AUSTRAL GOLD LIMITED
ABN 30 075 860 472

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23 April 2007

Company Announcement Office
Australian Stock Exchange Limited

Austral Gold Limited wishes to advise that a General Meeting of Shareholders is to be held on 22 May 2007.

The Notice of Meeting is attached and was despatched to shareholders on Friday 20 April 2007.

Henry Kinstlinger
Joint Company Secretary

AUSTRAL GOLD LIMITED

ABN 30 075 860 472

NOTICE OF GENERAL MEETING

TIME: 11:00 AM

DATE: 22 May 2007

PLACE: INTERCONTINENTAL HOTEL

117 MACQUARIE STREET, SYDNEY, NSW.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (61 2) 9380 7233.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Austral Gold Limited to which this Notice of Meeting relates will be held at the Intercontinental Hotel, 117 Macquarie Street, Sydney, New South Wales on Tuesday, 22 May 2007 commencing at 11:00am (EST).

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

(a) by post to Terrace Tower, Suite 605, 80 William Street, Sydney, New South Wales 2011; or

(b) by facsimile to the Company on facsimile number (02) 9380 7972,

so that it is received not later than 11.00am EST on 20 May 2007.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Austral Gold Limited (AGD) will be held at the Intercontinental Hotel, 117 Macquarie Street, Sydney New South Wales commencing at 11:00am (EST) on Tuesday, 22 May 2007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of AGD on Monday, 21 May 2007 at 5:00pm.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ISSUE OF SHARES IN GMC UPON CAPITALISATION OF LOAN

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 and 3, for the purposes of Listing Rule 10.1 of the ASX Listing Rules, section 208 of the Corporations Act, and for all other purposes, shareholders approve the capitalisation of the loans made by AGD to GMC by the issue of fully paid ordinary shares in GMC on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Expert's Report: Shareholders should carefully consider the independent expert's report prepared by Interfinancial Limited (AFS Licence No. 238136) for the purposes of shareholder approval for each of Resolutions 1, 2 and 3 required under Listing Rule 10.1 of the ASX Listing Rules and section 611 (item 7) of the Corporations Act (as the case may be). The independent expert's report comments on the fairness and reasonableness of the transaction to the non-associated shareholders in the Company.

Voting Exclusion: AGD will disregard any votes cast on this resolution by GCH and any associates of GCH. However, AGD need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. RESOLUTION 2 – ACQUISITION OF SHARES IN GOLDEN ROSE INTERNATIONAL LIMITED FROM AND ISSUE OF SHARES TO A SUBSTANTIAL HOLDER

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 and 3, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of the whole of the fully paid shares in Golden Rose International Limited owned by GCH in consideration for the issue of fully paid

ordinary shares in AGD on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: AGD will disregard any votes cast on this resolution by GCH and any associates of GCH. However, AGD need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. RESOLUTION 3 – ACQUISITION OF SHARES IN GUANACO MINING COMPANY FROM AND ISSUE OF SHARES TO A SUBSTANTIAL HOLDER

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 and 2, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of that number of fully paid shares in GMC from GCH in the amount as set out in the Explanatory Statement accompanying this Notice, in consideration for the issue of fully paid ordinary shares in AGD, in the amount and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: AGD will disregard any votes cast on this resolution by GCH and any associates of GCH. However, AGD need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. RESOLUTION 4 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That pursuant to Section 254H of the Corporations Act, Listing Rule 2.1 of the ASX Listing Rules, the Constitution of AGD and for all other purposes, the issued capital of AGD be consolidated on the basis that:*
>
> *(a) every ten (10) Shares be consolidated into one (1) Share; and*
>
> *(b) every ten (10) Options be consolidated into one (1) Option,*
>
> *and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option."*

5. RESOLUTION 5 – RE-ELECTION OF MR MARK BETHWAITE

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That Mr Mark Bethwaite, being eligible and having consented to act, be re-elected as a director of AGD."*

Short Explanation: Mr Mark Bethwaite was appointed as a director of AGD on 2 April 2007 and as Chairman on 3 April 2007 following the resignation of the Hon.

Marcus Einfeld. His appointment is required to be voted on by Shareholders at the next general meeting.

6. RESOLUTION 6 – ELECTION OF MR ROBERT TRZEBSKI

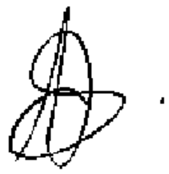
To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That Mr Robert Trzebski being eligible and having consented to act, be elected as a director of AGD."*

Short Explanation: Mr Trzebski is a proposed director of AGD who has consented to act as a director, subject to the shareholders approving his election at this general meeting.

DATED: 10th April 2007

BY ORDER OF THE BOARD



AUSTRAL GOLD LIMITED
MR HENRY KINSTLINGER
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of Austral Gold Limited (**AGD**) in connection with the business to be conducted at a General Meeting.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Of the six resolutions to be put to this General Meeting, Resolutions 1, 2 and 3 relate to the capital structure of AGD, its holding in Guanaco Mining Company (**GMC**) and its relationship with its major shareholder, Guanaco Capital Holding Corp (**GCH**).

Resolution 4 relates to a consolidation of the issued capital of AGD.

Resolutions 5 and 6 relate to the election of Directors.

Resolutions 1, 2 and 3 are designed to simplify the corporate structure and AGD's interest in its principal financial asset, GMC. Each of these Resolutions are interdependent, meaning that all of the Resolutions need to be passed for the Resolutions to have effect. Because they involve AGD's major shareholder, GCH, which is also the holder of the balance of the equity in GMC, a third party valuation of GMC and an Independent Expert's Report on the fairness and reasonableness of the proposed transactions from the point of view of the unassociated AGD shareholders has been commissioned by your Board. That valuation and Independent Expert's Report has been mailed to shareholders with the Notice of this meeting.

1. SUMMARY OF RESOLUTIONS

1.1 Resolution 1

The first resolution is as follows:

"That, for the purposes of Listing Rule 10.1 of the ASX Listing Rules, section 208 of the Corporations Act, and for all other purposes, shareholders approve the capitalisation of the loans made by AGD to GMC by the issue of fully paid ordinary shares in GMC on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

This Resolution proposes to substitute equity in GMC for loans to it by AGD and by GCH.

As at 5 April 2007, AGD has loaned GMC approximately US$4.22 million and GCH has loaned GMC approximately US$11.10 million for the purposes of exploration and associated activities at its Guanaco prospect in Chile.

Through an equity for debt swap, both loans can be extinguished in a manner, which confers neither net gain nor loss to the shareholders of either AGD or GCH, by the issue of an additional 6,271 shares in GMC directly to AGD and an additional 16,480 shares directly to GCH.

The diagrammatic effect of this step is set out in Figures 1 and 2 below, which reflect the present position and the position after the debt for equity swap.

The resulting increase in equity in GMC by GCH of 2.57% reflects its larger loan to GMC than that of AGD.

This proposal has been examined by Interfinancial Limited and found to be fair and reasonable to the shareholders of AGD.

Figure 1 – Present Position

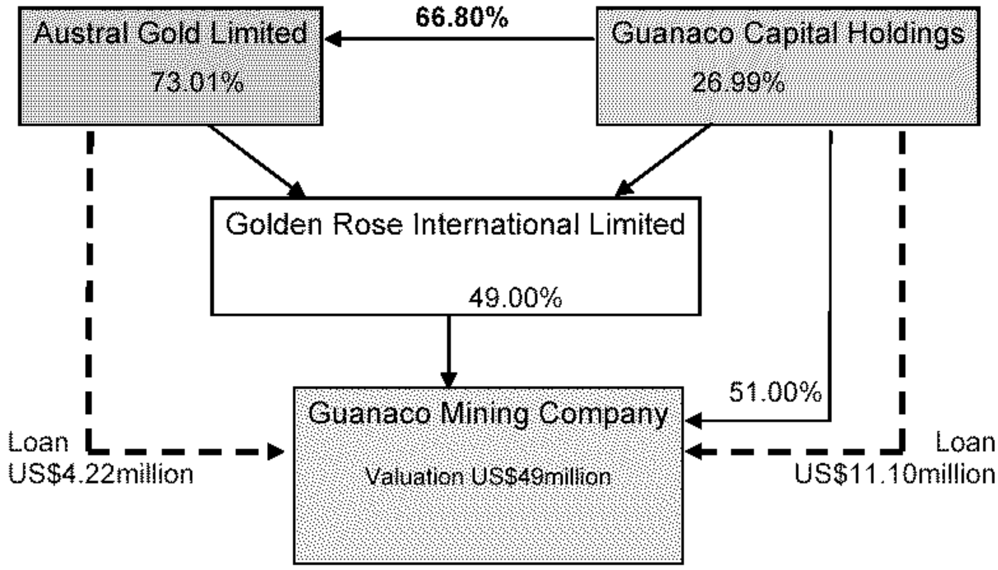
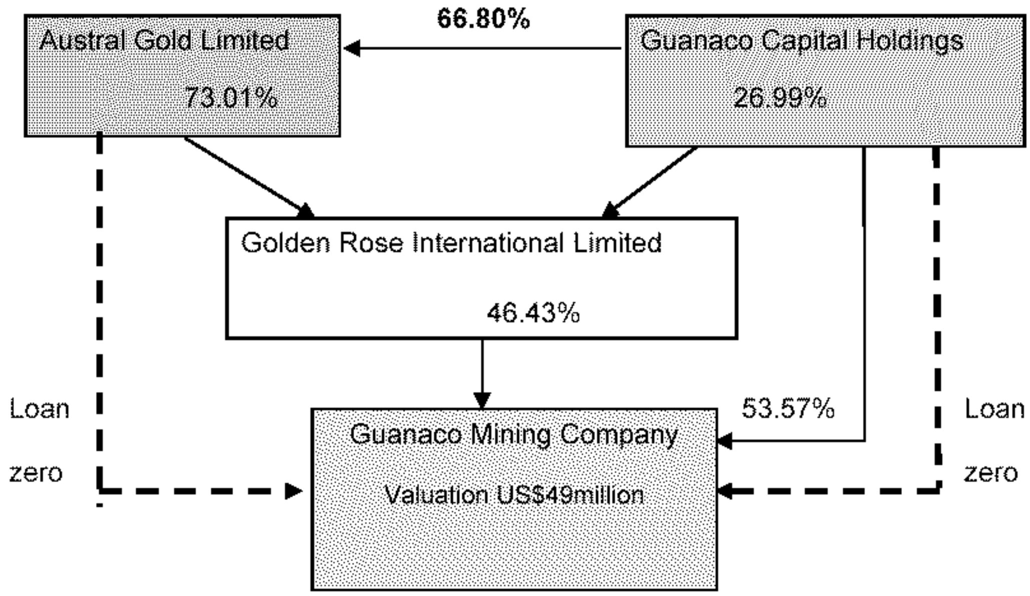


Figure 2 – Post Debt for Equity Swap



Note: For simplicity, Figure 2 assumes the holding of AGD in GMC is held via GRIL whereas it will be held via GRIL and AGD.

1.2 Resolution 2

The second resolution is as follows:

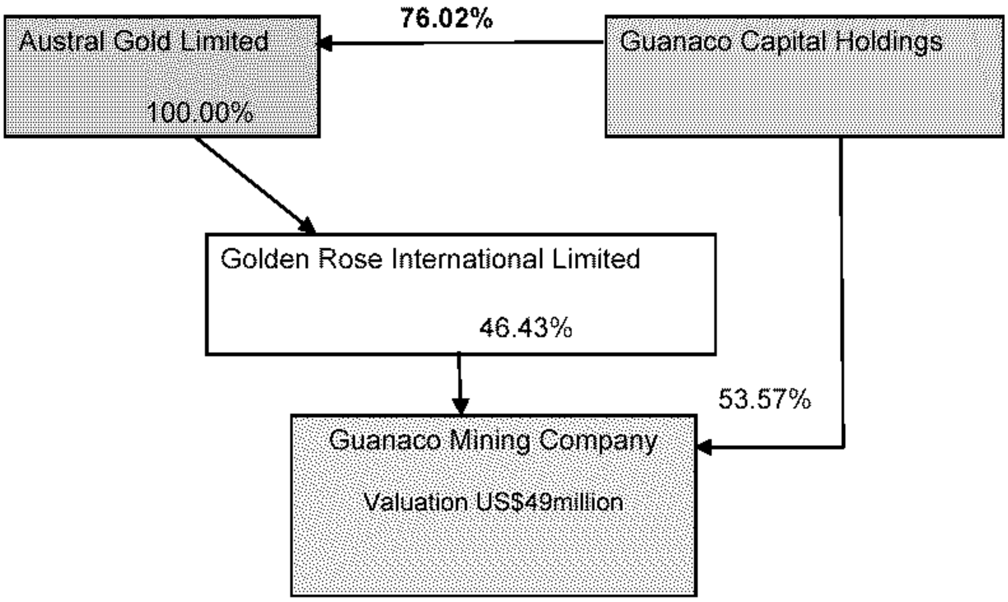
"That, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of the whole of the fully paid shares in Golden Rose International Limited owned by GCH in consideration for the issue of

fully paid ordinary shares in AGD on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

This Resolution proposes that AGD acquires all shares held by GCH in Golden Rose International Limited (**GRIL**) and so becomes entitled to 100% of the shares in GRIL. The consideration for this acquisition will be the issue of an additional 169,366,734 shares in AGD to GCH.

The diagrammatic effect of this step is set out in Figure 3 below:

Figure 3 – Post Acquisition by AGD of 100% of GRIL



Note: For simplicity, Figure 3 assumes the holding of AGD in GMC is held via GRIL whereas it will be held via GRIL and AGD.

1.3 Resolution 3

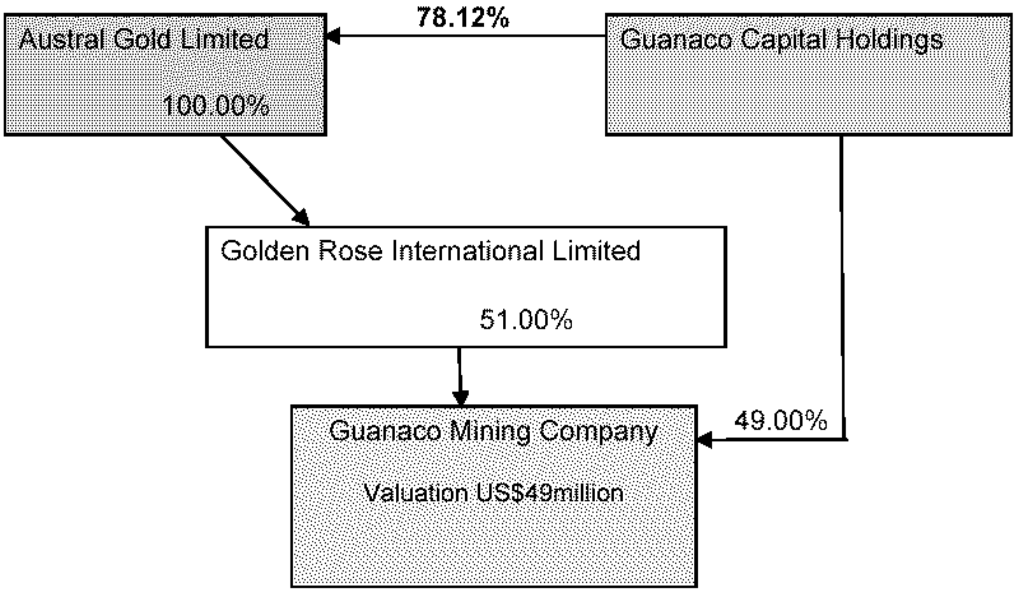
The third resolution is as follows:

"That, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of that number of fully paid shares in GMC from GCH in the amount as set out in the Explanatory Statement accompanying this Notice, in consideration for the issue of fully paid ordinary shares in AGD, in the amount and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

This Resolution proposes that AGD acquires a further 4.57% of GMC from GCH and so become entitled to 51.00% of the shares in GMC. The consideration for this acquisition will be the issue of an additional 58,521,540 shares in AGD to GCH.

The diagrammatic effect of this step is set out in Figure 4 below:

Figure 4 – Post Acquisition by AGD of a Controlling Interest in GMC



Note: For simplicity, Figure 4 assumes the holding of AGD in GMC is held via GRIL whereas it will be held via GRIL and AGD.

1.4 Resolution 4

The fourth resolution is as follows:

"That pursuant to Section 254H of the Corporations Act, Listing Rule 2.1 of the ASX Listing Rules, the Constitution of AGD and for all other purposes, the issued capital of the Company be consolidated on the basis that:

(a) every ten (10) Shares be consolidated into one (1) Share; and

(b) every ten (10) Options be consolidated into one (1) Option,

and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option."

This Resolution proposes a ten for one consolidation of capital within AGD such that the number of Shares held by each Shareholder will become one tenth of the pre-consolidation number and the asset backing of each Share will be ten times the pre-consolidation number.

The same ten for one consolidation is proposed for the various options outstanding in AGD.

This consolidation is proposed because at the conclusion of the changes if approved, contained in Resolutions 1, 2 and 3 above, AGD will have 668,120,433 Shares on issue. The share price of AGD in the past twelve months has varied in the range of $0.024 (2.4 cents) to $0.075 (7.5 cents).

