



# ANNUAL REPORT

For the year ended December 2018





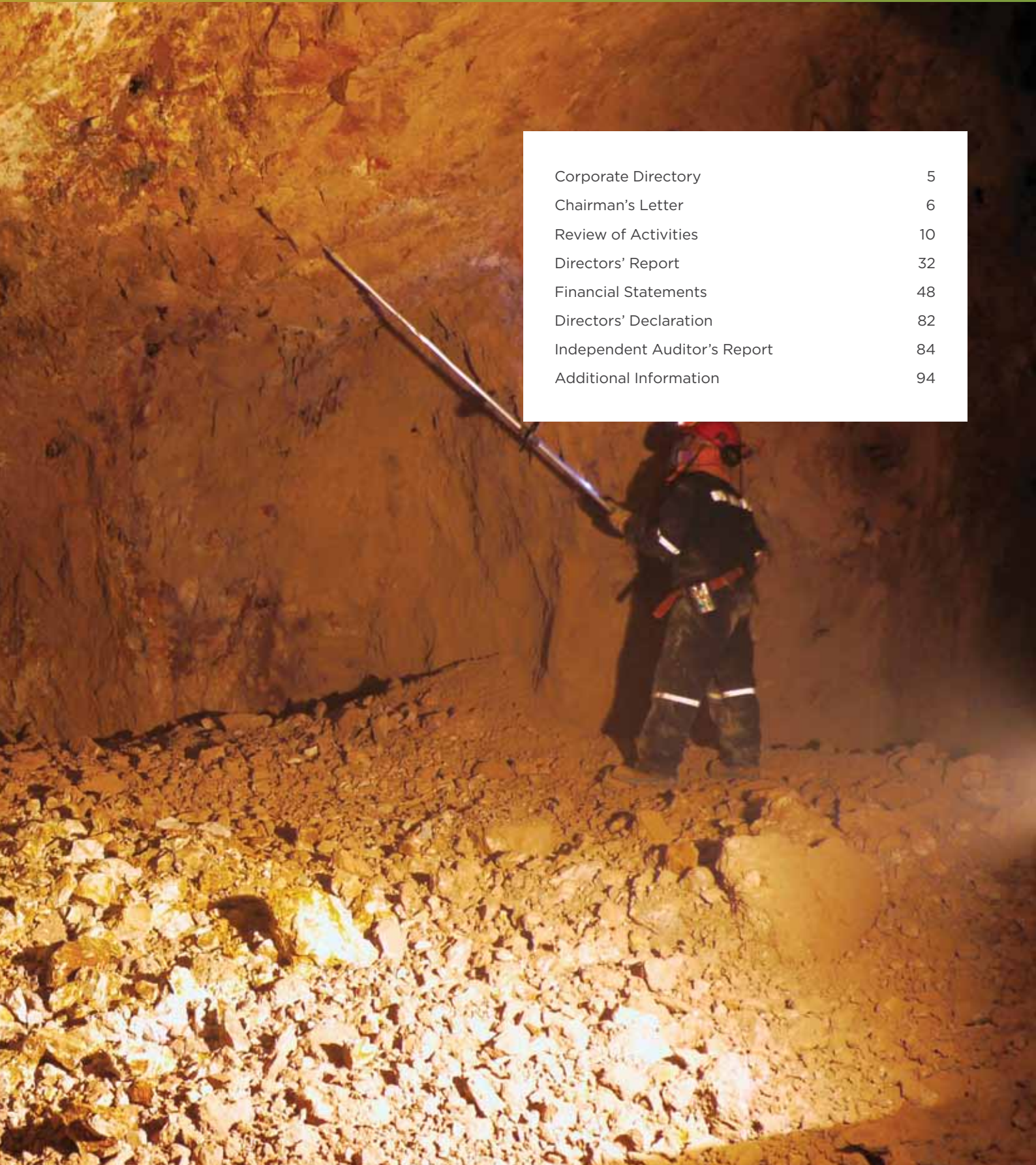
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# DIRECTORY





### Directors

#### **Eduardo Elsztein**

Chairman & Non-Executive Director

#### **Saul Zang**

Non-Executive Director

#### **Pablo Vergara del Carril**

Non-Executive Director

#### **Stabro Kasaneva**

Executive Director

#### **Wayne Hubert**

Independent Non-Executive Director

#### **Robert Trzebski**

Independent Non-Executive Director

#### **Ben Jarvis**

Independent Non-Executive Director

### Company Secretary

#### **Andrew Bursill**

Automic Group

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#### **Australian Securities Exchange**

ASX: AGD

#### **TSX Venture Exchange**

TSXV: AGLD

### Place of Incorporation:

Western Australia

## CHAIRMAN'S LETTER



“I am pleased to report record production of 88,107 gold equivalent ounces from the two mine sites in Argentina and Chile.”

### Dear Shareholders,

For 2018, I am pleased to report record production of 88,107 gold equivalent ounces from the two mine sites in Argentina and Chile. However, this past year has not been without its challenges. Significant progress has been made at our Guanaco/Amancaya mine in Chile, while production at our Casposo mine in Argentina was less than we expected.

During the second half of 2017, we stabilised production at our new agitation leaching plant at Guanaco, which led to a 65% year over year increase year in 2018 of gold equivalent ounces produced at Guanaco. More significantly, production cash costs (“C1”) and all in sustaining costs (“AISC”) decreased at Guanaco due to higher gold and silver grades, higher recovery rates and higher throughput. We anticipate

production at Guanaco/Amancaya to increase in 2019 and for the team to continue to improve operational efficiencies.

