2015 ANNUAL REPORT

AUSTRALGOLD

CONTENTS

CORPORATE DIRECTORY

Directors:

Eduardo Elsztain
Chairman & Non-Executive Director

Saul Zang
Non-Executive Director

Pablo Vergara del Carril
Non-Executive Director

Stabro Kasaneva
Executive Director

Wayne Hubert
Independent Non-Executive Director

Robert Trzebski
Independent Non-Executive Director

Ben Jarvis
Independent Non-Executive Director

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www.bdo.com.au

Principal Bankers:

National Australia Bank Limited
www.nab.com.au

Solicitors:

Addisons Lawyers
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Listed:

Australian Stock Exchange
ASX: AGD

Place of Incorporation:

Western Australia

CHAIRMAN'S LETTER

Dear Shareholders,

Austral Gold has experienced another year of strong progress shaped by record levels of production and successful acquisitions that strengthen our asset base in South America.

Record production continues

Once again, it is encouraging to note that Austral Gold has delivered record production at the company's flagship Guanaco mine in Chile. Gold production for the Financial Year 2015 (FY15) was 51,534 ounces (50,193 for FY14), with 40,108 ounces of silver (61,240 for FY14), which equates to 52,133 gold equivalent ounces* (51,107 for FY14). These figures are in line with guidance provided throughout the year.

This is a pleasing outcome for the company, as the cash flow from production gives Austral Gold the financial flexibility to pursue its growth objectives. This result also reflects the dedication and hard work of Austral Gold's technical team and especially the operational team at the Guanaco mine, complemented by our executives in Antofagasta and Buenos Aires, all of whom are to be commended for their efforts.

Strategic acquisitions ongoing

In FY15, Austral Gold, through its subsidiary Guanaco Compañia Minera SpA ('Guanaco') acquired the Amancaya exploration property in Chile, a gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares. The total consideration of US$12 million is payable in a series of five six-monthly instalments until 2016, (US$7 million has been paid to 31 July 2015) as well as a royalty agreement.

The acquisition of Amancaya is strategically significant for Austral Gold, as its proximity to our Guanaco mine will not only provide synergies and cost benefits, but will also give our Chilean asset base much greater scale. This acquisition opens the way for further consolidation of assets in the Guanaco region and the Group is currently assessing several other brownfield opportunities that will strengthen our Chilean portfolio.

* assuming an average gold to silver ratio of 1:67.

"This pleasing outcome for the company... reflects the dedication and hard work of Austral Gold's technical team and especially the operational team at the Guanaco mine."

On 31 August 2015, Austral Gold announced its intention to acquire all the remaining shares in Argentex Mining Corporation and become dual-listed on the Australian and Canadian securities exchanges. This transaction secures a high quality asset for Austral Gold and significantly strengthens our asset base in Argentina where we have considerable comparative advantages.

These and future acquisitions ensure Austral Gold continues on the path of reaching its goal of becoming a leading South American precious metals resource company.

Strengthening Productivity and Controlling Costs

During FY15, Guanaco maintained its record as an exceptional low-cost gold producer with an average cash cost* for the year of US$548/AuEq oz (US$586/AuEq oz in FY14). All-in sustaining costs* for the operation were also competitive at US$694/AuEq oz (US$751/AuEq oz in FY14). We are also pleased to note that our safety record has improved significantly in FY15, with 2 lost-time accidents occurring (3 in FY14) and 7 nil-lost-time accidents (18 in FY14). These figures include Austral Gold employees and third party contractors.

All of these factors have greatly assisted with boosting productivity and controlling costs at the Guanaco mine.

Financial Year 2015 (FY15)

Austral Gold is in the strongest position in its history as we enter FY16. Our strategic acquisitions, combined with a solid financial position, and backed by an experienced management team, all provide the platform for continued growth. FY16 will be a key year as we seek to advance the Amancaya Project and secure further brownfield opportunities in Chile and Argentina. Production at our flagship Guanaco mine is expected to be in the 40,000 – 50,000 Au oz range in FY16.

We intend to maintain our strong operating cashflows and assess these next steps in further expanding our operations.

As always, we remain committed to the wellbeing of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards.

Longer Term Objectives

The Board remains committed to its stated vision of growing Austral Gold to become a leading South America-focused precious metals company, and in doing so, delivering maximum value to shareholders. I would like to thank our shareholders for their continued support.

Eduardo Elsztain

Chairman

* following the non-GAAP measures as outlined by the World Gold Council.

REVIEW OF ACTIVITIES

Key milestones for Austral Gold

2015

- Low operating cash costs – US$548/AuEq oz.
- Operating profit US$30.7 million for year ended 30 June 2015.
- Amancaya Project advancing to deliver future growth in production to 100,000 AuEq oz/year.
- Third consecutive year of gold production in 50k oz range.
- Agreement to aquire TSX-V listed Argentex Mining Corporation with high quality Pinguino asset.

2014

- Austral Gold signs agreement to acquire the Amancaya exploration property. Amancaya is expected to significantly enhance Austral Gold's reserves and production profile.
- US$7.5 million royalty agreement exit payment to Compañia Minera Kinam Guanaco (a subsidiary of Kinross Gold Corporation).
- Acquisition of 51% of underground mining contractor for Guanaco mine since 2011, Humberto Reyes SpA (now Ingeneria y Mineria Cachinalito Ltd) to gain greater control and flexibility over the underground mining operations and equipment.

2013

- Completed strategic equity transactions in two Canadian listed companies with assets in Argentina to expand the Group´s mineral resource base in the region.
- Private placement in Goldrock for 15% shareholding interest.
- Private placement in Argentex for 19.9% shareholding interest.

2012

- Cash flow positive starting late in the year.

2011

- Gold production of 12k oz.

2003 – 2010

- October 2010 – Poured the first doré bar from retreatment of material on the existing heap leach pads late in the year.
- Austral Gold conducted multiple exploration programs and reconditioned the processing plant and facilities that were on site. In August 2010, the Bankable Feasibility Study was finalised confirming the viability of a new mine at Guanaco.

Austral Gold Limited ('the Company') and its subsidiaries ('the Group') remain committed to maximising shareholder value as it continues to explore and invest in its flagship asset, the Guanaco gold and silver mine, and expand and invest in South America precious metals opportunities.

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

Project and Mine Description

The 100% owned Guanaco mine has been operated by Austral Gold since September 2009 and remains the Company's flagship asset. Guanaco is located approximately 220km SE of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway. Guanaco is located in the Paleocene/Eocene belt, a structural trend which runs north/south through the centre of Chile, and hosts several large gold and copper mining operations including Zaldivar, El Peñon and Escondida.

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

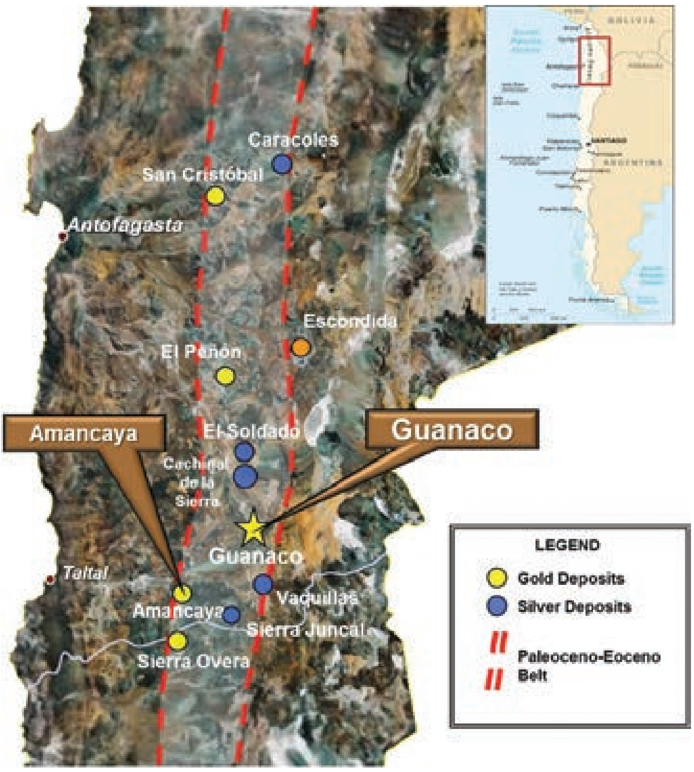
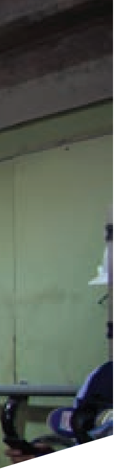
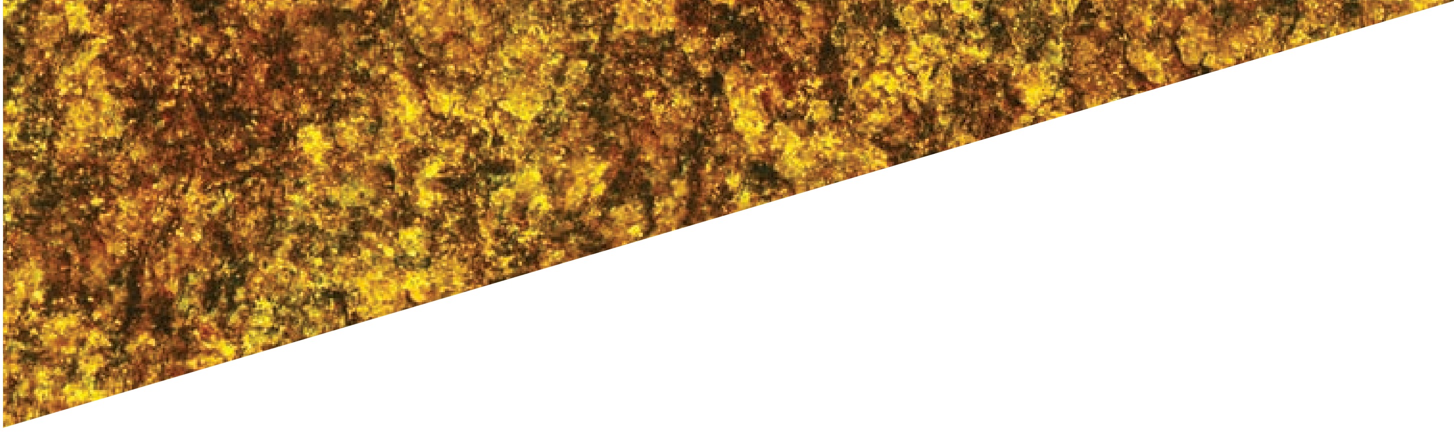


Figure 1: Guanaco mine and the nearby location of the Amancaya properties





Production

Total production from the heap-leach process reached a total of 51,534 gold ounces and 40,108 silver ounces for the 12-month period ended June 2015.

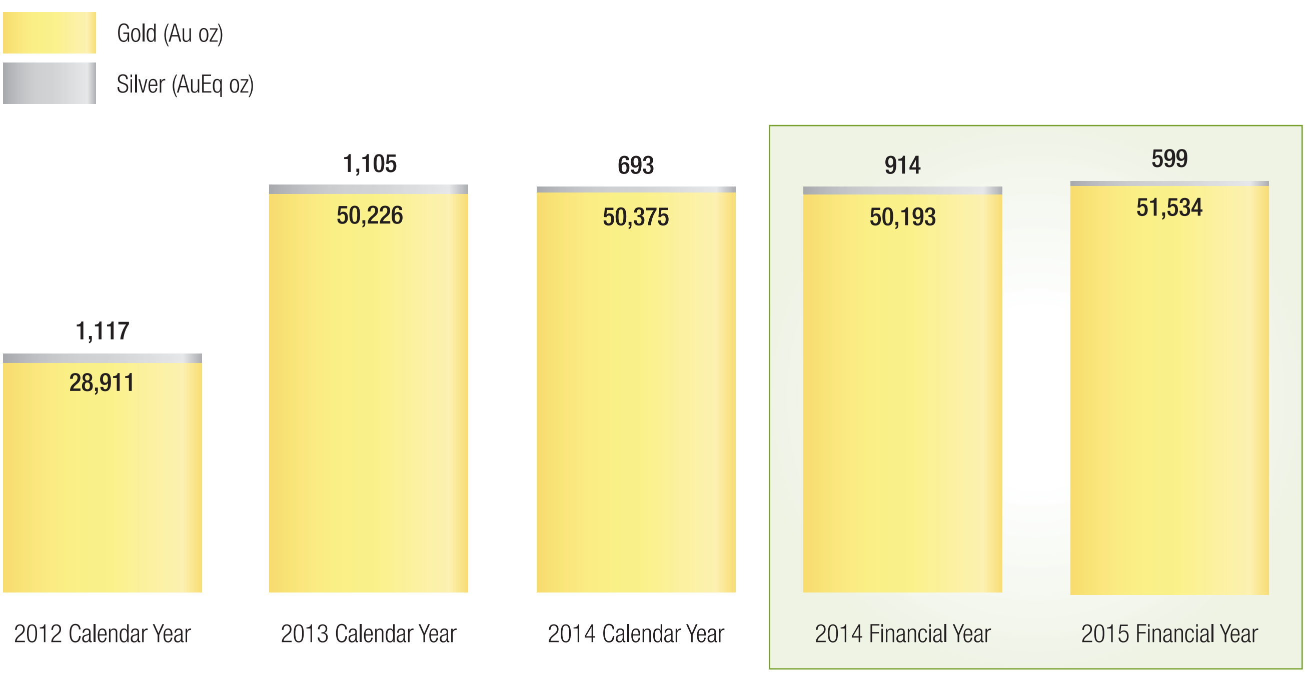
The Company reached its target of producing over 50,000 gold ounces in FY15.

