ANNUAL REPORT 2016

All figures in USD

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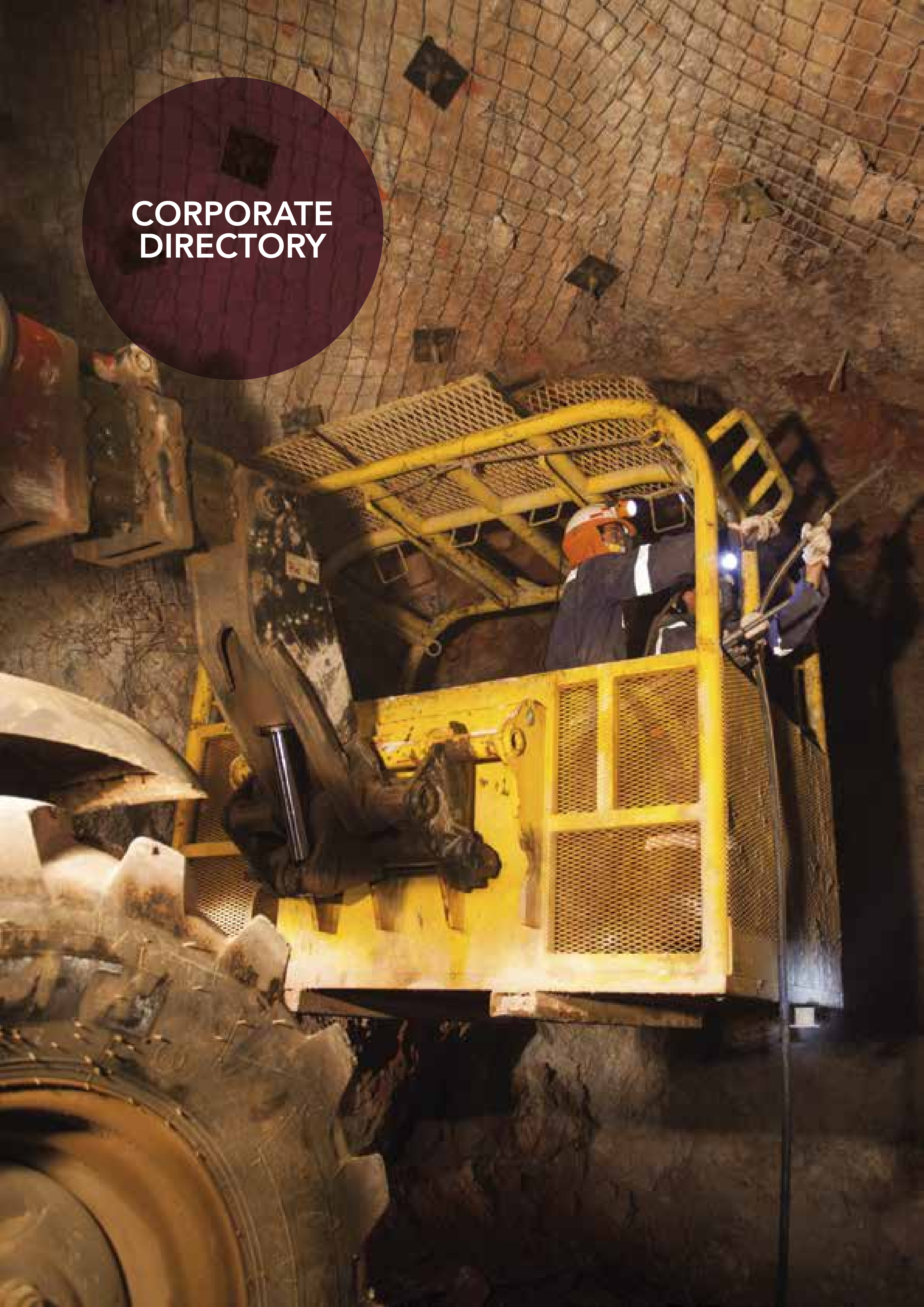
CORPORATE
DIRECTORY

Directors:	Eduardo Elsztain Saul Zang Pablo Vergara del Carril Stabro Kasaneva Wayne Hubert Robert Trzebski Ben Jarvis	Chairman & Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
Company Secretary:	Andrew Bursill Franks & Associates Suite 4, Level 9 341 George Street, Sydney NSW 2000	
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Auditors:	BDO East Coast Partnership www.bdo.com.au	
Principal Bankers:	National Australia Bank Limited www.nab.com.au	
Solicitors:	Addisons Lawyers www.addisonslawyers.com.au	
Listed:	Australian Securities Exchange ASX: AGD	Toronto Venture Exchange TSXV: AAM
Place of Incorporation:	Western Australia	

CHAIRMAN'S LETTER

Dear Shareholders,

Financial year 2016 has been another year of significant progress for Austral Gold where we strengthened our financial platform, expanded our asset base to include a producing mine in Argentina, and broadened our project development and exploration portfolio by consolidating our asset base around the flagship Guanaco Mine in Chile.

Guanaco mine continues to deliver positive cash flows

Austral Gold continues to deliver stable production at Guanaco. Production for the calendar year (CY) ended 31 December 2015 of 46,254 Au oz (50,375 Au oz for CY2014), was within our previously stated production targets despite one-off operational challenges.

For the financial year (FY) production was 40,395 AuEq oz for 2016 compared to 52,133 AuEq oz in 2015. This production was at all-in sustaining costs* of US$914/AuEq oz for FY2016 compared to US$694/AuEq oz in FY2015. Variations in these costs are mainly explained by lower production and lower grades.

Strengthening our asset base in Chile

We have made solid progress on the planned combination of the Guanaco operations with our high grade Amancaya project, acquired in August 2014. We are expanding production capacity at Guanaco in order to process ore from the nearby Amancaya project, and construction work is well advanced.

Also, and in line with our strategy of building sustainable production over the longer term, we continue to consolidate surrounding projects that hold excellent production potential.

The 12,500 hectares of mining concessions that form part of the San Guillermo Project that was acquired in February 2016 is one such example of this. The property is strategically located around the Amancaya property giving us greater access to the whole area where we see an opportunity to deliver near term production and further upside from exploration.

Expanding our Chilean asset base and processing capacity is in line with our well-defined growth strategy. Our team in Chile has unrivalled knowledge of the Guanaco region and this knowledge is helping us to build a very compelling portfolio of assets that hold considerable unlocked value. We believe we are only just realising the potential from our assets in Chile.

Austral Gold now dual-listed

In Argentina we are also making great inroads, with the merger of Argentex Mining Corporation now concluded

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

with our dual-listing on the Toronto Venture Exchange on 22 August 2016. This transaction has secured the high quality Pinguino project for Austral Gold, and significantly strengthens our asset base in Argentina where we have considerable competitive advantages.

Production platform in Argentina

Also strengthening our presence in Argentina is the agreement announced in March 2016 with Troy Resources to acquire 51% of their Casposo mine in San Juan, Argentina, with a reciprocal purchase and sale obligation for an additional 19% interest along with options to fully acquire the project within five years.
Since taking over management of the mine, Austral Gold personnel have acted quickly to enhance the operations of the project and I am pleased to confirm the resumption of gold and silver production. We expect to soon move to full scale operations at Casposo.

Austral Gold's exit from its 11.3% stake in Goldrock Mines coincided with the 100% takeover of Goldrock by Fortuna Silver and saw us realise over US$10 million, funds we are now investing in Chile and Argentina. The Company still holds a number of warrants in what is now Fortuna Silver which may deliver further to our cash base in the future.

Strengthening Productivity and Controlling Costs

We continue to focus on our record as a very low-cost gold producer with an average cash cost* for the year of US$761/AuEq oz (US$548/AuEq oz in FY15).

Our low-cost operating model and culture of stringent cost control has greatly assisted with boosting productivity and controlling costs at the Guanaco mine. This has also translated across into the restart of the Casposo mine.

Safety

As always, safety is a key focus for the Company across all of our operations. The improvements in our safety statistics over time speak volumes about the efforts of our people to hold themselves and our organisation to the highest safety standards.

For Guanaco, we are also pleased to note that our safety record has improved again in FY16, with 2 lost-time accidents occurring (2 in FY15) and 4 nil-lost-time accidents (7 in FY15). These figures include Austral Gold employees and third party contractors.

At Casposo, since Austral Gold took over management, 1 lost-time accident occurred and 1 nil-lost-time accident for the period to 30 June 2016.

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.

A Favourable Outlook

Austral Gold is in the strongest position in its history as we enter financial year 2017. Our strategic acquisitions, combined with a solid financial position, and backed by an experienced management team, all provide the platform for continued growth. This will be another significant year of growth and development as we seek to advance the Guanaco mine and Amancaya Project in Chile, forge ahead with the recommissioning and restart of production at Casposo in Argentina, and secure further brownfield opportunities in both Chile and Argentina.

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. Mergers and acquisitions continue to be a focus, and with our solid experience in the region and our excellent reputation in Argentina, we see considerable opportunity.

We do believe that the fundamentals for precious metals are very strong as economies throughout the world continue to engage in quantitative easing. As such, precious metals are likely to be the safe haven that they have been for centuries.

I would like to thank our shareholders for their continued support and our team for their hard work and dedication throughout the year. We are confident that our best years are still ahead.

Eduardo Elsztain
Chairman

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

REVIEW OF ACTIVITIES

Austral Gold Limited ('the Company' or 'Austral') and its subsidiaries ('the Group') is a growing precious metals mining and exploration company building a portfolio of assets in South America. The Company's flagship Guanaco project in Chile is a low-cost gold and silver producing mine with further exploration upside. The Company is also operator of the Casposo mine in San Juan, Argentina, which is currently being recommissioned. With an experienced and highly regarded major shareholder, Austral Gold is strengthening its asset base by investing in new precious metals projects in Chile and Argentina that have near-term development potential.

Chile

Guanaco Gold and Silver mine, (100% interest)

The 100% owned Guanaco mine has been producing gold since the first doré bar was poured in October 2010 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.

Amancaya Project (100% interest)

In July 2014, the Group acquired the Amancaya Project ('Amancaya') from Yamana Gold Inc which is located some 60km south-west of the Guanaco mine. Amancaya is a low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares (and a further 1,390 hectares of second layer mining claims).

Construction of a new agitation leach plant at Guanaco mine site is well advanced and is expected to be completed prior to the end of the year. The Company budgeted US$16.5 million for the construction of this plant, which has been funded by local banks and free cash flow from Guanaco operations. The decision to build the plant was based on internal studies focused on treating Amancaya production at the Guanaco plant. Construction began in May 2016 and the Company expects to complete and test the plant by the end of the year. Internal bottle roll studies have indicated that recoveries of gold could be improved relative to recovery from the current heap leach.

The Company plans to undertake a Pre-Feasibility Study and Technical Report for the combined Amancaya and Guanaco project. Infill drilling for this study commenced in September at Amancaya.