In late 2018, management performed a comprehensive review of the Casposo operational and business model following the lower than expected production volume and negative margins. Based on this review, the Company implemented cost saving initiatives and reduced the workforce to align with the newly designed mine plan, while continuing evaluating alternatives for the project with the goal of extending the life of the mine.

We forecast overall production in 2019 to be stable at 75,000-85,000 gold equivalent ounces and our overall 2019 C1 and AISC to continue to improve.



“We forecast overall production in 2019 to be stable at 75,000–85,000 gold equivalent ounces and our overall 2019 C1 and AISC to continue to improve.”

The Board is proud of key milestones that Austral Gold achieved this year, including:

- Increased production at Guanaco/Amancaya due to completion of the construction of the new agitation leaching plant in the latter part of 2017, higher gold and silver grades, improved recovery rates and higher throughput;
- Reduced cash and ASIC costs of production at Guanaco/Amancaya;
- Reduced administration costs compared to 2017 on a pro-rata basis;

We continued exploration activities at Guanaco/Amancaya and Casposo which we believe will result in an expansion of both these very prospective resources. At Amancaya, exploration focused on performing a detailed review of the potential of a variety of veins as our goal is to identify high-grade gold and silver mineralised ore shoots. At Casposo, we worked to design a drill program with the goal of discovering new mineral bodies.

Our CEO, Stabro Kasaneva restructured the technical teams in an effort to continuously improve operations and deliver further value from our projects.

Other opportunities aligning with our strategic vision for value accretive investments in Latin America continue to be explored as well as unlocking value from other properties.

Safety remains a key focus and priority for Austral Gold. We are committed to the well-being of our employees and the communities in which we operate, and continue to promote the highest health, safety and environmental standards. We are very supportive of the local communities in which we operate through local hiring of personnel and community and education initiatives.

Our strategic acquisitions and organic growth opportunities, backed by an experienced management team with a proven operational and exploration track record, and an exceptional understanding of the Chilean and Argentinean resources sector provides the foundation for continued growth.

We anticipate this will be a good year for the Guanaco/Amancaya mine as production is expected to increase from last year while we continue to resolve our operational issues at Casposo, and unlock value from Austral Gold's other mining and exploration properties. In addition, we will actively explore new strategic opportunities.

In last year's letter to shareholders, I informed you that we were beginning to witness gold and silver prices trending upwards. Prices decreased during the first nine months of the year, however more recently, we have witnessed an upward trend in the price of gold and silver. We at Austral Gold will continually work to strengthen profit margins through lower costs of production, while increasing the value of our mineral resources to ultimately increase shareholder value.

I would like to thank our shareholders for their continued support, all of our employees and contractors, and our Board members for their hard work and dedication during this year.

**Eduardo Elsztain**  
Chairman

“We at Austral Gold will continually work to strengthen profit margins through lower costs of production, while increasing the value of our mineral resources to ultimately increase shareholder value.”



## KEY PRINCIPLES

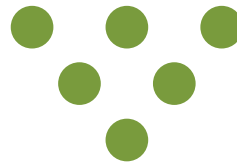




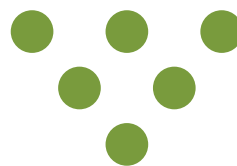


Establish position amongst leaders of precious metals miners, with the highest rates of safety and stewardship of the environment.

Strive for the **lowest operating costs** among companies of the same scale in the Americas.



Be the **preferred partner for companies, communities and governments** to operate precious metal projects in Latin America, currently focussed in Argentina and Chile.



Maximize value creation for shareholders

## REVIEW OF ACTIVITIES







## Properties

● Operations  
(Guanaco/Amancaya  
& Casposo)

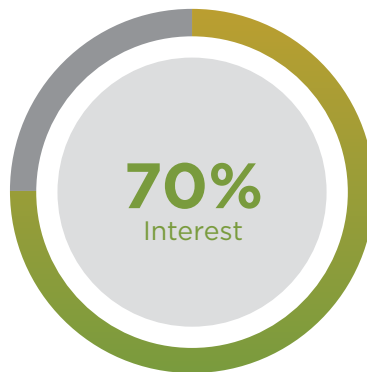
■ Projects  
(Pingüino)



Guanaco & Amancaya mines  
Antofagasta, Chile



Casposo mine  
San Juan, Argentina



Pingüino project  
Santa Cruz, Argentina



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 Group produces gold and silver from the Guanaco and Amancaya mines in Chile (100% interest) and the Casposo mine in San Juan, Argentina (70% interest). The Group also holds an attractive portfolio of exploration projects

including the Pingüino project in Santa Cruz, Argentina (100% interest) and the San Guillermo and Reprado projects within the Amancaya district (100% interest). 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.

# Total combined production for calendar year 2018 reached

A summary of key operational parameters for the 12 months ended December 2018 and June 2017 and for the 6 months ended December 2017 is set out in the following table for comparative purposes.