For the 12-month period ended 30 June 2015, the average operating cash cost was US$548/AuEq oz.

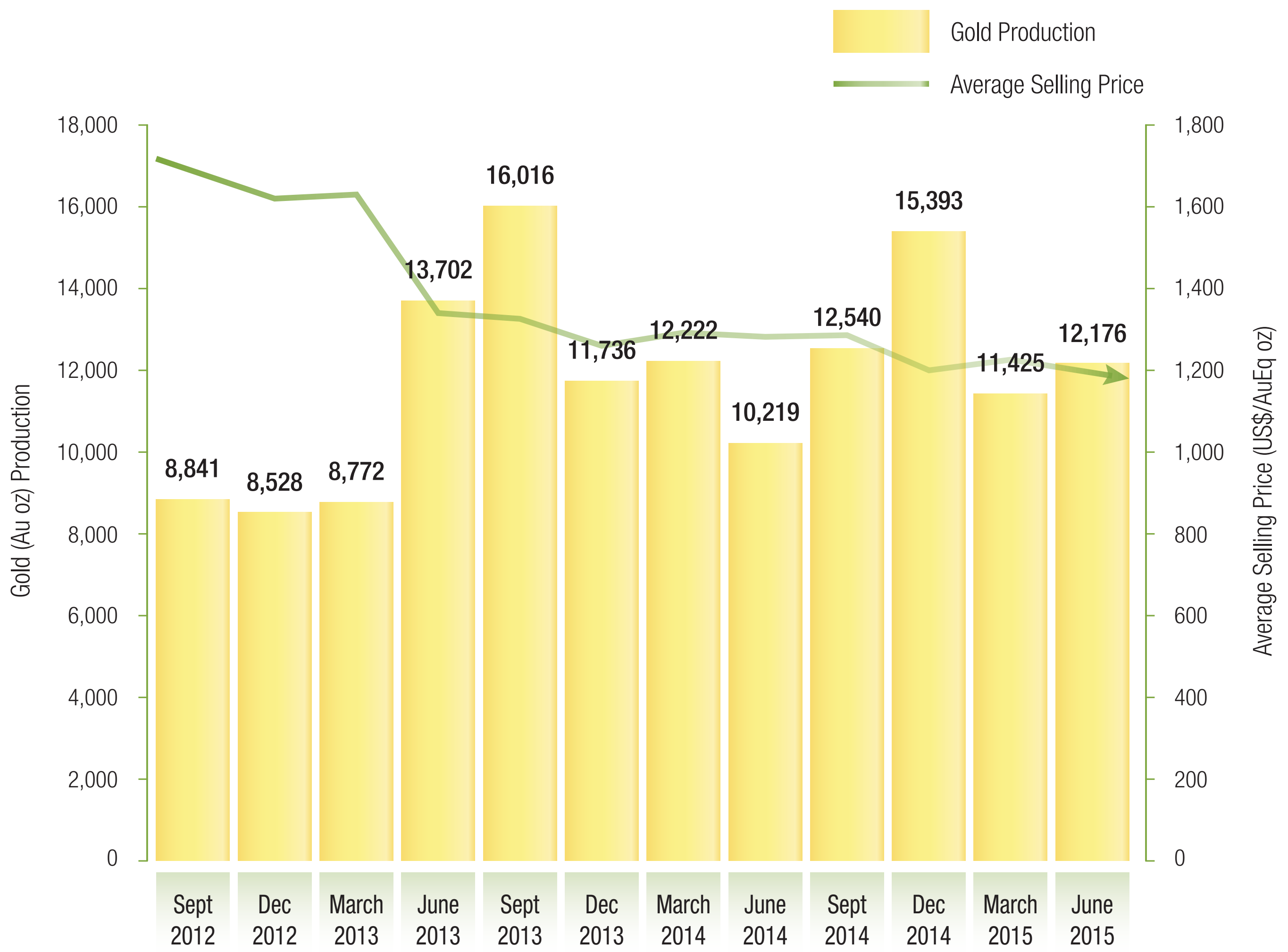
Guanaco Operational Performance

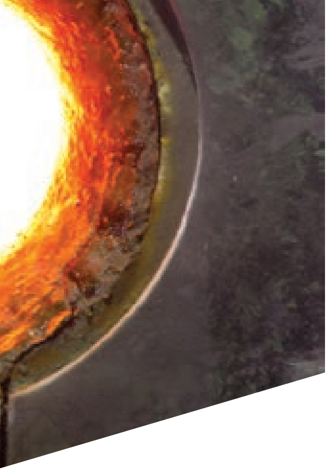
For the 12-month period ended	June 2015	June 2014
Total Ore processed (t)	430,480	457,795
Underground grade (g/t Au)	4.7	5.29
Gold recovery (%)	79	77
Gold Produced (Au oz)	51,534	50,193
Silver Produced (Ag oz)	40,108	61,240
Average realized gold price (US$/oz)	1,222	1,293
Cash cost (US$/AuEq oz)	548	586

Gold and Silver Production



Quarterly production - Gold (Au) oz





Safety

Two (2) lost-time accidents (LTAs) occurred and seven (7) nil-lost-time accidents (NLTAs) were reported involving employees and third party contractors of the Group during the year ended 30 June 2015. All accidents were investigated and corrective actions were identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Group. The implementation of safety best practices along with a sound risk management program are key priorities for Austral Gold.

"...we remain committed to the wellbeing of our employees and the communities in which we operate and continue to promote the highest health, safety and environmental standards."

Main Guanaco Vein Systems

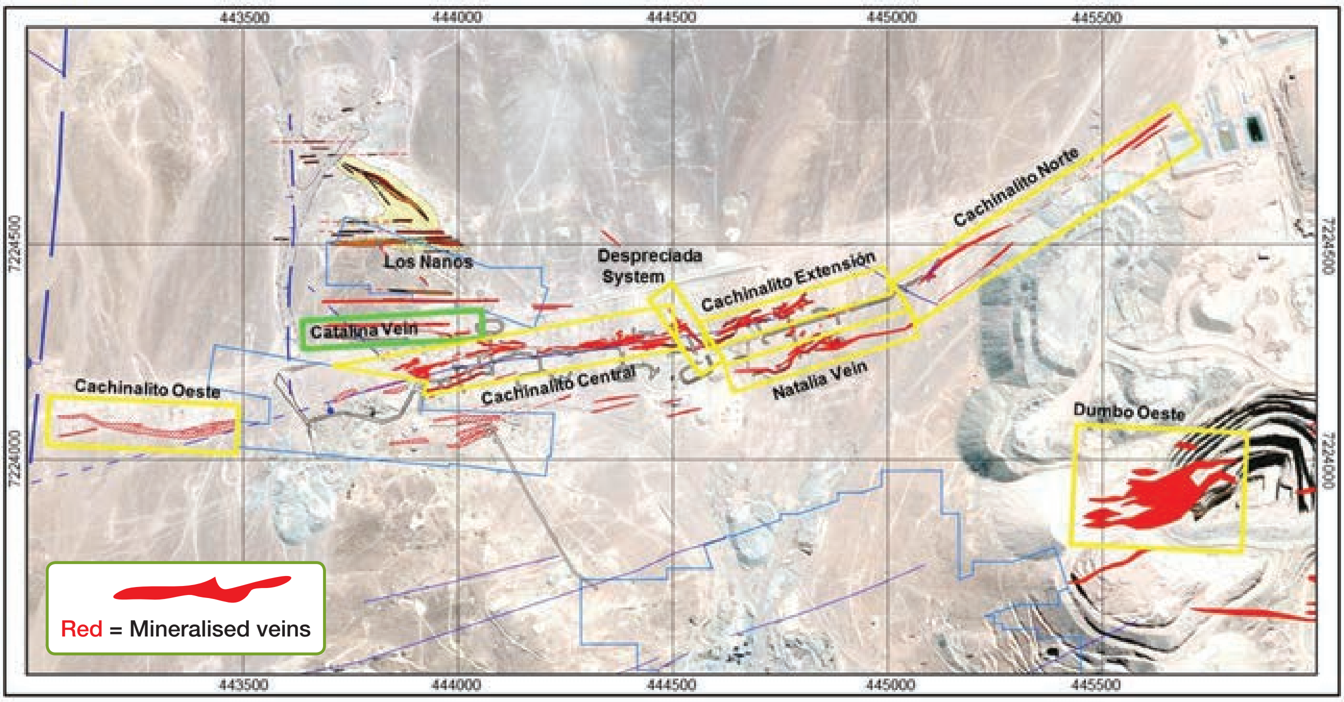


Figure 2: Mineralised veins of the Guanaco mine deposit

Exploration Program

The Geology team continued to advance on the exploration program within the current mine development area of the Guanaco deposit. The 2014/2015 exploration program comprised the following main activities: (i) detailed ground magnetics with the goal of testing mineralised structures beneath the alluvial cover; (ii) cross-cuts development to reach mineralised intercepts recognised in previous drilling campaigns; (iii) ICP and geochemistry analysis; (iv) drilling campaigns of about 2,400 metres, amongst others. Additionally, an update of the geological district mapping at a scale of 1:5,000 was performed to further understand the structural-alteration-mineralisation of the Guanaco district.

Veta Cachinalito: Analysis of Resources

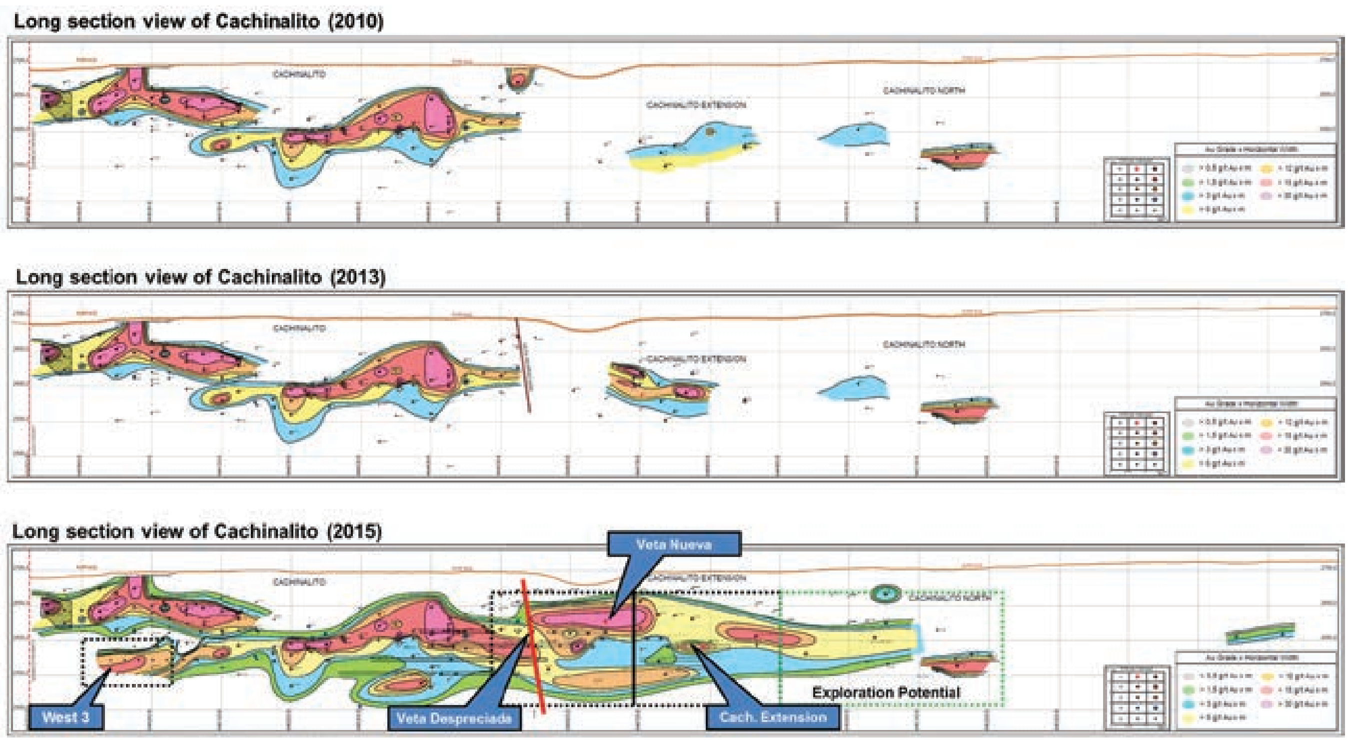


Figure 3: Geographical mapping continues to advance in the Guanaco district revealing further exploration potential

Mineral Resources and Ore Reserves Statement

Table 1 (below) and 2 (page opposite) compares the Company's Mineral Resource Estimate as at 30 June 2015 against that from 30 June 2014. All resources relate to the Company's flagship Guanaco mine. The main reason for the change between the periods is the extraction of resources during the year ended 30 June 2015.