The effect of the consolidation is to reduce the number of Shares on issue to a more manageable number, namely 66,812,043 shares and to increase the asset backing which should allow the Shares to trade at a higher price to that at which they are now trading.

Your Board recommends shareholder approval for this consolidation.

1.5 Resolution 5

The fifth resolution is as follows:

"That Mr Mark Bethwaite, being eligible and having consented to act, be re-elected as a director of AGD."

Mr Mark Bethwaite was appointed as a Director on 2 April 2007 and as Chairman on the resignation of the Hon Marcus Einfeld on 3 April 2007.

Mr Bethwaite has qualifications of Bachelor of Engineering, Master of Building Science and Master of Business Administration.

His mining career spans some 23 years including periods living and working in Mount Isa and Broken Hill. Mr Bethwaite worked for North Limited from 1978 to 1987, including five years as Managing Director. He worked for Renison Goldfields Consolidated Limited from 1987 to 1998, including six years as Managing Director. From 1998 to 2001, Mr Bethwaite worked with Deutsche Bank, principally in the financing of mining projects.

Mr Bethwaite is also Chairman of the Australian National Maritime Museum and is a non-executive Director of Deacons – Lawyers, Note Printing Australia Limited (wholly owned by the Reserve Bank of Australia), New South Innovations Limited and of a number of not for profit organisations.

Your Board recommends Mr Bethwaite's re-election as a Director of AGD.

1.6 Resolution 6

The sixth resolution is as follows:

"That Mr Robert Trzebski being eligible and having consented to act, be elected as a director of AGD."

At the conclusion of this General Meeting, Mr Terence Willsteed retires as a Director after two years service to AGD. The election of Mr Robert Trzebski is proposed to fill the vacancy left by Terence Willsteed's retirement.

Mr Trzebski has qualifications of a Degree in Geology (equivalent to a BSc), a PhD in Geophysics, a Master in International Project Management and has over 13 years of professional experience in mineral exploration, project management, research & development and recruitment. This includes eight years of developing collaborative research projects between mining companies and scientific institutions in Latin America, USA, Africa, Europe, Australia and Asia.

Mr Trzebski has been involved in developing international relationships between Australian and overseas mining companies. More recently, he worked in the recruitment industry, specialising in the global search of professionals for the mining and engineering industry.

He is also actively involved with several bilateral chambers of commerce and has extensive industry networks in Australia and overseas.

Your Board recommends Mr Trzebski's election as a Director of AGD.

2. SPECIFIC DISCLOSURES IN RESPECT OF RESOLUTIONS 1, 2 AND 3 – RESTRUCTURE OF AGD's INTEREST IN GMC

2.1 Overview

As previously advised to shareholders on 23 November 2006, AGD entered into a Deed of Acknowledgement and Release (**Deed**) with GCH, GRIL and GMC.

The Deed provided that:

(a) AGD formally released GCH from the requirement (determined by international arbitration on 26 May 2003) to contribute an amount of US$900,000 in addition to its original investment to earn its 51% interest in the Guanaco Project;

(b) AGD be released from its obligation to contribute any further funds, in accordance with the international arbitration on 26 May 2003, for the operation of GMC;

(c) the proportionate shareholding of GCH and GRIL in GMC be 51% (GCH) and 49% (GRIL);

(d) the shareholders of GRIL procure an in specie distribution of GRIL's shares in GMC;

(e) the loans to GMC provided by GCH and AGD be converted to equity; and

(f) GRIL be wound up.

On 21 February 2007 a general meeting of shareholders of GRIL was held where shareholders unanimously voted in favour of the in specie distribution of GRIL's shares in GMC and the winding up of GRIL.

After a review, this transaction has been restructured to facilitate a corporate reorganisation (assuming the approval of the Resolutions set out in Resolutions 1, 2, 3 and 4) and therefore the in specie distribution has not been implemented.

AGD now intends to acquire the interest of GCH in GRIL and further shares in GMC to increase its interest in GMC to 51%, on the terms set out below.

To record the new transaction, AGD, GCH, GMC and GRIL have agreed terms, pursuant to which:

(a) Step 1 - each of AGD and GCH will capitalise their loans in GMC into equity in GMC (refer Figures 1 and 2 on preceding pages and Table 1 below);

(b) Step 2 - AGD will acquire the interest of GCH in GRIL in consideration of the issue of 169.4 million shares in AGD to GCH (refer Figure 3 and Table 2); and

(c) Step 3 - AGD will acquire an additional 4.57% interest in GMC from GCH in consideration of the issue of 58.5 million shares in AGD to GCH (refer Figure 4 and Table 2).

It should be noted that the amount of the loans referred to in Step 1 may alter as a result of interest accrued and foreign exchange fluctuations up to the date of implementation of the Transaction. For this reason, the Shares proposed to be issued by AGD are the maximum number, but it may alter following an audit review and adjustments made following that review.

The capitalisation of the loans into equity is being undertaken to remove the loans from GMC's balance sheet. The transfer of the shares in GRIL and GMC by GCH to AGD is being undertaken so that the interest of AGD in GMC will be 51%.

The table below reflects the calculation of the equity percentage in GMC following the capitalisation of the loans made to GMC.

Table 1:

All monetary Figures are in $US

	AGD ($US)	GCH ($US)
Loans to GMC[1] (including accrued interest)	4,223,655	11,099,820
Present Equity Interest in GMC	35.777%	64.223%
Present value of Equity Interest in GMC[2]	$16,272,069	$32,727,931
Equity % to reflect unchanged equity value[3]	33.21%	66.79%
Equity Value in GMC post adjustment	$16,272,069	$32,727,931

[1] The loans are calculated in US dollars however in accordance with accounting standards the loans are recorded in Australian dollars. The exchange rate used is A$1 equals US$0.81361.

[2] In respect of AGD, this is calculated as the present equity interest multiplied by the valuation of GMC of US$49 million less the loans by each of AGD and GCH, plus the loan by AGD being:

35.777% x (US$49m – [loans]) + AGD Loan Amount

[3] This is calculated as the present value of the equity interest determined in Note 2 above, divided by the valuation of GMC of US$49m.

2.2 Impact of the Three Step Transaction on AGD

2.2.1 General

The effect of the Transaction on AGD is to remove the loans by AGD and GCH to GMC from GMC's balance sheet, to increase the interest of AGD in GMC to 51% and to increase the interest of GCH in AGD to 78.12% (see Table 2).

This results in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the Transaction on AGD.

These are noted by the Independent Expert who comments, amongst other things, that the key advantages to non-associated Shareholders are that:

(a) *"To date, GCH has been funding most of AGD's commitments with respect to Guanaco. AGD does not have the funds to repay GCH while GMC will not be able to repay the loans until production commences which at the earliest would be in 2009. The relative adjustment through capitalisation of the loans could help maintain the support of GCH for GMC.*

(b) *The transfer of interest in GMC from AGD to GCH is being done at an effective valuation of $60.23 million, which is in excess of the implied AGD enterprise value (see Section 5.3.1) and although above the valuation range for Guanaco as determined by IFL (see Section 5.3.6) it is at the high end of the valuation based on forecast EBITDA multiples (see Section 5.3.4).*

(c) *Currently, AGD holds a minority interest in Guanaco of 35.777%. Following approval of the Restructure Resolutions and implementation of the associated transactions, AGD would hold a 51.0% interest in Guanaco. A controlling equity position in Guanaco could increase market interest in AGD, as it would be the manager and operator of the mine and thus have greater control of future developments. AGD should therefore be in a better position to raise future funding.*

(d) *Approval of Restructure Resolutions 2 and 3 will also mean an increase in the holding of AGD's largest shareholder, GCH from 66.80% to 78.124% However, the issue of 227.888 million shares in AGD to GCH is at $0.047 which is at a 51.7% premium to the current share price and a 38.2% premium to the volume weighted average price (**VWAP**) of shares in AGD over the last 3 months. The dilution for Non-associated Shareholders is therefore less than if the share price paid was equal to or at a discount to the market price.*

(e) *While premiums for control of resource companies can range from 20% to 30%, these premiums are for 100% of the company and the benefits that flow from that level of control. GCH will only move from 66.80% to 78.124% shareholding in AGD, and not thus not gain the benefits of full control. The premium being paid by GCH of 38.3% is therefore well above market practice.*

(f) *A larger interest in Guanaco should result in larger future earnings attributable to the company."*

The disadvantages noted by the Independent Expert include:

(a) *"AGD's current holding in GMC of 35.777% will be reduced by 2.569% to 33.208%.*

(b) *AGD's issued capital will increase by 227.888 million shares and GCH's holding in AGD will increase by 11.324% to 78.124%.*

(c) *AGD will have to take up operatorship of GMC and increase its administrative and technical facilities. Additional costs can be expected, as well as having to provide 51.0% of GMC costs compared with the present 35.777%."*

2.2.2 Impact on capital structure and level of control by GCH

The effect on the capital structure of AGD if Resolutions 1, 2 and 3 are passed (on an undiluted basis) is set out below:

Table 2:

	Current Position		Post issue for acquisition of shares in GRIL from GCH		Post issue for acquisition of shares in GMC from GCH	
	Shares	**Percentage**	**Shares**	**Percentage**	**Shares**	**Percentage**
GCH	294,073,255	66.8%	463,439,989	76.024%	521,961,529	78.124%
Non associated	146,158,904	33.2%	146,158,904	23.976%	146,158,904	21.876%
Total	**440,232,159**	**100%**	**609,598,893**	**100%**	**668,120,433**	**100%**

Notes:

1. Assumes no options are exercised.
2. This table also assumes that GCH does not acquire any additional shares in AGD in accordance with any other manner permitted by the Corporations Act (for example, by exercising its ability to acquire shares under the "3% creep" exception to the takeover provisions in the Corporations Act).

2.2.4 Maximum Voting Power of GCH in AGD

As at the date of this Explanatory Statement, GCH (and its subsidiaries) holds a relevant interest in 294,073,255 Shares in the Company, representing a maximum voting power of 66.80%.

The maximum number of Shares held by GCH after completion of the three step Transaction will be 521,961,529 Shares, representing a maximum voting power of 78.124% (assuming the capital structure is as set out above in Table 2 and no options are exercised). Accordingly, the maximum extent of the increase in voting power of GCH is 11.324 % in these circumstances.

As the Associates of GCH (listed in Schedule 1) have voting power in the Shares held by GCH, the voting power of these Associates will be affected after completion of the Transaction in the same way as the voting power of GCH.

The intent of the approval in Resolutions 1, 2 and 3 is therefore to permit GCH and its Associates to increase its voting power by up to 11.324% by the issue to GCH of 227,888,274 Shares in AGD.

2.3 General Information in respect of GCH and its intentions for AGD

GCH is a corporation incorporated in the British Virgin Islands and is controlled by Mr Eduardo Elszstain, a prominent Argentinian fund manager. GCH is the sole shareholder of Global Gold S.A., the holder of a relevant interest in Shares in AGD.

Mr Elszstain studied Economic Sciences at the University of Buenos Aires. He has been carrying out activities in the Real Estate sector for more than twenty years. He founded Dolphin Fund Management. He is the Chairman of the Boards of IRSA, Cresud and Alto Palermo, among other public companies listed both in Buenos Aires and New York, Bacs Banco de Crédito & Securitización and Consultores Asset Management, among others. Among other public listed companies, he is the Vice-Chairman of the Board of Banco Hipotecario and a director of BrasilAgro and YPF.

GCH has informed AGD that, as at the date of this Explanatory Statement and on the basis of the facts and information available to it, if Shareholders approve Resolutions 1 through to 3 that it:

(a) has no intention of making any significant changes to the business of the Company in a manner that may be detrimental to non-associated Shareholders;

(b) does not intend to redeploy any fixed assets of AGD except for investigating the possible joint venture, partial sale or total sale of any of AGD's tenements in a manner that would be beneficial for AGD;

(c) does not have any present intention to inject further capital into AGD, other than its contributions to the operations of GMC as a result of its 49% interest or its participation in any rights issue that may be implemented by AGD;

(d) does not intend to transfer any property between AGD and GCH or any person associated with any of them other than as set out in this Notice;

(e) has no current intention to change AGD's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;

(f) has no current intentions regarding the future employment of the present employees of AGD, other than it is noted that the joint company secretary, Mr Kinstlinger, will resign as joint company secretary following the general meeting; and

(g) has no current intention to change the Board, other than it is noted that Mr Willsteed intends to resign as a Director following the general meeting.

3. General overview of Guanaco Mining Company and the Guanaco Project

A general overview of GMC and the Guanaco project is set out in the Independent Expert's Report (section 5.1 and 5.2) and non-associated Shareholders should read those sections in full.

4. Regulatory Requirements

The ASX Listing Rules and the Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the issue of shares under the transactions the subject of Resolutions 1, 2 and 3.

4.1 ASX Listing Rules 10.1 and 10.11

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a "substantial asset" from, or dispose of a substantial asset to, a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities).

An asset is "substantial" if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of AGD as set out in the latest accounts given to ASX under the Listing Rules.

For the purpose of ASX Listing Rule 10.1, GCH is a substantial holder in AGD. The proposed transaction therefore requires shareholder approval for the purpose of ASX Listing Rule 10.1 because the loans made to an entity controlled by a substantial holder (GCH) are being capitalised, AGD is acquiring shares in both GRIL and GMC from GCH, and the value of the loan being capitalised by AGD and the Shares being issued exceeds 5% or more of the equity interests of AGD.

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of that rule must include a report on the proposed acquisition from an independent expert.

If Resolutions 2 and 3 are passed, Shares will be issued to GCH, a related party by virtue of the fact that GCH has a voting power in excess of 50% in AGD and therefore could be deemed to "control" AGD. For this reason, shareholder approval under ASX Listing Rule 10.11 is also required prior to issuing these Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of these Shares to GCH will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 2 and 3:

(a) the maximum number of Shares to be issued by the Company to GCH (or its Associates) is 227,888,274 Shares;

(b) the allottee of the Shares will be GCH or its Associates;

(c) the Shares will be issued on the same terms as the existing fully paid ordinary shares in AGD;

(d) the Shares will be issued as consideration for the Transaction as set out in this Explanatory Statement;

(e) the Shares will be issued as soon as practicable after the meeting and in any event not later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Shares will be issued on one date;

(f) no funds will be raised from the issue of the Shares.

4.2 Item 7 of Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's Associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

(ii) a body corporate that controls the first person; or

(iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under Item 7 of Section 611 of the Corporations Act is required for Resolutions 2 and 3.

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Policy Statement 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to in the Independent Expert's Report annexed to this Explanatory Statement.

Details of GCH and its Associates

The background information on GCH is set out in detail in Section 1.3 of the Explanatory Statement. A full list of GCH's Associates is set out in Schedule 1 to this Explanatory Statement.

Identity of persons who will hold a relevant interest in the Shares on completion of the Transaction

On completion of the Transaction the following persons will hold a relevant interest in the Shares:

(a) GCH; and

(b) the Associates of GCH as set out in Schedule 1.

As at the date of this Explanatory Statement, GCH holds a relevant interest of 66.80% in AGD. The maximum increase in GCH's voting power as a result of the Transaction, and the maximum voting power that it will have on completion of the Transaction is 11.324% and 78.124% respectively (assuming the capital structure is as set out in Table 2 in the Explanatory Statement and no Options are exercised or converted).

The above paragraphs assume that:

(a) all of the Shares the subject of Resolutions 2 and 3 have been issued and no additional Shares are issued (whether by the exercise of options in AGD or otherwise); and

(b) no parties other than GCH or its Associates as stated in Schedule 1 will receive an increase in voting power as a result of the Transaction.

Intentions of GCH in relation to AGD

The intentions of GCH in relation to AGD are set out in section 2.3 of this Explanatory Statement.

Capital Structure

The proposed capital structure of AGD following completion of all the transactions the subject of this Notice is set out in Table 2 of this Explanatory Statement.

Interests and Recommendations of Directors

The Directors recommendations are set out in section 4.3.

Independent Expert's Report

The Independent Expert's Report is set out in Annexure A.

4.3 Section 208 of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to the section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the Capitalisation of the loan by AGD with shares in GMC, the transfer of shares in GMC to GCH and the issue of shares in AGD to GCH as a result of the Transaction constitutes a "financial benefit" as defined in the Corporations Act. Further, GCH is a "related party" of AGD as defined under the Corporations Act by virtue of GCH being in "control' of AGD.

The Directors are of the view that the exceptions under the Corporations Act to the provision of a financial benefit to a related party may not apply in the current circumstances.

The Directors have determined to seek Shareholder approval under Section 208 of the Corporations Act to implement the transaction.

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to GCH:

(a) the related party to whom the financial benefit will be given is GCH, a substantial holder in AGD having voting power of approximately 66.80%;

(b) the nature of the financial benefit to be provided is the capitalisation of the loan by AGD into shares in GMC, the transfer of shares in GMC to GCH, and the issue of Shares in AGD to GCH as a result of the Transaction;

(c) GCH currently has an interest in 294,073,255 Shares in AGD;

(d) if Shareholders approve the Transaction, the effect will be increase the interest of AGD in GMC to 51% but to dilute the total shareholding of the non-associated Shareholders in AGD from 33.20% pre the Transaction to 21.876% post the Transaction;

(e) the ASIC in reviewing documents lodged under section 218 relating to the giving of a financial benefit to a related party of a public company requires explanatory information regarding the value of the financial benefit and the value of the asset being acquired. Shareholders should refer to the valuation in the Independent Expert's Report prepared by Interfinancial Limited which forms part of this Explanatory Statement.