San Guillermo Properties (work commitment and option to buy 100% in 3 years)

On 9 February 2016, Austral entered into an agreement with Revelo Resources (TSX: RVL) to secure 12,500 hectares of mining concessions, part of the San Guillermo Project which is located around Amancaya, 60km southwest of the Guanaco mine within the Paleocene Belt of northern Chile (see map overleaf). This is the first time that these properties have been integrated into one mining project. The Company is hopeful that insight into the Amancaya mineralisation can be extended into these newly secured properties to allow for target generation and testing in a relatively short time frame.

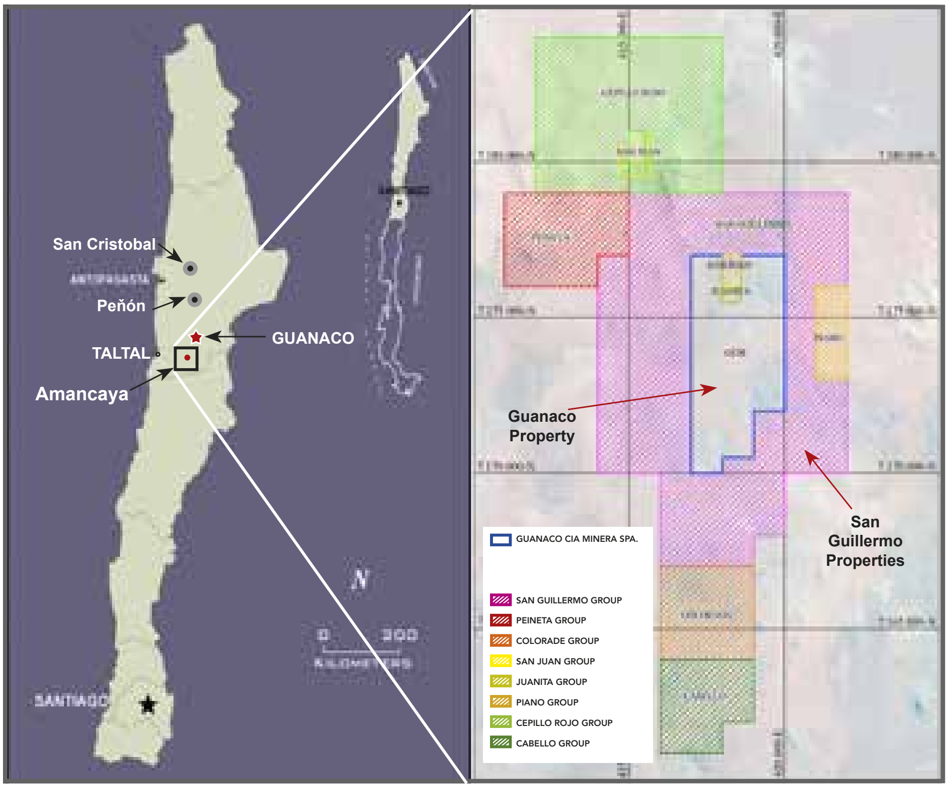
The agreed transaction involves a staged investment over three years and is composed of three elements in order for full ownership of the properties to be transferred to the Company.

1. Work commitment of US$3m over 3 years starting from the date of a binding agreement between the parties (Year 1: US$0.5m; Year 2: US$1.25m; Year 3: US$1.25m);

2. Cash payment of US$650k over 3 years (Year 1: US$50k; Year 2: US$50k; Year 3: US$550k) with

3. Final optional cash payment of US$2m subject to exploration results from the work commitment program to finally acquire 100% of the properties.

Concessions comprising the properties are subject to royalty agreements providing royalty payments of between 1.5% and 4.5% of net smelter returns, depending on the location of certain concessions within the properties, with 0.5% payable to Revelo and the remainder payable to previous owners of the properties, with options available to reduce or exit the royalty agreement.



Guanaco Operation Performance

For the 12-month period ended	June 2016 US$	June 2015 US$
Total ore processed (t)	502,257	430,480
Underground grade (g/t Au)	2.82	4.70
Gold recovery (%)	75	79
Gold produced (Au oz)	39,776	51,534
Silver produced (Ag oz)	47,667	40,108
Average realized gold price (US$/oz)	1,160	1,222
Cash cost (US$/AuEq oz)	761	548

Mining

During the year mining continued at the Cachinalito underground operations with a total of 428,265 tonnes mined. The crushed and leached ore totalled 502,257 tonnes for the year at an average grade of 2.82 g/t Au and 8.01 g/t Ag.

During the year to 30 June 2016, a total of 10,273 metres of underground mine development was advanced, of which 3,173 metres related to developments and accesses and 7,100 metres to advances in production.

Safety

Two (2) lost-time accidents (LTAs) occurred and four (4) nil-lost-time accidents (NLTAs) were reported involving employees and third party contractors of the Group during the year ended 30 June 2016. 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.

Mine Exploration Program

The Geology team continued to advance on the exploration program within the current mine development area of the Guanaco deposit. The 2015/2016 exploration program comprised the following main activities: (i) design and completion of more than 2,869 metres underground drilling campaign, (ii) execution of geophysics studies including detailed ground magnetics survey; and (iii) evaluation of potential geological resources located in the south of the Cachinalito structure, amongst others.

Argentina

Casposo Project, San Juan (51% interest)

On 4 March 2016, the Company acquired a 51% interest in Troy Resources Limited's ('Troy') Casposo Gold-Silver Mine ('Casposo'), located in the department of Calingasta, San Juan Province, Argentina.

Pursuant to the Implementation Deed between the Company and Troy, the Company is entitled to acquire a further 19% interest in the Mine within the first year from the agreement date and the remaining 30% within the next five years.The Company have taken over management of the mine.

Casposo is an underground operation with processing of ore in an agitation leach/Merrill Crowe plant. Operations at Casposo commenced in 2010 with open pit mining, followed by underground production in 2013. As the mine was deepening, gold production declined and silver production increased, with record silver production of 3.1 million ounces in 2015. In 2015, Troy produced 43,130 Au oz and 1.98 million Ag oz.

In 2015, local cost pressures combined with declining metal prices and a deterioration in the silver to gold ratio resulted in a considerable decrease in Casposo's revenue. Troy placed the operation on care and maintenance in February 2016.

Austral Gold plans to achieve profitable operations at Casposo within 12 months via a capital investment plan that includes a re-design of mine operations and optimization of the processing cycle.

The Company recently announced the results of an independent Technical Report on Casposo by Roscoe Postle Associates Inc. (RPA) confirming that the optimisation of the plant and move to small scale mining will support a robust and economically viable underground gold and silver mine. Results are included in the Company's Mineral Reserves and Resource statement further in this annual report however a summary of the results as at 30 June 2016 is:

- Proven Ore Reserves totalling 115,000 tonnes at 1.76 g/t Au and 170 g/t Ag, containing approximately 6,500 Au oz and 630,000 Ag oz;
- Probable Ore Reserves totalling 857,000 tonnes at 2.63 g/t Au and 240 g/t Ag, containing approximately 72,500 Au oz and 6.6 million Ag oz;
- Measured Mineral Resources inclusive of Ore Reserves, totalling 178,000 tonnes at 2.69 g/t Au and 255 g/t Ag, containing approximately 15,400 Au oz and 1.46 million Ag oz;
- Indicated Mineral Resources inclusive of Ore Reserves, totalling 1.2 million tonnes at 3.04 g/t Au and 235 g/t Ag, containing approximately 121,100 Au oz and 9.4 million Ag oz.

Argentex Properties, Santa Cruz (100% interest)

The Company completed the acquisition of Toronto Venture Exchange listed company, Argentex Mining Corporation ('Argentex') on 22 August 2016.

Argentex had assembled an impressive land portfolio in Argentina's Santa Cruz and Rio Negro provinces. In total, Argentex owns 100% mineral rights of more than 26 properties with over 178,830 acres (70,346 hectares) of land. These properties are located within two prominent geographical features, the Deseado and Somuncura Massifs, both of which have proven to host significant epithermal precious metal deposits. The large epithermal vein swarm at Pinguino contains Argentex's discovery of indium-enriched vein-hosted base metal mineralization, which represented a new deposit type for the region, as well as low sulphidation precious metal vein mineralization. The combination of these two types of mineralization within the same property is unique for the province of Santa Cruz and a significant milestone for the company.

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

The Group holds several exploration licences (cateos) and "manifestations of discovery" over more than 67,000 hectares in the Deseado Massif corridor in the Province of Santa Cruz (the "8 de Julio Project"). Two of these properites are classified as "Cateos" (10,499 hectares) while the remaining properties are already classified as "manifestations of discovery" (56,888 hectares).

During the year there was no significant activity although the company continued filing base geological reports in compliance with local regulations.

Mineral Resources and Ore Reserves Statement

Table 1 (below), Table 2 (opposite) and 3 (over leaf) compares the Company's Mineral Reserves and Resource Estimates as at 30 June 2016 against that from 30 June 2015.

Table 1: Ore Reserves Estimate
30 June 2016

Resources	**Proven**			**Probable**			**Total Reserves**		
GOLD (Au)	**Ton (Kt)**	**Grade (g/t)**	**Ounces Au**	**Ton (Kt)**	**Grade (g/t)**	**Ounces Au**	**Ton (Kt)**	**Grade (g/t)**	**Ounces Au**
Casposo									
Kamila	27	2.01	1,738	707	2.25	51,142	734	2.24	52,880
Julieta	-	-	-	150	4.39	21,221	150	4.39	21,221
Stockpiles	89	1.68	4,780	-	-	-	89	1.68	4,780
Total Casposo	**116**	**1.76**	**6,518**	**857**	**2.63**	**72,363**	**973**	**2.52**	**78,881**
SILVER (Ag)	**Ton (Kt)**	**Grade (g/t)**	**Ounces Ag**	**Ton (Kt)**	**Grade (g/t)**	**Ounces Ag**	**Ton (Kt)**	**Grade (g/t)**	**Ounces Ag**
Casposo									
Kamila	27	321.00	277,618	707	285.00	6,477,972	734	286.32	6,755,590
Julieta	-	-	-	150	24.00	116,017	150	24.00	116,017
Stockpiles	89	124.00	352,822	-	-	-	89	124.00	352,822
Total Casposo	**116**	**169.92**	**630,440**	**857**	**239.23**	**6,593,989**	**973**	**231.00**	**7,224,429**