Table 1: Mineral Resource Estimate (JORC 2004) 30 June 2015

RESOURCES	*MEASURED (ME)*			*INDICATED (IND)*			*TOTAL (ME + IND)*			*INFERRED (INF)*		
Gold (Au)	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au
Underground (>1.0 g/t Au)	900	2.84	82,226	2,433	2.56	200,582	3,333	2.64	282,808	2,400	2.37	182,890
Open Pit (>0.4 g/t)	360	1.8	20,883	419	1.52	20,460	779	1.65	41,343	15	1.67	798
Heap Leach (>0.4 g/t Au)	7,988	0.53	136,620	-	-	-	7,988	0.53	136,620	2,777	0.55	49,261
Total	**9,248**	**0.80**	**239,729**	**2,852**	**2.41**	**221,042**	**12,100**	**1.18**	**460,771**	**5,192**	**1.39**	**232,949**
Silver (Ag)	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag
Underground	900	9.66	279,740	2,433	11.88	928,823	3,333	10.62	1,137,896	2,400	11.69	902,344
Open Pit	360	18.48	213,790	419	13.38	180,268	779	15.73	394,058	15	10.59	5,107
Heap Leach	7,988	2.66	681,892	-	-	-	7,988	2.66	681,892	2,777	2.63	234,813
Total	**9,248**	**3.96**	**1,175,422**	**2,852**	**12.10**	**1,109,091**	**12,100**	**5.69**	**2,213,846**	**5,192**	**6.84**	**1,142,264**

Table 2: Mineral Resource Estimate

(JORC 2004) 30 June 2014

RESOURCES	*MEASURED (ME)*			*INDICATED (IND)*			*TOTAL (ME + IND)*			*INFERRED (INF)*		
Gold (Au)	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au	Ton (Kt)	Grade (g/t)	Ounces Au
Underground (>1.0 g/t Au)	1,024	3.22	105,868	2,608	2.7	226,441	3,632	2.85	332,309	2,501	2.398	192,809
Open Pit (>0.4 g/t)	360	1.8	20,883	419	1.52	20,460	779	1.65	41,343	15	1.67	798
Heap Leach (>0.4 g/t Au)	7,988	0.53	136,620	-	-	-	7,988	0.53	136,620	2,777	0.55	49,261
Total	**9,372**	**0.874**	**263,371**	**3,027**	**2.537**	**246,901**	**12,399**	**1.28**	**510,272**	**5,293**	**1.427**	**242,868**

Silver (Ag)	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag	Ton (Kt)	Grade (g/t)	Ounces Ag
Underground	1,024	8.87	291,704	2,608	11.31	948,249	3,632	10.62	1,239,953	2,501	11.479	922,868
Open Pit	360	18.48	213,790	419	13.38	180,268	779	15.73	394,058	15	10.59	5,074
Heap Leach	7,988	2.66	681,892	-	-	-	7,988	2.66	681,892	2,777	2.63	234,946
Total	**9,372**	**3.941**	**1,187,386**	**3,027**	**11.596**	**1,128,517**	**12,399**	**5.81**	**2,315,903**	**5,293**	**6.834**	**1,162,888**

The Company ensures that the Mineral Resource Estimates are subject to appropriate levels of governance and internal controls.

Governance of the Company's Mineral Resources development and the estimation process is a key responsibility of the Executive Management of the Company. The Chief Operating Officer of the Company oversees the review and technical evaluations of the Mineral Resource estimates.

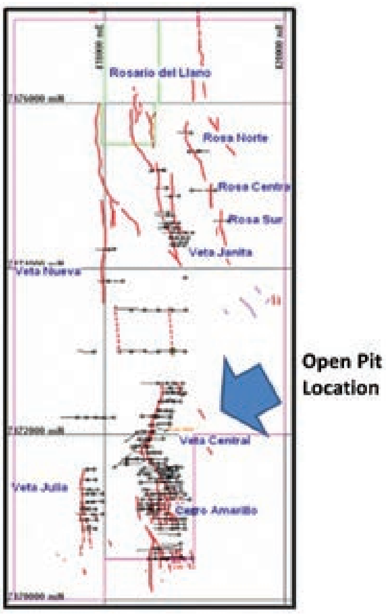
All Mineral Resource estimates for the Guanaco mine project are based on information compiled by Carlos Arévalo, Principal Geologist with AMEC International Ingeniería y Construcción Limitada.

This document contains Mineral Resources which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resources since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

Amancaya Project, Chile (100% interest)

Since the acquisition of this low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares in July 2014 (and a further 1,390 hectares of second layer mining claims), the focus has been on the environmental impact statement and early exploration and engineering works.

The Geology team has initiated a detailed surface mapping at a 1:5000 scale and new samples were taken for ICP analysis along with a drilling campaign of about 790 metres.



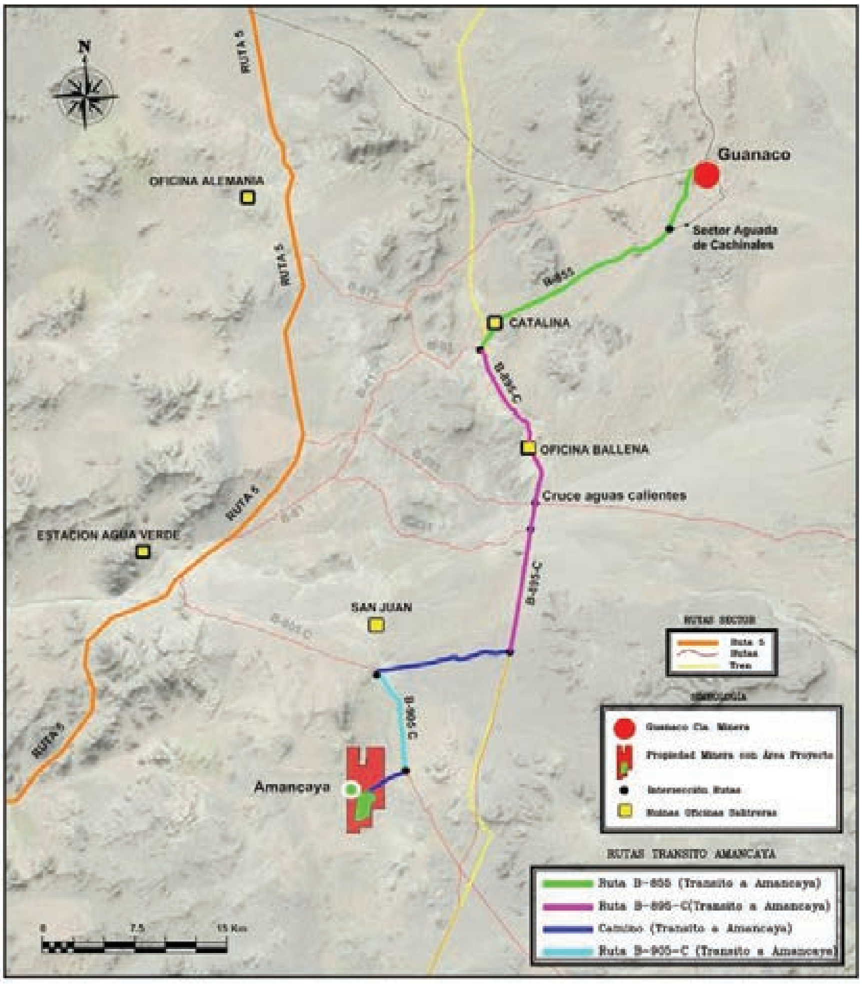
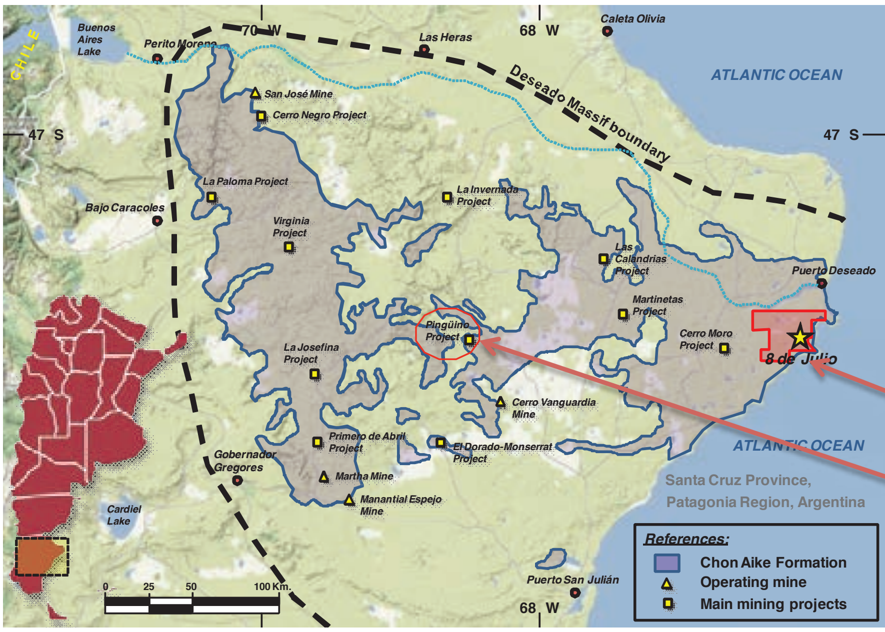


Figure 4: Shows the location of Guanaco relative to Amancaya.

Figure 5 aside: Proposed location of any open pit operations at Amancaya.



Austral Properties (100% owned)

Argentex Properties (20% shareholder) with Austral Gold announcing its intention to aquire all remaining shares in August 2015

Figure 6: Austral Gold exploration property interests in the Santa Cruz province in Argentina.

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

The Group holds several exploration licences (cateos) and “manifestations of discovery” over more than 76,000 hectares in the Deseado Massif corridor in the Province of Santa Cruz (the “8 de Julio Project”). Two of these properties are classified as “Cateos” (10,499 hectares) while the remaining properties are already classified as “manifestations of discovery” (56,888 hectares).

Some of the cateos that were held as part of the 8 de Julio property expired during the year. At the same time, new “manifestations of discovery” over that part of the property, which is considered to have the highest potential, were requested. Additionally, the company continued filing base geological reports in compliance with local regulations.

DIRECTORS' REPORT

Austral Gold Limited and its Subsidiaries

For the Year Ended 30 June 2015

Your Directors present the following report for the financial year ended 30 June 2015 together with the consolidated financial report of Austral Gold Limited (the Company) and its subsidiaries, (referred to hereafter as the Group) for the year ended 30 June 2015 and the auditor's report thereon.

Principal Activities

The principal activities of the Group during the course of the financial year were exploration, evaluation of mineral properties, and gold and silver production as described in the Review of Activities. There were no significant changes in the nature of those activities during the year.

Review and Results of Operations

Operating Results and Dividends

The Group's net loss attributable to shareholders for the year ended 30 June 2015 was US$5,343,187 (2014: loss US$11,681,223).

The Group achieved revenue of US$62,495,078 (2014: US$66,376,158) following slightly higher gold sales volumes but offset by 5% lower average gold prices during FY15. The decrease in silver production and average price compared to prior year contributed to the decrease in revenue by US$547,813.

Cost of sales decreased by 6% contributing to 57% gross margin for the current year (2014 gross margin%: 51%). The better margins are mainly due to a more favourable CLP: USD fx rate with the US$ worth an average 604 Chilean Pesos in FY15 compared to 532 in FY14.

Administration expenses decreased by 20% to US$5,361,417 (2014: US$6,721,746) mainly as a result of (i) a one-off bonus paid to workers in FY14 of US$2.4 million as part of the agreement with the Union; offset by (ii) a bonus payment of US$1 million to senior management in Chile.

In the current year, impairment losses of US$15.4 million were charged to the statement of profit or loss and other comprehensive income ($10 million in FY14). As of 30 June 2015, the fair value of the Guanaco mine was US$34.5 million (6.5% post-tax discount rate) while the net book value of the mine was US$49.9 million (prior to the impairment) as the Group continues to invest in its flagship asset. With relatively low levels of capex foreseen for the remaining life of the mine and the potential to create synergies with the new Amancaya project acquisition, management believes that the value of the assets will be enhanced in future years.