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, including the advantages and disadvantages outlined in detail in those two documents (refer to section 2.1 of the Explanatory Statement and section 4.3 of the Independent Expert's Report), all of the Directors consider that the transactions the subject of Resolutions 1, 2 and 3 are in the best interests of AGD.

Each of the Directors (other than Mr Pablo Vergara del Carril who has declined to make a recommendation due to his connection with GCH) recommend that Shareholders vote in favour of Resolutions 1, 2 and 3.

No Director voted against the proposal to put the Resolutions to shareholders contained in this Notice of Meeting and Explanatory Statement.

Each Director, other than Mr Pablo Vergara del Carril, who holds shares in AGD (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolutions 1, 2 and 3.

ROLE OF THE INDEPENDENT EXPERT

The Independent Expert's Report assesses whether the proposals outlined in Resolutions 1, 2 and 3 are fair and reasonable to the Shareholders who are not associated with GCH. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Transaction the subject of Resolutions 1, 2 and 3. This assessment is designed to assist all Shareholders in reaching their voting decision.

Interfinancial Limited has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolutions 1, 2 and 3 is fair and reasonable to the Shareholders of AGD not associated with GCH. It is recommended that all Shareholders read the Independent Expert's Report in full.

RESPONSIBILITY FOR INFORMATION

The information concerning AGD contained in this Explanatory Statement, including information as to the views and recommendations of the Directors has been prepared by AGD and is the responsibility of AGD.

Interfinancial Limited has prepared the Independent Expert's Report in relation to Resolution 1, 2 and 3 and takes responsibility for that report and has consented to the inclusion of that report in this Explanatory Statement. Interfinancial Limited is not responsible for any other information contained within this Explanatory Statement.

Shareholders are urged to read carefully the Independent Expert's Report to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Certain statements in the Explanatory Statement relate to the future. Those statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of AGD to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as of the date of the Explanatory Statement. Neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Explanatory Statement will actually occur and you are cautioned not to place undue reliance on those forward looking statements.

The Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of individual Shareholders. If you are in doubt as to what you should do you should consult your legal, financial or professional adviser prior to voting.

GLOSSARY

AGD means Austral Gold Limited (ABN 30 075 860 472).

Associates means the associates of GCH listed in Schedule 1.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the listing rules of ASX.

Board means the board of directors of AGD.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of AGD.

Explanatory Statement means the explanatory statement to the Notice.

GCH means Guanaco Capital Holding Corporation.

GMC means Guanaco Mining Company.

Meeting means the meeting convened by the Notice.

Notice or Notice of Meeting means this notice of meeting.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of AGD, unless specified to the contrary.

Shareholder means a holder of Shares.

Transaction means the transaction the subject of Resolutions 1, 2 and 3.

SCHEDULE 1

Associates of GCH

Global Gold SA (owned 100% by GCH)

Eduardo Sergio Elszstain (controller of GCH)

IFIS Limited (principal shareholder of GCH)

Dolphin Fund Plc (shareholder of GCH)

ANNEXURE A

INDEPENDENT EXPERT'S REPORT

PREPARED BY
INTERFINANCIAL LIMITED
(AFS LICENCE NO. 238136)

FOR THE PURPOSES OF SHAREHOLDER APPROVAL
FOR EACH OF RESOLUTIONS 1, 2 AND 3 AS SET OUT IN THE
NOTICE OF MEETING AND EXPLANATORY STATEMENT FOR
A GENERAL MEETING OF SHAREHOLDERS OF AUSTRAL
GOLD LIMITED TO BE HELD ON TUESDAY 22 MAY 2007

InterFinancial Limited

Financial Services Guide

About us

InterFinancial Limited (**IFL** or **we** or **us** or **our**) has been engaged by the directors of AGD Gold Limited (**AGD** or **Company**) to provide general financial product advice in the form of an independent expert's report (**Report**) in connection with certain transactions with Guanaco Capital Holding Corporation (**GCH**), a substantial holder in, and related party of, the Company. These transactions are to be implemented by the Company if 3 resolutions are passed at a general meeting of the Company.

The *Corporations Act 2001* (Cth) requires us to provide this Financial Services Guide (**FSG**) in connection with the Report which was prepared for the benefit of AGD. However, you are not the party who engaged us to prepare the Report. We are not acting for any person other than AGD. This FSG provides important information designed to assist retail clients in their views of any general financial product advice provided by IFL in the Report. This FSG contains information about our engagement by the directors of AGD to prepare the Report in connection with certain transactions with GCH (**Engagement**), the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

Financial services we are licensed to provide

Our Australian Financial Services Licence authorises us to provide the following services to both retail and wholesale clients:

- to provide financial product advice in relation to deposit products, securities, derivatives, managed investment schemes (excluding investor directed portfolio services), superannuation, and government debentures, stocks and bonds; and
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of the abovementioned financial products.

General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for, or acquisition of, a financial product, you should also obtain and read carefully the relevant offer document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

Remuneration, commissions and other benefits

IFL charges fees for its services, and will receive a fee for its work on the Report. These fees have been agreed on, and will be paid solely by AGD, who has engaged our services for the purpose of providing the Report. IFL may seek reimbursement of any out of pocket expenses incurred in providing these services. Further details on our fees are set out in section 7.3 of the Report.

InterFinancial Limited
ABN 14 010 740 342
Established 1987
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225 George Street Sydney NSW 2000
PO Box R1764 Royal Exchange NSW 1225
Telephone 02 9241 7400
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Email sydney@interfinancial.com.au
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Associations and relationships

Other than as set out in this FSG, IFL has no associations or relationships with any person who might reasonably be expected to be capable of influencing it in providing advice under the Engagement. IFL, its officers, employees, consultants and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees for services rendered in producing the Report. Neither IFL nor its directors, executives or consultants have an interest in securities, directly or indirectly, which are the subject of the Report. IFL may perform paid services in the ordinary course of business for entities that are the subject of the Report.

Complaints

Our Australian Financial Services Licence requires us to have an internal complaints-handling mechanism. All complaints must be addressed to us in writing. If we are not able to resolve your complaint to your satisfaction, you are entitled to have your matter referred to the Financial Industry Complaints Service (**FICS**). You will not be charged for using the FICS service.

To contact IFL:
Level 3, Emirates House
167 Eagle Street
GPO Box 975
Brisbane, Qld 4000
Tel: 07 3218 9100
Fax: 07 3218 9199

To contact the FICS:
Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne, Vic 8007
Tel: 1800 355 405
Fax: 023 9621 2291

10 April 2007

The Directors
AGD Gold Limited
Suite 201, 80 Williams Street
Sydney NSW 2011

Dear Sirs

INDEPENDENT EXPERT'S REPORT TO AGD SHAREHOLDERS

1 INTRODUCTION

Austral Gold Limited (**AGD** or the **Company**) is a gold explorer with interests in a major international gold project and a number of Australian exploration projects, including the following:

- 35.78% interest in the Guanaco gold project (**Guanaco**), located 185 kilometres (**km**) south east of Antofagasta, Chile, comprising a concession covering 150 square kilometre (**sq km**).
- 95% interest in the Bullabulling gold exploration project located 60 km west-southwest of Kalgoorlie in the Eastern Goldfields of Western Australia. The project comprises 8 granted prospecting licences covering a total area of 1,233 ha.
- 95% interest in the Kookynie gold exploration project located about 45 km south east of Leonora in the Eastern Goldfields of Western Australia, comprising two exploration licence applications together with four prospecting licence applications covering a total area of 10.56 sq km.
- 75% interest in the Leonora gold exploration project located about 10 km west of Leonora in the Eastern Goldfields of Western Australia, comprising two exploration licences covering a total area of 414 sq km.
- 70% interest in the Raeside gold exploration project located about 60 km north west of Leonora, comprising an exploration licence covering 210 sq km.
- 100% interest in the Hann diamond exploration project where the Company has applied for two exploration licences covering 388 sq km, located 350 km northeast of Derby.
- 100% interest in the Rocklea iron ore and base metals exploration project located in the West Pilbara Mineral Field of Western Australia, comprising one exploration licence application covering a total area of approximately 207 sq km.

AGD has called a general meeting of AGD shareholders to vote on six resolutions. The transactions to be approved by the first three resolutions (**Restructure Resolutions**) are designed to simplify AGD's corporate structure and increase its holding in Guanaco Mining Company (**GMC**).

Restructure Resolution 1 seeks shareholder approval for the capitalisation of loans between AGD and GMC and between Guanaco Capital Holding Corporation (**GCH**) and GMC. The loans by AGD and GCH to GMC have not been proportionate to their respective interests in GMC and the transaction contemplated by this resolution is intended, in part, to rectify this imbalance by capitalising the loans. This transaction would result in AGD's interest in GMC decreasing from 35.777% to 33.208% and GCH's interest in GMC increasing from 64.223% to 66.792%.

Restructure Resolution 2 seeks shareholder approval for AGD to acquire GCH's 26.986% interest in Golden Rose International Pty Ltd (**GRIL**) which would result in AGD's interest in GMC increasing from 33.208% to 46.431% while GCH's interest in AGD would increase from 66.800% to 76.024%.

Restructure Resolution 3 seeks shareholder approval for AGD to acquire a further 4.569% interest in GMC from GCH to increase its interest in GMC to 51.0%. GCH's interest in AGD would increase from 76.024% to 78.124%.

The overall result of these transactions will be that GCH will increase its interest in AGD to 78.124% and AGD will increase its interest in GMC to 51.0%.

All of the Restructure Resolutions are interdependent, meaning that if any Restructure Resolution is not passed, the remaining Restructure Resolutions will not have effect (even if the remaining Restructure Resolutions have been approved by the shareholders.

AGD has prepared an explanatory statement (**Explanatory Statement**) to explain the effect of the Restructure Resolutions to be put before shareholders of AGD other than GCH and its associates (**Non-associated Shareholders**) at a general meeting of the Company.

The directors of AGD have engaged Interfinancial Limited (**IFL**) to prepare an independent expert's report (**Report**) to express an opinion as to whether or not the Restructure Resolutions are fair and reasonable to Non-associated Shareholders and the reason for that opinion. This Report will accompany the Explanatory Statement to be sent by AGD to its shareholders. This Report should be read in full, including all of the assumptions upon which our work is based, together with the Explanatory Statement and any other information provided to shareholders.

This Report has been prepared solely for use by the Non-associated Shareholders to assist them to make an informed decision as to whether to vote for or against the Restructure Resolutions, or to abstain from voting. This Report should not be used by any other persons or for any other purpose.

A Non-associated Shareholder's decision to accept or reject the Restructure Resolutions is likely to be influenced by their particular circumstances; for example, a Non-associated Shareholder's tax considerations. This Report does not address circumstances specific to an individual Non-associated Shareholder. Non-associated Shareholders, who are in any doubt as to the action they should take, should consult with their own independent professional adviser.

IFL is independent of AGD and has had no other involvement with, or interests in, AGD.

2 SUMMARY OF OPINION

2.1 Assessment

In forming our opinion on the Restructure Resolutions, we have considered the advantages and disadvantages to Non-Associated Shareholders if the Restructure Resolutions are approved and the position of Non-associated Shareholders in the event that the Restructure Resolutions are not approved. In considering these matters, we have assumed that the transactions contemplated by the Restructure Resolutions will be implemented promptly after approval of the Restructure Resolutions by Non-associated Shareholders.

As the Restructure Resolutions are interdependent and will not take effect unless all Restructure Resolutions are approved by the Non-associated Shareholders, we have, on the whole, assessed the Restructure Resolutions, and the transactions to be approved by the Restructure Resolutions, as a package.

Approval of Restructure Resolution 1 will allow the capitalisation of loans by AGD and GCH to GMC and the transfer by AGD to GCH of shares in GMC to remove an imbalance in the funding of GMC which has arisen due to AGD's inability to fund its share of the operating expenses of GMC. AGD's effective holding in GMC will reduce from 35.777% to 33.208%, but the implied valuation for the transfer of interest is in excess of AGD's current enterprise value and although greater than the valuation range for Guanaco (which is the only asset of GMC) as determined by IFL, it is within the value range as determined by one of the valuation methods employed.

Approval of Restructure Resolutions 2 and 3 will provide AGD with a controlling interest of 51.0% and operatorship in GMC and will place AGD in a stronger position to seek funding for future exploration programmes and a feasibility study to determine when and if mining should commence. The increased holding in GMC should also provide AGD with increased earnings on commencement of operations. However, AGD will have to take responsibility for management of operations at Guanaco, and therefore will need to hire appropriate staff and subsequently have larger funding obligations in respect of GCH.

Approval of Restructure Resolutions 2 and 3 will also mean an increase in the holding of AGD's largest shareholder, GCH from 66.800% to 78.124% with subsequent dilution of earnings to Non-associated Shareholders. However, the issue of 227.888 million shares in AGD to GCH is at a 51.7% premium to the current share price and a 38.3% premium to the volume weighted average price (**VWAP**) of shares in AGD over the last 3 months. While premiums for control of resource companies can range from 20% to 30%, these premiums are for 100% of the company and full control. GCH will not gain the benefits of full control and thus the premium being paid by GCH is well above market practice.

The implied valuation of $60.23 million under Restructure Resolutions 2 and 3 is outside the valuation range of $40 million to $55 million for Guanaco as determined by IFL, but it is at the high end of the valuation determined by forecast EBITDA multiples of $64.0 million (see section 5.3).

If the Restructure Resolutions are not approved then the ability of AGD to raise additional funds may be diminished.

On balance, IFL believes that the position of Non-associated Shareholders is more advantageous if the Restructure Resolutions are approved than if they are not approved. We provide a discussion on our view of the advantages and disadvantages of the Restructure Resolutions and the issues facing Non-associated Shareholders if the Restructure Resolutions are not approved in Section 4.3 of this Report.

2.2 Opinion

In summary, considering the circumstances of the proposed transactions, IFL considers on balance that the Restructure Resolutions are **fair and reasonable** as, in our opinion, the likely benefits to Non-associated Shareholders if the Restructure Resolutions are approved and the transactions proceed outweigh any disadvantages that might result from approval of the Restructure Resolutions and implementation of the transactions.

This Report is unable to consider the circumstances of individual Non-associated Shareholders and does not address taxation or other matters that may influence a Non-associated Shareholder's decision with regard to the Restructure Resolutions. General guidance on tax implications is provided elsewhere in the Explanatory Statement. Non-associated Shareholders who are in any doubt as to the action they should take should consult with their own independent professional adviser.

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All monetary references refer to Australian dollars unless otherwise noted.

3 DETAILS OF PROPOSAL

3.1 Proposal

AGD has called a general meeting of AGD shareholders to vote on the Restructure Resolutions. In broad terms, the effect of the transactions to be implemented following approval of the Restructure Resolutions will be to:

- increase AGD's interest in Guanaco from 35.777% to 51.0%; and
- increase GCH's interest in AGD from 66.800% to 78.124%.

Step 1 - Loan for Equity Swap

Resolution 1
"That, for the purposes of Listing Rule 10.1 of the ASX Listing Rules, section 208 of the Corporations Act, and for all other purposes, shareholders approve the capitalisation of the loans made by AGD to GMC by the issue of fully paid ordinary shares in GMC on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Currently AGD is owed US$4.22 million by GMC and GCH is owed a further US$11.10 million by GMC. These loans are not in proportion to the interests of AGD and GCH in GMC. AGD and GCH's interests in GMC are 35.777% and 64.223% respectively. This imbalance is due to GCH providing additional funds to GMC on behalf of AGD. It is proposed that these loans will be capitalised and the difference adjusted by the issue of an additional 6,271 shares in GMC directly to AGD and an additional 16,480 shares directly to GCH. Following this transfer, AGD's interest in GMC will decrease from 35.777% to 33.208% and consequently GCH's interest will increase from 64.223% to 66.792%. This adjustment has been based on a US$49.0 million ($60.23 million) valuation for Guanaco, which is the only asset of GMC.

Step 2 – Acquisition of GCH's holding in GRIL

Resolution 2
"That, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of the whole of the fully paid shares in Golden Rose International Limited owned by GCH in consideration for the issue of fully paid ordinary shares in AGD on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

As discussed in more detail in Section 5.1, GCH holds a 26.986% interest in GRIL, which in turn owns a 49% interest in GMC. If Restructure Resolution 2 is approved, AGD intends to acquire GCH's interest in GRIL. Based on a valuation of US$49 million ($60.23 million) for Guanaco, AGD proposes to issue to GCH 169.367 million shares at an issue price of $0.047 per share. The issue price effectively values the transaction enterprise value at $60.23 million. AGD's interest in GMC will increase to 46.431% while GCH's interest in AGD will increase to 76.024%.