Table 2: Mineral Resource Estimate
30 June 2016

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**
Guanaco												
Underground (>1.0 g/t Au)	869	2.88	80,386	2,314	2.55	189,593	3,183	2.64	269,978	2,217	2.36	167,966
Open Pit (>0.4 g/t)	360	1.8	20,834	419	1.52	20,476	779	1.65	41,310	15	1.67	805
Heap Leach (>0.4 g/t Au)	7,988	0.53	136,115	-	-	-	7,988	0.53	136,115	2,777	0.55	49,105
Total Guanaco	**9,217**	**0.80**	**237,335**	**2,733**	**2.39**	**210,069**	**11,950**	**1.16**	**447,403**	**5,009**	**1.35**	**217,876**
Casposo												
Kamila	178	2.69	15,394	969	2.63	81,935	1,147	2.64	97,330	780	5.60	140,434
Julieta	-	-	-	268	4.56	39,300	268	4.56	39,300	190	4.00	24,435
Casposo Norte	-	-	-	-	-	-	-	-	-	115	3.00	11,092
Total Casposo	**178**	**2.69**	**15,394**	**1,237**	**3.05**	**121,235**	**1,415**	**3.00**	**136,630**	**1,085**	**5.04**	**175,961**
Total Combined	**9,395**	**0.84**	**252,729**	**3,970**	**2.60**	**331,304**	**13,365**	**1.36**	**584,033**	**6,094**	**2.01**	**393,837**
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**
Guanaco												
Underground	869	9.78	273,154	2,314	12.05	896,537	3,183	11.43	1,169,691	2,217	12.04	858,263
Open Pit	360	18.48	213,892	419	13.38	180,244	779	15.74	394,136	15	10.59	5,107
Heap Leach	7,988	2.66	683,141	-	-	-	7,988	2.66	683,141	2,777	2.63	234,813
Total Guanaco	**9,217**	**3.95**	**1,170,187**	**2,733**	**12.25**	**1,076,781**	**11,950**	**5.85**	**2,246,968**	**5,009**	**6.82**	**1,098,183**
Casposo												
Kamila	178	255.00	1,460,000	969	293.00	9,131,000	1,147	287.10	10,591,000	780	190.00	4,800,000
Julieta	-	-	-	268	26.00	221,000	268	26.00	221,000	190	24.00	146,000
Casposo Norte	-	-	-	-	-	-	-	-	-	115	25.00	92,000
Total Casposo	**178**	**255.00**	**1,460,000**	**1,237**	**235.15**	**9,352,000**	**1,415**	**237.65**	**10,812,000**	**1,085**	**143.44**	**5,038,000**
Total Combined	**9,395**	**8.71**	**2,630,187**	**3,970**	**184.95**	**10,428,781**	**13,365**	**30.39**	**13,058,968**	**6,094**	**31.15**	**6,136,183**

Table 3: Mineral Resource Estimate
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**
Guanaco												
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**
Guanaco												
Underground	900	9.66	279,740	2,433	11.88	928,823	3,333	11.28	1,208,563	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**	**5.88**	**2,284,513**	**5,192**	**6.84**	**1,142,264**

Notes to Tables 1,2 and 3

1. Casposo Mine is 51% owned by the Group while Guanaco Mine is 100% owned.

2. **Casposo Mine**
   All Mineral Resource estimates for the Casposo mine are based on information compiled by Chester Moore, P.Eng., an employee of Roscoe Postle Associates (RPA).

   The Mineral Resources are classified and reported in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Ore Reserves dated May 10, 2014 (CIM definitions) as incorporated in NI 43-101, as well as JORC 2012.

   The information is extracted from the news release published on the ASX website (www.asx.com.au) on 27 September 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

3. **Guanaco Mine**
   All Mineral Resource estimates for the Guanaco mine project are based on information compiled by Carlos Arevalo, 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.

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 Executive Officer of the Company overseas the review and technical evaluations of the Mineral Resource estimates.

DIRECTORS’ REPORT

Austral Gold Limited and its Subsidiaries

For the Year Ended 30 June 2016

Your Directors present the following report for the financial year ended 30 June 2016 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 2016 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 profit attributable to shareholders for the year ended 30 June 2016 (FY16) was US$18,604,711 (FY15: net loss US$5,343,187).

The Group achieved revenue of US$55,864,991 (FY15: US$62,495,078) following lower sales volumes (~20% down in FY16) and slightly lower gold sales prices (~5% to ~US$1,160 on average during FY16) for the Guanaco mine. Revenue from the sale of inventory at Casposo contributed some US$6m in additional revenue in FY16.

Cost of production increased by 38% which along with lower production volumes explains the higher cash cost in FY16 compared to the previous year (US$761/AuEq oz in FY16 compared to 548/AuEq oz in FY15). The higher costs are also explained by lower average gold grades (2.8 g/t Au in FY16 compared to 4.7 g/t Au FY15), lower recoveries, along with the higher amounts of ore that had to be processed in FY16 versus FY15.

Administration expenses increased by 55% to US$8,305,592 (FY15: US$5,361,417) mainly as a result of four months of administration costs related to the Casposo mine as well as additional costs related to the Argentex transaction included in FY16.

The gain in the fair value of financial assets of US$4.89m in FY16 relates to the higher valuation of 11.5m warrants Austral holds in Goldrock Mines ('Goldrock', TSXV: GRM), measured using the Black-Scholes valuation method. The GRM warrants held have an exercise price of C$0.80/share while the spot price reached C$1.05 as at 30 June 2016.
In March 2016, Austral acquired 51% of the Casposo Mine for US$1m; generating a US$20m gain on acquisition with direct positive impact in the statement of profit and loss. At the time of the acquisition, the fair value of Casposo was estimated at US$42.7 million which generated the recognised gain.

No dividends of the Company or its subsidiaries have been paid, declared or recommended since the end of the financial year, except for Ingeniería y Mineria Cachinalito Limitada.

Financial Position

The net assets of the Group have increased by US$47.4 million since 30 June 2015 to US$105,973,880 at 30 June 2016 (2015: US$58,535,543).

Financial assets increased due to the increased fair value of the remaining equity holdings of Argentex and Goldrock held at year end as well as the recognition of US$4.89m warrants of Goldrock "in the money" at year end.

Inventory balance increased as a result of the acquisition of Casposo which had considerable stockpiles and supplies on hand at 30 June 2016.

The variation in non-current assets is mainly due to the acquisition of Casposo. No impairment charge was registered during FY16.

The increase in liabilities is mainly explained by the acquisition of the Casposo mine and its related balances. In particular, the mine closure provision of Casposo is valued at US$4m at 30 June 2016. There is also an increase in borrowings due primarily to local bank finance leases funding the new plant construction.

As at 30 June 2016, the Group continued showing healthy liquidity figures with a current ratio equal to 2.6x along with US$11 million cash and cash equivalents.

The Group used part of its strong FY16 operating cashflows of US$15.9million (FY15: US$22.9 million) and proceeds from the sale of part of the equity holding of Goldrock (US$7.5m) to meet its commitments regarding deferred consideration for the acquisitions of Cachinalito and Amancaya and on capital expenditure to support production at Guanaco and support the work on recommissioning the Casposo mine. 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 precious metals. First production of gold and silver from Guanaco occurred in late 2010, with gold production steady since that time. The Guanaco gold and silver mine remains the Company's key asset in Chile and a focus of management along with its Amancaya acquisition. In Argentina, Austral operates and owns 51% of the Casposo mine and a number of high quality early exploration assets.

Events Subsequent to Balance Date

Closing of transaction with Argentex Mining Corporation and listing on the Toronto Venture Exchange

On 31 August 2015, the Company announced that the board of directors of Argentex Mining Corporation ('Argentex') had approved entering into a binding letter agreement (the 'Agreement') with Austral Gold, in connection with a business combination transaction involving Austral and Argentex. Pursuant to the Agreement, Austral agreed to acquire all of the issued and outstanding common shares of Argentex ('Argentex Shares') not already held by Austral Gold and its subsidiaries, which represented approximately 80.1% of the Argentex Shares currently outstanding (the 'Transaction').

On 22 August 2016 the proposed Transaction was completed whereby Argentex shareholders (other than Austral Gold and its subsidiaries) received 0.5651 of an ordinary share of Austral Gold Limited representing 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.

Austral Gold is now trading on the Toronto Venture Exchange under the ticker symbol, AAM.

Sale of remaining shareholding in Goldrock Mines

As part of the exit from its 11.3% investment in Goldrock Mines Corporation ('Goldrock'), Austral sold the remaining 2.6% shareholding for proceeds of US$2.6 million in July 2016. Austral Gold Limited has sufficient capital losses to offset the gain on sale of these shares.

On 28 July 2016, Fortuna Silver (NYSE:FSM) (TSX:FVI) reported the completion of the previously announced acquisition (on 7 June 2016) of all of the issued and outstanding shares of Goldrock by way of a plan of arrangement in which Goldrock becomes a wholly-owned subsidiary of Fortuna Silver. Under the terms of the definitive agreement, each common share of Goldrock was exchanged for 0.1331 of a Fortuna Silver common share. The Group have kept all of the equity warrants of Goldrock which are now converted into Fortuna equity warrants by the exchange ratio mentioned above. The Group now holds 1,568,635 warrants of Fortuna Silver at an exercise price of CDN 6.01 expiring in October 2018.

Change in Key Management Personnel after year end

On 12 August 2016 the Board of Austral annouced that it has appointed Stabro Kaseneva as Chief Executive Officer and José Bordogna as Chief Financial Officer effective immediately.

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.

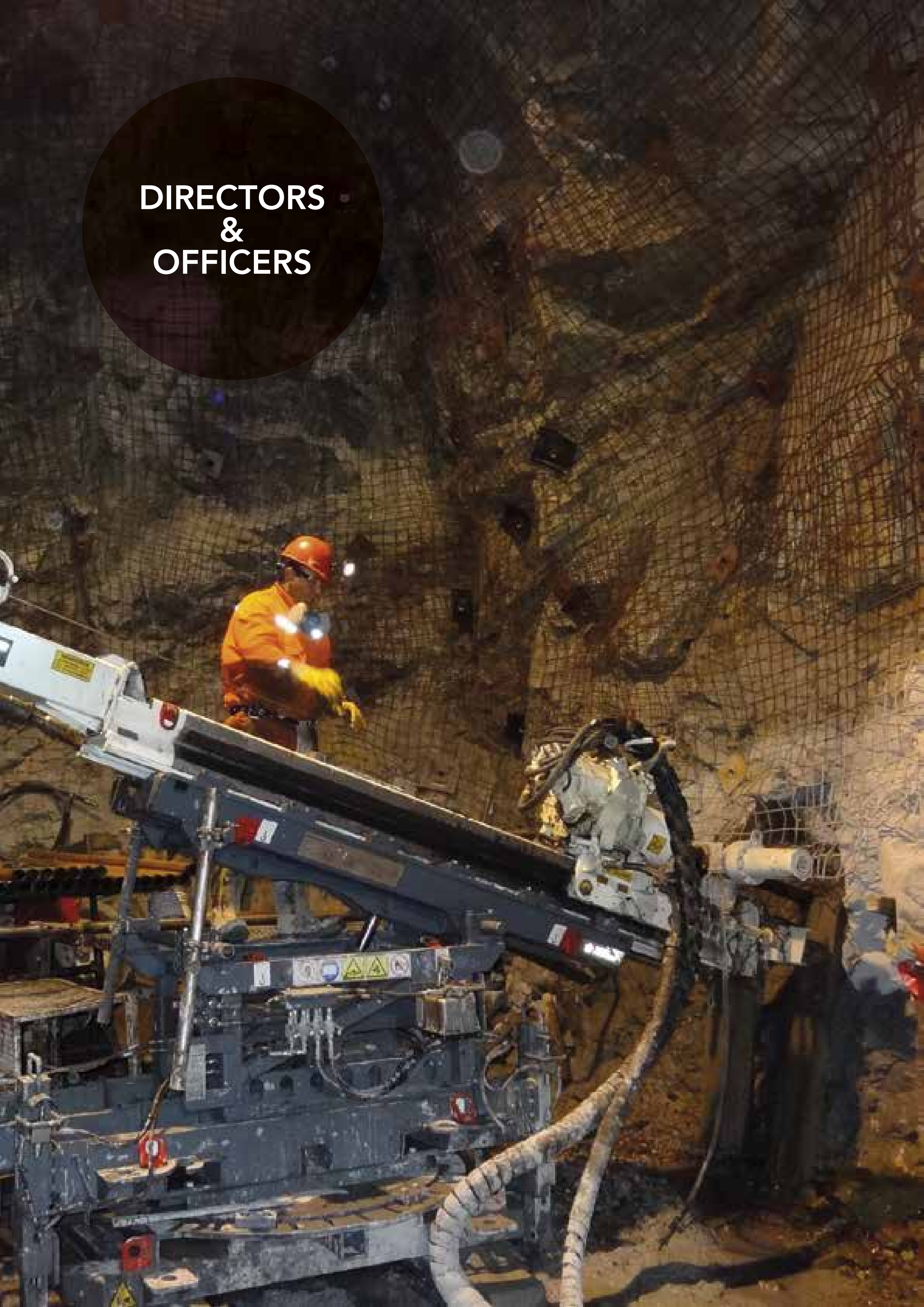
In relation to the Group's mineral exploration operations in Chile, licence requirements relating to "Bases Generales de Medio Ambiente" exist under the Chilean Law No.19,300. The Directors are not aware of any breaches during the period covered by this report. Moreover, all exploration activities performed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