No dividends of the Company or its subsidiaries have been paid, declared or recommended since the end of the financial year.

Financial Position

The net assets of the Group have increased by US$44.4 million since 30 June 2014 to US$58,535,543 at 30 June 2015 (2014: US$14,098,372). This is primarily due to the conversion of the long-term debt balance of US$53,733,935 to equity on 19 December 2014.

As at 30 June 2015, the Group continued showing healthy liquidity figures with a current ratio equal to 1.5x along with US$7.3 million cash balance and a cash conversion cycle of 12 days.

The decrease in non-current assets is mainly driven by amortisation and impairment of intangible assets and goodwill, offset by the acquisition of Amancaya with US$12.8 million capitalized as part of exploration and evaluation expenditure for the properties. Deferred consideration for Amancaya is reflected in the increase to trade payables (current and non-current) with US$7.8 million still owing on this transaction at balance sheet date.

The non-current financial assets of US$2.5 million (down from US$6.3 million as at 30 June 2014) reflects the fair value of the equity investments in Argentex and Goldrock at their market prices as traded on the TSX-V.

The $53.7 million loan with IFISA held in non-current liabilities was converted to equity in the Company's own shares on 19 December 2014 after approval of AGD shareholders. This saw a significant improvement in the Company's balance sheet.

The equity balance in FY15 includes a negative reserve of US$7.2 million that mainly reflects the fair value fluctuation of the Argentex and Goldrock investments.

The Group used part of its strong FY15 operating cashflows of US$22.9 million (FY14: US$30 million) to meet its commitments regarding deferred consideration for the acquisitions of Cachinalito and Amancaya and on capital expenditure to support production.

Therefore, the Directors are confident the Company is in a position to maintain its current operations.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year other than those disclosed in the Review and Results of Operations above.

Future Developments, Prospects and Business Strategies

Since its incorporation, Austral Gold has been an explorer for gold. First production of gold and silver from Guanaco occurred in late 2010, with gold production steadily increasing since this time. The Guanaco gold and silver mine remains the Company's key asset and a focus of management along with its Amancaya acquisition.

Events Subsequent to Balance Date

Acquisition of Argentex

On August 31, 2015, Austral Gold announced that the board of directors of Argentex Mining Corporation ("Argentex Mining", TSXV: ATX; OTCQB: AGXMF) had approved entering into a binding letter agreement (the "Agreement") with Austral Gold, in connection with a business combination transaction involving Austral Gold and Argentex Mining.

Pursuant to the Agreement, Austral Gold has agreed to acquire all of the issued and outstanding common shares of Argentex ("Argentex Shares") that are not already held by Austral Gold and its subsidiaries, which represents approximately 80.1% of the Argentex Shares currently outstanding (the "Transaction").

The proposed Transaction is expected to be completed by way of a share-for-share exchange whereby Argentex Shareholders (other than Austral Gold and its subsidiaries) are expected to receive 0.5651 of an ordinary share of Austral Gold in respect of each Argentex Share held (the "Exchange Ratio"), which represents an implied valuation of CAD$~0.08 per Argentex Share (or CAD$~5.8 million total valuation) and ~7.75% of the total outstanding shares of Austral Gold after adjusting for the shares issued in the Transaction.

The proposed Transaction is subject to all applicable regulatory, court, stock exchange and shareholder approvals. In addition, the Exchange Ratio may be adjusted in certain circumstances, including as a result of any change in the capital structure of either Argentex or Austral (other than a change resulting from the completion by Austral of a financing transaction on specified terms).

Performance In Relation to Environmental Regulation

The Group has no exploration activities in Australia and is therefore not subject to any particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory.

In relation to the Group's mineral exploration operations in Chile, licence requirements relating to "Bases Generales de Medio Ambiente" exist under the Chilean Law No.19,300. The Directors are not aware of any breaches during the period covered by this report. Moreover, all the exploration activities performed so far have been approved by the Environmental Authority, Comisión Nacional de Medio Ambiente (CONAMA).

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

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

DIRECTORS & OFFICERS

The Directors and Officers of the Company throughout and since the end of the financial year are:

Eduardo Elsztain

Chairman

Appointed Director 29 Jun 2007

Re-elected by shareholders on 28 Nov 2012

Appointed Chairman on 2 Jun 2011

Mr Elsztain is the Chairman of:

(i) IRSA (NYSE: IRSA, BASE: IRSA): Argentina's largest real estate company, operating a diversified portfolio of shopping centres, office buildings, luxury hotels and residential properties in Argentina and United States;

(ii) Cresud (NASDAQ: CRESY, BASE: CRES): a leading agri-business company, with presence in Argentina and Bolivia, involved in activities such as crop production, beef cattle raising and milk production;

(iii) BrasilAgro (NYSE: LND, BOVESPA:AGRO3): Companhia Brasileira de Propriedades Agrícolas, Cresud's arm in Brazil and Paraguay;

(iv) Banco Hipotecario (BASE: BHIP): one of Argentina's largest commercial banks, engaged in the personal banking and corporate banking sectors.

(v) IDB Development (TASE: IDBD): a leading conglomerate in Israel which directly and indirectly owns Clal Insurance (TASE: CLIS), Shufersal (TASE: SAE), Cellcom (NYSE & TASE: CEL), Properties & Building Corp. (TASE: PTBL), ADAMA Agricultural Solutions, Elron Electronic Industries (TASE: ELRN) among others.

Mr Elsztain has not held any other Directorships with listed companies in the last three years.

Mr. Elsztain is a member of the World Economic Forum, Council of the Americas, the Group of 50 and Argentina's Business Association (AEA), among others.

He is president of Fundacion IRSA, which promotes education among children and young people, including "Puerta 18", a program that provides free computing and technology education for young people from low-income backgrounds in order to develop their scientific, artistic and professional talents.

Stabro Kasaneva

Executive Director
Chief Operating Officer

Appointed 7 Oct 2009

Re-elected by shareholders on 28 Nov 2012

Mr Kasaneva holds a degree in Geology from the Universidad Católica del Norte, Chile. He has more than 20 years experience in geology and exploration of gold deposits, mainly focused on the Paleocene belt in Northern Chile, where Guanaco, Austral Gold's flagship gold/silver mine, is located.

Mr Kasaneva has not held any other Directorships with listed companies in the last three years.

Saul Zang

Non-Executive Director

Appointed 29 Jun 2007

Re-elected by shareholders on 16 Dec 2014

Mr. Zang obtained a law degree from Universidad de Buenos Aires. He is a founding member of the law firm Zang, Bergel & Viñes.

Mr Zang is an adviser and Member of the Board of Directors of Buenos Aires Stock Exchange and provides legal advice to national and international companies. Mr Zang currently holds (i) Vice-Chairmanships on the Boards of IRSA (NYSE: IRSA, BASE: IRSA), IRSA Propiedades Comerciales (NASDAQ: IRCP, BASE: APSA), Cresud (NASDAQ: CRESY, BASE: CRES) and (ii) holds Directorships with Banco Hipotecario (BASE: BHIP), BrasilAgro (NYSE: LND, BOVESPA:AGRO3), IDB Development Corporation Ltd. (TASE:IDBD) – a leading conglomerate in the State of Israel which directly and indirectly owns Clal Insurance Enterprises Holdings (TASE: CLIS), Shufersal (TASE: SAE), Cellcom (NYSE & TASE: CEL), Properties & Building Corp. (TASE: PTBL), ADAMA Agricultural Solutions, Elron Electronic Industries (TASE: ELRN) among others.

Mr Zang has not held any other Directorships with listed companies in the last three years.

Robert Trzebski

Non-Executive Director
Chairman of the Audit Committee

Appointed 10 Apr 2007

Re-elected by shareholders on 27 Nov 2013

Dr Trzebski holds a degree in Geology, PhD in Geophysics, Masters in Project Management and has over 20 years of professional experience in mineral exploration, project management and mining services. He is currently Chief Operating Officer of Austmine Ltd. As a fellow of the Australian Institute of Mining and Metallurgy, Dr Trzebski has acted as the Competent Person (CP) for the Company's ASX releases.

Dr Trzebski has not held any other Directorships with listed companies in the last three years.

Ben Jarvis

Non-Executive Director

Appointed 2 Jun 2011

Re-elected by shareholders on 16 Dec 2014

Mr Jarvis is the Managing Director and co-founder of Six Degrees Investor Relations, an Australian advisory firm that provides investor relations to a broad range of companies listed on the Australian Securities Exchange.

Mr Jarvis was educated at the University of Adelaide where he majored in Politics. In the last three years, Mr Jarvis has also been a non-executive director of Eagle Nickel Limited.

Pablo Vergara del Carril

Non-Executive Director
Member of the Audit Committee

Appointed 18 May 2006

Re-elected by shareholders on 27 Nov 2013

Mr Vergara del Carril is a lawyer and is professor of Postgraduate Degrees for Capital Markets, Corporate Law and Business Law at the Argentine Catholic University.

He is a member of the International Bar Association and the American Bar Association as well as an officer of the Legal Committee of the Argentine Chamber of Corporations. He is recognized as a leading lawyer in Corporate, Real Estate, M&A, Banking & Finance and Real Estate Law by international publications such as Chamber & Partners, Legal 500, International Financial Law Review, Latin Lawyer and Best Lawyer.

He is a director of Banco Hipotecario SA.[BASE: BHIP], Nuevas Fronteras (owner of the Intercontinental Hotel in Buenos Aires), IRSA Propiedades Comerciales [Nasdaq / BASE] and Emprendimiento Recoleta SA (owner of the Buenos Aires Design Shopping Centre), among other companies. Mr Vergara del Carril is also a director of Guanaco Mining Company Limited and Guanaco Capital Holding Corp.

Mr Vergara del Carril has not held any other Directorships with listed companies in the last three years.

Wayne Hubert

Non-Executive Director
Member of the Audit Committee

Appointed 18 Oct 2011

Re-elected by shareholders on 16 Dec 2014

Mr Hubert is a mining executive with over 15 years experience working in the South American resources sector. From 2006 until 2010 he was the Chief Executive Officer of ASX-listed Andean Resources Limited, and led the team that increased Andean's value from $70 million to $3.5 billion in four years. Andean was developing a world-class silver and gold mine in Argentina with a resource of over 5 million ounces of gold when it was acquired by Goldcorp Inc. of Canada.

Mr Hubert holds a degree in Engineering and a Master of Business Administration and has held executive roles for Meridian Gold with experience in operations, finance and investor relations. Currently he is a Director of: Midas Gold Corp [TSX], a Canadian company with a 5.7 million ounce gold resource, InZinc Mining Limited [TSX] and Argentex Mining Corporation (ATX).

In the last three years, Mr Hubert has also been a non-executive director of Samco Gold Limited.

Andrew Bursill
(Franks & Associates)

Company Secretary

Appointed 10 Jan 2014

Since commencing his career as an outsourced CFO and Company Secretary in 1998, Mr Bursill has been CFO, Company Secretary and/or Director for numerous ASX listed, unlisted public and private companies, in a range of industries including mineral exploration, oil and gas exploration and biotechnology.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Directors' meetings		Audit Committee meetings	
Director	A	B	A	B
Pablo Vergara del Carril	2	2	2	2
Robert Trzebski	2	2	2	2
Wayne Hubert	2	2	2	2
Eduardo Elsztain	2	2	N/A	N/A
Saul Zang	2	2	N/A	N/A
Stabro Kasaneva	1	2	N/A	N/A
Ben Jarvis	2	2	N/A	N/A

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year
Board and Audit Committee meetings held from July 2014 – June 2015

Shares and Options

During or since the end of the financial year, the Company has not granted options over its ordinary shares.

At the date of this report there are 140,949 options over the Company's ordinary shares with an exercise price of $0.30 expiring 15 November 2016. No shares have been issued during or since the end of the year as a result of the exercise of an option over unissued shares.

Indemnity and Insurance of Officers

Under a deed of access, indemnity and insurance, the Company indemnifies each person who is a director or secretary of Austral Gold Limited against:

- any liability (other than for legal costs) incurred by a director or secretary in his or her capacity as an officer of the Company or of a subsidiary of the Company; and
- against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by a secretary in his or her capacity as an officer of the Company or of a subsidiary of the Company.