Step 3 – Increase AGD's holding in GMC to 51.0%

Resolution 3
"That, for the purposes of Listing Rules 10.1 and 10.11 of the ASX Listing Rules, sections 208 and 611 (item 7) of the Corporations Act, and for all other purposes, shareholders approve the acquisition by AGD of that number of fully paid shares in GMC from GCH in the amount as set out in the Explanatory Statement accompanying this Notice, in consideration for the issue of fully paid ordinary shares in AGD, in the amount and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

If Restructure Resolution 3 is approved, AGD will acquire a further 4.57% interest in GMC from GCH to arrive at a controlling interest of 51.0% in GMC. Based on a valuation of US$49 million ($60.23 million) for Guanaco, AGD proposes to issue to GCH 58.522 million shares at an issue price of $0.047 per share. The issue price effectively values the transaction enterprise value at $60.23 million. Following this share issue, GCH's interest in AGD will increase to 78.124%.

4 SCOPE OF THE REPORT

4.1 Purpose of the Report

Under section 606(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), GCH may exceed the 20% threshold under the takeover provisions if shareholder approval is obtained pursuant to item 7 of section 611 of the Corporations Act. Although the Corporations Act does not require an analysis of whether the allotment of AGD shares to GCH is fair and reasonable, the Australian Securities and Investments Commission (**ASIC**) under Policy Statement 74requires an analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the shareholders other than those involved in the proposed allotment; that is, the Non-associated Shareholders.

Under ASIC Policy Statement 74, the directors of AGD may satisfy their obligation to provide shareholders with an analysis of any benefit that may not be offered to all shareholders by commissioning an IER. The directors of AGD have therefore engaged IFL to prepare an IER stating whether, in its opinion, the Restructure Resolutions are fair and reasonable.

Further, Listing Rule 10.1 of ASX Limited (**ASX**) relevantly provides that an entity must not acquire a substantial asset from a related party or substantial holder without the approval of holders of the company's ordinary securities. GCH is both a related party of, and a substantial holder in, AGD. Listing Rule 10.10.2 then provides that a notice of meeting for the purposes of Listing Rule 10.1 must include a voting exclusion statement and a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the company's ordinary securities whose votes are not to be disregarded. Under Listing Rule 14.1, the votes of the party to the transaction and its associates need to be disregarded for the purposes of Listing Rule 10.1. Accordingly, only the votes of Non-associated Shareholders will be counted in determining whether each of the Restructure Resolutions has been passed.

Listing Rule 10.11 relevantly provides that an entity must not issue or agree to issue equity securities to a related person without the approval of holders of ordinary securities unless a relevant exception applies. Listing Rule 10.13 specifies the information that the entity must provide to its shareholders. The required information does not include an independent expert's report. Although an independent expert's report is not expressly required, the directors of AGD consider that this Report will assist the Non-associated Shareholders in determining whether to give approval for the purposes of Listing Rule 10.11 by passing Restructure Resolutions 2 and 3.

Part 2E.1 of the Corporations Act governs related party transactions. Section 219 of that Part sets out the requirements for information to be provided to shareholders but does not expressly require the inclusion of an independent expert's report. Once again, although an independent expert's report is not expressly required, the directors of AGD consider that this Report will assist the Non-associated Shareholders in determining whether to give approval for the purposes of Part 2E.1 by passing the Restructure Resolutions.

This Report has been prepared by IFL for the benefit of Non-associated Shareholders (and no other party) to assist them in considering whether or not to approve the Restructure Resolutions. This Report will accompany the Notice of Meeting and Explanatory Statement to be sent to shareholders. The sole purpose of this Report is as an expression of IFL's opinion as to whether the Restructure Resolutions are fair and reasonable, having regard to the interests of the Non-associated Shareholders.

IFL's opinion should not be construed as a recommendation as to whether or not to vote in favour of any of the Restructure Resolutions. Approval or rejection of each

Restructure Resolution is a matter for individual Non-associated Shareholders based on their own circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Non-associated Shareholders, who are in any doubt as to the action they should take in relation to the Restructure Resolutions, should consult their own independent professional adviser.

4.2 Basis of Evaluation

There is no statutory definition of the expression "fair and reasonable" and the expression has different meanings for different regulatory purposes.

In determining whether the Restructure Resolutions are fair and reasonable having regard to the interests of Non-associated Shareholders, we have had regard to the views expressed by ASIC in Policy Statements 74 and 75 (to the extent that they are relevant) and Practice Notes 42 and 43 which provide some guidance in relation to the preparation of independent expert reports.

As indicated by the definition of Non-associated Shareholders in section 1 of this Report, only the interests of those shareholders other than GCH and its associates are to be taken into account in assessing whether the proposal is fair and reasonable.

ASIC Policy Statement 74 provides that the assessment of whether a proposal for the purposes of item 7 of section 611 of the Act is fair and reasonable for Non-associated Shareholders must be judged in all the circumstances of the proposal. In making this assessment, the independent expert must compare the likely advantages and disadvantages for the Non-associated Shareholders if the proposal is agreed to, with the advantages and disadvantages to those shareholders if the proposal is not agreed to. In essence, the proposal will be "fair and reasonable" if the Non-associated Shareholders will be better off if the proposal proceeds than if it does not; that is, the proposal will be "fair and reasonable" if the expected benefits to the Non-associated Shareholders of the proposal outweigh the disadvantages of the proposal.

As the Restructure Resolutions are interdependent, we consider that the Restructure Resolutions need to be considered as a package; that is, the transactions contemplated by the Restructure Resolutions need to be considered as a whole. In our view, this is consistent with ASIC's guidance that we must take into account all of the circumstances of the proposal when making an assessment of what is fair and reasonable to Non-associated Shareholders.

In contrast, ASIC Policy Statement 75 is primarily directed towards reports prepared under section 640 of the Act and in particular the meaning of "fair and reasonable" in the context of a related party takeover offer. In doing so, ASIC draws a distinction between the concepts of "fair" and "reasonable" and indicates that each must be assessed separately. This is not the position in relation to a proposal for the purposes of item 7 of section 611 of the Act, where the concept of "fair and reasonable" is treated as a single concept to be assessed on the basis described above.

In IFL's opinion, and based on the relevant ASIC guidance, the most appropriate basis on which to evaluate whether the Restructure Resolutions are fair and reasonable for the purposes of item 7 of section 611 is to assess the overall impact of allowing GCH , together with its associates, to hold up to 78.124% of the issued voting shares of AGD and to assess whether the expected benefits to the Non-associated Shareholders of GCH, together with its associates, increasing its interest in AGD from 66.800% to 78.124% outweighs any disadvantages that may arise as a result of allowing that increase.

As ASX offers no guidance as to the meaning of "fair and reasonable" for the purposes of Listing Rule 10.1, IFL considers that it is appropriate to have regard to ASIC's guidance in assessing whether the Restructure Resolutions are fair and reasonable for the purposes of Listing Rule 10.1. Accordingly, IFL has considered whether the expected benefits to Non-associated Shareholders of the transactions contemplated by the Restructure Resolutions outweigh any disadvantages to Non-associated Shareholders should those transactions not proceed.

In determining whether the Restructure Resolutions are fair and reasonable, IFL has considered a range of factors such as:

- the nature of AGD's current activities;
- the dilutionary impact and level of control by GCH;
- the relationship between AGD and GCH;
- the recent trading history of AGD; and
- the fundamental valuation of the shares of AGD and GMC.

In the process of making an assessment of the Restructure Resolutions, IFL has made certain assumptions. Where these assumptions are material to our work we have stated them in this Report.

4.3 Assessment of and Fairness and Reasonableness

To form an opinion as to whether the Restructure Resolutions are in the best interests of Non-associated Shareholders, we have, consistent with the position outlined in Policy Statement 74, considered the following:

- advantages to Non-associated Shareholders of approving the Restructure Resolutions;
- disadvantages to Non-associated Shareholders of approving the Restructure Resolutions; and
- the likely position of AGD if the Restructure Resolutions are not approved.

4.3.1 Advantages to Non-associated Shareholders

If all of the Restructure Resolutions are approved, we consider that the following advantages could potentially be realized by Non-associated Shareholders:

- To date, GCH has been funding most of AGD's commitments with respect to Guanaco. AGD does not have the funds to repay GCH while GMC will not be able to repay the loans until production commences which at the earliest would be in 2009. The relative adjustment through capitalisation of the loans could help maintain the support of GCH for GMC.
- The transfer of interest in GMC from AGD to GCH is being done at an effective valuation of $60.23 million, which is in excess of the implied AGD enterprise value (see Section 5.3.1) and although above the valuation range for Guanaco as determined by IFL (see Section 5.3.6), it is at the high end of the valuation based on forecast EBITDA multiples (see Section 5.3.4).
- Currently, AGD holds a minority interest in Guanaco of 35.777%. Following approval of the Restructure Resolutions and implementation of the associated transactions, AGD would hold a 51.0% interest in Guanaco. A controlling equity position in Guanaco could increase market interest in AGD, as it would be the manager and operator of the mine and thus have greater control of future developments. AGD should therefore be in a better position to raise future funding.
- Approval of Restructure Resolutions 2 and 3 will also mean an increase in

the holding of AGD's largest shareholder, GCH from 66.800% to 78.124% However, the issue of 227.888 million shares in AGD to GCH is at $0.047 which is at a 51.7% premium to the current share price and a 38.3% premium to the volume weighted average price (**VWAP**) of shares in AGD over the last 3 months. The dilution for Non-associated Shareholders is therefore less than if the share price paid was equal to or at a discount to the market price.

- While premiums for control of resource companies can range from 20% to 30%, these premiums are for 100% of the company and the benefits that flow from that level of control. GCH will only move from 66.800% to 78.124% shareholding in AGD, and not thus not gain the benefits of full control. The premium being paid by GCH of 38.3% is therefore well above market practice.
- A larger interest in Guanaco should result in larger future earnings attributable to the company.

4.3.2 Disadvantages to Non-associated Shareholders

If Restructure Resolution 1 is approved, we consider that the following disadvantages could potentially result for Shareholders:

- AGD's current holding in GMC of 35.777% will be reduced by 2.569% to 33.208%.

If Restructure Resolutions 2 and 3 are approved, we consider that the following disadvantages could potentially result for Shareholders:

- AGD's issued capital will increase by 227.888 million shares and GCH's holding in AGD will increase by 11.353% to 78.124%.
- AGD will have to take up operatorship of GMC and increase its administrative and technical facilities. Additional costs can be expected, as well as having to provide 51.0% of GMC costs compared with the present 35.777%.

4.3.3 Position of Non-associated Shareholders if Restructure Resolutions are not approved

Advantages if the Restructure Resolutions are not approved include:

- AGD's current holding in GMC will remain unchanged.
- AGD's issued capital will not increase by a further 227.888 million shares and GCH's holding in AGD will remain at 66.800% and not increase to 78.124%.

Disadvantages if Restructure Resolutions are not approved include:

- Future financial support form GCH might be compromised and AGD's ability to meet financial commitments to the evaluation and potential development of Guanaco may prove more difficult.
- AGD will continue to hold a minority interest of 35.777% in Guanaco. This level of interest might make it more difficult for AGD to raise capital for its contribution to the potential development of Guanaco.

4.4 Conclusion

We have considered the advantages and disadvantages to the Shareholders of approving the Restructure Resolutions and the likely position if the Restructure Resolutions are not approved. Taking account of the issues discussed above, we believe that the Restructure Resolutions are **fair and reasonable**.

5 OVERVIEW OF AGD

5.1 Guanaco Project Overview

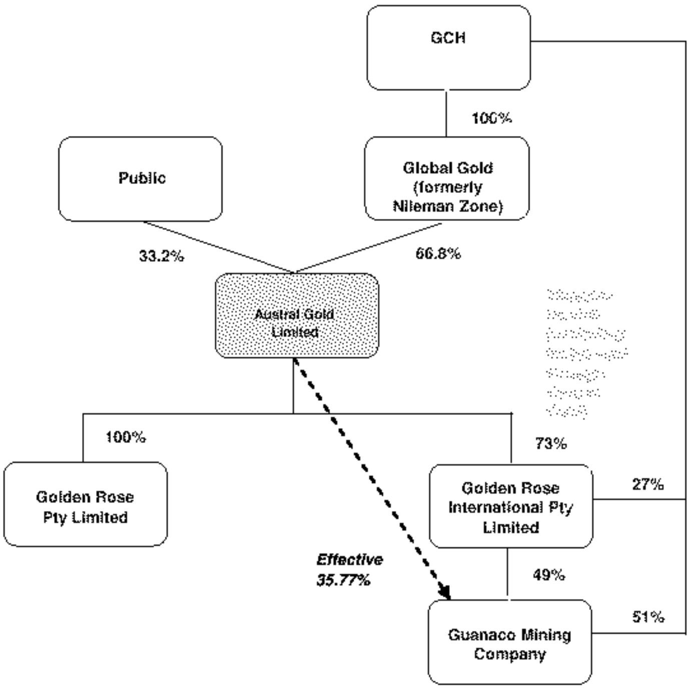
Background & Corporate Structure

In 1991 Amax Gold Inc. (**Amax**) obtained an option over the Guanaco gold project (**Guanaco**) located 185 km south east of Antofagasta, Chile, from Minera Guanaco Ltd. and defined a reserve of 11.5 million tonnes (**mt**) containing gold (**Au**) grades of 1.77 grams per tonne (**g/t**). Amax leased some additional property from State owned ENAMI (**ENAMI**) in 1992 and began open pit mining in February 1993 using conventional heap leaching and a Merrill Crowe recovery plant. Although average gold grades were between 3 and 4 g/t, the mining operation closed in 1997 due mainly to the low gold prices and some metallurgical complications related to copper in the ore.

In 1999 Kinross Gold acquired Amax and the property was taken over by its local subsidiary Kinam Guanaco (**Kinam**). In January 2003, AGD (formerly Diamond Rose NL) obtained, through its subsidiary Golden Rose International Limited (**GRIL**), an option to acquire Guanaco, comprising a concession covering 150 sq km excluding the Soledad claims (**Soledad**), adjacent to the Guanaco mine, as well as a few other minor third-party properties. To help fund the acquisition, Guanaco Capital Holding Corporation (**GCH**) agreed to provide funds to complete the purchase conditional on GCH holding title in Guanaco, pending an equitable distribution of equity being concluded and also on AGD managing the project on terms and conditions to be agreed upon.

Guanaco was acquired by Guanaco Mining Company Ltd (**GMC**) and a binding international arbitration in July 2003, determined that GCH should hold 51% of the equity in Guanaco. GMC is therefore owned 51% by GCH and 49% by GRIL.

In December 2005, GCH increased its interest in GMC through the acquisition of the minority interests in GRIL of 26.99%. GCH's interest in Guanaco, excluding its flow through interest arising from its holding in AGD (66.800%), was approximately 64.22%. AGD had a 73.01% interest in GRIL and, accordingly, the effective interest in Guanaco was approximately 35.78%.



As part of the funding arrangements GCH has lent some of AGD's share of project costs and funded its head office and Australian exploration activities.

5.2 Guanaco Gold Project

The Guanaco District is situated on the western edge of the main Chilean porphyry copper belt. The region has produced in excess of 2 million ozs of gold since first discovery in 1878, with intense exploitation between 1886 and 1939.

The Guanaco property is located 200 kilometres (km) southeast of Antofagasta and about 50 km east of the Pan American highway. The mine is reported to have produced 9.3 tonnes of gold in 1938 and 3.7 tonnes in 1939 and a total of 30 tonnes to the mid 1980's. Copper is recorded as mined between 1928 and 1930, although no production details are available.

The Guanaco mine is 40 km from Meridian Gold's El Penon gold mine which has produced 320,000 ozs of Au annually at a cost of less than US$50 per oz. Guanaco is also 80 km from BHP Billiton's Escondida mine, which produces 1.2 million t of copper (Cu) annually and is one of the world's largest copper mines.

Three open pit mines were operated by Amax: Dumbo and Defensa open pits exploiting the Dumbo Defensa vein structure and Perseverancia pit exploiting the Chilena vein structure

Substantial assets also exist on site including a crushing plant. heap leach processing plant including a Merrill Crowe recovery plant, administration block, laboratory, warehouse, maintenance facilities, an accommodation complex and mobile equipment.

Over the concession there are numerous gold and copper mineralisation targets with most of the gold production coming from less than one-third of the known 3.5 km mineralized strike length of the Dumbo-Defensa vein system. During late 1999 and early 2000 a wide spaced drilling programme identified the Cachinalito mineralisation. Drilling undertaken by Amax and Kinross also identified potential for underground mineable mineralisation at the following locations:

- Dumbo, between the west wall of the pit and the Soledad property boundary;
- Cachinalito, to the east of existing access and mined out stopes on the Soledad property; and
- Chilena, again between the Soledad property where the vein has apparently been mined and the Perseverancia open pit.

A technical review by SRK Consultants quoted JORC compliant resources which are summarised in the table below. Between March and May of 2006 the current owners undertook a drilling programme consisting primarily of reverse circulation (RC) drilling and some diamond holes followed by a second programme between August and October 2006. The programmes consisted of 25,000 metres of drilling. An independent technical expert, Magri Consultores Limitada (**Magri**), completed a geostatistical assessment of the new drilling results in January 2007. The results of Magri's report were summarized in AGD's December 2006 Quarterly Report, a copy of which is included in Appendix B of this report. The JORC compliant resources estimated by Magri are also summarized in the table below.