Operations	Guanaco/Amancaya Mines			Casposo Mine (100% basis)			Net to Austral Gold*		
	12 months ended Dec 2018	6 months ended Dec 2017	12 months ended June 2017	12 months ended Dec 2018	6 months ended Dec 2017	12 months ended June 2017	12 months ended Dec 2018	6 months ended Dec 2017	12 months ended June 2017
Processed (t)	278,447	201,148	505,711	166,194	281,848	505,711	461,675	288,944	653,855
Gold produced (oz)	54,075	17,456	44,275	11,564	9,939	16,793	62,170	24,414	54,330
Silver produced (oz)	585,201	117,497	58,832	1,213,316	1,022,639	1,411,282	1,447,122	833,344	904,539
Gold-Equivalent (oz)	61,271	18,997	45,098	26,836	23,340	35,811	80,056	35,335	66,609
C1 Cash Cost (US\$/AuEq oz)**	792	1,103	759	1,362	924	952	957	1,004	844
All-in Sustaining Cost (US\$/Au oz)#	943	1,330	908	1,710	1,096	1,262	1,175	1,201	1,065
Realised gold price (US\$/Au oz)	1,227	1,276	1,251	1,227	1,278	1,259	1,264	1,277	1,253
Realised silver price (US\$/Ag oz)	15	17	17	15	17	18	16	17	18

\* Austral Gold owned 70% of Casposo since March 2017

\*\* The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)

\*\*\* The AuEq ratio is calculated at 84:1 for the 12 months ended December 2018 (76:1 for the 6 months ended December 2017; 77:1 for the 12 months ended December 2017)

# The All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation





# 80,056

net gold equivalent ounces

#### Actual and Forecasted figures for 2018:

Total combined production for calendar year 2018 reached 88,107 gold equivalent ounces (100% basis) or 80,056 (net to Austral Gold\*) with an average C1 and AISC of US\$957/oz and US\$1,175 per ounce of gold equivalent respectively. The table below provides with a comparison between the 2018 actual and its forecasted production figures\*.

Operations	Guanaco/Amancaya Mines		Casposo Mine (100% basis)		Net to Austral Gold*	
	Calendar 2018 Actual	Calendar 2018 Forecasted	Calendar 2018 Actual	Calendar 2018 Forecasted	Calendar 2018 Actual	Calendar 2018 Forecasted
Gold produced (oz)	54,075	56,000	11,564	10,000-12,000	62,170	63,000-64,000
Silver produced (oz)	585,201	520,000	1,231,316	1,400,000	1,447,122	1,520,000
Gold-Equivalent (oz)***	61,271	62,000	26,836	26,000-28,000	80,056	80,000-82,000
C1 Cash Cost (US\$/AuEq oz)**	792	820-850	1,362	1,270-1,300	957	950-990
All-in Sustaining Cost (US\$/Au oz)#	943	950-1,000	1,710	1,600-1,650	1,175	1,150-1,200
Sustaining Capital (\$000's)	6,646	10,000	8,273	9,000	14,919	16,300

\* Updated and disclosed in the December 2018 quarterly report.

\*\* The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)

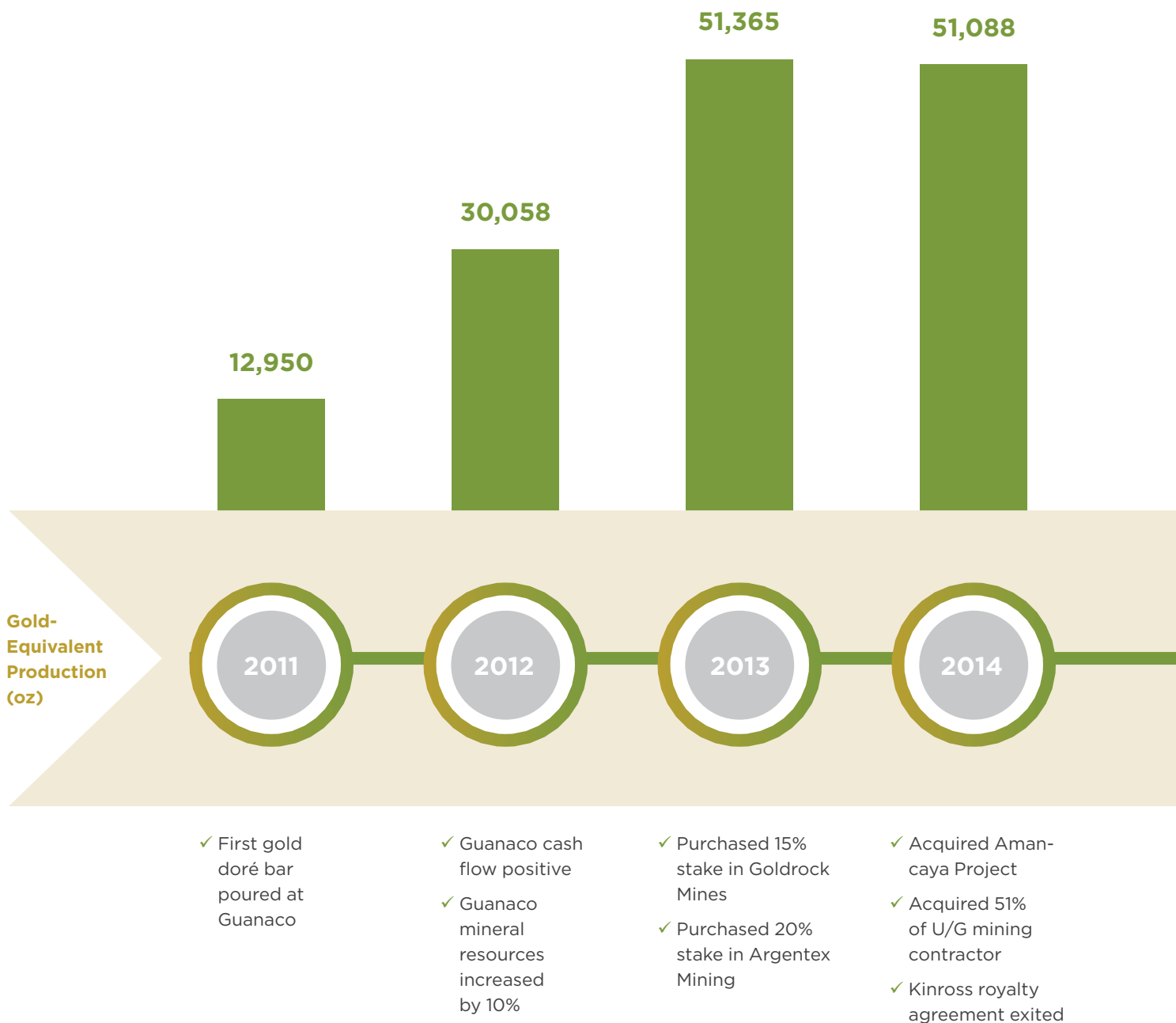
\*\*\* The AuEq ratio is calculated at 84:1 for the 12 months ended December 2018