CONSENT

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 Eduardo Elsztain is Chairman of IRSA Inversiones y Representaciones S.A. (NYSE & BCBA:IRS), one of Argentina's largest and most diversified real estate companies; and IRSA Commercial Properties (NASDAQ:IRCP), with 15 shopping centers in Argentina, premium office buildings, five-star hotels and residential developments. These investments are also extended into the US real estate market.

He also serves as Chairman of Cresud [NASDAQ:CRESY] and BrasilAgro (NYSE:LND), leading Latin American agricultural companies that own directly and indirectly almost 1M HA of farmland.

Moreover, Mr. Elsztain is Chairman of Banco Hipotecario S.A. [BASE:BHIP], one of the most traditional and solid institutions in the Argentine financial system.

He is Chairman of IDB Development, a leading conglomerate in the State of Israel which directly and indirectly owns Discount Investment Corporation Ltd. (TASE:DISI); Property & Building Corp. (TASE:PTBL); Elron Electronic Industries (TASE:ELRN); Clal Insurance Enterprises Holdings (TASE:CLIS); Shufersal (TASE: SAE); and Cellcom (NYSE & TASE:CEL), among others.

Mr. Elsztain has not held any other Directorships with listed companies in the last three years. Mr. Elsztain is also member of the World Economic Forum, the Council of the Americas, the Group of 50 and Argentina's Business Association (AEA).

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 25 years' experience in production geology, exploration and operation of precious metal deposits.

Throughout his career as a geologist, he worked on exploration and production gaining vast experience in grade control, QA/QC, modeling and geological resources estimation.

Mr. Kasaneva led for several years Business Development Departments evaluating a number of mining business opportunities in South America, Central America and North America. He has held the role of General Manager of Mining Operations, Vice-President of Operations and COO.

In 2009 he joined Austral Gold and has been instrumental in transforming the Company, by consolidating the operation of Guanaco Mine in Chile and restarting operations at the Casposo Mine in Argentina as well as identifying a number of opportunities that represent the growth projection of Austral Gold.

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

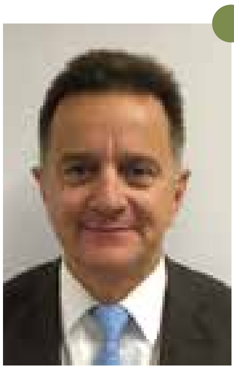
Mr Zang obtained a law degree from Universidad de Buenos Aires. He is a founding member of the law firm Zang, Bergel & Viñes.

Mr Zang is an adviser and Member of the Board of Directors of Buenos Aires Stock Exchange. 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.

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 InZinc Mining Limited [TSX] and Mr Hubert has also been a Non-Executive Director of Samco Gold Limited in the last three years.

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, the American Bar Association and the AMCHAM, among other legal and business organizations. He is a founding Board member of the recently incorporated Australian-Argentinean Chamber of Commerce.

He is a Board member of the Argentine Chamber of Corporations and also an Officer of its Legal Committee. 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.

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.

Andrew Bursill

(Franks & Associates)
Company Secretary
Appointed 10 Jan 2014

Mr Bursill holds a Bachelor of Agricultural Economics from the University of Sydney and is a Chartered Accountant, qualifying with PricewaterhouseCoopers (formerly Price Waterhouse).

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 covering mineral exploration, oil and gas exploration, biotechnology, technology, medical devices, retail, venture capital and wine manufacture and distribution.

In addition to his role at Austral Gold Limited, Mr Bursill is currently a Director of the following listed companies: Argonaut Resources Limited and ShareRoot Limited.

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	4	4	2	2
Robert Trzebski	3	4	2	2
Wayne Hubert	3	4	2	2
Eduardo Elsztain	4	4	N/A	N/A
Saul Zang	3	4	N/A	N/A
Stabro Kasaneva	3	4	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 2015 - June 2016

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	452,549,923
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 May 2016.
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 May 2016.
   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 Executive Officer (CEO) 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 2016 represents 100% achievement of his 2015 calendar year targets. Stabro Kasaneva was awarded 100% bonus based on the following three main achievements for the year:

- Profitable production at Guanaco mine with competitive all-in sustaining costs
- Advance development of Amancaya and new projects in Argentina
- Securing suitable assets that are in line with the Austral Gold strategy (eg. Casposo, San Guillermo, Pinguino acquisitions)

Details of Remuneration (current year)

YEAR ENDED 30 JUNE 2016

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary and Fees	Cash Bonus	Non-monetary benefits	Super annuation	Retirement benefits	Shares	Options	
Guanaco	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
E.Elsztain	80,000	-	-	-	-	-	-	80,000
S.Zang	40,000	-	-	-	-	-	-	40,000
S.Kasaneva	310,371	163,398	-	-	-	-	-	473,769
W.Hubert	48,000	-	-	-	-	-	-	48,000
R.Trzebski	26,668	-	-	2,517	-	-	-	29,185
B.Jarvis	26,668	-	-	2,517	-	-	-	29,185
P.Vergara del Carril	40,000	-	-	-	-	-	-	40,000
Total	**571,707**	**163,398**	**-**	**5,034**	**-**	**-**	**-**	**740,139**

Details of Remuneration (prior year)

YEAR ENDED 30 JUNE 2015

	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		TOTAL
	Cash Salary and Fees	Cash Bonus	Non-monetary benefits	Super annuation	Retirement benefits	Shares	Options	
Guanaco	**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**

Service Agreements

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

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 2016 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 2016 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney.

Robert Trzebski
Director
30 September 2016

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

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of Austral Gold Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

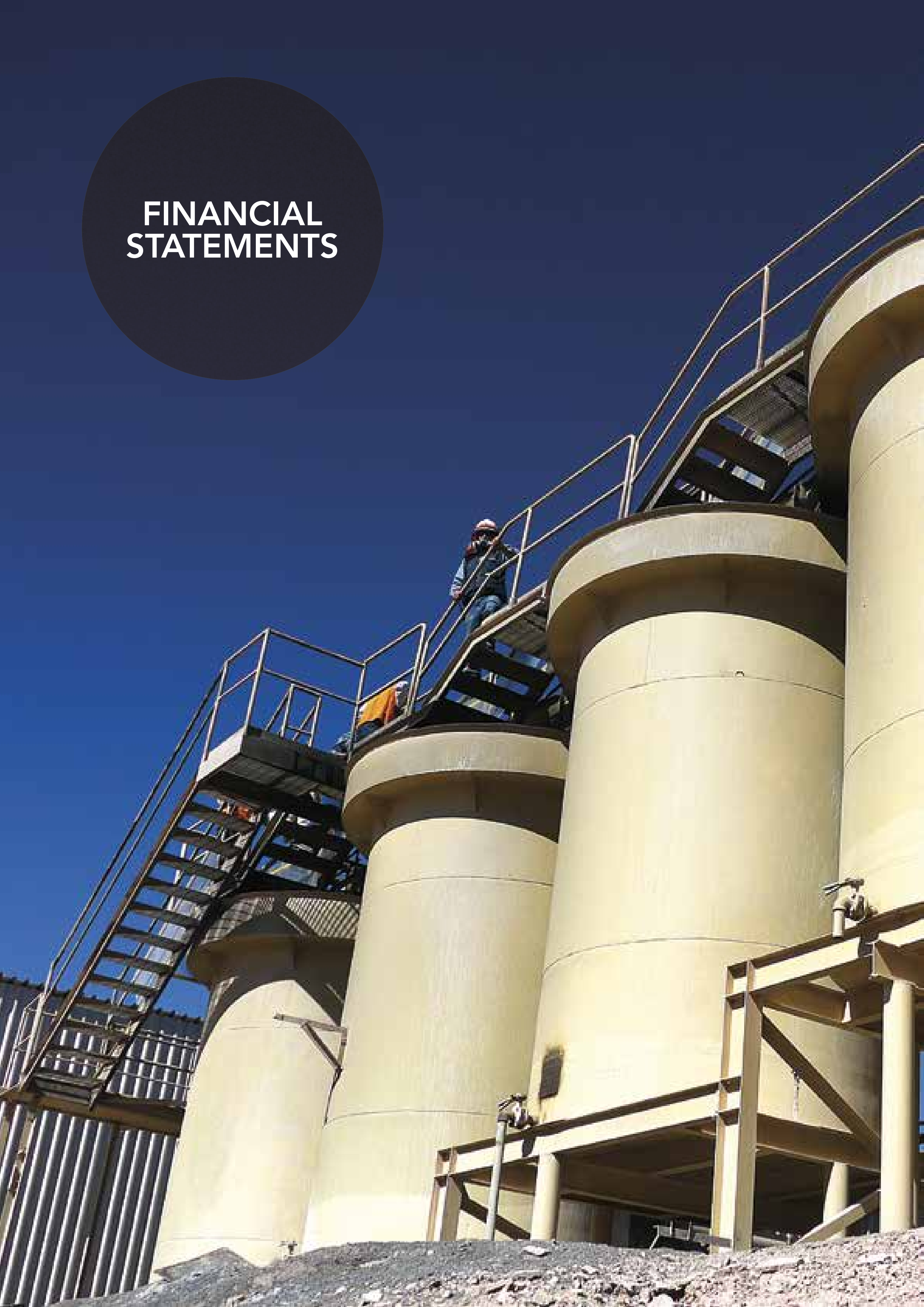
1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Gareth Few
Partner