The recent exploration expenditure has been used to confirm and upgrade the resources. Exploration was and is also being undertaken on mineralised zones that were not included in the SRK report. Only limited work has been done on the existing leach pads, but AGD believes a more realistic value for the resources quoted below by SRK would be around 60% of the initial estimate. This would imply a current resource of some around 650,000 ounces of gold.

Resource		SRK Estimation			Magri Estimation*		
		Tonnes (m)	Grade (g/t)	Ounces	Tonnes (m)	Grade (g/t)	Ounces
Cachinalito	Measured	-	-	-	0.859	4.62	127,490
	Indicated	1.838	5.69	335,000	1.077	3.70	128,195
	Inferred	2.000	5.50	355,000	0.654	3.52	74,069
Dumbo West	Measured	-	-	-	0.158	2.88	14,660
	Indicated	1.773	2.20	125,000	0.524	2.65	44,662
	Inferred	1.500	2.20	100,000	1.405	1.77	80,068
Perseverancia	Measured	-	-	-	0.066	4.04	8,540
	Indicated	-	-	-	0.102	3.76	12,284
	Inferred	2.500	5.00	400,000	0.059	3.27	6,173
Total		**9.611**	**4.26**	**1,315,000**	**4.904**	**3.15**	**496,141**
Leach Pads	Measured	-	-	-			
	Indicated	11.100	0.73	260,000			
	Inferred	-	-	-			
Total		**20.711**	**2.37**	**1,575,000**			

* Kriged estimate with 1g/t cutoff

Although recent drilling would suggest that resources have proved to be less than those originally quoted by SRK, 65% were originally in the inferred classification while after the recent drilling, inferred now only represent 32%, with the potential for measured and indicated resources to equal or exceeding the original SRK estimate.

A number of deep holes drilled by Amax, below the Dumbo and Perseverancia pits have indicated a wide zone of enargite rich copper-gold mineralisation. An Amax estimate of this mineralised zone quoted an inferred resource of 42 million t grading 0.84% Cu and 0.6g/t Au to 150 metre (m) depth below these two pits. This mineralisation was stated to be open along strike and at depth.

5.3 Guanaco Valuation

A number of valuation methodologies are available to determine an estimate of the value of company assets, although not all methods are applicable to resource company valuations, nor does sufficient information necessarily exist to use them reliably. In the case of Guanaco, five methods commonly used for valuing projects have been applied to determine an appropriate valuation range, including:

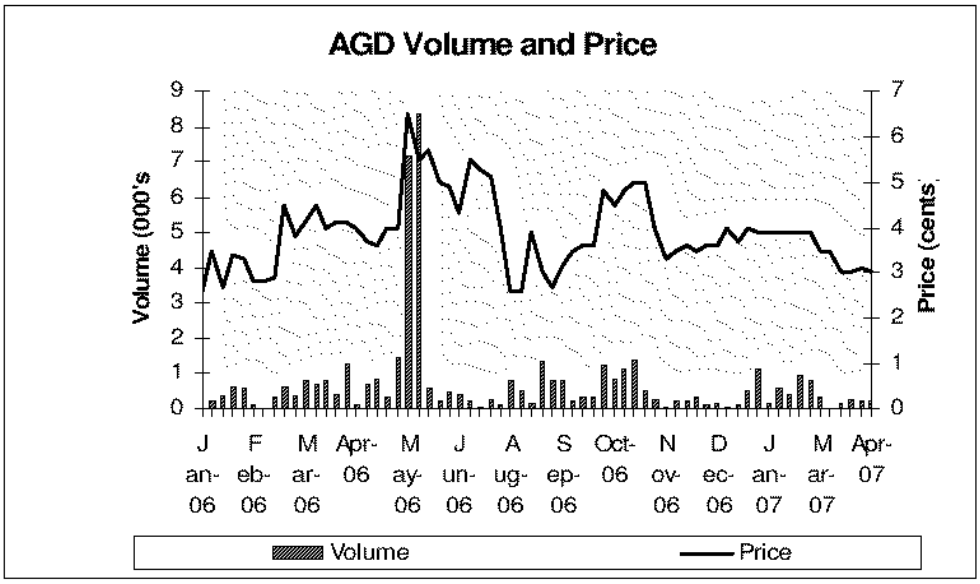
- Implied Enterprise Value
- Exploration & Acquisition Expenditure
- Comparative Equivalent Values
- Forecast EBITDA Multiple
- Discounted Cash Flows

Each of these methods is described below in more detail.

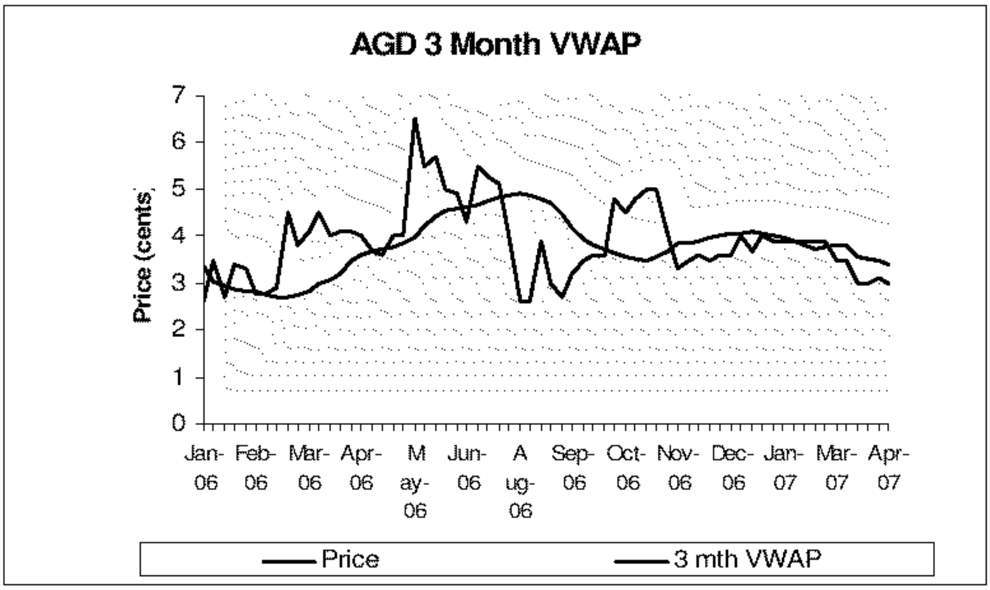
5.3.1 Implied Enterprise Value

For listed companies it is possible to derive their market capitalisation by multiplying the issued stock times the market price and then by deducting the net cash assets of the company (cash or liquids less debt) the enterprise value (**EV**) is reached. The enterprise value is effectively the market inferred valuation of the Company's project assets.

AGD has currently 440.2 million shares on issue with a current share price of $0.031 per share implying a market capitalisation of $13.6 million. However, the trading volumes for AGD are very low with little or no trading volume on individual weeks as shown in the chart below. A VWAP based on a 3 month rolling weekly average is also shown on the chart. The current VWAP is $0.034 per share and is a more realistic value to apply for a market capitalisation of $15.0 million. AGD's current net cash is $0.4 million primarily consisting of the net loans to GCH for an enterprise value of $14.6 million.



Source: Iress and IFL



Source: Iress and IFL

Prior to the proposed transaction AGD holds a 35.78% interest in Guanaco plus various interests in Western Australian (WA) exploration assets. These together represent the enterprise value of $14.6 million. The WA exploration assets are early stage tenements and therefore AGD's various interests in these are deemed to have only a modest value of $0.2 million based on previous acquisition costs and exploration expenditure to date of $0.129 million. The implied value for AGD's 35.78% interest in Guanaco is therefore $14.4 million or $40.2 million for 100% of the project.

The shortcoming of this approach is the assumption that the market has correctly priced the assets, especially when the volumes are very low and the share price may not truly reflect a fully informed market. Additionally, the valuation applies to a minority interest where AGD has no control over the project and thus a discount to the value derived for 100% is not unreasonable. Control premiums for mining companies can vary from 20% to 30% and therefore, a valuation of between $48.3 million to $52.3 million for the Guanaco project would be reasonable.

5.3.2 Exploration & Acquisition Expenditure

Previous exploration expenditure on a tenement can be used to provide an indicative level of value. Highly prospective tenements will generally encourage a higher level of exploration expenditure. This is a very raw evaluation as sunk costs are sunk and the implication that the current value is related to the level of previous expenditure is often tenuous. However, where exploration results can't be defined in dollar terms and in the absence of other methodologies, it can provide a relative guide to value.

The method can be enhanced by multiplying the value by a multiplier that can range from 0 to 5 to reflect the future potential of the permit sometimes called the multiple of exploration expenditure method (**MEEM**), but again this is somewhat arbitrary. Past exploration expenditure that doesn't add to the knowledge base of the property should be excluded from the assessment. In other words, if all previous expenditure had shown no exploration potential then there is little or no value applicable to that permit.

In the case of Guanaco, exploration expenditure has been incurred to prove up mineralisation estimated by Amax. The table below lists exploration expenditure and project overheads (excluding head office costs) since acquisition. The present value of these expenditures is approximately $9.4 million.

Year	Expenditure (US$m)
2003	0.618
2004	1.134
2005	1.250
2006	4.336
Total	**7.105**

Prior to the acquisition of the tenements by GMC, the previous owners Amax, had identified mineralisation including the existing leach dumps with potential to contain 1.575 million ounces of gold. This figure was made up of 720,000 ounces in the indicated resource category and a further 855,000 ounces as inferred as complied in a technical report by SRK Consultants in November 2002 as discussed in Section 5.2.

To acquire the project a payment of US$7.1 million was made to ENAMI of which $6.5 million was paid by GMC in three instalments between 2003 and 2005 and the remainder by Kinam. An additional royalty of 3% of gross revenue from gold and silver production is payable to ENAMI, although the $6.5 million cash payment can be credited against future royalty payments. GMC is also required to pay Kinam US$0.3 million per annum until first production and then a 5% gross profits royalty. The Kinam obligation can be satisfied by a once off the cash payment of US$7.5 million. An approximate present value for the acquisition price, assuming first production in 2009, is estimated at approximately $16.0 million.

The total expenditure to date on the Guanaco is the sum of acquisition price and the exploration costs which amount to $25.4 million or approximately $39 per ounce based on 650,000 ounces. The recent and current drilling program is testing extensions to the known resources plus new targets not included in the original SRK estimates. An MEEM of between 1.5 and 2 times could therefore be applied given the potential of the area at this stage, for a valuation of between $38.1 million to $50.8 million.

5.3.3 Comparative Equivalent Values

As discussed above, Guanaco has drill defined resources. A gold exposure per enterprise value ($/oz) can therefore be calculated for Guanaco. Other ASX listed companies also provide exposure to gold by way of defined resources and can be used as a valuation marker for AGD. The table below lists other ASX listed gold companies that are not in production and have published resources.

Company	Share Price	EV ($m)	Resources			EV/ Resource ($m/oz)
			Ounces (oz)	Grade (g/t)	Tonnes (MT)	
Jackson Gold	$0.18	14.24	590,000	1.5	12.2	$24
Integra Mining	$0.13	29.63	1,165,000	2.6	13.7	$25
Alloy Resources	$0.16	7.62	296,875	3.8	2.4	$26
Monarch Gold Mining	$0.26	68.45	2,457,400	2.5	31.0	$28
Regis Resources NL	$0.09	103.29	2,291,000	1.9	36.8	$45
Cortona Resources	$0.33	18.71	368,600	3.9	3.1	$51
Chalice Gold Mines	$0.12	4.91	77,600	5.3	0.5	$63
Navigator Resources	$0.48	46.90	700,600	2.0	10.7	$67
Midas Resources	$0.18	29.68	437,063	2.0	6.6	$68
Andean Resources	$0.46	153.50	842,000	1.8	14.7	$182
Avoca Resources	$1.36	222.79	1,090,000	4.0	8.7	$204
Weighted Average		**63.61**	**937,831**	**2.0**	**12.8**	**$68**

Source: IFL, company reports

The weighted average of EV per ounce from the above table is $68. The variance from $24 to $204 reflects the different qualities of the resources with respect to total number of ounces, average grade and exploration potential. Generally, the larger the number of ounces, and more importantly, the higher the grade which provides for a larger operating margin, the higher the EV per ounce.

Exceptions to this rule would appear to be Regis Resources and Andean Resources, which coincidently has its gold project in Argentina. The relatively high EV per ounce for Andean can be attributed to the recent announcement of high grade intersections in a nearby zone to their existing orebody and the expectation that gold ore could be toll treated at the near by San Jose mine, which would significantly reduce capital costs. In the case of Regis Resources there is a high likelihood of resource continuity along strike and at depth, which provides potential for further significant increases in resources most of which are very near surface with potentially low operating costs.

Given the size and grade of the resources at Guanaco a valuation in excess of the weighted average would not be unreasonable. IFL would place a value of between $80 and $120 per ounce for the non leach pad resources, which equates to a value of $40 million to $60 million.

5.3.4 Forecast EBITDA Multiple

The most common valuation technique used by the equities market is to apply a multiple to a company's maintainable earnings or net profit after tax. Alternatives to the net profit include earnings before interest, tax, depreciation and amortisation (**EBITDA**) or earnings before interest and tax (**EBIT**). It is necessary that the company has positive earnings and preferable if they can be maintained for a reasonable length of time with some future growth. The multiple to be applied must therefore reflect the "quality of the earnings" and relies on the availability and comparison with other comparable market data.

Guanaco is not in production, but the company hopes that after completion of the current exploration program and feasibility study that construction of the mine could commence in early 2008 with first production in the first half of 2009. The first full year of earnings could therefore occur in 2010. IFL has estimated the potential earnings that could be derived from the project based on operating parameters discussed in section 5.3.5. The EBITDA for 2010 was estimated at $47.3 million.

Company	Price	EV	EBITDA			
		($m)	2007	2008	2009	2010
Avoca Resources	$1.42	226	n/a	5.3	2.3	2.5
Dominion	$2.39	223	7.0	4.9	5.0	4.7
Equigold	$1.67	271	6.0	5.5	2.6	2.4
Kingsgate Consolidated	$4.93	460	n/a	6.7	6.3	6.8
Oceana	$0.74	567	11.2	6.3	3.7	3.4
Perseverance	$0.38	278	7.7	4.0	4.0	2.8
St Barbara	$0.52	374	17.0	9.3	4.4	3.9
Weighted Average						**4.0**

Source: IRESS, broker reports and IFL estimates

The table above lists consensus forecast EBITDA for a number of ASX listed companies. The weighted average for 2010 is 4.0 times. Given that current expected Guanaco gold production will be less than the weighted average, an appropriate multiple to apply would be 2.5, for a valuation of $118.3 million. As AGD is not in production at this time, the capital cost of development and acquisition of approximately $33 million has to be deducted for an unrisked value of $85.3 million. A probability risk factor has to be applied which is subjective given the uncertainty surrounding many of the mine parameters at this early stage of the project evaluation. IFL has determined that an appropriate probability risk factor to apply for success is between 50% and 75% for a risked value range of between $42.7 million and $64.0 million.

5.3.5 Discounted Cash Flows (DCF)

The DCF methodology is based on the generally accepted theory that the value of an asset depends on its future net cash flows, discounted to their net present value (**NPV**) at an appropriate discount rate (the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

DCF valuations are particularly applicable to assets with limited lives, such as mining operations. Where appropriate, future yearly cash flows have been estimated and then discounted back to March 2007. The discount rate applied is IFL's estimate of AGD's weighted average cost of capital (**WACC**) of 11.3% (see Appendix A). However, there is some debate as to applicable discount rates to be applied to gold companies where in theory commodity price risk can be hedged away which as discussed in Appendix A could imply a discount rate equal to the risk free rate of 5.8%.

The current exploration program is being undertaken in combination with a feasibility study to determine the viability of the mine. IFL has used information provided by management, on current estimates of capital and operating costs. There is obviously at this stage a relatively higher margin of error on these figures.

The primary inputs into the cash flow model were as follows:

- Capital cost of US$25 million – value of existing surface infrastructure is estimated at around US$1 million
- Annual production of 500,000 tonnes per annum commencing in the second quarter of calendar 2009
- Cut off grade of 2g/t for an average mine grade of approximately 4.5 g/t sourced primarily from underground mining
- Operating costs of US$25 to US$28/t mined, US$15/t treated and US$5/t for administration
- Gold recovery of 95% except for Dumbo west with recoveries of 75%. Silver recovery of 75%
- Heap leach grade of 0.55g/t with 50% recovery
- Nominal tax rate of 30%
- Mine life of up to 9 years subject to viable project economics
- Forecast gold price, silver price and exchange rate as discussed in section 5.4
- No value ascribed for copper
- Inflation rate of 3.5%, (historically over recent years the Chile inflation rate has been between 2.4% and 3.1%)

The NPV derived form the model at a discount of 11.3% was $57.9 million while at a discount rate of 5.8% the NPV was $78.8 million. These are unrisked values and a probability risk factor has to be applied. This is subjective given the uncertainty surrounding many of the mine parameters at this early stage of the project evaluation. IFL has determined a probability risk factor for success of 50% to 75% for a risked value range of between $29.0 million and $59.1 million.

5.3.6 Summary of Valuations

The table below summarises the values obtained from the different valuation approaches discussed in the preceding sections.