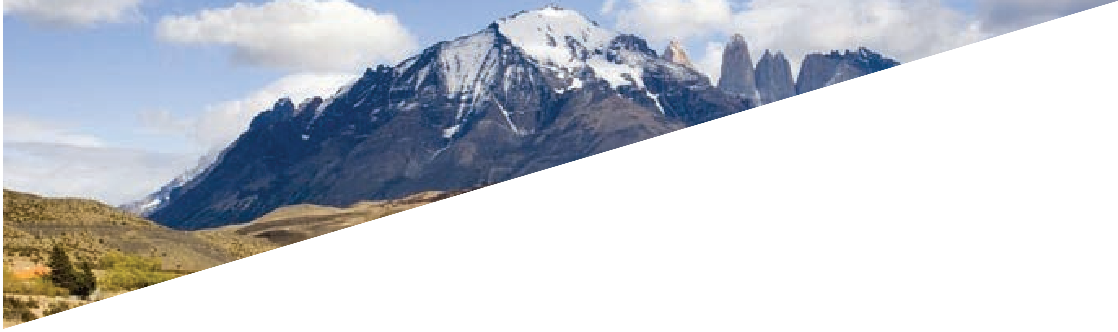
The above indemnities:

- apply only to the extent the Company is permitted by law to indemnify a director or secretary;
- are subject to the Company's constitution and the prohibitions in section 199A of the Corporations Act; and
- apply only to the extent and for the amount that a director or secretary is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a related body corporate or an insurer).

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.



Interests of Directors

The relevant interest of each director (directly or indirectly) in the share capital of the Company, as notified by the Directors to the Australian Securites Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares
P Vergara del Carril	68,119
R Trzebski	-
E Elsztain	452,748,809
S Zang	1,435,668
S Kasaneva	1,691,398
B Jarvis	-
W Hubert	1,750,000

It is also noted:

1. P Vergara del Carril, E Elsztain and S Zang are directors of Guanaco Capital Holding Corp which holds 24,289,330 shares according to the last substantial holder notice lodged in December 2014.
2. E Elsztain and S Zang are directors of IFISA which holds 423,773,273 shares according to the last substantial holder notice lodged in December 2014. E Elsztain is the ultimate beneficial owner of IFISA.

Remuneration Report (Audited)

Remuneration Policy

The Company has a Remuneration Policy that aims to ensure the remuneration packages of directors and senior executives properly reflect the person's duties, responsibilities and level of performance, as well as ensuring that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The level of remuneration for non-executive directors is considered with regard to the practices of other public companies and the aggregate amount of fees paid to non-executive directors approved by shareholders.

At this stage, the level of remuneration is based on market rates and is not directly linked to shareholders' wealth.

Remuneration of Executive Director and Chief Operating Officer (COO) Stabro Kasaneva is made up of a fixed component and a variable component equal to 50% of the fixed component. Performance against pre-determined targets are used to determine the portion of the variable component paid.

The targets are based on financial and non-financial indicators and include production, safety and new business.

The bonus (variable component) paid in the year ended 30 June 2015 represents 100% achievement of his 2014 calendar year targets. Stabro Kasaneva was awarded 100% bonus (in FY15 the cash bonus of US$679,869 also included a one-off incentive of US$528,436) based on the following three main achievements for the year:

- Production of more tham 50K gold ounces.
- Competitive Cash Costs below US$600/oz.
- Initiation and securing suitable assets that are in line with the Austral Gold strategy.

Details of Remuneration (current year)

YEAR ENDED 30 JUNE 2015

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary & Fees	Cash Bonus	Non-monetary Benefits	Super-annuation	Retirement Benefits	Shares	Options	
	US$	US$	US$	US$	US$	US$	US$	US$
E. Elsztain	80,000	-	-	-	-	-	-	80,000
S. Zang	40,000	-	-	-	-	-	-	40,000
S Kasaneva	312,966	679,869	-	-	-	-	-	992,835
W Hubert	48,000	-	-	-	-	-	-	48,000
R Trzebski	30,525	-	-	2,842	-	-	-	33,367
B Jarvis	30,525	-	-	2,842	-	-	-	33,367
P Vergara del Carril	40,000	-	-	-	-	-	-	40,000
Total Directors	**582,016**	**679,869**	**-**	**5,684**	**-**	**-**	**-**	**1,267,569**

Details of Remuneration (prior year)

YEAR ENDED 30 JUNE 2014

	PRIMARY			*POST-EMPLOYMENT*		*SHARE-BASED*		*TOTAL*
	Cash Salary & Fees	Cash Bonus	Non-monetary Benefits	Super-annuation	Retirement Benefits	Shares	Options	
	US$	US$	US$	US$	US$	US$	US$	US$
E. Elsztain	80,000	-	-	-	-	-	-	80,000
S. Zang	40,000	-	-	-	-	-	-	40,000
S Kasaneva	340,253	167,128	-	-	-	185,756	-	693,137
W Hubert	48,000	-	-	-	-	-	-	48,000
R Trzebski	33,682	-	-	3,116	-	-	-	36,798
B Jarvis	33,682	-	-	3,116	-	-	-	36,798
P Vergara del Carril	40,000	-	-	-	-	-	-	40,000
Total Directors	**615,617**	**167,128**	**-**	**6,232**	**-**	**185,756**	**-**	**974,733**
OTHER KEY MANAGEMENT PERSONNEL								
C Lloyd	72,193	-	-	5,355	-	-	-	77,548
Total Other KMP	72,193	-	-	5,355	-	-	-	77,548
Total 2014	**687,810**	**167,128**	**-**	**11,587**	**-**	**185,756**	**-**	**1,052,281**

Service Agreements

Further to his responsibilities as a Director of Austral Gold Limited, Stabro Kasaneva is employed by the Group as COO.

His employment contract commenced in September 2009 and has no fixed termination date. The termination period is 30 days notice by either party and the termination payment provided for under the contract is approximately US$28,000 plus any pro rata bonus accrued. His salary is paid in Chilean pesos and is subject to a 6-monthly review. Details of payments made for the year ended 30 June 2015 are contained in the table opposite.

This concludes the remuneration report, which has been audited.

Auditors

BDO continues in office as auditors in accordance with the requirements of the Corporations Act 2001.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 30 June 2015 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney.

Ben Jarvis

Director

25 September 2015

"The Guanaco gold and silver mine remains the Company's key asset and a focus of management along with its Amancaya acquisition."

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of Austral Gold Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 25 September 2015

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2015 – All figures are reported in US$

		Consolidated	
	Notes	**2015 US$**	**2014 US$**
CONTINUING OPERATIONS			
Revenue	4	62,495,078	66,376,158
Cost of sales		(26,542,790)	(32,115,429)
Gross profit		**35,952,288**	**34,260,729**
Administration expenses		(5,361,417)	(6,721,746)
Gain/(loss) from foreign exchange		125,693	545,299
Operating profit		**30,716,564**	**28,084,282**
Royalty agreement exit fee		-	(7,500,000)
Impairment of assets	14	(15,400,000)	(10,000,000)
Profit before interest, tax, depreciation & amortisation		**15,316,564**	**10,584,282**
Finance costs	5	(1,325,735)	(2,369,908)
Depreciation and amortisation expense	5	(17,079,097)	(17,180,541)
Loss before income tax expense		**(3,088,268)**	**(8,966,167)**
Income tax expense	7	(2,199,154)	(2,641,568)
Loss after income tax expense		**(5,287,422)**	**(11,607,735)**
Profit/(loss) attributable to:			
Owners of the Company	21	(5,343,187)	(11,681,223)
Non-controlling interests		55,765	73,488
		(5,287,422)	**(11,607,735)**
OTHER COMPREHENSIVE INCOME			
Items that may not be classified subsequently to profit or loss			
Loss arising on revaluation of financial assets, net of tax	23	(3,844,345)	(3,970,036)
Items that may be classified subsequently to profit or loss			
Foreign currency translation	23	(27,397)	(17,862)
Total comprehensive income for the year		**(9,159,164)**	**(15,595,633)**
Comprehensive income attributable to:			
Owners of the Company		(9,214,929)	(15,669,121)
Non-controlling interests		55,765	73,488
		(9,159,164)	**(15,595,633)**
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	8	(1.58)c	(6.82)c
Diluted earnings per share	8	(1.58)c	(6.82)c

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

Austral Gold Limited and its Subsidiaries

As at 30 June 2015 – All figures are reported in US$

		Consolidated	
	Notes	30 June 2015 US$	30 June 2014 US$
ASSETS			
Current assets			
Cash and cash equivalents	10	7,303,315	4,347,075
Trade and other receivables	12	9,615,694	3,375,885
Financial assets	13	189,978	278,072
Inventories	11	5,272,583	3,934,932
Total current assets		**22,381,570**	**11,935,964**
Non-current assets			
Other receivables	12	285,483	589,582
Financial assets	13	2,495,597	6,339,952
Intangible assets and goodwill	14	11,814,129	36,348,774
Plant and equipment	15	28,944,901	28,124,421
Exploration and evaluation expenditure	16	13,279,319	506,718
Total non-current assets		**56,819,429**	**71,909,447**
TOTAL ASSETS		**79,200,999**	**83,845,411**
LIABILITIES			
Current liabilities			
Trade and other payables	17	12,745,893	5,620,582
Provisions	18	692,305	595,969
Borrowings	19	1,627,471	2,271,375
Total current liabilities		**15,065,669**	**8,487,926**
Non-current liabilities			
Trade and other payables	17	2,185,508	1,127,280
Provisions	18	1,842,352	1,695,702
Borrowings	19	766,514	54,274,278
Deferred tax liability	7	805,413	4,161,853
Total non-current liabilities		**5,599,787**	**61,259,113**
TOTAL LIABILITIES		**20,665,456**	**69,747,039**
NET ASSETS		**58,535,543**	**14,098,372**
EQUITY			
Issued capital	20	93,537,023	39,803,088
Accumulated losses	21	(29,378,937)	(24,035,750)
Reserves	23	(7,179,114)	(3,307,372)
Non-controlling interest	22	1,556,571	1,638,406
TOTAL EQUITY		**58,535,543**	**14,098,372**

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

Statement of Changes in Equity

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2015 – All figures are reported in US$

	Consolidated				
	Issued capital US$	Accumulated losses US$	Reserves US$	Non-controlling interest US$	Total US$
Balance at 1 July 2013	**40,551,198**	**(12,354,527)**	**680,526**	**110**	**28,877,307**
Loss for the period	-	(11,681,223)	-	73,488	**(11,607,735)**
Other comprehensive income for the year, net of income tax	-	-	(3,970,036)	-	**(3,970,036)**
Foreign exchange movements from translation of financial statements to US dollars	-	-	(17,862)	-	**(17,862)**
Total comprehensive income for the year	**-**	**(11,681,223)**	**(3,987,898)**	**73,488**	**(15,595,633)**
Acquisition of subsidiary with non-controlling interests	-	-	-	1,564,808	**1,564,808**
Transactions with owners in their capacity as owners:					
Share-based payment	185,756	-	-	-	**185,756**
Return of capital	(933,866)	-	-	-	**(933,866)**
Balance at 30 June 2014	**39,803,088**	**(24,035,750)**	**(3,307,372)**	**1,638,406**	**14,098,372**
Loss for the period	-	(5,343,187)	-	55,765	**(5,287,422)**
Other comprehensive income for the year, net of income tax	-	-	(3,844,345)	-	**(3,844,345)**
Foreign exchange movements from translation of financial statements to US dollars	-	-	(27,397)	-	**(27,397)**
Total comprehensive income for the year	**-**	**(5,343,187)**	**(3,871,742)**	**55,765**	**(9,159,164)**
Transactions with owners in their capacity as owners:					
Shares issued	53,733,935	-	-	-	**53,733,935**
Dividend distribution to non-controlling interest	-	-	-	(137,600)	**(137,600)**
Balance at 30 June 2015	**93,537,023**	**(29,378,937)**	**(7,179,114)**	**1,556,571**	**58,535,543**

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

Statement of Cash Flows

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2015 – All figures are reported in US$

		Consolidated	
	Notes	30 June 2015 US$	30 June 2014 US$
Cash flows from operating activities			
Receipts from sale of goods		58,420,697	71,315,617
Payments to suppliers and employees		(28,692,632)	(40,212,271)
Taxes paid		(6,782,049)	(977,185)
Net cash provided through operating activities	**28**	**22,946,016**	**30,126,161**
Cash flows from investing activities			
Purchase of plant and equipment		(5,258,487)	(1,514,177)
Payment for investment in listed shares		-	(7,854,486)
Payment to exit the Kinam royalty		-	(7,500,000)
Deferred consideration for investment in subsidiaries (Cachinalito)		(1,150,287)	(132,346)
Payment for exploration and evaluation expenditure		(4,962,356)	(160,020)
Payment for investment in development assets		(4,685,071)	(8,249,887)
Interest received		9,611	14,018
Net cash used in investing activities		**(16,046,590)**	**(25,396,898)**
Cash flows from financing activities			
Interest paid		(510,499)	(106,719)
Proceeds from borrowings		66,837	313,609
Return of capital to shareholders		-	(933,866)
Dividend distribution to non-controlling interest		(137,600)	-
Loans issued to related party		(3,000,000)	-
Repayment of borrowings to related party		(460,585)	(4,644,316)
Net cash used in financing activities		**(4,041,847)**	**(5,371,292)**
Movement attributable to foreign currency translation		98,661	402,791
Net increase / (decrease) in cash held		2,956,240	(239,238)
Cash at beginning of financial year		4,347,075	4,586,313
Cash at end of financial year		**7,303,315**	**4,347,075**

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Reporting entity

Austral Gold Limited ("the Company") is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries ('the Group') and are presented in English. They were authorised for issue in accordance with a resolution of the Board of Directors on 25 September 2015.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.2 Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

1.3 Presentation and functional currency

These consolidated financial statements are presented in United States dollars (US$), which is the presentation and functional currency of the Group.