# The All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation

## MILESTONES

Austral Gold has produced over 390,000 gold equivalent ounces over last eight years.

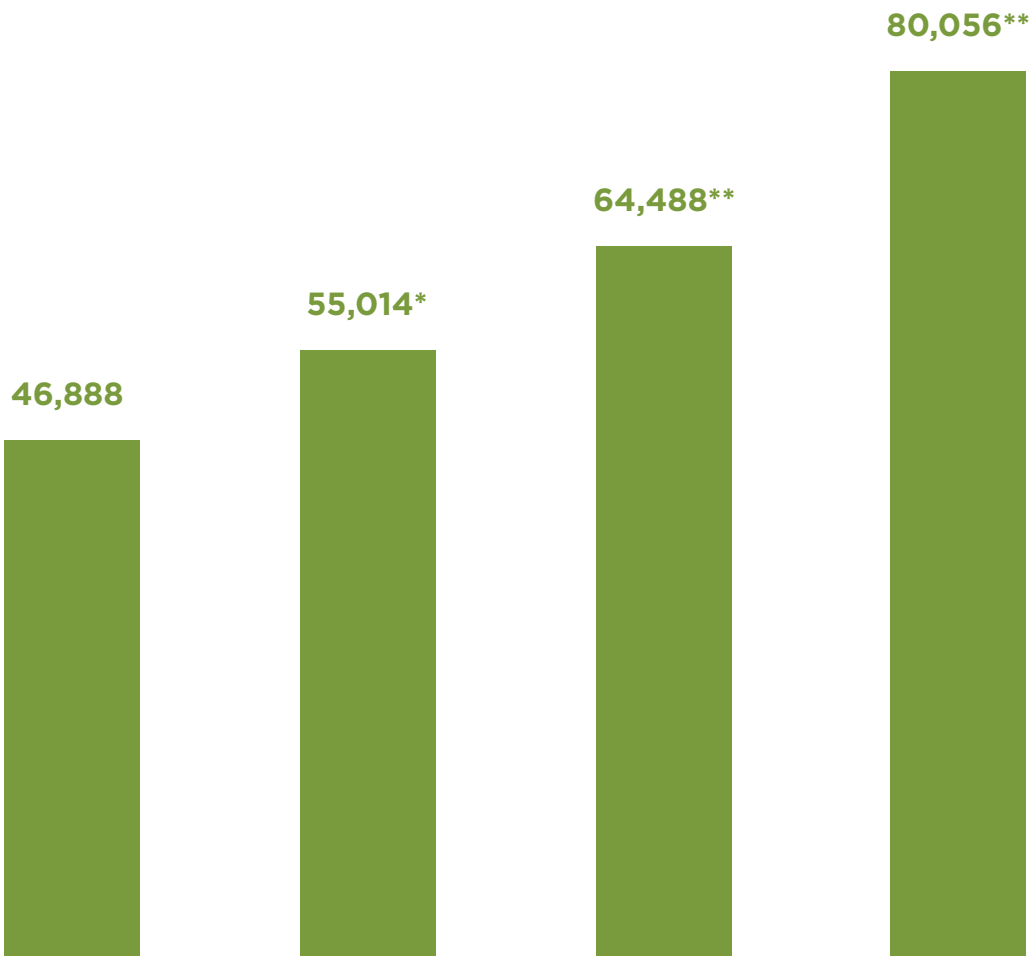
Sound cash flows have funded Austral's growth initiatives.



\* Includes production from Casposo (51%)

\*\* Includes production from Casposo (70%)





- ✓ Third consecutive year of +45 koz gold production
- ✓ Achieved low cash costs of US\$548/AuEq oz

- ✓ Acquired 51% of Casposo Mine
- ✓ Acquired Argentex Mining
- ✓ Dual listed on TSX-V

- ✓ Acquired San Guillermo & Reprado Projects
- ✓ Acquired further 19% of Casposo Mine
- ✓ Updated FS for mining projects
- ✓ Finalized construction of new agitation leaching plant in Chile

- ✓ First full year operating the new agitation leaching in plant
- ✓ Record combined production surpassing 80K Geo
- ✓ Starts UG operations at Amancaya

## CHILE



### The Guanaco & Amancaya mines

#### Guanaco and Amancaya Mines

##### Background

The Guanaco and Amancaya mines remain the Company's flagship asset. Guanaco is located approximately 220km south-east of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway.

