report.



Mark Bethwaite
Chairman

Dated: 16 March 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2008

	Note	Half Year 31 December 2008 \$	Half Year 31 December 2007 \$
Revenue			
Operating activities	3	19,276	1,031
Non-operating activities	3	34,696	40,463
		53,972	41,494
Finance costs		(65,007)	(58,835)
Exploration and evaluation expenditure		(14,598)	-
Exchange rate differences		(615,180)	-
General and administration expenses		(527,779)	(284,498)
Impairment losses		(11,182,947)	-
Share of loss of associate		-	(35,180)
(Loss) before income tax		(12,351,539)	(337,019)
Income tax		-	-
(Loss) after income tax		(12,351,539)	(337,019)
Loss after tax attributable to minority interest		-	-
Net (loss) attributable to members of the parent entity		(12,351,539)	(337,019)
Earnings per share (EPS)			
Basic EPS (cents)		(7.339)	(0.504)
Diluted EPS (cents)		(7.339)	(0.504)

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

All amounts relate to continuing operations.

The Condensed Consolidated Income Statement is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	31 December 2008 \$	30 June 2008 \$
Current Assets			
Cash and cash equivalents		480,871	2,311,093
Trade and other receivables		37,770	25,745
Total Current Assets		518,641	2,336,838
Non-Current Assets			
Trade and other receivables		1,427,987	984,001
Intangible assets		33,992	-
Plant and equipment		228,852	175,219
Exploration and evaluation assets		51,521,833	62,305,057
Total Non-Current Assets		53,212,664	63,464,277
Total Assets		53,731,305	65,801,115
Liabilities			
Current Liabilities			
Trade and other payables		575,270	776,553
Financial liabilities		4,079,274	313,743
Total Current Liabilities		4,654,544	1,090,296
Non-Current Liabilities			
Financial liabilities		496,171	515,053
Total Non-Current Liabilities		496,171	515,053
Total Liabilities		5,150,715	1,605,349
Net Assets		48,580,590	64,195,766
Equity			
Issued capital		44,334,254	44,334,254
(Accumulated losses)/retained earnings		(2,431,032)	9,920,507
Reserves		6,677,248	9,940,917
Minority interest		120	88
Total Equity		48,580,590	64,195,766

The Condensed Consolidated Balance Sheet is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2008

	Half Year 31 December 2008	Half Year 31 December 2007
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(944,543)	(340,105)
Net cash used in operating activities	(944,543)	(340,105)
Cash flows from investing activities		
Proceeds from sale of plant and equipment	34,696	-
Interest received	19,276	1,031
Payments for exploration and evaluation	(4,257,715)	-
Payments for Goodwill	(33,992)	-
Net cash (used in)/provided by investing activities	(4,237,735)	1,031
Cash flows from financing activities		
Proceeds from borrowings	3,352,056	250,000
Net cash provided by financing activities	3,352,056	250,000
 Net (decrease) in cash held	 (1,830,222)	 (89,075)
 Cash at the beginning of the period	 2,311,093	 136,317
 Cash at the end of the period	 480,871	 47,242

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2008

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

	Attributable to equity holders of the parent				Minority Interest	Total Equity
CONSOLIDATED	Issued capital	Retained earnings/ (accumulated losses)	Reserves	Total		
	\$	\$	\$	\$		\$
At 1 July 2008	44,334,254	9,920,507	9,940,917	64,195,678	88	64,195,766
Loss for the period	-	(12,351,539)	-	(12,351,539)	-	(12,351,539)
Foreign currency translation	-	-	6,696,323	6,696,323	32	6,696,355
Asset revaluation	-	-	(9,959,992)	(9,959,992)	-	(9,959,992)
At 31 December 2008	44,334,254	(2,431,032)	6,677,248	48,580,470	120	48,580,590

The Condensed Consolidated Statement of Changes in Equity is to 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 financial report incorporating the entities that it controlled during the period ended 31 December 2008.

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 2008, 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 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Going Concern

The consolidated entity has recorded a loss of \$12,351,539 for the half year ended 31 December 2008 and its current liabilities exceed its current assets by \$4,135,903.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The carrying value of the consolidated entity's exploration and evaluation expenditure is \$51,521,833.

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 consolidated entity currently has a funding agreement in place with its major shareholder which provides a facility of up to US\$4,000,000. This agreement terminates in August 2009. The consolidated entity's principal shareholder has indicated that it will continue to support and fund the consolidated entity after August 2009.

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 raised, 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 Financial Report. No allowance for such circumstances has been made in the Financial Report.

(II) Basis of accounting

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

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

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

(III) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Austral Gold Limited and the entities it controlled during the period ended 31 December 2008 ('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

Except as noted below, 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 2008.