Valuations	Minimum ($m)		Maximum $(m)
Enterprise value	48.3	to	52.3
Expenditure	38.1	to	50.1
Comparative Values	40.0	to	60.0

EBITDA Multiple	42.7	to	64.0
NPV	29.0	to	59.1

The valuation methods are subjective and rely on comparisons and uncertain information which results in variation in the project value although all fall into a reasonable range. Taking into account the relative merits of the methodologies summarised above, IFL currently values 100% of Guanaco at between $40 million and $55 million.

5.4 Assumptions

As part of the valuation process IFL has made certain forecast assumptions with regard to exogenous variables including relevant commodity prices, exchange rates and inflation rates that will have a direct impact on the project valuation. The primary assumptions are detailed below.

5.4.1 Commodity Price Forecasts

In the IFL forecasts it has been assumed that each of the two metals are valued in the market-place as commodities. As with all commodities, price is set at the balance point of supply and demand and consequently is driven by the multiplicity of economic factors affecting production and consumption. Classic examples of these factors include:

Supply Side Factors	**Demand Side Factors**
costs of production	economic activity
availability of ore reserves	availability of substitutes
investment in production facilities	effects of re-cyling and reuse
stocks at terminal markets	consumption and hoarding

In addition, price is significantly driven by investment activity, both speculative and risk managing, in the derivative and physical markets. Pricing is therefore also a function of sentiment and the comparative returns offered by other investments.

The interaction of these factors are extremely complex and (perhaps more importantly from a long-run valuation perspective) inconsistent across time. In our view therefore, complex econometric modeling has limited application for this purpose and a more reliable long-run pricing forecast is obtained by analysis of long term historical price trends expressed in constant dollars.

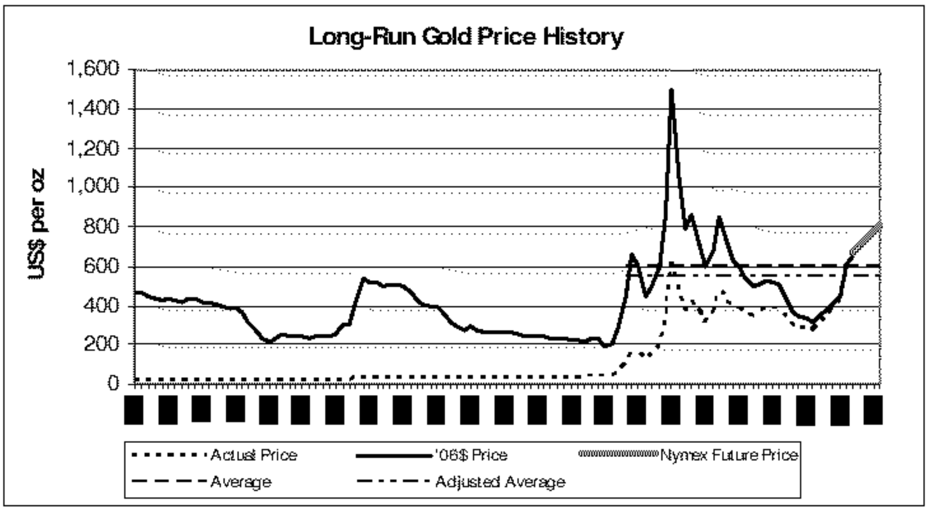
Accordingly, for this valuation we have calculated annual commodity prices in 2006 US dollar terms in an annual time series running back to 1900. The data for this study is taken from US Geological Survey historical price data.

Across this historical time-frame there have been a number of structural or institutional distortions in the market prices of each of these commodities. We have identified those time sections which in our opinion are not representative of current (and expected) market conditions and excluded these data from our forecasts.

5.4.2 Gold Price

From 1900 to the Second World War, the gold price was substantially controlled by the Central Banks of the Gold Standard currency countries. From 1946 until 1973 the 'official' gold price was regulated under the terms of the Bretton Woods Agreement by the IMF to preserve the value of currencies during the post war reconstruction.

From 1973 gold was allowed to find its free market price; the data used in the price forecast study is therefore restricted to the 33 year period 1973 to 2006.



Source: Iress and IFL

The impact of the 1980/81 gold price 'spike' on the mean is significant – as shown on the chart above if the peak is smoothed to the mean (US$594/oz) in those two years, the Adjusted Average falls to US$552/oz. However, given that the Gold Futures strip is currently trading well above the spot price, we believe that this degree of price volatility is still in the market and do not consider it appropriate to adjust the data.

Price Forecast

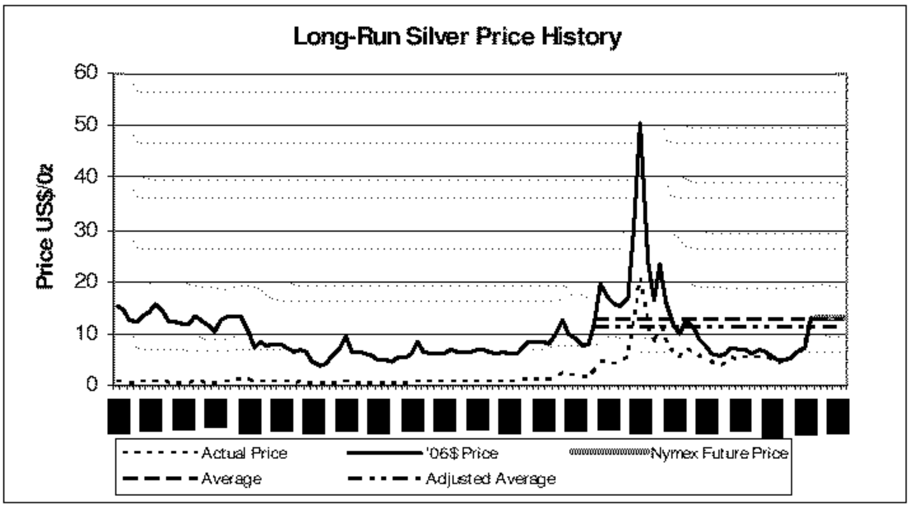
	2007	2008	2009	2010
Calendar Year Price (US$/oz)	630	649	669	689

Notes: Forecasts are based on the 2006 dollar long term mean of US$593/oz escalated at the assumed US All Groups CPI.

5.4.3 Silver Price

Although it was also a 'monetary metal', during the sample period the silver price has not been controlled other than by an informal and inconsistent market reference to the gold price. For consistency with gold we have restricted the analysis to the same 33 year period from 1973 to 2006.

During this period the silver market followed the same spike as that of gold – and this was exaggerated by the attempt of the Bunker Hunt Syndicate to control the global silver market.



Source: Iress and IFL

The mean price of silver over the sample period is US12.44/oz (in 2006 dollars). Adjusting for the 1980/91 spike this falls to US$10.95/oz. Similarly to gold however we believe that the silver price will remain volatile and do not believe that it is appropriate to adjust the data for the spike.

Price Forecast

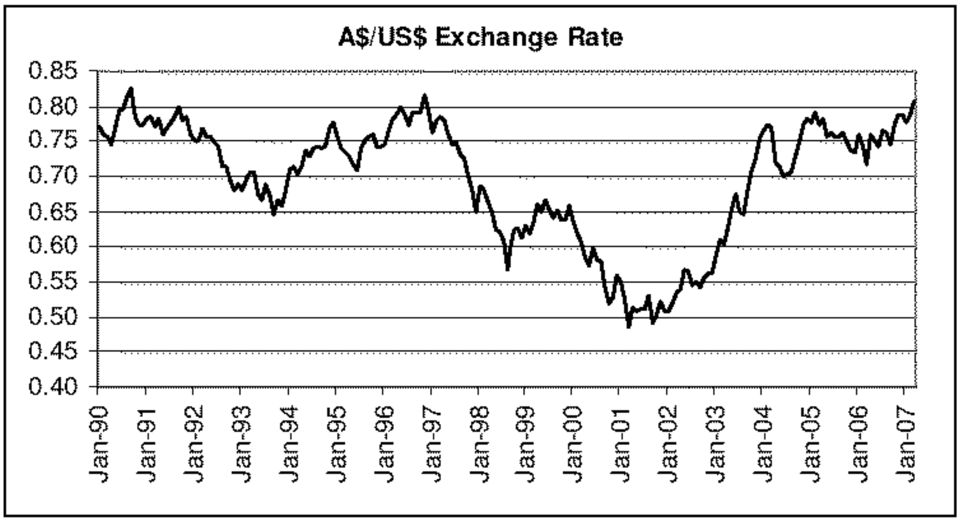
	2007	2008	2009	2010
Calendar Year Price (US$/oz)	13.33	13.88	14.29	14.63

Forecasts beyond 2009 are the 2006 dollar mean of US$12.44/oz escalated at the assumed US All Groups CPI.

5.4.4 A$/US$ Exchange Rate

Revenues generated from the potential development of Guanaco will be dominated in US dollars. For valuation purposes, given that the financial model has been derived in US$, it is necessary to forecast the Australian/US dollar exchange rate. Historically the A$ has declined relative to the US$, as shown below, due to a weakening trade deficit. From 2002 strengthening commodity prices have lifted the value of the A$ against the US$.

The outlook for the domestic currency remains solid while commodity prices maintain what are cyclically very high levels. It is reasonable to expect that most, if not all, commodity prices will correct if the global economy loses its recovery momentum into 2008 and beyond as the impetus from China and Eastern Europe is offset by a deceleration in US and Europe. In a domestic context, the likelihood is that GDP growth has now slipped back to its trend rate of 3%. Australian interest rates have been at a 75-150 basis point premium to US rates for some time and therefore that source of support for the A$ may also wane. The long term equilibrium rate for the $A is likely to be $US0.75, inline with the trading average before the latest surge in global metal and energy prices.



Source: Iress and IFL

Most analysts are forecasting a partial weakening in energy and metal commodity prices within the next few years as growth in Chinese infrastructural expenditures tapers. This is likely to have a knock on effect with a weaker A$, although commodity prices are forecast to remain above historic averages.

A$/US$ Exchange Rate Forecast

Year end June	2007(f)	2008(f)	Onward
A$/US$	0.80	0.77	0.75

6 LIMITATIONS, REPRESENTATIONS AND RELIANCE ON INFORMATION

6.1 Sources of Information

IFL has relied on the following information in the preparation of this Report:

- Notices of Meeting and Explanatory Statement which this Report accompanies.
- AGD press and ASX releases.
- Other confidential correspondence, project presentations, and working papers.
- Site visit and discussions with onsite personnel.
- IFL has also held discussions with, and obtained information from senior management of AGD.
- January 2007, Exploration Program, Guanaco Mining District II Region of Antofagasta, Chile – Stabro Kasaneval.
- January 2007, Geological Resource Estimation for Cachinalito W. & Central, Dumbo W. and Perseverancia Zones – Magri Consultores Limitada.
- December 2006, Mineralization Styles and Exploration Potential Of El Guanaco Gold District, Northern Chile – Richard Sillitoe.
- November 2005, *Guanaco Project Valuation Report* – Sandercock and Associates Pty Ltd.
- August 2005, *Visit to Guanaco* – Fluor.
- January 2003, Resumption of Operations at the Guanaco Gold Mine, Chile – Golden Rose International Limited.
- November 2002, Technical Review of the Guanaco Property – SRK Consultores.
- Publicly available information on other listed mining companies.

6.2 Assumptions

IFL's opinion is based on economic, sharemarket business trading, financial and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If they did change materially subsequent to the date of this Report the opinion could be different in these changed circumstances. However, IFL has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this Report or to review, revise or update its Report or opinion.

This Report is also based on publicly available information and on financial and other information provided by AGD (either directly or through its advisers). IFL has considered and relied upon this information and its completeness, accuracy and fair presentation. AGD has represented in writing to IFL that, to its knowledge, the information provided by it was complete, accurate and not misleading in any material respect. The information provided to IFL has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Restructure Resolutions are fair and reasonable. However, in preparing reports such as this, time is limited and IFL does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. Except as expressly set out in this Report, IFL has not attempted to independently verify the completeness, accuracy or fair presentation of any of the information provided by AGD. In any event, an opinion as to whether a proposal is fair and reasonable is more in the nature of an overall review rather than a detailed audit or investigation. IFL confirms that its procedures and enquiries do not constitute an audit in accordance with Australian Accounting Standards (**AAS**), nor does it constitute a review in accordance with AAS 902 applicable to review engagements.

IFL has no reason to believe that any material facts have been withheld and AGD has confirmed in writing that it believes it has provided all relevant information of which it is aware but IFL does not represent that it has received all relevant information.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgements of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this Report does not imply that IFL has audited in any way the management accounts or other records of AGD. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the methods of accounting in previous financial years of AGD (except where noted or where required due to a change in accounting standards).

In forming its opinion, IFL has also assumed that:

- matters such as title, compliance with laws and regulations and contracts are in good standing and will remain so;
- the information set out in the accompanying Explanatory Statement is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by IFL in its analysis was accurate and not misleading;
- the legal agreements required to give effect to the Restructure Resolutions will be implemented in accordance with their terms; and
- the legal mechanisms to effect the Restructure Resolutions are appropriate and will be effective.

7 QUALIFICATIONS, DECLARATIONS AND CONSENTS

7.1 Qualifications

IFL provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and schemes of arrangements. IFL directors have prepared a number of public expert's reports since its formation in 1987.

The principal person responsible for preparing this Report on behalf of IFL is Dr Victor Rudenno B.E., M.Com., PhD, SFFinsia, MAusIMM who has a significant number of years of experience in relevant corporate advisory matters. Dr Rudenno is an authorised representative of IFL pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of IFL's opinion as to whether the Restructure Resolutions are fair and reasonable, having regard to the interests of the Non-associated Shareholders. IFL expressly disclaims any liability to any AGD shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose.

This Report has been prepared by IFL with care and diligence and the statements and opinions given by IFL in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by IFL or any of its directors, officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve IFL from liability arising from an opinion expressed in bad faith.

IFL has had no involvement in the preparation of the Notice of Meeting or the Explanatory Statement and has not verified or approved any of the contents of the Notice of Meeting or the Explanatory Statement. IFL does not accept any responsibility for the contents of the Notice of Meeting, the Explanatory Statement or any other documents provided to AGD shareholders (except for this Report).

7.3 Independence

IFL is entitled to receive a fee of $30,000 (exclusive of GST) for the preparation of this Report. IFL is also entitled to be reimbursed for any out-of-pocket expenses incurred in the preparation of this Report. Except for this fee and the reimbursement of these expenses, IFL has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Neither the signatories to this Report nor IFL hold securities in AGD. No such securities have been held at any time over the last two years.

Neither the signatories to this Report nor IFL have had within the past two years any business relationship material to an assessment of IFL's impartiality with AGD, or its associates, other than in connection with the preparation of this Report. IFL has previously provided AGD with some restructuring advice.

Prior to accepting this engagement IFL considered its independence with respect to AGD and any of their respective associates with reference to ASIC Practice Note 42 entitled "Independence of Expert's Reports". In IFL's opinion it is independent of AGD and their respective associates.

A draft of this Report was provided to AGD and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review and there was no alteration to the methodology, evaluation or opinions set out in this Report as a result of issuing the draft.

7.4 Indemnity

AGD has agreed to indemnify unconditionally IFL and its related bodies corporate and their respective directors, officers, partners, employees and agents (**Indemnified Persons**) against any losses, claims, damages, liabilities, costs, expenses and outgoings whatsoever (**Losses**) which they may suffer or incur directly or indirectly arising out of IFL's appointment as the independent expert to AGD, including the preparation of this Report. The indemnity will not apply in respect of any Losses that arise directly from the bad faith of any Indemnified Person.

AGD has agreed that neither it nor any of its subsidiaries will make any claim against any Indemnified Person to recover any loss or damage which AGD or any of its subsidiaries may suffer by reason of or arising out of anything done or omitted to be done in relation to the preparation of this Report by IFL, provided that such loss or damage does not arise from the gross negligence or wilful default of any Indemnified Person.

7.5 Consents

IFL consents to the issuing of this Report in the form and context in which it is to be included in the Explanatory Statement to be sent to AGD shareholders in relation to the Restructure Resolutions. Neither the whole nor any part of this Report nor any reference thereto may be included in, or attached to, any other document without the prior written consent of IFL as to the form and context in which it appears.

IFL takes no responsibility for the content of the Explanatory Statement or any other documents provided to AGD shareholders, other than this Report.

7.6 Other

The opinion of IFL is made at the date of this Report and reflects circumstances and conditions as at that date. In particular, IFL provides no representations or warranties in relation to the future value of shares of AGD.

AGD shareholders who are in any doubt as to the action they should take should consult their own independent professional adviser.

IFL has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this Report.

Yours faithfully

Victor Rudenno B.E., M.Com., PhD,
SFFinsia, MAusIMM

Appendix A: Calculation of Discount Rates

Overview

Selection of an appropriate discount rate to apply to the forecast cash flows of any resource project fundamentally is a matter of judgment. There is a formulaic approach that can and is derived by theory; however, a mechanistic application of financial theory can result in a discount rate that is not applicable in reality. Hence, it should be stressed that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, many companies may rely on less sophisticated approaches and use relatively arbitrary "hurdle rates" which do not vary significantly over time despite interest rate movements.

IFL considers the rates adopted to be reasonable discount rates that shareholders of AGD Gold would use irrespective of the outcome or shortcomings of applying any particular theoretical model.