Guanaco is embedded in the Paleocene/Eocene belt, a geological feature which runs north/south through the centre of the Antofagasta region, Chile.

Gold mineralisation at Guanaco is controlled by pervasively silicified, sub-vertical east/northeast-west/southwest trending zones with related hydrothermal breccias.

Silicification grades outward into advanced argillic alteration and further into zones with argillic and propylitic alteration. In the Cachinalito vein system, most of the gold mineralisation is concentrated between depths of 75m and 200m and is contained in horizontally elongated mineralised

shoots. The alteration pattern and the mineralogical composition of the Guanaco mineralisation have led to the classification as a high-sulfidation epithermal deposit.

In July 2014, the Company acquired the Amancaya Project ('Amancaya') from Yamana Gold Inc which is located approximately 60km south-west of the Guanaco mine. Amancaya is a low sulfidation 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).

At Amancaya, open-pit mining operations began during the first half of 2017 while underground operations started in 2018. The Amancaya ore is being trucked to the new plant at Guanaco for processing.



### San Guillermo and Reprado Properties

On 14 November 2017, Austral Gold completed its purchase of a 100% interest in the San Guillermo and Reprado gold-silver projects, located in the emerging Amancaya precious metals district of northern Chile, from Revelo Resources Corp. (TSX-V:RVL) for consideration of ten million Austral Gold ordinary shares. Revelo has retained Net Smelter Return (NSR) Royalties on future metals production of 1% and 0.5% at Reprado and San Guillermo, respectively.

The San Guillermo property consists of concessions totalling 12,175 hectares that surround the company's high-grade gold and silver Amancaya operation, which Austral began mining via open pit operations in 2017. The Reprado Project consists of concessions totalling 3,960 hectares situated approximately 20km north of the Company's Amancaya operation. Historical drilling undertaken by Teck Resources Ltd intersected gold in low sulfidation quartz veins trending essentially east-west.

A technical report on combined resources and construction of a new agitation leaching plant at the Guanaco mine site was completed in August 2017 and the commissioning phase was completed in November 2017.



## Production

During the year ended December 2018, total production at Guanaco/Amancaya was 54,075 Au oz and 585,201 Ag oz (or 61,271 AuEq oz) compared to 18,997 AuEq oz during the six months ended 31 December 2017. The increase in production occurred due to completion of the construction of the new agitation leaching plant at Guanaco during the latter part of 2017, higher gold and silver grades, higher recovery rates and higher throughput

## Mining

During the year ended 31 December 2018, mining continued at the Guanaco underground operations with a total of 100,586 tonnes mined while 126,819 tonnes were mined at the Amancaya underground operations and 68,076 tonnes mined at the Amancaya open pit. The geological team continues to investigate opportunities to extend both the life of mine of the Guanaco deposit (reserves depleted during 2018) and the Amancaya deposit.

The operating cash cost (C1) at Guanaco/Amancaya for the twelve months ended 31 December 2018 and six months ended 31 December 2017 were US\$792/AuEq oz and US\$1,103/AuEq while the all-in sustaining cost (AISC) was US\$943/AuEq oz and US\$1,330/AuEq. The reason for the decrease in costs is explained above. C1 and AISC are forecasted to continue to decrease further in 2019 as a result of operational efficiencies. Production guidance for 2019 is 71,000-75,000 AuEq.

Operations	Guanaco/Amancaya Mines		
	12 months ended 31 December 2018	6 months ended 31 December 2017	12 months ended 31 June 2017
Processed (t)	278,447	201,148	505,711
Average Plant Grade (g/t Au)	4.96	3.57	3.96
Average Plant Grade (g/t Ag)	79.42	45.21	8.44
Gold produced (oz)	54,075	17,456	44,275
Silver produced (oz) <sup>1</sup>	585,201	117,497	58,832
Gold-Equivalent (oz) <sup>2</sup>	61,271	18,997	45,098
C1 Cash Cost (US\$/AuEq oz) <sup>1</sup>	792	1,103	759
All-in Sustaining Cost (US\$/AuEq oz) <sup>2</sup>	943	1,330	908
Realised gold price (US\$/Au oz)	1,227	1,276	1,251
Realised silver price (US\$/Ag oz)	15	17	17



<sup>1</sup> The cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)

<sup>2</sup> The All-in Sustaining Cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation

### Safety and Environmental protection

During the year ended 2018 December 31, there were three lost-time accidents (LTA) and five nil-lost-time accidents (NLTA) involving employees of Guanaco and third party contractors.

Safety and environmental protection are core values of the Company. The implementation of best practice safety standards along with a sound risk management program are key priorities for Austral Gold.

### Community activities

IGCM carried out a study of alternatives through which it could contribute to the present and future sustainability of the closest town Taltal, located 173km from Guanaco Mine.

Among the alternatives, education was chosen as we believe through education it is possible to improve citizens socio-economic conditions and contribute to youth remaining and contributing to the community. The objective is to contribute to the training of future graduates with competencies that meet the requirements of the mining industry in the region.