BDO East Coast Partnership
Sydney, 30 September 2016

FINANCIAL STATEMENTS



Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the year ended 30 June 2016

All figures are reported in US$

	Notes	Consolidated 2016 US$	Consolidated 2015 US$
CONTINUING OPERATIONS			
Revenue	4	55,864,991	62,495,078
Cost of sales		(36,601,396)	(26,542,790)
Gross profit		**19,263,595**	**35,952,288**
Administration expenses		(8,305,592)	(5,361,417)
Gain/(loss) from foreign exchange		(362,153)	125,693
Operating profit		**10,595,850**	**30,716,564**
Gain in fair value of financial assets		4,887,721	-
Gain on acquisition of subsidiary		20,809,923	-
Impairment of assets	14	-	(15,400,000)
Profit before interest, tax, depreciation & amortisation		**36,293,494**	**15,316,564**
Finance costs	5	(492,170)	(1,325,735)
Depreciation and amortisation expense	5	(14,615,569)	(17,079,097)
Profit/(loss) before income tax expense		**21,185,755**	**(3,088,268)**
Income tax expense	7	(3,304,580)	(2,199,154)
Profit/(Loss) after income tax expense		**17,881,175**	**(5,287,422)**
Profit/(loss) attributable to:			
Owners of the Company	21	18,604,711	(5,343,187)
Non-controlling interests		(723,536)	55,765
		17,881,175	**(5,287,422)**
OTHER COMPREHENSIVE INCOME			
Items that may not be classified subsequently to profit or loss			
Gain/ (Loss) arising on revaluation of financial assets, net of tax	23	8,753,528	(3,844,345)
Items that may be classified subsequently to profit or loss			
Foreign currency translation	23	(13,224)	(27,397)
Total comprehensive income for the year		**26,621,479**	**(9,159,164)**
Comprehensive income attributable to:			
Owners of the Company		27,345,015	(9,214,929)
Non-controlling interests		(723,536)	55,765
		26,621,479	**(9,159,164)**
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	8	3.89c	(1.58)c
Diluted earnings per share	8	3.89c	(1.58)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 2016

All figures are reported in US$

		Consolidated	
	Notes	30 June 2016 US$	30 June 2015 US$
ASSETS			
Current assets			
Cash and cash equivalents	10	11,877,733	7,303,315
Trade and other receivables	12	13,928,450	9,615,694
Financial assets	13	8,141,715	189,978
Inventories	11	14,202,344	5,272,583
Total current assets		**48,150,242**	**22,381,570**
Non-current assets			
Other receivables	12	341,473	285,483
Financial assets	13	-	2,495,597
Intangible assets and goodwill	14	19,017,031	11,814,129
Plant and equipment	15	51,452,176	28,944,901
Exploration and evaluation expenditure	16	15,608,809	13,279,319
Deferred tax asset	7	2,016,655	-
Total non-current assets		**88,436,144**	**56,819,429**
TOTAL ASSETS		**136,586,386**	**79,200,999**
LIABILITIES			
Current liabilities			
Trade and other payables	17	14,914,347	12,745,893
Provisions	18	1,336,022	692,305
Borrowings	19	1,879,441	1,627,471
Total current liabilities		**18,129,810**	**15,065,669**
Non-current liabilities			
Trade and other payables	17	39,020	2,185,508
Provisions	18	5,696,921	1,842,352
Borrowings	19	2,070,858	766,514
Deferred tax liability	7	4,675,897	805,413
Total non-current liabilities		**12,482,696**	**5,599,787**
TOTAL LIABILITIES		**30,612,506**	**20,665,456**
NET ASSETS		**105,973,880**	**58,535,543**
EQUITY			
Issued capital	20	93,537,023	93,537,023
Retained Earnings/(Accumulated losses)	21	(7,269,865)	(29,378,937)
Reserves	23	(1,943,171)	(7,179,114)
Non-controlling interest	22	21,649,893	1,556,571
TOTAL EQUITY		**105,973,880**	**58,535,543**

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 2016

All figures are reported in US$

	Notes	Consolidated Issued capital US$	Accumulated losses US$	Reserves US$	Non-controlling interest US$	Total US$
BALANCE AT 1 JULY 2014		**39,803,088**	**(24,035,750)**	**(3,307,372)**	**1,638,406**	**14,098,372**
Loss for the year	21	-	(5,343,187)	-	55,765	**(5,287,422)**
Other comprehensive income for the year, net of income tax	23	-	-	(3,844,345)	-	**(3,844,345)**
Foreign exchange movements from translation of financial statements to US dollars	23	-	-	(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	20	53,733,935	-	-	-	**53,733,935**
Dividend distribution		-	-	-	(137,600)	**(137,600)**
BALANCE AT 30 JUNE 2015		**93,537,023**	**(29,378,937)**	**(7,179,114)**	**1,556,571**	**58,535,543**
Profit for the year	21	-	18,604,711	-	(723,536)	**17,881,175**
Other comprehensive income for the year, net of income tax	23	-	3,504,361	5,249,167		8,753,528
Foreign exchange movements from translation of financial statements to US dollars	23	-	-	(13,224)	-	**(13,224)**
Total comprehensive income for the year		**-**	**22,109,072**	**5,235,943**	**(723,536)**	**26,621,479**
Acquisition of subsidiary with non-controlling interest	28.4	-	-	-	20,954,632	**20,954,632**
Transactions with owners in their capacity as owners:						-
Dividend distribution		-	-	-	(137,774)	**(137,774)**
BALANCE AT 30 JUNE 2016		**93,537,023**	**(7,269,865)**	**(1,943,171)**	**21,649,893**	**105,973,880**

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 2016

All figures are reported in US$

	Notes	Consolidated 30 June 2016 US$	30 June 2015 US$
Cash flows from operating activities			
Receipts from sale of goods		56,152,180	58,420,697
Payments to suppliers and employees		(33,906,484)	(28,692,632)
Taxes paid		(6,371,786)	(6,782,049)
Net cash provided through operating activities	**29**	**15,873,910**	**22,946,016**
Cash flows from investing activities			
Purchase of plant and equipment		(11,295,074)	(5,258,487)
Proceeds from sale of investment in listed shares		7,546,534	-
Deferred consideration for investment in subsidiaries (Cachinalito)		(764,514)	(1,150,287)
Deferred consideration for investment in subsidiaries (Amancaya)		(5,823,512)	-
Investment in subsidiaries (Casposo), net of cash acquired		1,128,604	-
Payment for exploration and evaluation expenditure		(2,329,490)	(4,962,356)
Payment for investment in development assets		(813,611)	(4,685,071)
Interest received		122,874	9,611
Net cash used in investing activities		**(12,228,189)**	**(16,046,590)**
Cash flows from financing activities			
Interest paid		(333,452)	(510,499)
Proceeds from borrowings		1,556,313	66,837
Dividend distribution to non-controlling interests		(269,547)	(137,600)
Loans issued to related party		-	(3,000,000)
Repayment of loans issued to related party		350,759	-
Repayment of borrowings to related party		-	(460,585)
Net cash used in financing activities		**1,304,073**	**(4,041,847)**
Movement attributable to foreign currency translation		(375,376)	98,661
Net increase in cash held		4,574,418	2,956,240
Cash at beginning of financial year		7,303,315	4,347,075
Cash at end of financial year	**10**	**11,877,733**	**7,303,315**

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 under the ticker symbol AGD. The shares were listed on the Toronto Venture Exchange on 22 August 2016 and now trade on that exchange under the symbol AAM.

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 29 September 2016.

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.

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 2016 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 holds listed equity securities at fair value, which are measured at the closing bid price at the end of the reporting period. These financial assets held at fair value fall within Level 1 of the fair value hierarchy. The Group also holds options (warrants) which rely on estimates and judgements to calculate a fair value for these financial instruments using the Black Scholes model. These financial assets held at fair value fall within Level 2 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 30.

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 months 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.

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 2016 US$	**30 June 2015 US$**
Operating activities		
Revenue from gold and silver sales	54,693,488	62,217,269
Interest revenue	1,096,846	19,474
Other revenue	74,657	258,335
TOTAL REVENUE	**55,864,991**	**62,495,078**

5. PROFIT FOR THE YEAR

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Profit before income tax includes the following specific expenses		
Depreciation of plant and equipment	8,852,325	8,710,115
Amortisation of intangible assets	5,763,244	8,368,982
TOTAL DEPRECIATION AND AMORTISATION	**14,615,569**	**17,079,097**
Finance costs - related parties	-	998,720
Finance costs - other	492,170	327,015
TOTAL FINANCE COSTS	**492,170**	**1,325,735**
Rental expense on operating leases	15,248	16,284
Defined contribution plan expense	16,057	16,643

6. AUDITOR'S REMUNERATION

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Remuneration of the auditors of the parent entity (BDO) for:		
Auditing or reviewing the financial reports	53,269	62,280
Other services	11,737	-
Total auditors' remuneration – parent entity (BDO)	**65,006**	**62,280**
Remuneration of auditors of subsidiaries (Nexia & PKF) for:		
Auditing or reviewing the financial reports	113,393	69,148
Other services/taxation	48,428	1,177
Total auditors' remuneration – subsidiaries (Nexia & PKF)	**161,821**	**70,325**

7. INCOME TAX EXPENSE

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
Amounts recognised in profit and loss		
Current tax paid	291,200	5,035,884
Current tax payable	1,159,551	519,710
Deferred tax expense	1,853,829	(3,356,440)
Income tax expense	**3,304,580**	**2,199,154**
Reconciliation of effective tax rate		
Profit/ (Loss) before tax	21,185,755	(3,088,268)
Prima facie income tax benefit calculated at 30% on the loss	6,355,727	(926,480)
Difference due to change in tax rate	1,458,512	540,876
Non-assessable gain on acquisition	(7,283,473)	-
Non-deductible expenses	2,773,814	2,584,758
Income tax expense	**3,304,580**	**2,199,154**
Deferred tax balances		
Deferred tax assets		
Provision for obsolescence	-	3,462
Accrual for mine closure	205,468	233,716
Accrual for lawsuit	22,139	-
Inventory	853,123	-
Leasing assets	425,031	-
VAT receivable	468,541	-
Impairment of intangible assets	1,504,784	3,018,568
Plant and equipment	(856,205)	-
Purchase Price Allocation (Casposo acquisition)	(606,226)	-
Accrual for annual leave	-	163,484
Total deferred tax assets	**2,016,655**	**3,419,230**
Deferred tax liabilities		
Provision for obsolescence	6,620	-
Intangible assets (Mining concessions)	(3,451,089)	(4,099,775)
Accrual for mine closure	252,414	-
Accrual for annual leave	195,360	-
Options (warrants)	(1,369,994)	-
Other receivables	(309,208)	(124,868)
Total deferred tax liabilities	**(4,675,897)**	**(4,224,643)**
Net deferred tax liabilities	**(2,659,242)**	**(805,413)**
Movement in deferred tax balances		
Opening balance	(805,413)	(4,161,853)
Charged to profit or loss	(1,853,829)	3,356,440
Closing balance	**(2,659,242)**	**(805,413)**

8. EARNINGS PER SHARE

Classification of securities as ordinary shares

Ordinary shares have been included in basic earnings per share.