The discount rates that IFL has adopted are reasonable relative to the rates derived from theoretical models and have been based on an estimated weighted average cost of capital (WACC). There are three main considerations to the determination of an appropriate WACC, namely cost of equity, cost of debt and debt/equity mix.

The cost of equity was derived from the Capital Asset Pricing Model (CAPM) methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. However, while the theory underlying the CAPM is rigorous the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide.

IFL estimates that a range of reasonable discount rate to be applied to the mining assets of AGD is 5.8% to 11.3%

Weighted Average Cost of Capital (WACC)

The WACC is given by Officer's (1994) formula used to calculate an after-tax WACC under a dividend imputation system:

$$WACC = r_e \frac{E}{V} + r_d \frac{D}{V}\left(1 - t_c(1-\gamma)\right)$$

Where

V	sum of debt and equity values;
E	value of equity;
D	value of debt;
Re	cost of equity;
Rd	cost of debt;
t_c	the corporate tax rate; and
γ	the value of imputation tax credits (gamma)

This is an after tax discount rate to be applied to nominal ungeared after-tax cash flows.

Overview of the CAPM Framework

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. CAPM is based on the assumption that investors require a premium for investing in equities above risk free investments (such as Australian government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks associated with an investment in a company can be classed as either specific risks or systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets. Systematic risk is the risk that returns from an investment or business will vary with market returns in general. If returns on an investment are expected to be perfectly correlated with returns on the market, then the return required on the investment would be equal to the return required from the market. (ie. the risk free rate plus the market risk premium).

CAPM postulates that the return required on investment or assets can be estimated by applying to the market risk premium a measure of systematic risk described as the equity beta factor. The equity beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The equity beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. In general, an investment with an equity beta greater than 1 is riskier than the market and an investment with a beta of less than 1 is less risky.

The formula for deriving the cost of equity using CAPM is as follows:

Re = Rf + Beta (Rm - Rf)

Where

Re	is the expected return on equity;
Rf	is the risk free rate;
Beta	is the equity beta factor;
Rm	is the expected market return; and
Rm – Rf	is the market risk premium.

The equity beta for a company is normally estimated by observing the historical relationship between returns from the company or comparable companies and returns from the market in general.

Risk-Free Rate

For the purpose of this report, IFL has adopted a risk free rate of 5.81% (as of March 2007). The risk free rate approximates the yield to maturity on 10-year Australian Government bonds prevailing during March 2007.

Market Risk Premium

The market risk premium (Rm - Rf) represents the additional return that investors require to invest in equity securities as a whole over a risk free investment which is not observable and therefore a historical premium is used as a proxy. Australian studies have been limited but indicate that the long run average premium has been in the order of 6% measured over more than 100 years of data.

The market risk premium is not constant and may change over time as investors perceive that equities are more risky than at other times and will increase or decrease their expected premium.

A market risk premium of 6% has been assumed which IFL believes is within the range of generally accepted figures of long term market risk premiums in the Australian capital market.

Equity Beta

Beta is a measure of the expected covariance (ie. volatility and correlation of returns) between returns on an investment and returns on the market as a whole. The conventional practice for estimating beta is to calculate a historical beta using past share price and market returns data and use it as a proxy for the future.

Equity Beta estimate

To obtain an equity beta for AGD, Ordinary Least Squares (OLS) betas are calculated based on, weekly price movements against the All Ordinaries Accumulation Index over a two year period.

Due to the thin trading of AGD, stock during some periods, Scholes-Williams (SW) betas have also been calculated. SW betas make adjustments for both thin and non-synchronous trading aspects of AGD's stock.

Table A1: Beta Methodologies and Results

Methodology	OLS Beta	Scholes-Williams Beta
Beta estimate	0.61	0.91

Debt/Equity Mix

The selection of the appropriate debt/equity ratio is very subjective and should be consistent with the level implicit in the measurement of beta. For mining companies, the debt levels should represent the weighted average level of debt financing expected over the forecast period rather than just at the current point in time which is not possible in this situation. The tax deductibility of the cost of debt means that the higher the proportion of debt the lower the WACC, although this could be offset, at least in part, by an increase in the beta as leverage increases.

Debt levels should reflect the optimum level of gearing utilised by the firm to maximise shareholder returns. The optimal capital structure is assumed to be an optimal trade-off between the tax deductibility of debt, and the added financial risk associated with additional debt. It is reasonable to assume that firms in certain growth industries may be less debt-laden than firms in more mature industries (e.g. utilities are typically 50% debt financed or more) in order to reserve cash for acquisition funding or other growth strategies.

After having given due consideration to the size and stage of operation of the mine and information provided by AGD management regarding the future use of debt financing, IFL understands that AGD's gold projects are to remain wholly equity financed in the foreseeable future.

Gold Futures Methodology

The principles underpinning theoretical valuation methods such as the Discounted Cash Flow (DCF) methodology are that the intrinsic value of a single project, or a portfolio of projects is that the value of a project or portfolio of projects can be estimated by discounting a series of forecast cash flows at a discount rate that represents the risk characteristics of that project or portfolio.

A number of research studies provide conflicting conclusions over whether conventional DCF methodology is the most appropriate methodology for valuing gold mining projects. The central tenet to this research is that gold should not be considered like any other commodity but should be viewed and treated as a financial asset, which can be bought, sold and over which hedging contracts can be entered into.

The Gold Futures Methodology (GFM) can be described as the valuation of gold projects by reference to the market for gold futures. The GFM is not an industry rule-of-thumb valuation method. Conversely, the GFM does not reflect general practice methods of valuing gold mining companies. However, the GFM does have a strong theoretical background amid a number of research reports that support the use of the GFM.

The GFM purports the view that gold should be treated a financial asset and the risk of a gold mining project can be reduced by the producers entering into a series of gold futures contracts that fixes the future price of the commodity, eliminating revenue risk from fluctuating gold prices. Such hedging policies reduce the inherent risk of a project, and hence, the future cashflows from a gold mining project should be discounted at the risk-free rate. Uncertainties that apply to a gold mining project such as the operating cost aspects of a mining operation are taken into account by adjusting the expected volume of gold production.

However, the use of the risk free rate does not imply that the cash flows from a project are devoid of risk. Rather, the use of the risk free rate implies that the project cash flows are not subject to any systematic risk.

The application of the GFM in deriving the present value of a gold mining project involves discounting forecast production revenue less any associated extraction costs to present value terms over the life of the mining project. This may be represented as follows:

$$PV = \sum_{t=1}^{T} \frac{F_t Q_t - E_t}{(1 + R_f)^t}$$

where:
PV is the present value of the mining project;

F_t is the gold futures price in each future period t;

Q_t is the expected volume of gold to be produced in each future period t;

E_t is the expected extraction cost in each period t; and

R_f is the risk free rate over the forecast period.

A number of independent research studies provide empirical evidence that normal WACC methods tend to underestimate the present value of gold producers. Therefore, the application of the prevailing risk free rate as provided for under the GFM provides an additional reference point for valuation purposes by serving as an upper bound on present values and hence valuation ranges.

Having regard to the above, IFL views that the application the prevailing risk free rate of 5.8% as the discount rate for mining assets under the Gold Futures Methodology can be appropriate

Summary of WACC Parameters

Parameter/Estimate	High	Low
Equity beta	0.91	n/a
Debt / Value	0.0%	n/a
Market risk premium	6.0%	n/a
Risk-free rate	5.8%	5.8%
Corporate tax rate	30.0%	n/a
Cost of debt	n/a	n/a
Cost of equity		n/a
WACC Estimate	**11.3%**	**5.8%**

Austral Gold Limited

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Appendix B
Quarterly Report
Second Quarter
December 2006

AGD Gold Limited
A.C.N. 075 860 472

31 January 2007

The Board of AGD Gold Limited (formerly Diamond Rose NL) is pleased to advise the following activity for the quarter ended 31 December 2006.

HIGHLIGHTS

- Company changes name to AGD Gold Limited.
- Guanaco resource estimate completed.
- 2007 exploration programme planned.

CORPORATE

Annual General Meeting

All resolutions passed at the Company's Annual General Meeting held on 24 November 2006 have been implemented. These include the change of Company name to **AGD Gold Limited;** the Company's ASX code is now **AGD.**

Appointment of Alternate Director

Ms Natalia Zang was appointed as an alternate director for Mr Pablo Vergara del Carril.

EXPLORATION ACTIVITIES

AGDIA

Bullabulling Project, [95% interest]

The Bullabulling Project is located 60 km west-southwest of Kalgoorlie in the Eastern Goldfields Province of Western Australia. The project comprises 8 granted Prospecting Licences covering a total area of 1,233 ha in the historical Bullabulling gold mining area.

Gold exploration was done by various explorers during the period 1980 to 1998 and limited activity has extended to the present day. This work was mainly concentrated on extensive RAB (rotary airblast) and aircore drilling with the objective of delineating deposits of supergene gold within the weathered rock profile (the regolith). More than 3 million tonnes with an average grade of about 1 gram per tonne [g/t] of gold [Au] have been treated by heap leach methods. The main workings and treatment facilities were located a short distance west of Prospecting Licences P15/4514, P15/4515 and P15/4516. This southern tenement group extends south-north and straddles the Great Eastern Highway. Available records suggest that no significant drilling has been done to investigate the potential for primary fresh rock (sub-regolith) gold mineralisation at Bullabulling.

Exploration by the Company has comprised geological structural interpretation of satellite imagery that resulted in identification of a major shear zone about 12 to 14 kilometres wide cuts across the P15/4514 to P15/4516 tenement group. Because of dense vegetation vehicular access is difficult. It is also difficult to access those parts of the tenements that lie to the south of the Great Eastern Highway. During the last quarter 22 lag samples were collected along an 1,800m long north-south traverse to the north of the Great Eastern Highway.

The results of this programme indicated a significant anomaly. The analytical results indicate that background gold values range between 2 parts per billion (ppb) and 6 ppb. The anomaly has a peak of more than 300 ppb (0.34 parts per million). These results are considered to be highly significant.

Exploration of the Bullabulling Project is an ongoing project. Extensive additional soil lag sampling is planned for the southern tenement group. Soil lag sampling is also planned to investigate an interpreted shear zone in P15/4518 and P15/4519 of the northern tenement group.

A programme of soil lag sampling is planned for the P15/4514 to P15/4519 tenements. The objective is to identify significant gold targets and investigate deep target potential by RC drilling.

The northernmost tenements, P15/4520, P15/4521and P15/4522 straddle the wide Perth – Kalgoorlie railway earth workings and are inaccessible to systematic mineral exploration.

Kookynie Project, [95% interest]

The Kookynie Project is located about 45 km south east of Leonora in the Eastern Goldfields Province. It comprises two Exploration Licence applications E40/197 and E40/198 together with four Prospecting Licence applications P40/1112 and P40/1116 to P40/1118 covering a total area of 10.56 square kilometres [sq km]. Previous exploration activity has been concentrated on the search for regolith (weathered rock) hosted near surface small gold deposits.

The interpretation of both aeromagnetic data and Landsat TM satellite imagery has resulted in identification of numerous potential targets. Follow-up reconnaissance soil lag sampling is planned in order to assign priorities as a precursor to more detailed sampling with possible follow-up by RC drilling.

A reconnaissance programme of soil lag sampling is planned.

Leonora Project, [75% interest]

The Leonora Project is located about 10 km west of Leonora in the Eastern Goldfields Region of Western Australia. The Leonora Project comprises Exploration Licences E37/728 and E37/729 covering a total area of 414.0 sq km.

In the opinion of the Company's consultants the potential for discovery of significant gold or base metal deposits is limited and the future of this holding is therefore being reviewed.

Raeside Project, [75% interest]

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

Following a re-evaluation of all available data the Company's consultants have advised that continuation of exploration work on this tenement should be reviewed. The recent discovery of nickel sulphide mineralisation hosted by north-south trending ultramafics well to the north of E37/736 could be of significance and parts of E37/736 will be considered for retention.

Hann Project, [100% Interest]

The Company has applied for two exploration licences (E80/2782 - 2783) covering 388 sq km, located 350 km northeast of Derby.

Promising kimberlitic indicator minerals and some diamonds have been located within the Hann application. The area has structural similarities with the area in which the Aries kimberlite pipe occurs, which is about 50 km to the southwest.

Exploration over these areas to determine commercial potential is being planned in preparation of the grant of the application licences.

Rocklea Project, [100% interest]

Rocklea Project comprises Exploration Licence Application E04/832 covering a total area of approximately 207 sq km and is located in the West Pilbara Mineral Field of Western Australia.

The project area covers the southern half of the Archaean Rocklea Dome. The exposed rocks in the central part of this structure comprise very old granites and greenstones. These rocks are overlain by interbedded basaltic and sedimentary rocks of the Fortescue Group.

The most significant previous work done within and adjacent to the project area was iron ore exploration by Hamersley Exploration Pty Limited within and adjacent to the northeastern part of current Exploration Licence E47/952.

An indicated mineralisation reserve was quoted at that time of 31 million t grading 53.3% iron, 8.3% silica, 2.1% aluminium and 0.03% phosphorous with a loss on ignition of 11.4%.

Grant of the application is dependant on execution of Heritage Protection Agreements with the Innawonga Bunjima Nyiyaparli and Eastern Guruma Peoples and a State Deed with respect to the tenement. The Company is pursuing available options to meet the requirements of the Native Title Act in this regard.

CHILE

Guanaco Project, [35.78% interest]

Final results from the 2006 drilling programme including revised resource estimates have been received by the Company and are reported below.

The proposed 2007 programme is detailed following the report.

Introduction

The Guanaco project is located 185 kilometres [km] south east of Antofagasta, Chile.

Guanaco Compañía Minera [GMC] is owned by Guanaco Capital Holding [GCH] [64.22%] and AGD Gold Limited [35.78%]. In 1991 Amax Gold Inc. optioned the property from Minera Guanaco Ltda. and within one year developed a reserve of 11.5 million tonnes [t] containing 1.77 grams per tonne gold [g/t Au]. In 1992 Amax Gold leased additional property from ENAMI, a state-owned organization. Mining began in February 1993, and conventional heap leaching was employed for gold recovery. The operation was shut down in 1997 due mainly to the low gold prices and some metallurgical complications. Average production gold grades at the time of closure were between 3 and 4 g/t. In 1999 Kinross Gold acquired Amax and the property was taken over by its local subsidiary Kinam Guanaco. The present owners acquired the property in 2003 and currently control a 150 square kilometre [sq km] concession, excluding the Soledad claim, adjacent to the Guanaco mine, as well as other minor third-party properties.

7.6.1.a.1.1.1 Mining Operations

Three open pits were developed by Amax Guanaco: Dumbo, Defensa and Perseverancia. These carried out mining operations along structure zones of the same names.

The Soledad operations are located immediately west of the Dumbo open pit and

mined by underground methods on the Cachinalito, San Lorenzo and Silesia structures.

Geology and Exploration

The deposits are located within a 5 kilometre [km] long [E-W] and more than 1 km wide hydrothermally altered zone. Gold mineralisation at Guanaco is controlled by pervasively silicified, ENE trending sub-vertical zones and related hydrothermal breccias. Silicification grades outward into advanced argillic alteration, and further into zones with propylitic alteration. Dozens of mineralized veins have been exploited in the district, the most important veins being the Defensa, Perseverancia, Abundancia, and San Lorenzo.

In the Cachinalito vein system, most of the gold mineralisation is concentrated between the 2,500 and 2,650 metres [m] level. 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 2 g/t, can reach up to 20m in width.

The oxidation zone extends down 70 to 80m and is relatively free of copper. Gold grades in this zone are generally high, sometimes exceeding 50 g/t. The alteration pattern and the mineralogical makeup of the Guanaco ores have lead to its classification as a high sulfidation epithermal deposit.

GUANACO EXPLORATION PROGRAMME 2006

Phase I Geological Exploration and July 2006 Resource Estimation Report

GMC carried out exploration using reverse circulation [RC] and some diamond drillholes [DDH] on the Cachinalito structure as well as on the continuation of the Dumbo structure to the west of the open pit. These drilling activities were done between March and May, 2006, and have been reported on previously by the Company and can be viewed on the Company's website. A brief summary of this report is presented below:

7.6.1.a.1.2 Cachinalito Geological Resources – Average SG 2.40 g/cc

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au Krig	Au Oz	Tons	Au ID^2	Tons	Ag Krig	Ag Oz	Tons	Ag ID^2
Measured	170,303	8.39	45,926	170,303	9.08	170,303	3.10	16,968	170,303	3.13
Indicated	173,805	7.38	41,233	173,805	7.92	173,805	5.34	29,856	173,805	5.63
Inferred	91,968	12.17	35,996	91,968	12.15	91,968	9.54	28,196	91,968	10.36
Total	**436,075**	**8.79**	**123,165**	**436,075**	**9.27**	**438,880**	**5.35**	**75,503**	**436,075**	**5.65**

7.6.1.a.1.3 Dumbo West Geological Resources – Average SG 2.50 g/cc

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au Krig	Au Oz	Tons	Au ID^2	Tons	Ag Krig	Ag Oz	Tons	Ag ID^2
Measured	21,235	6.84	4,666	21,235	7.04	21,235	18.0	12,317	21,235	18.4
Indicated	76,675	7.64	18,826	76,675	7.74	76,675	22.7	55,916	76,675	22.6
Inferred	342,230	6.21	68,349	342,230	5.99	342,230	22.9	251,908	342,230	22.7
Total	**440,140**	**6.49**	**91,837**	**440,140**	**6.35**	**440,140**	**22.6**	**320,143**	**440,140**	**22.5**

A total of 110.651 ounce [oz] Au and 115,057 oz silver [Ag] are contained in the Measured plus Indicated categories for both ore zones combined. The total ore resources, including Inferred Resources, amounts to 215,002 oz Au and 395,646 oz Ag for both structures. Approximately 29% and 74% of the contained oz Au are in the inferred category for the Cachinalito and Dumbo West zones respectively, and further drilling was recommended to upgrade these resources to the measured plus indicated categories.