### Exploration in Chile

Exploration in 2018 was focused on drilling the extensions of the Dumbo and Perseverancia open pits, mineralised structures at the Guanaco mine, and the upper parts of the Amancaya mine to support those portions of the model evaluated mainly with Reverse Circulation drill holes. A complementary DDH drill program of twelve holes was completed on the Nueva vein, approximately 5km north of the Amancaya open pit operation, with four areas of gold mineralisation encountered, confirming a structure 2.8km in strike length and the Central vein.

Drilling to test extensions of known mineralised structures at Dumbo open pit continued during Q1 2018. The target was divided in four, the west northern part (Dumbo Oeste Norte, DWN), the west southern part (Dumbo Oeste Sur, DWS), the east northern part (Dumbo Este Norte, DEN), and the east southern part (Dumbo Este Sur, DES).

The Central vein (Amancaya) was studied in detail with geological sections and geophysics, defining interpreted extension of the mineralization north and south of the vein to be tested with in-house IP equipment. Alteration mapping at Sierra Inesperada, an intensely hydrothermally altered range located 6 Km SW of the Guanaco area, indicates a potential for ENE-striking high sulphidation structures.

A total of 3,224.15 meters were drilled in the program testing DWS (Beatriz and the Chilena structures), and DEN (Dumbo Norte structures) targets.

During the second quarter of 2018, a drilling program of 6,263 meters was completed at the Dumbo target. One drill hole (75 meters) at Perseverancia Este target (Vania structure) was also drilled during this program.

Other mine exploration target areas were studied. Cachinalito Oeste was the most relevant and targets were selected for future exploration in the near term.

### Guanaco Brownfield Exploration

Alteration mapping in the Sierra Inesperada area, SW of the Guanaco mine, has identified several alunite rich alteration zones along ENE striking structures. These have the potential to represent additional high sulphidation systems. Planning for follow-up exploration activities is expected to be undertaken to test the potential of these areas.

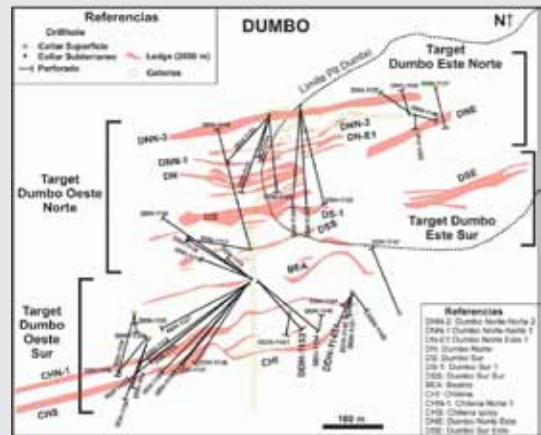


Figure 1: Plan view of the Minex drilling program at Dumbo area

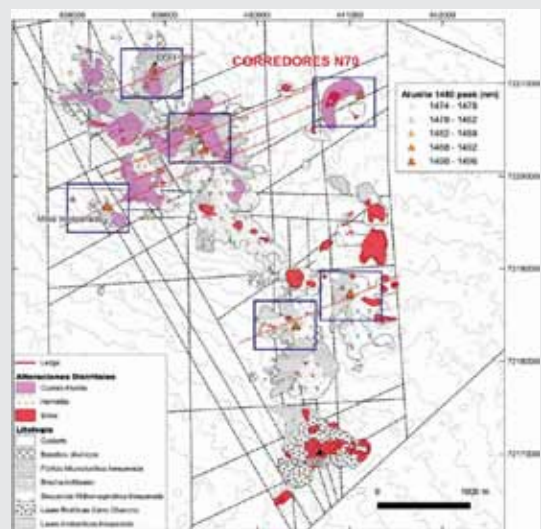


Figure 2: Plan view of Sierra Inesperada

\* Interval length is representative of true width as most holes are sub-horizontal and perpendicular to structure.

### Amancaya Mine Exploration:

The exploration at Amancaya, Chile has been focused on performing a detailed review of the potential of different veins identified through surface works such as float mapping and trench construction. The exploration program's goal is to find the presence of high-grade gold and silver mineralized ore shoots in those structures. Consequently, several structural and mineralogical studies were carried out in the Central Vein to extrapolate the shape of the mineralization distributions to the other veins identified.

Two DDH holes totaling 168.9m were completed in 2018 to improve the block model and confirm high-grade areas in the near surface area of the existing mineral resource.

A series of works were completed to extend resources at the Central vein area. 25m spaced cross sections were updated all along the Central vein, a 3D solid was created, and with this information a new long section was generated, showing three major portions of the Central vein.

IP pole-dipole geophysics survey was also completed and results were interpreted using a 3D model. The 6 pole dipole lines and previous gradient geophysics were interpreted with available geological information. The area includes the Central, Julia, Nueva and Cerro Amarillo veins. Gradient IP shows that chargeability (green color anomaly) and resistivity (yellow color anomaly) has a good correlation with the Central vein mineralized area. Using these parameters,

there is one anomalous area in the north and west part of the Central vein, that was not previously drilled properly.

The geological and structural model was improved at the Central vein, defining a E-W pure extensional vector (279°/3°), that highlights the NNE strike as the most likely to contain extensional quartz veins.