	Consolidated	
	30 June 2016 US$	30 Jun 2015 US$
Earnings reconciliation		
Net loss attributable to owners	18,604,711	(5,343,187)
Net profit attributable to non-controlling interests	(723,536)	55,765
Net loss	**17,881,175**	**(5,287,422)**

Weighted average number of shares used as the denominator		
Number for basic earnings per share	478,761,995	334,102,169
Number for diluted earnings per share	478,761,995	334,102,169
Basic earnings per ordinary share (cents)	3.89c	(1.58)c
Diluted earnings per ordinary share (cents)	3.89c	(1.58)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.

	2016			2015		
	Australia US$	South America US$	Consolidated US$	Australia US$	South America US$	Consolidated US$
Revenue from gold and silver sales	-	54,693,488	54,693,488	-	62,217,269	62,217,269
Interest revenue	567	1,096,279	1,096,846	1,319	18,155	19,474
Other	-	74,657	74,657	-	258,335	258,335
Total segment revenue	**567**	**55,864,424**	**55,864,991**	**1,319**	**62,493,759**	**62,495,078**
Cost of sales	-	(36,601,396)	(36,601,396)	-	(26,542,790)	(26,542,790)
Administration expenses	(703,404)	(7,602,188)	(8,305,592)	(879,790)	(4,481,627)	(5,361,417)
Gain/(loss) from foreign exchange	-	(362,153)	(362,153)	-	125,693	125,693
Gain in fair value of financial assets	978,567	3,909,154	4,887,721	-	-	-
Gain on acquisition of subsidiary	-	20,809,923	20,809,923	-	-	-
Impairment of assets	-	-	-	-	(15,400,000)	(15,400,000)
Finance costs	-	(492,170)	(492,170)	(998,720)	(327,015)	(1,325,735)
Amortisation	-	(5,763,244)	(5,763,244)	-	(8,368,982)	(8,368,982)
Depreciation	(1,371)	(8,850,954)	(8,852,325)	(2,898)	(8,707,217)	(8,710,115)
Income tax expense	-	(3,304,580)	(3,304,580)	-	(2,199,154)	(2,199,154)
SEGMENT PROFIT	**274,359**	**17,606,816**	**17,881,175**	**(1,880,089)**	**(3,407,333)**	**(5,287,422)**
Segment assets	**2,603,715**	**133,982,671**	**136,586,386**	**694,444**	**78,506,555**	**79,200,999**
Segment liabilities	**114,526**	**30,497,980**	**30,612,506**	**35,156**	**20,630,300**	**20,665,456**
Acquisition of non-current assets	**-**	**34,349,111**	**34,349,111**	**-**	**-**	**-**

10. CASH AND CASH EQUIVALENTS

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Cash at call and in hand	11,826,892	7,258,142
Short-term bank deposits	50,841	45,173
Total cash and cash equivalents	**11,877,733**	**7,303,315**

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:

	30 June 2016 US$	30 June 2015 US$
Cash and cash equivalents	**11,877,733**	**7,303,315**

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 30 June 2016 US$	Consolidated 30 June 2015 US$
Materials and supplies – at cost	8,688,784	2,361,548
Ore stockpiles - at cost	2,443,054	-
Gold bullion and gold in process– at net realisable value	3,070,506	2,911,035
Total inventories	**14,202,344**	**5,272,583**

12. TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
CURRENT		
Trade receivables	3,076,509	4,535,201
Other current receivables	2,695,213	1,187,730
Loans receivable from related party	2,659,104	3,009,863
GST/VAT receivable	5,497,624	882,900
Total current receivables	**13,928,450**	**9,615,694**
NON CURRENT		
GST/VAT receivable	133,006	195,077
Other	208,467	90,406
Total non-current receivables	**341,473**	**285,483**
TRADE DEBTORS		
The ageing of trade receivables is 0 – 30 days	3,076,509	4,535,201

12.1 Past due but not impaired

There were no receivables past due at 30 June 2016 (2015: 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 and Casposo mines.

13. FINANCIAL ASSETS

	Consolidated	
	30 June 2016 US$	**30 June 2015 US$**
CURRENT		
Bonds – level 1	-	189,978
Options (warrants) - level 2	4,892,837	-
Listed equity securities – level 1	3,248,878	-
Total current financial assets at fair value	**8,141,715**	**189,978**
NON CURRENT		
Listed equity securities – level 1	-	2,495,597
Total non-current financial assets at fair value	**-**	**2,495,597**

The table above sets out the Group's assets and liabilities that are measured and recognized at fair value at 30 June 2016.

The options (warrants) are those attaching to the shares of Goldrock Mines Corp (TSX-V: GRM) and the fair value is based on the Black Scholes method using the following assumptions:

- Spot Price: C$1.20 per share
- Volatility: 51.60%
- Strike Price: C$0.80
- Maturity: October 2018

Listed equity securities represents the fair value of the Company's 19.9% investment in Argentex Mining Corporation (TSX-V: ATX) and 2.6% investment in Goldrock Mines Corp (TSX-V: GRM). A fair value movement of US$8.3 million relating to these investments has been recognised in other comprehensive income.

Fair value hierarchy

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

Transfers

During the year ended 30 June 2016, the Group had no level 3 financial instruments. During the period, there were no transfers between the financial instrument levels of hierarchy.

14. INTANGIBLE ASSETS

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Development assets - Guanaco		
Cost	45,911,584	45,097,973
Accumulated amortisation	(39,939,410)	(34,209,737)
Carrying value - Development assets - Guanaco	**5,972,174**	**10,888,236**
Development assets - Casposo		
Cost	12,152,535	-
Accumulated amortisation	(33,571)	-
Carrying value - Development assets - Casposo	**12,118,964**	**-**
Goodwill		
Cost	925,893	925,893
Carrying value - Goodwill	**925,893**	**925,893**
Total intangible assets		
Cost	58,990,012	46,023,866
Accumulated amortisation	(39,972,981)	(34,209,737)
Total Carrying Value – Intangible assets	**19,017,031**	**11,814,129**

	30 June 2016 US$	30 June 2015 US$
MOVEMENTS IN CARRYING VALUE		
Development assets – Guanaco		
Carrying amount at beginning of the year	10,888,236	35,326,779
Additions for the year	813,611	4,685,071
Reclassification to plant and equipment	-	(4,473,765)
Write-off	-	(880,867)
Amortisation for the year	(5,729,673)	(8,368,982)
Impairment	-	(15,400,000)
Carrying amount at end of the year	**5,972,174**	**10,888,236**
Development assets – Casposo		
Carrying amount at beginning of the year	-	-
Additions for the year	12,152,535	-
Amortisation for the year	(33,571)	-
Carrying amount at end of the year	**12,118,964**	**-**
Goodwill		
Carrying amount at beginning of the year	925,893	1,021,995
Impairment	-	(96,102)
Carrying amount at end of the year	**925,893**	**925,893**

Impairment – Guanaco
The Guanaco project has been determined by Management, along with the Amancaya properties in the surrounding areas, and including the small mining services on-site provider, 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$85.5 million (2015: US$34.5 m). The fair value is based on an independent valuation using a discounted cash flow model and the following assumptions:

- Gold price: US$1,233/oz – US$1,207/oz (2015: US$1,202/oz – US$1,169/oz)
- Life of Mine: 3 years (2015: 4 years)
- Discount Rate (post-tax): 5.7% (2015: 6.5%)

Goodwill
Goodwill has arisen on the acquisition of a subsidiary, Ingenieria y Mineria Cachinalito Limitada. The recoverable amount of the goodwill arising from the Cachinalito business has been determined by including it as part of the combined Guanaco/Amancaya CGU described above.

In light of the results of the independent valuation, management has assessed the goodwill as not being impaired.

Impairment – Casposo
After the recent acquisition of and as part of the restart of full operations at the Casposo gold-silver project ('Casposo' or the 'Project') the following results of an updated Mineral Resource and Ore Reserve estimate were made. The estimates were reviewed by independent consultants Roscoe Postle Associates ('RPA'), and are summarized in a National Instrument 43-101 ('NI 43-101') and JORC 2012 compliant Technical Report on the Casposo Gold-Silver Mine, Department of Calingasta, San Juan Province, Argentina ('Technical Report') dated 7 September 2016. The Technical Report confirms that the optimisation of the plant and move to small scale mining will support a robust and economically viable underground gold and silver mine.

Life of Mine Plan Highlights

- Changes in underground mining methods are expected to reduce dilution;
- Optimisation of processing plant is expected to improve efficiency of the plant;
- Mine life: 4 years;
- Pre- Tax NPV(5%) of US$53 million and After-tax NPV (5%) of US$37 million;
- Average production of 800 tonnes per day (tpd) from underground (300,000 tonnes per year)
- All-In Sustaining Cost (AISC) of US$1,038 /AuEq oz.
- Metallurgical recovery based on operating data averaging 91% for gold, 83% for silver;
- Average annual gold production of 21,000 ounces of gold and 1.7 million ounces of silver per year;
- Life of Mine (LOM) capital totals US$41.7 million, including reclamation and closure costs.
- Proposed operations to be funded from Austral's existing and other internal cash resources

Management believes that the results of the technical report support the current carrying value of the Casposo mine assets included in these consolidated financial statements.

15. PLANT AND EQUIPMENT

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Plant and equipment - at cost	84,687,224	53,327,624
Accumulated depreciation	(33,235,048)	(24,382,723)
Carrying amount at end of year	**51,452,176**	**28,944,901**
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of the year	28,944,901	28,124,421
Additions for the year	11,295,074	5,258,487
Additions from a business combination	20,258,618	-
Reclassification from intangible assets	-	4,473,765
Disposals for the year	-	(201,292)
Write-off	(194,092)	-
Depreciation for the year	(8,852,325)	(8,710,115)
Movement attributable to foreign currency translation	-	(365)
Carrying amount at end of year	**51,452,176**	**28,944,901**

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 2016, the net carrying amount of lease equipment was US$5,855,348 (2015: US$3,235,954).

16. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the year	13,279,319	506,718
Additions for the year	2,329,490	12,772,601
Carrying amount at end of year	**15,608,809**	**13,279,319**

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.

17. TRADE AND OTHER PAYABLES

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
CURRENT		
Trade payables	5,890,098	4,442,048
Accrued expenses	2,811,983	866,397
Income tax payable	1,159,551	519,710
Other payables	5,052,715	6,917,738
Total current trade and other payables	**14,914,347**	**12,745,893**
NON CURRENT		
Other payables	39,020	2,185,508

Refer to note 24 for detailed information on financial instruments.