(V) New accounting policies

Distribution of Non Cash Assets by wholly owned subsidiaries

Non-cash assets distributed by wholly owned subsidiaries within the consolidated entity are transferred at their carrying values.

3. REVENUE AND OTHER INCOME

	31 Dec 2008	31 Dec 2007
	\$	\$
Revenue		
Interest received	19,276	1,031
	<hr/>	<hr/>
Other income		
Revenue from outside operating activities:		
Exchange rate differences	-	40,463
Gain on sale of asset	34,696	-
	<hr/>	<hr/>
	34,696	40,463

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2008	31 Dec 2007
	\$	\$
Opening	62,305,057	7,086
Exploration and/or evaluation expenses	4,243,117	-
Foreign exchange difference on carrying value	7,233,651	-
Impairment	(22,259,992)	-
Closing	<u>51,521,833</u>	<u>7,086</u>

5. SEGMENT INFORMATION

Business segments

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

Geographical segments

	31 Dec 08	31 Dec 08	31 Dec 08	31 Dec 07	31 Dec 07	31 Dec 07
	Australia	South America	Consolidated	Australia	South America	Consolidated
Interest	19,189	87	19,276	1,031	-	1,031
Gain on sale of asset	-	34,696	34,696	-	-	-
Exchange rate differences	-	-	-	40,463	-	40,463
Total revenue	19,189	34783	53,972	41,494	-	41,494
Segment (loss)	(6,832,363)	(280,028)	(7,112,391)	(301,839)	(35,180)	(337,019)
Deregistration of subsidiary			5,943,799			-
Total (loss)			(1,168,592)			(337,019)

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

7. CONTROLLED ENTITIES

Particulars in relation to controlled entities	Consolidated equity interest	
	31 Dec	30 Jun
	2008	2008
	%	%
Parent entity		
Austral Gold Limited (Australia)		
Controlled entities		
Golden Rose Pty Limited (Australia)	100	100
Golden Rose International Limited (Australia)	n/a *	100
Guanaco Mining Company (British Virgin Islands)	100	100
Austral Gold Argentina SA (Argentina)	100	-

*Golden Rose International Limited was deregistered in November 2008. The assets previously held by Golden Rose International Limited were transferred to Austral Gold Limited at their carrying value.

Austral Gold Limited's investment value in Golden Rose International Limited was \$8,237,537 (comprising a loan of \$2,311,685 and investment of \$5,925,852). Net assets were transferred from Golden Rose International Limited at \$2,174,904 resulting in the recognition of a loss in Austral Gold Limited's financial statements of \$6,062,633.

As Golden Rose International Limited was a wholly owned subsidiary of Austral Gold Limited there has been no financial impact recognised in the Consolidated Entity accounts as a result of this de-registration.

8. COMMITMENTS

The consolidated entity has commitments under the AMINSA Earn-In Agreement totalling US \$650,000 to June 2009.

9. EVENTS SUBSEQUENT TO REPORTING DATE

On 27 February 2009 the Board of Austral Gold announced an amendment to the AMINSA Earn In Agreement had been signed. The amendment permits the alternate use of up to US\$700,000 contributions from Austral Gold for investments outside the AMINSA project in the province of San Juan, Argentina and deferred dates for the payment of these contributions.

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.

10. DIVIDENDS

No dividends were declared or paid during the six months ended 31 December 2008.

DIRECTORS' DECLARATION

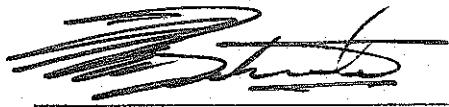
The Directors declare that the financial statements and notes set out on pages 7 to 14:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- b) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 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 2009



Chartered Accountants
& Business Advisers

AUDITORS' INDEPENDENCE DECLARATION

To : The Directors
Austral Gold Limited

As lead auditor for the review of Austral Gold Limited for the half year ended 31 December 2008 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 subsidiaries it controlled during the half year.

PKF

Bruce Gordon
Partner
Sydney

16 March 2009

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Austral Gold Limited and its subsidiaries

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austral Gold Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the subsidiaries it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express 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 2008 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 review 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.

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Independence

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(l) in the financial report which indicates that the consolidated entity has recorded a loss of \$12,351,539 for the half year ended 31 December 2008 and that its current liabilities exceeded its current assets by \$4,135,903. The carrying value of the consolidated entity's exploration and evaluation assets is \$51,521,833.

The ongoing viability of the consolidated entity is dependent upon it being able to attract funding for its exploration, appraisal and development activities. Should the consolidated entity be unsuccessful in this regard there would exist a material uncertainty which may cast significant doubt about its ability to continue as a going concern.

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

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 2008 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*.

PKF

Bruce Gordon
Partner
Sydney

16 March 2009