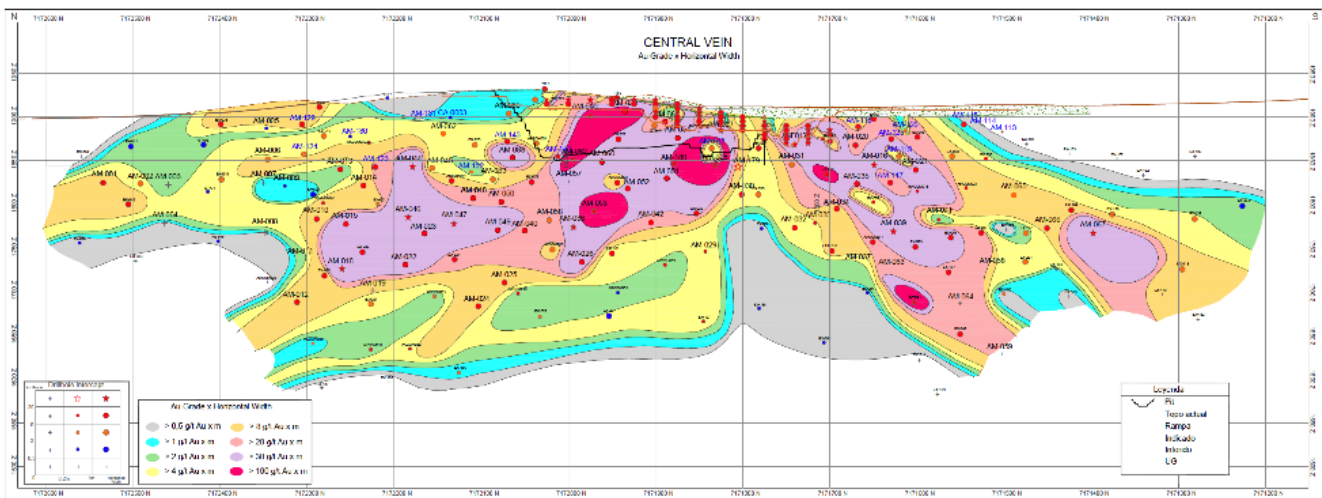
### Amancaya Brownfield Exploration: Nueva Vein

During 2018, a 595.95m DDH drill program was completed at the Nueva vein. This program was a compliment of the 1,367m RC drilling program completed in December 2017.

Lag sampling analyses from the Janita hill area were processed, and different anomalies are concentrated along the known NNW and NW veins, but also along a blind intermediate NNW structure. The highest lag anomalies are concentrated in the southern portion of the hill, where the structures merge. This area was not previously drilled.

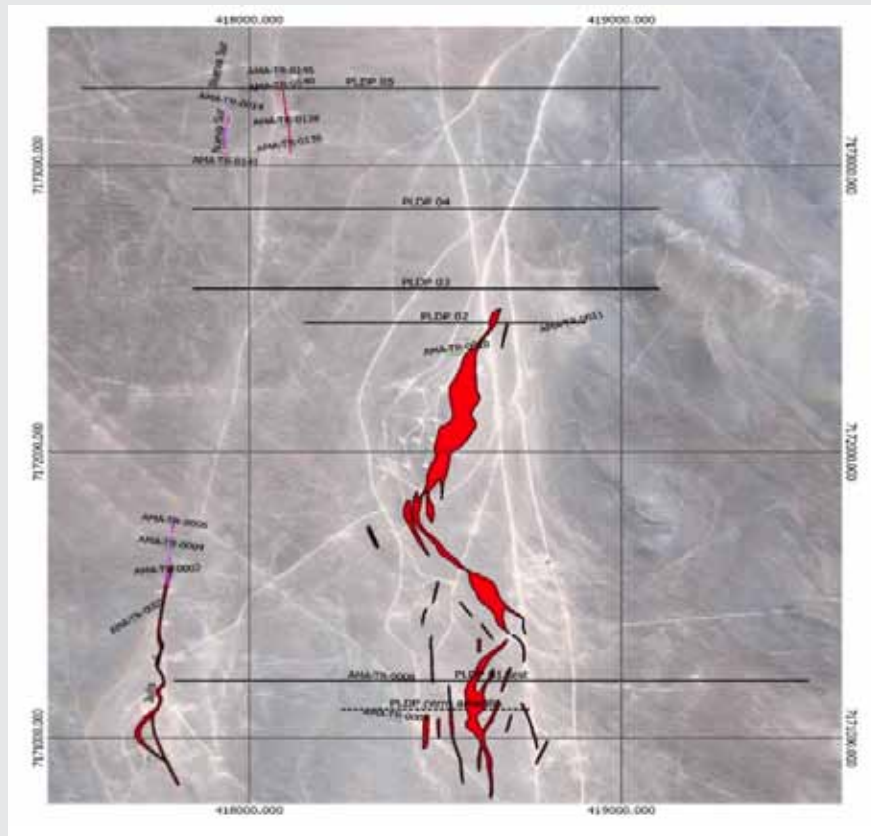
Brownfield exploration at Amancaya focused on the preparation of the longitudinal sections for Nueva, Nueva Norte, Janita Rosa, Gabriela, and Yesica veins. Two types of sections were identified: (i) drill hole and trench data and; (ii) float data.