1.4 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2015 is detailed below:

Estimated impairment / reversal of impairment of development assets

Where indicators of impairment or reversal of impairment are identified the recoverable amounts of the assets are determined.

The recoverable amounts of the assets have been determined using reports from independent experts. The calculations require the use of assumptions. Refer to note 14 for details of these assumptions.

Estimated impairment of exploration and evaluation assets

The Group tests at each reporting date whether there are any indicators of impairment as identified by AASB 6 "Exploration for and Evaluation of Mineral Resources". Where indicators of impairment are identified, the recoverable amounts of the assets are determined. No indicators of impairment were identified in the current year.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group hold bonds and listed equity securities at fair value, which are measured at the closing bid price at the end of the reporting period. All financial assets held at fair value fall within Level 1 of the fair value hierarchy.

1.5 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

2.1 Basis of consolidation

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

A list of subsidiaries is contained in note 27 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

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

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

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2.2 Revenue recognition

Sale of minerals

Sale of minerals is recognised at the point of sale, which is when the customer has taken delivery of the goods, the risks and rewards have been transferred to the customer and there is a valid contract.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.3 Goods and services tax (GST)/ Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the tax authorities. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

2.4 Foreign currency translation

The financial statements are presented in United States Dollars (US$), which is the Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into US$ using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Intangibles

Development assets

When the technical and commercial feasibility of an undeveloped mining project has been demonstrated, the project enters the development phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling and other subsurface expenditure. When full commercial operation commences, the accumulated costs are transferred into producing assets.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

2.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and carried forward in the statement of financial position where:

2.6.1 rights to tenure of the area of interest are current; and

2.6.2 one of the following conditions is met:

- i such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- ii exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in the area are continuing.

Expenditure relating to pre-exploration activities is written off to the profit or loss during the period in which the expenditure is incurred.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the production output basis.

2.7 Investments in subsidiaries

Investments in subsidiaries are carried in the Parent Entity's financial statements at the lower of cost and recoverable amount.

2.8 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciated amount of plant and equipment is recorded either on a straight-line basis or on the production output basis to the residual value of the asset over the lesser of mine life or estimated useful life of the asset.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed, except those that are included in the amount of exploration assets as an allocation of production overheads.

The depreciation rate used for fixed assets which are not used in mining production is between 10%–20%.

The depreciation rate used in mining production is provided for over the life of the area of interest on a production output basis.

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognised.

2.9 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash includes:

- i cash on hand and at call deposits with banks or financial institutions; and
- ii other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

2.10 Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- i when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ii when the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- i when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ii when the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of any deferred income tax assets recognised is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted at reporting date.

Income taxes relating to items recognised directly to equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2.11 Inventories

Materials and supplies are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Gold and gold-in-process are stated at net realisable value. Net realisable value is determined using the prevailing metal prices.

2.12 Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

2.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2.14 Interest bearing liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

2.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre- tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Leases

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Lease payments for operating leases, where all the risks and benefits remain with the lessor, are recognised as an expense in the profit or loss on a straight line basis over the lease term.

2.17 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell or value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or circumstances indicate that the carrying value may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.18 De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- i the rights to receive cash flows from the asset have expired; or
- ii the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- iii the Group has transferred its rights to receive cash flows from the asset and either;
    - a) has transferred substantially all the risks and rewards of the asset; or
    - b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Fair value through Other Comprehensive Income

The Group's investments in equity securities are classified as 'fair value through Other Comprehensive Income'. Subsequent to initial recognition fair value through other comprehensive income investments are measured at fair value with gains or losses being recognised directly through Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2.21 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are attributable to qualifying assets, in which case they are then capitalised as part of the assets.

2.22 Employee leave benefits

Short-term employee benefits

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in the current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated cash outflows.

Superannuation

The Company contributes to employee superannuation funds. Contributions made by the Company are legally enforceable. Contributions are made in accordance with the requirements of the Superannuation Guarantee Legislation.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.24 New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

AASB 2013–9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Three amendments were made to AASB 9, which includes adding the new hedge accounting requirements into AASB 9, deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

AASB 2012–3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

Annual improvements project – 2010–2012 cycle (AASB 2014–1 Part A)

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. Amendments to clarify minor points in various accounting standards, including AASB 2, AASB 3, AASB 8, AASB 13, AASB 116, AASB 138 and AASB 124. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

Annual improvements project – 2011–2013 cycle (AASB 2014–1 Part A)

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. Amendments to clarify minor points in various accounting standards, including AASB 1, AASB 3, AASB 8, AASB 13 and AASB 140. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

There are currently no AASB standards, amendments to standards and interpretations that have been identified as those which may impact the entity in the period of initial application.

IFRS Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue with an effective date of 1 January 2018. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

4. REVENUE

	Consolidated	
	30 June 2015 US$	30 June 2014 US$
Operating activities		
Revenue from gold and silver sales	62,217,269	66,147,537
Interest revenue	19,474	14,018
Other revenue	258,335	214,603
Total revenue	**62,495,078**	**66,376,158**

5. LOSS FOR THE YEAR

	Consolidated	
	30 June 2015 US$	30 June 2014 US$
Loss before income tax includes the following specific expenses:		
Depreciation of plant and equipment	8,710,115	5,889,667
Amortisation of intangible assets	8,368,982	11,290,874
Total depreciation and amortisation	**17,079,097**	**17,180,541**
Finance costs – related parties	998,720	2,225,707
Finance costs – other	327,015	144,201
Total finance costs	**1,325,735**	**2,369,908**
Rental expense on operating leases	16,284	14,162
Defined contribution plan expense	16,643	19,443
Share-based payment	-	185,756

6. AUDITORS' REMUNERATION

	Consolidated	
	30 June 2015 US$	30 June 2014 US$
Remuneration of the auditors of the parent entity (BDO) for:		
Auditing or reviewing the financial reports	62,280	59,246
Other services	-	11,932
Total auditors' remuneration – parent entity (BDO)	**62,280**	**71,178**
Remuneration of auditors of subsidiaries (Nexia & PKF) for:		
Auditing or reviewing the financial reports	69,148	68,858
Other services/taxation	1,177	19,501
Total auditors' remuneration – subsidiaries (Nexia & PKF)	**70,325**	**88,359**

7. INCOME TAX EXPENSE

	Consolidated	
	30 June 2015 US$	30 June 2014 US$
Amounts recognised in profit and loss		
Current tax paid	5,035,884	977,185
Current tax payable	519,710	1,577,846
Deferred tax expense	(3,356,440)	86,537
Income tax expense	**2,199,154**	**2,641,568**
Reconciliation of effective tax rate		
Loss before tax	(3,088,268)	(8,966,167)
Prima facie income tax benefit calculated at 30% (2014: 30%) on the loss	(926,480)	(2,689,850)
Difference due to change in tax rate	540,876	(2,062,663)
Non-deductible expenses	2,584,758	7,394,081
Income tax expense	**2,199,154**	**2,641,568**

Deferred tax balances		
Deferred tax assets		
Provision for obsolescence	3,462	-
Accrual for mine closure	233,716	339,140
Leasing assets	-	14,477
Impairment of intangible assets	3,018,568	-
Accrual for annual leave	163,484	117,644
Total deferred tax assets	**3,419,230**	**471,261**
Deferred tax liabilities		
Mining concessions	(4,099,775)	(4,562,669)
Other receivables	(124,868)	(70,445)
Total deferred tax liabilities	**(4,224,643)**	**(4,633,114)**
Net deferred tax liabilities	**(805,413)**	**(4,161,853)**

Movement in deferred tax balances		
Opening balance	**(4,161,853)**	**(4,075,316)**
Charged to profit or loss	3,356,440	(86,537)
Closing balance	**(805,413)**	**(4,161,853)**

8. EARNINGS PER SHARE

Classification of securities as ordinary shares	Consolidated	
Ordinary shares have been included in basic earnings per share.	30 June 2015 US$	30 June 2014 US$
Earnings reconciliation		
Net loss attributable to owners	(5,343,187)	(11,681,223)
Net profit attributable to non-controlling interests	55,765	73,488
Net loss	**(5,287,422)**	**(11,607,735)**
Weighted average number of shares used as the denominator		
Number for basic earnings per share	334,102,169	170,138,779
Number for diluted earnings per share	334,102,169	170,138,779
Basic earnings per ordinary share (cents)	(1.58)c	(6.82)c
Diluted earnings per ordinary share (cents)	(1.58)c	(6.82)c

9. SEGMENTS

Management have determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM"). The CODM considers the business from both an operations and geographic perspective and has identified two reportable segments, Australia and South America. The CODM monitors the performance in these two regions separately.

	2015			*2014*		
	Australia US$	South America US$	Consolidated US$	Australia US$	South America US$	Consolidated US$
Revenue from gold and silver sales	-	62,217,269	62,217,269	-	66,147,537	66,147,537
Interest revenue	1,319	18,155	19,474	2,617	11,401	14,018
Other	-	258,335	258,335	-	214,603	214,603
Total segment revenue	**1,319**	**62,493,759**	**62,495,078**	**2,617**	**66,373,541**	**66,376,158**
Cost of sales	-	(26,542,790)	(26,542,790)	-	(32,115,429)	(32,115,429)
Administration expenses	(879,790)	(4,481,627)	(5,361,417)	(1,227,840)	(5,493,906)	(6,721,746)
Gain/(loss) from foreign exchange	-	125,693	125,693	-	545,299	545,299
Royalty agreement exit fee	-	-	-	-	(7,500,000)	(7,500,000)
Impairment of assets	-	(15,400,000)	(15,400,000)	-	(10,000,000)	(10,000,000)
Finance costs	(998,720)	(327,015)	(1,325,735)	(2,225,707)	(144,201)	(2,369,908)
Amortisation	-	(8,368,982)	(8,368,982)	-	(11,290,874)	(11,290,874)
Depreciation	(2,898)	(8,707,217)	(8,710,115)	(1,418)	(5,888,249)	(5,889,667)
Income tax expense	-	(2,199,154)	(2,199,154)	-	(2,641,568)	(2,641,568)
Segment loss	**(1,880,089)**	**(3,407,333)**	**(5,287,422)**	**(3,452,348)**	**(8,155,387)**	**(11,607,735)**
Segment assets	**694,444**	**78,506,555**	**79,200,999**	**1,791,062**	**82,054,349**	**83,845,411**
Segment liabilities	**35,156**	**20,630,300**	**20,665,456**	**53,288,757**	**16,458,282**	**69,747,039**
Acquisition of non-current assets	**-**	**-**	**-**	**-**	**4,849,924**	**4,849,924**

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 US$	2014 US$
Cash at call and in hand	7,258,142	4,202,553
Short-term bank deposits	45,173	144,522
Total cash and cash equivalents	**7,303,315**	**4,347,075**

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows, is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	**7,303,315**	**4,347,075**

Risk Exposure

The Group's exposure to interest rate risk is discussed in note 24. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

11. INVENTORIES

	Consolidated	
	2015 US$	2014 US$
Materials and supplies – at cost	2,361,548	2,749,369
Gold bullion and gold in process – at net realisable value	2,911,035	1,185,563
Total inventories	**5,272,583**	**3,934,932**

12. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 US$	2014 US$
CURRENT		
Trade receivables	4,535,201	480,294
Other current receivables	1,187,730	419,231
Loan receivable from related party	3,009,863	-
Pre-payments	-	937,450
GST/VAT receivable	882,900	1,538,910
Total current receivables	**9,615,694**	**3,375,885**
NON CURRENT		
GST/VAT receivable	195,077	116,910
Pre-payments	-	472,066
Other	90,406	606
Total non-current receivables	**285,483**	**589,582**
TRADE DEBTORS		
The ageing of trade receivables is 0 – 30 days	4,535,201	480,294

12.1 Past due but not impaired

There were no receivables past due at 30 June 2015 (2014: nil).

12.2 Fair value and credit risk

Due to the short term nature of trade receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 24 for more information on the risk management policy of the Group and the credit quality of the receivables.

12.3 Key Customers

The Company is not reliant on any one customer to sell gold and silver produced from the Guanaco mine.

13. FINANCIAL ASSETS

	Consolidated	
	2015 US$	2014 US$
CURRENT		
Bonds – level 1	189,978	278,072
Total current financial assets at fair value	**189,978**	**278,072**
NON CURRENT		
Listed equity securities – level 1	2,495,597	6,339,952
Total non-current financial assets at fair value	**2,495,597**	**6,339,952**

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 30 June 2015.