Phase II Geological Exploration and Final 2006 Resource Estimation Report

The Phase II RC drilling campaign was carried out between August and October, 2006. Quality control procedures similar to those used for Phase I exploration campaign were in place.

This report deals with the analyses of all data, gathered during the first plus second drilling campaigns, as well as the geostatistical resource estimation of the following vein zones:

- Cachinalito West Zone
- Cachinalito Central Zone
- Dumbo West Zone
- Perseverancia Zone

Prior to the geostatistical resource estimation work, the following tasks were carried out by GMC.

- Drillhole data base validation, which included surveys, assays and geological mapping.
- Construction of plans and sections.
- Construction of three dimensional solids representing 1.0 g/t Au only grade shells.

A 1.0 g/t cut off was used for the following reasons:

- The July resource estimation was done based on a 3.0 g/t Au only grade shell. With current metal prices and assuming an eventual mining operation that will use mining methods such as sub level stoping, the estimated cut off grade should be close to or lower than 2.0 g/t, which would render the July 2006 model obsolete.
- A large percentage of the estimated ore can be mined by open pit methods applying a cut off grade lower than 1.0 g/t.

- For modelling purposes, mainly in the Cachinalito West and Perseverancia areas, grades above 3.0 g/t show strong discontinuity along strike, while grades above 1.0 g/t show excellent continuity between geological sections.

The resource estimation was carried out by Consultant, Dr. Eduardo Magri, and Mr. Stabro Kasaneva [GMC] in late November 2006.

The present study corresponds to a geological resource estimation based on a 1.0 g/t Au only grade shell, and is not intended to be a statement of mineable reserves. Therefore, it is possible that some portions of the ore bodies could be economically mined by open pit methods at a 1.0 g/t cut off grade but deeper portions could require a higher cut off grade in order to mine them economically by underground methods.

The resources are summarized for the Cachinalito West, Cachinalito Central, Dumbo West and Perseverancia. An average specific gravity of 2.5 g/cc was used in all cases. A comparison against the estimation carried out by inverse distance weighting is also included in these tables. It can be seen that results are very similar.

Cachinalito West Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag
Measured	318,320	3.25	33,281	318,320	3.30	318,320	3.33	34,079	318,320	3.30
Indicated	432,040	2.99	41,573	432,040	3.00	432,040	3.61	50,185	432,040	3.54
Inferred	189,100	2.50	15,175	189,100	2.54	189,100	3.59	21,820	189,100	3.66
Total	**939,460**	**2.98**	**90,029**	**939,460**	**3.01**	**939,460**	**3.51**	**106,084**	**939,460**	**3.48**

Cachinalito Central Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag
Measured	540,340	5.42	94,209	540,340	5.55	540,340	3.42	59,378	540,340	3.39
Indicated	645,340	4.18	86,622	645,340	3.98	645,340	3.89	80,730	645,340	3.87
Inferred	464,460	3.94	58,894	464,460	4.15	464,460	4.97	74,170	464,460	5.00
Total	**1,650,140**	**4.52**	**239,724**	**1,650,140**	**4.54**	**1,650,140**	**4.04**	**214,277**	**1,650,140**	**4.03**

7.6.1.a.1.4 Dumbo West Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2		Kriging Cu		Cu ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag	Tons	Cu	Tons	Cu
Measured	158,440	2.88	14,660	158,440	2.80	158,440	10.55	53,725	158,440	10.44	158,440	0.91	158,440	0.92
Indicated	523,820	2.65	44,662	523,820	2.57	523,820	11.36	191,380	523,820	10.97	523,820	1.13	523,820	1.15
Inferred	1,405,440	1.77	80,068	1,405,440	1.75	1,405,440	11.62	524,826	1,405,440	12.17	1,386,100	1.80	1,386,100	1.96
Total	**2,087,700**	**2.08**	**139,390**	**2,087,700**	**2.03**	**2,087,700**	**11.47**	**769,931**	**2,087,700**	**11.73**	**2,068,360**	**1.56**	**2,068,360**	**1.67**

7.6.1.a.1.5 Perseverancia Geological Resources

Category	Kriging Au			Au ID^2		Kriging Ag			Ag ID^2		Kriging Cu		Cu ID^2	
	Tons	Au	Au Oz	Tons	Au	Tons	Ag	Ag Oz	Tons	Ag	Tons	Cu	Tons	Cu
Measured	65,780	4.04	8,540	65,780	4.04	65,780	18.48	39,082	65,780	18.05	65,780	0.19	65,780	0.19
Indicated	101,540	3.76	12,284	101,540	4.07	101,540	14.49	47,316	101,540	13.72	101,540	0.23	101,540	0.24
Inferred	58,700	3.27	6,173	58,700	3.42	58,700	16.26	30,677	58,700	15.71	58,700	0.50	58,700	0.45
Total	**226,020**	**3.72**	**26,997**	**226,020**	**3.89**	**226,020**	**16.11**	**117,075**	**226,020**	**15.49**	**226,020**	**0.29**	**226,020**	**0.28**

A total of 335,832 oz Au and 555,876 oz Ag are contained in the Measured plus Indicated Resource categories for all ore zones combined. The total resource, including Inferred Resources, amounts to 496,141 oz Au and 1,207,368 oz Ag for all mineralized structures.

The percentage of measured plus indicated resources relative to the total resources are 83.1%, 75.4%, 42.6% and 77.1% for Cachinalito West, Cachinalito Central, Dumbo West and Perseverancia zones respectively. The Dumbo West zone still needs further drilling in order to upgrade resource to the measured plus indicated category.

Summary of Twin Drillholes Results

A total of 3 twin drillholes were used to compare RD and DDH drilling assay results. Collars were a few meters apart and the sampling interval used was 1.0m. Matching samples on mineralized zones were identified by means of section plots. Statistical analyses were done and have previously been reported.

The following comments are made:

- Even though the twin drillholes intersected the same mineralized structures of economic interest, the Au, Ag and Copper [Cu] mean grades are significantly different:
- The RC mean gold grade is more than two times larger than that of the DDH drillholes.
- The RC mean silver grade is one third of the one observed for DDH holes.
- The RC mean copper grade is twice as large as the mean of the DDH holes.
- These large differences are believed to be due to the fact that the RC drillhole diameter is 13.97 centimetre [cm] diameter while the DDH diameter is HQ [6.3 cm]. Therefore, the RC samples are larger and more representative of this highly variable deposit. In theory, the nugget effect is inversely proportional to the sample mass. In this case, assuming a rock density of 2.5 g/cc, sample masses are of the order of 35 kilogram [kg] and 7.8 kg/m of drillhole for RC and DDH holes respectively. This represents a factor of 4.92 between sample masses.

GUANACO EXPLORATION PROGRAMME 2007

Introduction

An Environmental Permit necessary to drill a new 25,000m programme at the Guanaco gold-silver-copper deposit has been filed with the Chilean Environment Agency [CONAMA].

Programme

The new programme focuses on the known areas as well as new sectors and mineralisation targets.

The Cachinalito West structure was discovered during the 2006 exploration programme, and it represents the current best opportunity for the growth of resources. Additionally, the Salvadora Structure, which was first recognized during 2006, has potential to become a strongly mineralized system.

The new exploration targets have been defined in different zones of the mine property such as Sierra Inesperada, Pampa Guanaquito West, Sierras Las Pailas, etc. most of them covered by alluvium. In those cases, fences of holes will be drilled to intercept the projection of the structures.

This exploration programme follows a reinterpretation of the geology of the district, based on the re-logging of the drill holes completed in the area. Geophysics and geochemistry techniques have also been used in the definition and delineation of this new step in the exploration of the Guanaco District.

The programme has been separated into phases:

Phase 1: Reconnaissance programme of the extension of the Cachinalito West structure. This programme consists of the Exploration and Infill Drilling, maintaining systematic drilling grid of approximately 25 by 30m.

Phase 2: Revision of old exploitation zones. Reinterpretation of zones with little exploitation developments [Quillota Structure, Barite Structure, etc.].

Phase 3: Exploration programme for alluvial pampas with possible projection of known structures. In this effort, the fence methodology will be applied [western projection of the Cerro Guanaquito structures, Salvadora Structure, etc.].

Phase 4: Exploration of new areas reviewed in the past with negative results [Sierra Inesperada, Sierra Las Pailas, etc.].

Phase 5: Continuation of the investigation to discover the presence of porphyry copper mineralisation in the area mainly through deep drillholes on the most promising areas.

Harris y Cia Ltda, a Chilean drilling contractor, would conduct the drilling programme whilst Geoanalítica would conduct sample preparation and analysis. The international laboratory Actlabs would undertake independent check analysis of a statistically representative percentage of the samples.

Henry Kinstlinger
Company Secretary

DECLARATIONS

Australian Projects

Aspects of this report on the AGD Gold Australian projects that relate to Mineralisation, Mineral Resources or Ore Reserves are based on information compiled by persons who are Fellows or Members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and have sufficient relevant experience of the activity undertaken and of the mineralisation style and type of deposit described. They qualify as Competent Persons as defined in the 2004 Edition of the "AGDasian Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code). The above statement fairly reflects the reports prepared by these Competent Persons and has been prepared by T V Willsteed, BE [Min] Hons BA FAusIMM MSME as Competent Person for AGD Gold Limited. Mr Willsteed consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Guanaco Resource Estimate

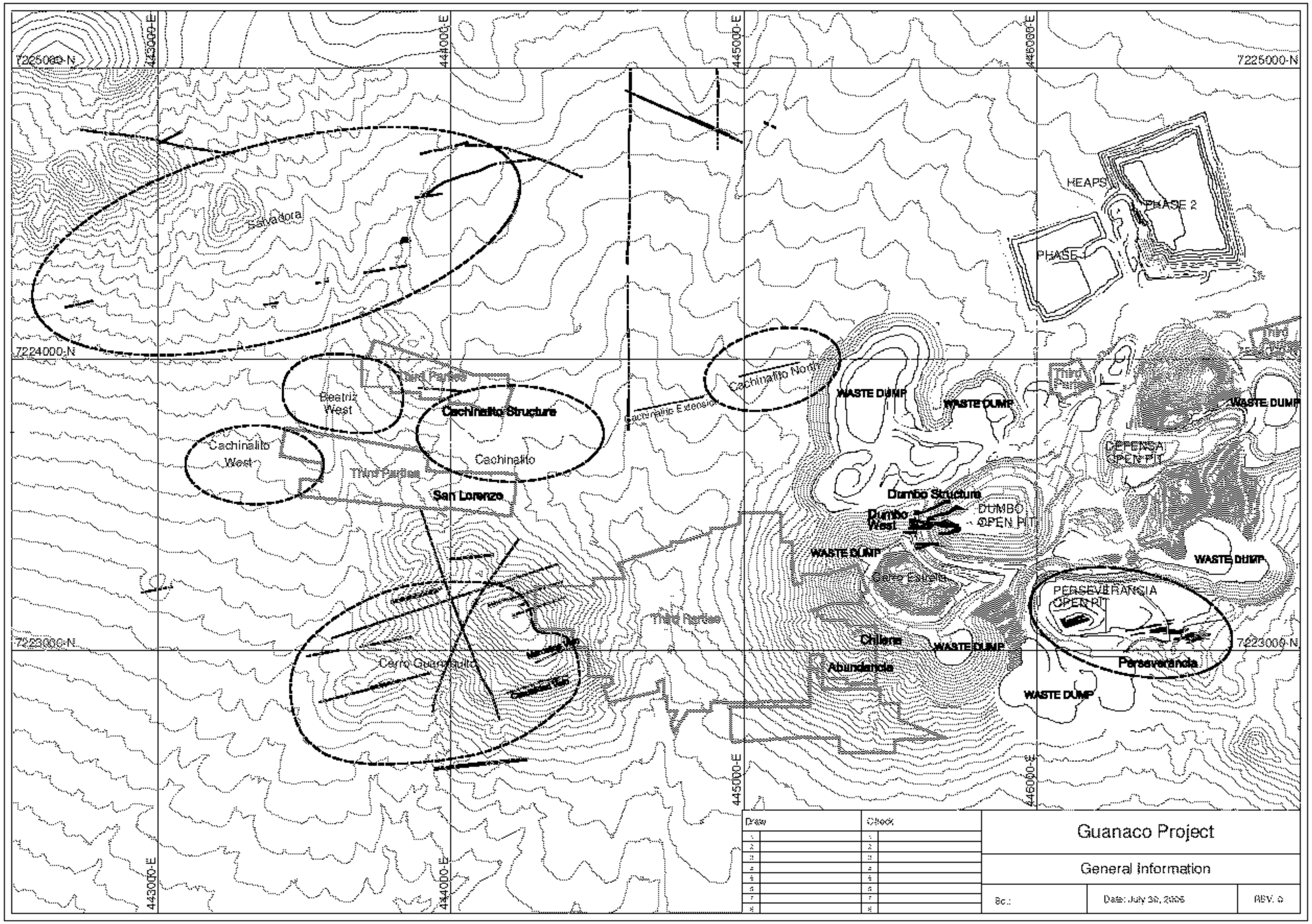
Dr Eduardo Magri who holds the degrees of Mining Engineer from the University of Chile, MSc from The Colorado School of Mines and PhD from the University of the Witwatersrand, Johannesburg, South Africa, is a fellow of the South African Institute of Mining and Metallurgy and has over 25 years experience in geostatistical resource estimation. He is a Qualified Person according to the definition set out in National Instrument 43-101 of the TSX and Ontario Securities Commission, and is therefore accredited to prepare reports on Exploration Results, Mineral Resources and Ore Reserve for submission to the ASX.

Dr Magri carried out standard geostatistical analyses to arrive at the geological resources contained in this report; however he did not review the drillhole database nor the geological modelling.

Guanaco 2007 Programme

This information is considered exploration information in terms required by the JORC Code standards for Public Reporting in AGDasia of Exploration Results, Mineral Resources and Ore Reserves.

The statement on the AGD Gold Chilean Project has been based on programme reports prepared by the professional exploration staff and consulting geologists of Guanaco Mining Company. The statement fairly reflects the results reported by Guanaco Mining Company and has been prepared by T V Willsteed, Consulting Mining Engineer and Supervising Consultant, BE[Min]Hons, BA FAusIMM MSME, as Competent Person for AGD Gold Limited. Mr Willsteed consents to the inclusion on this report of the matters stated based on the information provided in the form and context in which it appears.



7225000-N
7224000-N
7223000-N
443000-E
444000-E
445000-E
446000-E
HEAPS
PHASE 2
PHASE 1
Salvadora
Beatriz West
Cachinalito West
Cachinalito Structure
Cachinalito
Third Parties
San Lorenzo
Cachinalito North
Cachinalito Extension
WASTE DUMP
DEFENSA OPEN PIT
Dumbo Structure
Dumbo West
DUMBO OPEN PIT
Cerro Estrella
PERSEVERANCIA OPEN PIT
Perseverancia
Chilena
Abundancia
Cerro Guanaquito
Draw
Check
Guanaco Project
General Information
Sc.:
Date: July 30, 2006
REV. 0

PROXY FORM

APPOINTMENT OF PROXY
AUSTRAL GOLD LIMITED
ABN 30 075 860 472

I/We

being a Member of Austral Gold Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at the Intercontinental Hotel, 117 Macquarie Street Sydney, New South Wales on Tuesday, 22 May 2007 commencing at 11:00am (EST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 – Capitalisation of loans in GMC	☐	☐	☐
Resolution 2 – Acquisition of shares in GRIL	☐	☐	☐
Resolution 3 –Acquisition of shares in GMC	☐	☐	☐
Resolution 4 – Consolidation of Capital	☐	☐	☐
Resolution 5 – Re-election of Mr Mark Bethwaite	☐	☐	☐
Resolution 6 – Election Mr Robert Trebzski	☐	☐	☐

If you do **not** wish to direct your proxy how to vote, please place a mark in this box ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2007

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

AUSTRAL GOLD LIMITED
ABN 30 075 860 472

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of AGD. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For AGD to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting

5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. To vote by proxy, please complete and sign the proxy form enclosed:

   (f) send the proxy form by post to Austral Gold Limited, Terrace Tower, Suite 605, 80 William Street, Sydney, New South Wales 2011; or

   (g) by facsimile to the Company on facsimile number (02) 9380 7972,

   so that it is received not later than 11:00am EST on 20 May 2007.

PROXY FORMS RECEIVED LATER THAN THIS TIME WILL BE INVALID.