18. PROVISIONS

	Consolidated 30 June 2016 US$	Consolidated 30 June 2015 US$
CURRENT		
Employee entitlements	1,336,022	692,305
Movement in current provisions		
Opening balance	692,305	595,969
Charged to the profit or loss	643,717	96,336
Closing balance	**1,336,022**	**692,305**

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 30 June 2016 US$	Consolidated 30 June 2015 US$
NON CURRENT		
Mine closure	5,696,921	1,842,352
Movement in current provisions		
Opening balance	1,842,352	1,695,702
Charged to the profit or loss	3,854,569	146,650
Closing balance	**5,696,921**	**1,842,352**

The restoration (mine closure) 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.

Concurrent reclamation, along with mining operations, is ongoing throughout the facility and continues to be a vital part of the company's reclamation practices. The plans are developed taking into consideration all legal, regulatory, governmental, and community requirements and compromises. Thus, the plan incorporates a number of assumptions used to estimate closure and post-closure objectives.

As at 30 June 2016, the total restoration provision amounts US$5,696,921 for both Guanaco and Casposo mines. The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US$6,500,000;
- Remaining life of Mine: ~4 years

19. BORROWINGS

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
CURRENT		
Lease liability	1,879,441	1,627,471
Total current borrowings	**1,879,441**	**1,627,471**
NON CURRENT		
Lease liability	2,070,858	766,514
Total non-current borrowings	**2,070,858**	**766,514**

19.1 Lease liabilities

Borrowings consist of plant and equipment secured under finance leases. Refer to note 15 for further information.

20. ISSUED CAPITAL

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
Fully paid ordinary shares (US$)	93,537,023	93,537,023
Number of ordinary shares at year end	478,761,995	478,761,995

Movements in ordinary share capital	Date	Number of ordinary shares	US$
Balance at 30 June 2014		**170,831,137**	**39,803,088**
Shares issued to convert IFISA debt to equity	19 December 2014	307,930,858	53,733,935
Balance at 30 June 2015		**478,761,995**	**93,537,023**
No movement for the year			
Balance at 30 June 2016		**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.

21. RETAINED EARNINGS/ (ACCUMULATED LOSSES)

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
Accumulated losses at beginning of year	(29,378,937)	(24,035,750)
Net profit/ (loss) for the year	18,604,711	(5,343,187)
Realised gain on sale of financial assets, net of tax	3,504,361	-
Accumulated losses at end of year	**(7,269,865)**	**(29,378,937)**

22. NON CONTROLLING INTEREST

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
Non controlling interest in subsidiaries comprise:		
Acquired as part of subsidiary	21,649,893	1,556,571

The main non-controlling interest has a 49% equity holding in the Casposo mine. The NCI value at acquisition during FY 2016 was US$20,954,632.

23. RESERVES

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
FOREIGN CURENCY TRANSLATION RESERVE		
Balance at beginning of year	**622,026**	**649,423**
Foreign exchange movements from translation of financial statements to US dollars	(13,224)	(27,397)
Balance at end of year	**608,802**	**622,026**
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	**(7,814,381)**	**(3,970,036)**
Fair value movement during the year	8,753,528	(3,844,345)
Transfer to retained earnings realised gain on shares sold during the period	(3,504,361)	-
Balance at end of year	**(2,565,214)**	**(7,814,381)**
Total Reserves	**(1,943,171)**	**(7,179,114)**

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 2016.

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.

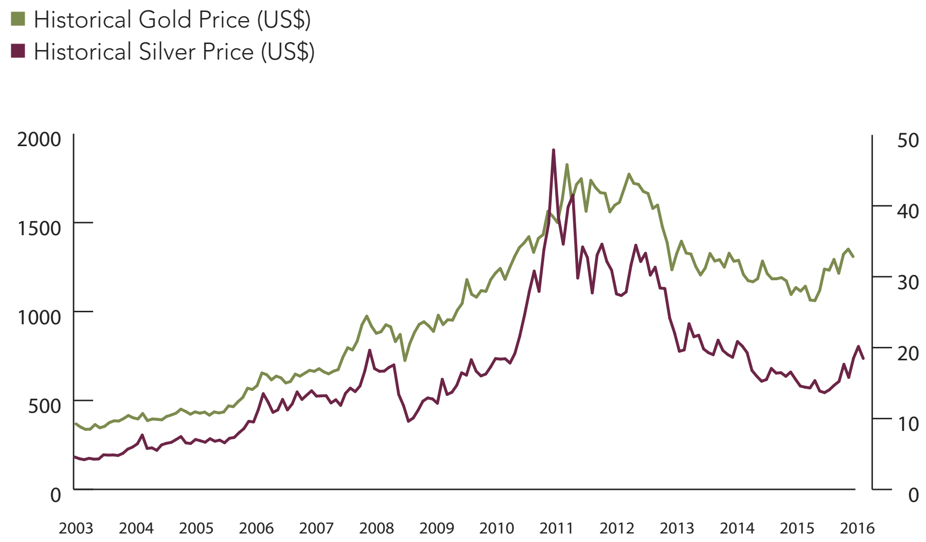
Foreign Currency Risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations.

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, silver 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.

Historical gold and silver price (US$)



Sensitivity to changes in the gold price (US$)

	Consolidated			
	Effect of earnings (US$)		Effect on equity (US$)	
	2016 US$	2015 US$	2016 US$	2015 US$
10% increase in gold price	5,132,962	6,159,009	5,132,962	6,159,009
10% decrease in gold price	(5,132,962)	(6,159,009)	5,132,962	(6,159,009)

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.

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 2016					
FINANCIAL LIABILITIES					
Trade and other payables	12,789,949	2,124,398	39,020	-	14,953,367
Lease liabilities	1,198,219	645,195	2,303,869	-	4,147,283
Total 2016 liabilities	**13,988,168**	**2,769,593**	**2,342,889**	**-**	**19,100,650**
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**

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 (2015: Nil).

26. COMMITMENTS

	Consolidated 2016 US$	2015 US$
LEASE COMMITMENTS – FINANCE		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,843,415	1,721,053
One to five years	2,303,869	792,757
Total commitment	**4,147,284**	**2,513,810**
Less: Future finance charges	(196,985)	(119,825)
Net commitment recognised as liabilities	**3,950,299**	**2,393,985**
Representing:		
Lease liability – current	1,879,441	1,627,471
Lease liability – non-current	2,070,858	766,514

27. SUBSIDIARIES

	Country of Incorporation	2016 % owned	2015 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañia Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.96	99.940
Ingenieria y Mineria Cachinalito Limitada	Chile	51.000	51.000
Casposo Project	Argentina	51.000	-

28. ACQUISITION OF A SUBSIDIARY

On 4 March 2016 the Group entered into an agreement with Troy Resources Limited ('Troy') to acquire an initial 51% stake in their Casposo gold-silver project ('Casposo') in Argentina as well as takeover the day-to-day operations of the project. Troy was looking for a suitable partner to allow them to gradually divest of their Argentine asset and with the know-how to successfully rescale the project as a smaller mining operation with a reduced cost base.

Casposo contributed revenues of US$6,117,748 and losses after tax of US$1,640,040 to the consolidated entity for the year ended 30 June 2016.

If the acquisition occured on 1July 2015, the full year contributions would have been revenues of US$57 million and losses after tax of US$23 million.

28.1 Consideration transferred

The Group acquired a 51% interest in Casposo from Troy for US$1,000,000, with a reciprocal purchase and sale obligation for an additional 19% interest for the sum of US$1,000,000 to be transferred and paid on 4 March 2017. In addition, Casposo will pay Troy US$2,000,000 within 12 months as from 4 March 2016, out of which US$1,000,000 has been already paid. In turn, Austral has options to acquire:

(i) an additional ten percent (10%) for US$1,500,000 within the period commencing on 31 December 2018 and ending on 15 January 2019;
(ii) an additional ten percent (10%) for US$2,500,000 within the period commencing on 31 December 2019 and ending on 15 January 2020, and
(iii) the last ten percent (10%) for US$3,000,000 within the period commencing 31 December 2020 and ending on 15 January 2021.

These purchase price options may be subject to an adjustment based on an increase in the price of silver during such period.

Pursuant to the agreement with Troy, Austral agreed to obtain from other sources or provide to Casposo funding or financing of up to US$10,000,000 towards developing and implementing a re-engineering plan to recommission Casposo.

28.2 Acquisition-related costs

The Group incurred acquisition-related costs of US$60,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

28.3 Identifiable assets acquired and liabilities assumed at fair value

The following table summarises the recognised amounts of assets acquired and liabilities assumed at fair value at the acquisition date.

	2016 US$
Cash & cash equivalent	2,128,603
Related parties receivables	283,162
Other current receivables	4,672,446
Inventories	13,655,283
Other non-current receivable	1,937,957
Property, plant and equipment	20,258,618
Exploration areas	7,870,352
Mine closure	2,831,780
Power lines	1,113,409
Underground development	336,995
Accounts payable	(2,436,886)
Taxes payable	(65,502)
Payroll liability	(3,017,543)
Provisions	(4,211,642)
Other liabilities	(2,592,477)
Total identifiable net assets acquired at fair value	**42,764,555**

Measurement of fair values
Valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Inventories	Inventory Model for Casposo at opening balance sheet date: prepared by Casposo Management and audited by Deloitte. An uplift to inventory was recognised using the latest available gold spot prices to value the Doré Bars on hand at acquisition date.
Property, plant and equipment	Independent appraisal of the Processing Plant and Mining Equipments (Independent Report by Doming Speranza (Newmark Grubb)).
Exploration areas and underground development	NPV Valuation under NI-43-101 performed by RPA discounted as of 29 February 2016.