Bonds are US$ Argentina government bonds maturing in April 2017, but with the ability to redeem at any time, and with a fixed interest rate of 7% payable annually.

Listed equity securities represents the fair value of the Company's 19.9% investment in Argentex Mining Corporation (TSX–V: ATX) and 12.8% investment in Goldrock Mines Corp (TSX–V: GRM). A fair value movement of US$3.8 million relating to these investments has been recognised in other comprehensive income.

Fair value hierachy

Refer to note 1.4 of these financial statements for details of the fair value hierarchy.

Transfers

During the year ended 30 June 2015, the Group had no level 2 or level 3 financial instruments. As such, there were no transfers between the financial instrument levels of hierarchy.

14. INTANGIBLE ASSETS

	Consolidated	
	2015 US$	2014 US$
Development assets – Guanaco		
Cost	45,097,973	61,167,534
Accumulated amortisation	(34,209,737)	(25,840,755)
Carrying value – Development assets – Guanaco	**10,888,236**	**35,326,779**
Goodwill		
Cost	925,893	1,021,995
Carrying value – Goodwill	**925,893**	**1,021,995**
Total intangible assets		
Cost	46,023,866	62,189,529
Accumulated amortisation	(34,209,737)	(25,840,755)
Total Carrying Value – Intangible assets	**11,814,129**	**36,348,774**

MOVEMENTS IN CARRYING VALUE – *Development assets – Guanaco*		
Carrying amount at beginning of the year	35,326,779	53,998,000
Additions for the year	4,685,071	8,249,887
Reclassification to plant and equipment	(4,473,765)	(5,568,154)
Write-off	(880,867)	(62,080)
Amortisation for the year	(8,368,982)	(11,290,874)
Impairment	(15,400,000)	(10,000,000)
Carrying amount at end of the year	**10,888,236**	**35,326,779**
MOVEMENTS IN CARRYING VALUE – *Goodwill*		
Carrying amount at beginning of the year	1,021,995	-
Additions for the year	-	1,021,995
Impairment	(96,102)	-
Carrying amount at end of the year	**925,893**	**1,021,995**

Impairment – Guanaco

The Guanaco project has been determined by Management to be a single cash generating unit ("CGU"). The intangible assets noted above and the plant and equipment that is an intrinsic part of the mine and its structure (included in note 15) are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Management have assessed the fair value and book value of the Guanaco project to be US$34.5 million (2014: US$59m) which resulted in a US$15.4 million impairment charge, due largely to the drop in the gold price assumptions used in the valuation. The fair value is based on an independent valuation using a discounted cash flow model and the following assumptions:

- Gold price: US$1,202/oz – US$1,169/oz (2014: US$1,278/oz – US$1,228/oz)
- Life of Mine: 4 years (2014: 5 years)
- Discount Rate (post-tax): 6.5% (2014: 7%)

Goodwill

Goodwill has arisen on the acquisition of a subsidiary.

The recoverable amount of the goodwill arising from the Cachinalito business has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for Cachinalito:

- 6.5% post-tax discount rate;
- Average 1–2% per annum projected growth rate; and
- 2% growth rate for terminal value.

The discount rate of 6.5% reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the Cachinalito business, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 1-2% growth in accordance with the strategy and has no reason to revise this estimation based on current performance.

Sensitivity

Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

a) The discount rate would be required to increase by 5% before goodwill would need to be impaired, with all other assumptions remaining constant.

b) Negative growth rate of at least 1.25% per annum before goodwill would need to be impaired, with all other assumptions remaining constant.

15. PLANT AND EQUIPMENT

	Consolidated	
	2015 US$	2014 US$
Plant and equipment – at cost	53,327,624	43,797,029
Accumulated depreciation	(24,382,723)	(15,672,608)
Carrying amount at end of year	**28,944,901**	**28,124,421**
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of the year	**28,124,421**	**21,957,189**
Additions for the year	5,258,487	6,488,638
Reclassification from intangible assets	4,473,765	5,568,154
Disposals for the year	(201,292)	-
Depreciation for the year	(8,710,115)	(5,889,667)
Movement attributable to foreign currency translation	(365)	107
Carrying amount at end of year	**28,944,901**	**28,124,421**

Part of the plant and equipment has been included in the Guanaco cash generating unit. Refer to note 14 for discussion on impairment. Plant and equipment that does not form part of the Guanaco cash generating unit are being carried at the lower of their book value and recoverable amount.

The Group leases production equipment under a number of finance leases. At 30 June 2015, the net carrying amount of lease equipment was US$3,235,954 (2014:US$2,601,931).

16. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2015 US$	2014 US$
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the year	506,718	346,698
Additions for the year	12,772,601	160,020
Carrying amount at end of year	**13,279,319**	**506,718**

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

Additions for the year relate mainly to the aquisition of the Amancaya properties.

17. TRADE AND OTHER PAYABLES

	Consolidated 2015 US$	Consolidated 2014 US$
CURRENT		
Trade payables	4,442,048	1,953,896
Accrued expenses	866,397	559,264
Income tax payable	519,710	1,746,165
Other payables	6,917,738	1,361,257
Total current trade and other payables	**12,745,893**	**5,620,582**
NON CURRENT		
Other payables	2,185,508	1,127,280

Refer to note 24 for detailed information on financial instruments.

18. PROVISIONS

	Consolidated 2015 US$	Consolidated 2014 US$
CURRENT		
Employee entitlements	692,305	595,969
MOVEMENT IN CURRENT PROVISIONS		
Opening balance	595,969	480,604
Charged to the profit or loss	96,336	115,365
Closing balance	**692,305**	**595,969**

The current provision for employee entitlements includes all unconditional entitlements in accordance with the applicable legislation. The entire amount is presented as current, since the Group does not have an unconditional right to defer payment. The entire balance of employee benefits is expected to be settled within the next 12 months.

	Consolidated 2015 US$	Consolidated 2014 US$
NON CURRENT		
Mine closure	1,842,352	1,695,702
MOVEMENT IN NON CURRENT PROVISIONS		
Opening balance	1,695,702	831,297
Charged to the profit or loss	146,650	864,405
Closing balance	**1,842,352**	**1,695,702**

The restoration provision relates to the estimated costs of dismantling and restoring mining sites and exploration tenements to their original condition at the end of the life of the mine or exploration drilling program. The provision at year end represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required for meeting environmental obligations for existing tenements after activities have been completed. The provision is reviewed annually by the Directors.

The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US$2,181,886;
- Remaining life of Mine: 4 years; and
- Discount rate (post-tax) of 6.5%

19. BORROWINGS

	Consolidated 2015 US$	Consolidated 2014 US$
CURRENT		
Lease liability	1,627,471	1,248,671
Royalty payable	-	1,022,704
Total current borrowings	**1,627,471**	**2,271,375**
NON-CURRENT		
Lease liability	766,514	1,078,478
Loan – IFISA	-	53,195,800
Total non-current borrowings	**766,514**	**54,274,278**
LOAN IFISA		
Balance at beginning of year	53,195,800	55,614,409
Repayments of principal and interest	-	(4,644,316)
Interest	538,135	2,225,707
Conversion of principal and interest to equity	(53,733,935)	-
Balance at end of year	**-**	**53,195,800**

Refer to note 24 for detailed information on financial instruments.

19.1 Loan Inversiones Financieras del Sur SA (IFISA)

At the Annual General Meeting held on 16 December 2014, Austral Gold Limited shareholders voted to convert the entire balance of the loan with IFISA at that date (US53,733,935) into equity in the Group's own shares.

19.2 Royalty payable

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

19.3 Lease liabilities

Refer to note 15 for further information on plant and equipment secured under finance leases.

20. ISSUED CAPITAL

	Consolidated	
	2015 US$	2014 US$
Fully paid ordinary shares (US$)	**93,537,023**	**39,803,088**
Number of ordinary shares at year end	**478,761,995**	**170,831,137**

Movements in ordinary share capital	Date	Number of ordinary shares	US$
Balance at 30 June 2013		**169,139,739**	**39,003,832**
Foreign exchange movements from change of accounting policy	1 July 2013	-	1,547,366
Balance at 1 July 2013		169,139,739	40,551,198
Share-based payment to Chief Operating Officer	27 December 2013	1,691,398	185,756
Return of Capital to shareholders	12 December 2013	-	(933,866)
Balance at 30 June 2014		**170,831,137**	**39,803,088**
Shares issued to convert IFISA debt to equity	19 December 2014	307,930,858	53,733,935
Balance at 30 June 2015		**478,761,995**	**93,537,023**

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares do not have any par value.

Conversion of debt to equity

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

Return of capital to shareholders

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

Share-based payment

On 27 December 2013, after approval at the Annual General Meeting, a share-based payment of 1,691,398 new ordinary shares was issued to Stabro Kasaneva, for his services as an Executive Director and Chief Operating Officer of the Company. The shares were issued for nil consideration at the share price at that date for a total value of US$185,756.

21. ACCUMULATED LOSSES

	Consolidated	
	2015 US$	2014 US$
Accumulated losses at beginning of year	(24,035,750)	(12,698,850)
Foreign exchange movements from change of accounting policy - AGD functional currency change from AUD to USD	-	344,323
Net loss for the year	(5,343,187)	(11,681,223)
Accumulated losses at end of year	**(29,378,937)**	**(24,035,750)**

22. NON-CONTROLLING INTEREST

	Consolidated	
	2015 US$	2014 US$
Non-controlling interest in subsidiaries comprise:		
Acquired as part of subsidiary	1,556,571	1,638,406

23. RESERVES

	Consolidated	
	2015 US$	2014 US$
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at beginning of year	**649,423**	**7,513,029**
Foreign exchange movements from change of accounting policy	-	(6,845,744)
Foreign exchange movements from translation of financial statements to US dollars	(27,397)	(17,862)
Balance at end of year	**622,026**	**649,423**
SHARE OPTION RESERVE		
Balance at beginning of year	**13,241**	**13,241**
Balance at end of year	**13,241**	**13,241**
ASSET REVALUATION RESERVE		
Balance at beginning of year	**(3,970,036)**	**-**
Fair value movement during the year	(3,844,345)	(3,970,036)
Balance at end of year	**(7,814,381)**	**(3,970,036)**
Total Reserves	**(7,179,114)**	**(3,307,372)**

Nature and purpose of reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the non-US$ denominated non-monetary balances of Group Companies are recognised in the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

Share Option Reserve

Options granted / issued as share-based payments are recognised in the share option reserve. No options were granted during the year ended 30 June 2015.

Asset Revaluation Reserve

The reserve is used to recognise increments and decrements in the fair value of equity securities.

24. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's principal financial instruments comprise borrowings, receivables, listed equity securities, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (interest rate risk and foreign currency risk), credit risk, price risk and liquidity risk.

The Group recognises the importance of risk management, and has adopted a Risk Management and Internal Compliance and Control policy which describes the role and accountabilities of management and of the Board. The Directors manage the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to the main financial risks by being aware of market forecasts for interest rates, foreign exchange rates, commodity and market prices. The Group does not have significant exposure to credit risk and liquidity risk is monitored through general business budgets and forecasts.

Interest Rate Risk

The Group's main interest rate risk arises from finance leases. The Group's borrowings are at fixed rates and therefore do not carry any variable interest rate risk.

Foreign Currency risk

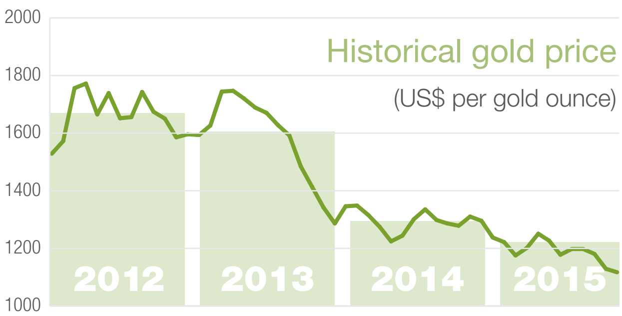
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations.

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the functional currency of the Group. The risk is measured using cash flow forecasting. Foreign currency risk is minimal as most of the transactions are settled in US$.

Price Risk

The Group's revenues are exposed to fluctuations in the price of gold and other prices. Gold and silver produced is sold at prevailing market prices in US dollars.

The Group has resolved that for the present time the production should remain unhedged. The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the business.



Sensitivity to changes in the gold price

	Effect of earnings (US$)		*Effect on equity (US$)*	
	2015 US$	2014 US$	2015 US$	2014 US$
10% increase in gold price	+ 6,159,009	+ 6,480,644	+ 6,159,009	+ 6,480,644
10% decrease in gold price	- 6,159,009	- 6,480,644	- 6,159,009	- 6,480,644

Financial Market Risk

The financial market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices, which occurs due to the Group's investment in listed securities where share prices can fluctuate over time. This risk however is not deemed to be significant as these investments are held for long term strategic purposes and therefore movement in the market prices do not impact the short-term profit or loss or cash flows of the Group.