28.4 Gain on acquisition

As described above, due to the resources and know-how required to take over management of Casposo mine in care and maintenance and restructure the operation to a smaller scale underground mine with a significantly reduced cost base - a gain of US$20.8m gain on acquisition was realised. This means the purchase of the initial 51% is a bargain purchase acquisition. The calculation of the gain on acquisition, recognized directly in the statement of profit and loss, is as follows:

	Note	US$
Consideration transferred	28.1	1,000,000
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Casposo		20,954,632
Fair value of indentifiable net assets	28.3	(42,764,555)
Gain on acquisition		**(20,809,923)**

28.5 Cash used to acquire subsidiary, net of cash acquired

	US$
Acquisition date fair value of total consideration	1,000,000
Less: Consideration payable at reporting date	-
Cash consideration to acquire subsidiary	1,000,000
Less: Cash and cash equivalents acquired	2,128,603
Net cash paid/ (received) to acquire subsidiary	**(1,128,603)**

29. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after income tax:

	Consolidated	
	30 June 2016 US$	30 June 2015 US$
Profit after income tax	**17,881,175**	**(5,287,422)**
Non-cash flows in profit		
Interest expense capitalised	-	998,720
Impairment loss	-	15,400,000
Interest received	(122,874)	(19,474)
Finance costs	333,452	327,015
Foreign exchange translation (gain)/ loss	362,153	(125,693)
Gain in fair value of financial assets	(4,892,837)	-
Gain on acquisition of subsidiary	(20,809,923)	-
Depreciation and amortisation	14,615,569	17,079,097
Write-off and disposal of plant and equipment	194,092	201,292
Write-off and impairment of intangible assets	-	976,967
Net cash from operating activities before change in assets and liabilities	**7,560,807**	**29,550,502**
Changes in assets and liabilities:		
Decrease / (increase) in inventory	4,725,522	(1,337,651)
Decrease / (increase) in trade and other receivables	7,859,412	(2,837,743)
Increase / (decrease) in trade and other payables	(1,434,591)	2,153,803
Increase / (decrease) in tax payable	(3,067,206)	(4,582,895)
Movement attributable to foreign currency translation	229,966	-
Cash flow from operations	**15,873,910**	**22,946,016**

30. PARENT ENTITY INFORMATION

Information relating to Austral Gold Limited

	30 June 2016 US$	30 June 2015 US$
Current assets	57,444	71,392
Total assets	63,243,086	63,257,034
Current liabilities	13,574,921	12,871,436
Total liabilities	13,574,921	12,871,436
Net assets	**49,668,165**	**50,385,597**
Issued capital	93,537,023	93,537,023
Accumulated losses	(43,823,613)	(43,119,406)
Reserves	(45,245)	(32,020)
Total shareholders' equity	**49,668,165**	**50,385,597**
Loss of the parent entity	**(704,208)**	**(14,457,455)**
Total comprehensive income of the parent entity	**(704,208)**	**(14,457,455)**
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

31. SUBSEQUENT EVENTS

Closing of transaction with Argentex Mining Corporation and listing on the Toronto Venture Exchange

On 31 August 2015, the Company announced that the board of directors of Argentex Mining Corporation ('Argentex') had approved entering into a binding letter agreement (the 'Agreement') with Austral Gold, in connection with a business combination transaction involving Austral and Argentex. Pursuant to the Agreement, Austral agreed to acquire all of the issued and outstanding common shares of Argentex ('Argentex Shares') not already held by Austral Gold and its subsidiaries, which represented approximately 80.1% of the Argentex Shares currently outstanding (the 'Transaction').

On 22 August 2016 the proposed Transaction was completed whereby Argentex shareholders (other than Austral Gold and its subsidiaries) received 0.5651 of an ordinary share of Austral Gold Limited representing 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.

Austral Gold is now trading on the Toronto Venture Exchange under the ticker symbol, AAM.

Sale of remaining shareholding in Goldrock Mines

As part of the exit from its 11.3% investment in Goldrock Mines Corporation ('Goldrock'), Austral sold the remaining 2.6% shareholding for proceeds of US$2.6 million in July 2016. Austral Gold Limited has sufficient capital losses to offset the gain on sale of these shares.

On 28 July 2016, Fortuna Silver (NYSE:FSM) (TSX:FVI) reported the completion of the previously announced acquisition (7 June 2016) of all of the issued and outstanding shares of Goldrock by way of a plan of arrangement in which Goldrock becomes a wholly-owned subsidiary of Fortuna Silver. Under the terms of the definitive agreement, each common share of Goldrock was exchanged for 0.1331 of a Fortuna Silver common share. The Group have kept all of the equity warrants of Goldrock which are now converted into Fortuna equity warrants by the exchange ratio mentioned above. The Group now holds 1,568,635 warrants of Fortuna Silver at an exercise price of CDN 6.01 expiring in October 2018.

32. RELATED PARTY TRANSACTIONS

32.1 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 452,549,923 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 423,574,387 shares according to the last substantial holder notice lodged in May 2016.
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 May 2016.
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.

32.2 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	
	30 June 2016 US$	**30 June 2015 US$**
Short-term employment benefits	735,105	1,261,885
Post-employment benefits	5,034	5,684
Total	**740,139**	**1,267,569**

Other transactions with related parties

Zang, Bergel & Viñes Abogados is a related party since two directors, Saul Zang and Pablo Vergara del Carril have significant influence over this law firm based in Buenos Aires, Argentina. Legal fees charged to the company for the year ended 30 June 2016 amounted to US$89,888 (2015: US$48,446)

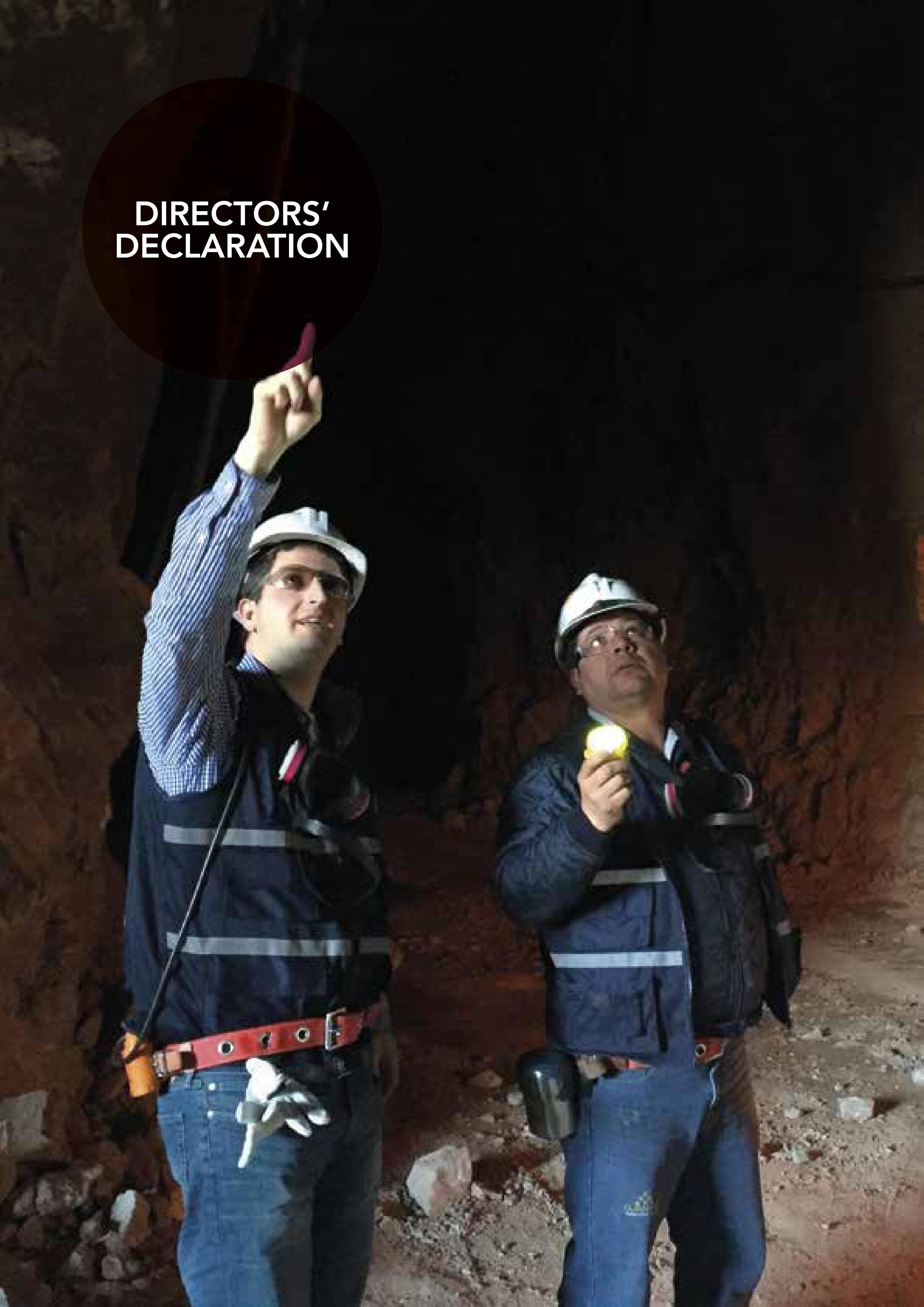
32.3 Lending to majority shareholder

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 is due to be fully repaid by 31 December 2016. The remaining balance at 30 June 2016 is US$2,659,104 with 4% interest per annum accrued on the loan. The loan is unsecured and borrower's rights and obligations under the loan can be assigned or transferred at any time.

32.4 Ultimate parent entity

The Parent Entity is controlled by IFISA with a 81.62% 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 2016 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:

Robert Trzebski
Director

Sydney
30 September 2016

INDEPENDENT AUDITOR'S REPORT

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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 2016, 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 Statements, 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.

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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 2016 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 2016. 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 2016 complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 30 September 2016

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 9 September 2016 the total issued capital of Austral Gold Limited was 518,983,178 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. 40,221,183 shares were quoted on the Toronto Venture Exchange under the code AAM.

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 9 September 2016, 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 - 1,000	622	246,358	0.04%
1,001 - 5,000	285	756,428	0.15%
5,001 - 10,000	92	756,918	0.15%
10,001 - 100,000	106	3,355,318	0.65%
>100,000	55	513,868,156	99.01%
	1,160	**518,983,178**	**100%**

The number of members holding less than a marketable parcel of 2,858 ordinary shares (based on a market price of AUD $0.175 on 9 September 2016) is 798. They hold a total of 577,661 ordinary shares.

Substantial Shareholders

The Company has been notified of the following substantial shareholdings as at 9 September 2016:

Registered Holder	Beneficial Holder	Shares Held
Citicorp Nominees	Inversiones Financieras Del Sur SA (IFISA)	422,798,887
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
		452,549,923

Top Twenty Shareholders as at 9 September 2016

Rank	Name	No. of shares	% of Issued capital
1	CITICORP NOMINEES PTY LIMITED	436,866,010	84.18%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	25,684,230	4.95%
3	CDS & CO	16,057,703	3.09%
4	JIWELY INVESTMENTS SA	6,101,158	1.18%
5	MORGAN STANLEY SMITH BARNEY	2,351,474	0.45%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,126,033	0.41%
7	TD AMERITRADE CLEARING INC	2,002,500	0.39%
8	SAFRA SECURITIES	1,907,944	0.37%
9	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,759,795	0.34%
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,743,849	0.34%
11	CHARLES SCHWAB & CO INC	1,590,137	0.31%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,315,614	0.25%
13	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.22%
14	SCOTTRADE INC	1,128,510	0.22%
15	NATIONAL FINANCIAL SERVICES LLC	1,028,920	0.20%
16	FINARG1 SERVICES COMPANY LTD	770,416	0.15%
17	E*TRADE CLEARING LLC	762,207	0.14%
18	RBC CAPITAL MARKETS	674,035	0.13%
19	HARE & CO	600,422	0.11%
20	EFCLEOUS INVESTMENTS LTD	564,676	0.11%
	Total	**506,193,898**	**97.54%**
	Other	12,789,280	2.46%
	Total shares on issue	**518,983,178**	**100.00%**

AUSTRALGOLD