Credit Risk

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Liquidity Risk

The liquidity of the Group is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost effective manner.

Management continuously reviews the Group's liquidity position through cash flow projections based upon the current life of mine plan to determine the forecast liquidity position and maintain appropriate liquidity levels.

Financing arrangements

Under the previous funding agreement with IFISA, the Group had access to the following undrawn US dollar denominated borrowing facilities at the reporting date:

	Consolidated	
	2015 US$	2014 US$
Total facility	-	59,000,000
Total used	-	42,529,119
Amount available	-	16,470,881

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Consolidated				
	< 6 months US$	6–12 months US$	1–5 years US$	>5 years US$	Total US$
YEAR ENDED 30 JUNE 2015					
FINANCIAL LIABILITIES					
Trade and other payables	9,022,260	3,723,633	2,185,508	-	14,931,401
Lease liabilities	944,108	776,945	792,757	-	2,513,810
Total 2015 liabilities	**9,966,368**	**4,500,578**	**2,978,265**	**-**	**17,445,211**
YEAR ENDED 30 JUNE 2014					
FINANCIAL LIABILITIES					
Trade and other payables	5,620,582	-	1,127,280	-	6,747,862
Lease liabilities	676,070	676,069	1,147,456	-	2,499,595
Royalty payable	1,022,704	-	-	-	1,022,704
Loan - IFISA	-	-	53,195,800	-	53,195,800
Total 2014 liabilities	**7,319,356**	**676,069**	**55,470,536**	**-**	**63,465,961**

Defaults and breaches

During the current and prior years, there were no defaults or breaches on the loan or any of the other financial liabilities.

Capital management

The Group's policy is to maintain a strong and flexible capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital which the Group defines as total shareholders' equity attributable to the members of Austral Gold Limited. The Group monitors financial position strength and flexibility using cash flow forecast analysis and a detailed budget process. There were no changes in the Group's approach to capital management during the year.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments approximate their fair value.

25. DIVIDENDS

No dividends were paid or proposed during the year (2014: Nil).

26. COMMITMENTS

	2015 US$	2014 US$
LEASE COMMITMENTS – FINANCE		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,721,053	1,352,139
One to five years	792,757	1,147,456
Total commitment	**2,513,810**	**2,499,595**
Less: Future finance charges	*(119,825)*	*(172,446)*
Net commitment recognised as liabilities	**2,393,985**	**2,327,149**
Representing:		
Lease liability – current	1,627,471	1,248,671
Lease liability – non-current	766,514	1,078,478

27. SUBSIDIARIES

	Country of Incorporation	2015 % owned	2014 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.940	99.930
Ingenieria y Mineria Cachinalito Limitada	Chile	51.000	51.000

28. CASH FLOW INFORMATION

	Consolidated	
	2015 US$	2014 US$
Reconciliation of cash flow from operations with loss after income tax:		
Loss after income tax	**(5,287,422)**	**(11,607,735)**
Non-cash flows in loss		
Interest expense capitalised	998,720	2,225,707
Royalty agreement exit fee	-	7,500,000
Impairment loss	15,400,000	10,000,000
Interest income	(19,474)	(14,018)
Finance costs	327,015	106,719
Equity-settled share-based payment transaction	-	185,756
Foreign exchange translation (gain)/ loss	(125,693)	(545,299)
Depreciation and amortisation	17,079,097	17,180,541
Disposal of plant and equipment	201,292	-
Write-off and impairment of intangible assets	976,967	-
Net cash from operating activities before change in assets and liabilities	**29,550,502**	**25,031,671**
Changes in assets and liabilities:		
Decrease / (increase) in inventory	(1,337,651)	(521,728)
Decrease / (increase) in trade and other receivables	(2,837,743)	5,288,401
Increase / (decrease) in trade and other payables	2,153,803	(1,920,374)
Increase / (decrease) in tax payable	(4,582,895)	1,664,383
Movement attributable to foreign currency translation	-	583,808
Cash flow from operations	**22,946,016**	**30,126,161**

29. PARENT ENTITY INFORMATION

Information relating to Austral Gold Limited

	Consolidated	
	2015 US$	2014 US$
Current assets	71,392	114,404
Total assets	63,257,033	75,880,676
Current liabilities	12,871,436	11,548,361
Total liabilities	12,871,436	64,744,162
Net assets	**50,385,597**	**11,136,514**
Issued capital	93,537,023	39,803,088
Accumulated losses	(43,119,406)	(28,661,951)
Reserves	(32,020)	(4,623)
Total shareholders' equity	**50,385,597**	**11,136,514**
Loss of the parent entity	**(14,457,455)**	**(3,476,033)**
Total comprehensive income of the parent entity	**(14,457,455)**	**(3,476,033)**
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	None	None
Details of any contingent liabilities of the parent entity	None	None
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	None	None

30. SUBSEQUENT EVENTS

Acquisition of Argentex Mining Corporation

On August 31, 2015, Austral Gold announced that the board of directors of Argentex Mining Corporation ("Argentex Mining", TSXV: ATX; OTCQB: AGXMF) had approved entering into a binding letter agreement (the "Agreement") with Austral Gold, in connection with a business combination transaction involving Austral Gold and Argentex Mining.

Pursuant to the Agreement, Austral Gold has agreed to acquire all of the issued and outstanding common shares of Argentex ("Argentex Shares") that are not already held by Austral Gold and its subsidiaries, which represents approximately 80.1% of the Argentex Shares currently outstanding (the "Transaction").

The proposed Transaction is expected to be completed by way of a share-for-share exchange whereby Argentex Shareholders (other than Austral Gold and its subsidiaries) are expected to receive 0.5651 of an ordinary share of Austral Gold in respect of each Argentex Share held (the "Exchange Ratio"), which represents an implied valuation of CAD$~0.08 per Argentex Share (or CAD$~5.8 million total valuation) and ~7.75% of the total outstanding shares of Austral Gold after adjusting for the shares issued in the Transaction.

The proposed Transaction is subject to all applicable regulatory, court, stock exchange and shareholder approvals. In addition, the Exchange Ratio may be adjusted in certain circumstances, including as a result of any change in the capital structure of either Argentex or Austral (other than a change resulting from the completion by Austral of a financing transaction on specified terms).

31. RELATED PARTY TRANSACTIONS

31.1 Directors holdings of shares and share options

The names of each person holding the position of Director during the year are: Eduardo Elsztain, Saul Zang, Wayne Hubert, Pablo Vergara del Carril, Robert Trzebski, Stabro Kasaneva and Ben Jarvis. Amounts paid to Directors are set out in the table below.

Mr Eduardo Elsztain holds 452,748,809 shares indirectly in Austral Gold Limited.

Mr Saul Zang holds 1,435,668 shares indirectly in Austral Gold Limited.

Mr Pablo Vergara del Carril holds 68,119 shares directly in Austral Gold Limited.

E Elsztain and **S Zang** are directors of IFISA which holds 423,773,273 shares according to the last substantial holder notice lodged in December 2014.

P Vergara del Carril, E Elsztain and **S Zang** are directors of Guanaco Capital Holding Corp which holds 24,289,330 shares according to the last substantial holder notice lodged in December 2014.

Mr Stabro Kasaneva holds 1,691,398, shares indirectly in Austral Gold Limited.

Mr Wayne Hubert holds 1,750,000 shares indirectly in Austral Gold Limited.

31.2 Directors and Key Management Personnel Remuneration

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2015 US$	**2014 US$**
Short-term employment benefits	1,261,885	854,938
Post-employment benefits	5,684	11,587
Share-based payments	-	185,756
Total	**1,267,569**	**1,052,281**

31.3 Borrowings from majority shareholder

IFISA	**2015 US$**	**2014 US$**
Amount payable at end of year	-	53,195,800
Interest incurred	-	2,225,707
Funds repaid	-	(4,644,316)

During the period, IFISA converted its debt of US$53.7 million to equity following the shareholders' approval at the 2014 Annual General Meeting.

31.4 Lending to majority shareholder

In May 2015, a short-term loan for US$3 million was made to Inversiones Financieras del Sur SA, a related party, on better than arm's length terms. The loan will be repaid in 2 instalments with US$1.5 million to be repaid on 30 September 2015 and the remaining balance plus 4% interest accrued on the loan, to be repaid on 30 November 2015. The loan is unsecured and borrowers rights and obligations under the loan can be assigned or transferred at any time.

31.5 Ultimate parent entity

The Parent Entity is controlled by IFISA with a 94.57% interest in Austral Gold Limited and is incorporated in Uruguay.

The ultimate beneficial owner of IFISA is Eduardo Elsztain.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the attached consolidated financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached consolidated financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the consolidated financial statements;
3. the attached consolidated financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
4. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Signed on behalf of the Directors by:

Ben Jarvis

Director

Sydney
25 September 2015

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Austral Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Austral Gold Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Austral Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Austral Gold Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Austral Gold Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 25 September 2015

ADDITIONAL INFORMATION

Corporate Governance Statement

Austral Gold Limited and its subsidiaries have adopted the corporate governance framework and practices set out in its Corporate Governance Statement. The Corporate Governance Statement is available on the Company's website at www.australgold.com.au.

Statement of Issued Capital

As at 31 August 2015 the total issued capital of Austral Gold Limited was 478,761,995 ordinary shares. 478,761,995 shares were quoted on the Australian Securities Exchange under the code AGD. The only shares of the Company on issue are fully paid ordinary shares. None of these shares are restricted securities or securities subject to voluntary escrow within the meaning of the Listing Rules of the Australian Securities Exchange.

There are no restrictions on the voting rights attached to the fully paid ordinary shares. On a show of hands, every member present in person, by proxy, by attorney or by representative shall have one vote. On a poll, every member present in person, by proxy, by attorney or by representative shall have one vote for every share held.

As at 31 August 2015, there exist 140,949 unlisted options as set out below:

No of options	Exercise Price	Expiry Date	No of Holders
140,949	AU$0.30	15 Nov 2016	1

Options do not carry any voting rights.

These options were issued to Chad Williams, a consultant providing financial advisory and corporate finance services to the Group.

Distribution of fully paid ordinary shares

Size of Holding	Holders	Shares held	% of issued capital
1 – 100	191	9,375	0.00%
101 – 1,000	421	234,317	0.05%
1,001 – 5,000	268	715,069	0.15%
5,001 – 10,000	75	607,721	0.13%
10,001 – 50,000	55	1,271,204	0.27%
50,001 – 100,000	17	1,167,375	0.24%
>100,001	23	474,756,934	99.16%
	1,050	**478,761,995**	**100%**

The number of members holding less than a marketable parcel of 3,125 ordinary shares (based on a market price of AUD $0.16 on 31 August 2015) is 798. They hold a total of 619,204 ordinary shares.

Substantial Shareholders

The Company has been notified of the following substantial shareholdings as at 31 August 2015:

Registered Holder	Beneficial Holder	Shares Held
Citicorp Nominees	Inversiones Financieras Del Sur S.A. (IFISA)	422,997,773
HSBC Custody Nominees	Inversiones Financieras Del Sur S.A. (IFISA)	775,500
HSBC Custody Nominees	Guanaco Capital Holding Corp	24,289,330
Citicorp Nominees	Eduardo Sergio Elsztain	4,686,206
		452,748,809

Top twenty shareholders as at 31 August 2015

Rank	Name	No. of shares	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	436,749,428	91.22%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	25,665,230	5.36%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,052,932	0.43%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,885,229	0.39%
5	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,750,000	0.37%
6	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,688,057	0.35%
7	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.24%
8	FINARG1 SERVICES COMPANY LTD	770,416	0.16%
9	MR RODNEY DAVID JACKSON	300,000	0.06%
10	JP MORGAN TRUST COMPANY LTD <NEW AUSTRIA TRUST LLC A/C>	297,445	0.06%
11	LIMOL TRADING CORP	297,445	0.06%
12	MR MOSHE AMBARCHI	250,000	0.05%
13	BIRCHALL PROJECTS LTD	230,000	0.05%
14	MR CARLOS PERALTA TORREJON	227,614	0.05%
15	MR MARCUS EINFELD	200,000	0.04%
16	GREENFORD INVESTMENTS LIMITED	200,000	0.04%
17	MOUNTAIN SIDE HOLDINGS LTD	194,800	0.04%
18	MR MARCOS FISCHMAN	190,451	0.04%
19	MR HOWARD THIN SANG HUIN	160,000	0.03%
20	CAMPBELL INVESTMENT COMPANY LTD	148,722	0.03%
	Total	474,416,034	99.09%
	Other	4,345,961	0.91%
	Total shares on issue	**478,761,995**	**100.00%**

AUSTRALGOLD