The infill drilling program in Amancaya has progressed well. In 2018, 1,337 meters were drilled (1,068 meters corresponding to RC and 229 meters to DDH). Significant results to date are included in the following table:

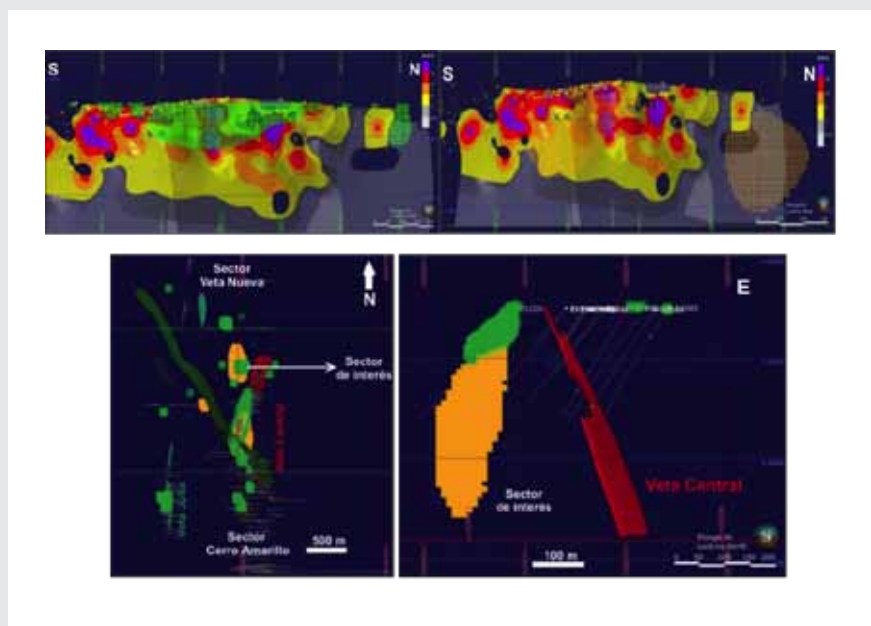


Hole ID	From	To	Length	H width	Level	Intercept Geology	Au g/t	Ag g/t	Cu ppm
AM-189	124.37	124.75	0.38	0.22	1807	Brecciated Qz Vein with Jaros and MinOX weaks	2.8	21	379
AM-190A	184.91	186.07	1.16	0.42	1740	Brecciated Qz Vein with Jar(s) and CuOx (-)	20.7	51	3682
	187.55	195.04	7.49	2.7	1735	Brecciated Qz Vein + veintles(s) with Jar(s) and CuOx (-)	14.0	13	1648
AM-191	147.57	148.83	1.26	0.57	1782	Brecciated Qz Vein with Jar(w), affected by fault	6.6	20	306
AM-192	187.6	190.35	2.75	0.92	1734	Brecciated Qz Vein with Jar (+), MnOX, Py, CuOx and Hem (-)	21.8	22	2703





Plan view of the Central and Julia veins with the IP sections, Amancaya



Janita hill lag sampling results (left) and previous drill holes in the area (right)

### Central Vein structural analysis

During the year, geologists continued studying the structure and mineralization of the Central Vein at Amancaya. The distribution of gold grades along structures is not random but is structurally controlled. This concept indicates that it originated as a dilatational ore shoot from a structure with normal displacement, purely extensional, in T1.

In the South-Central Vein, the orientation of the high-grade ore shoot is subparallel to the movement vector, which may indicate that the morphology is conditioned by the post-mineralization reworking of the structure in T2.

## ARGENTINA



### The Casposo Mine & Pingüino Project

#### Casposo Mine

The Casposo mine is located in the department of Calin-gasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21km<sup>2</sup>. Casposo is a low sulfidation epithermal deposit of gold and silver located in the eastern border of the Cordillera Frontal geological province.

The Cordillera Frontal represents the eastern portion of the Cordillera Principal that runs along the Chile-Argentine border for approximately 1,500km. The Casposo gold- silver mineralisation is Permian in age, and occurs in the extensive Permo-Triassic volcanic rocks of the Choiyoi Group, at both rhyolite, and underlying andesitic rocks, where it is associated with NW-SE, E-W and N-S striking banded quartz, chalcedony and calcite veins, typical of low sulfidation epithermal environments. Post-mineralisation dykes of

rhyolitic, mafic, and trachytic composition often cut the vein systems. These dykes, sometimes reaching up to 30m thickness, are usually steeply dipping and north-south oriented. Mineralisation at Casposo occurs along a 10km long north-west to southeast trending regional structural corridor, with the main Kamila Vein system forming a 500m long sigmoidal set near the centre. The Mercado Vein system is the northwest continuation of Kamila and is separated by an east-west fault from the Kamila deposit.

Austral Gold has undertaken a complete revision of historical work (geology, geochemistry, geophysics and drillings), and finished a regional mapping at a 1:10,000 scale, defining significant potential for discovering additional mineralisation in Casposo, and ranking a series of mine and brownfield exploration targets.





## Underground mine

The Casposo Mine consists of a number of narrow steeply dipping ore bodies known as Aztec, B-Vein, B-Vein1, Inca0, Inca1, Inca2A, Inca2B, and Mercado. The main production from the underground mine to date has been from Inca1, Aztec, and Inca2A.

The mining method used at the Casposo Mine is Longitudinal Longhole Retreat. Mine production is made up of a combination of ore development through sill drifts (34%) and stope production (66%).

The processing and recovery method is well known and widespread throughout the gold and silver mining industry, agitation leaching in tanks followed by Merrill Crowe. Gold recoveries from the plant during 2018 was 91% for gold and 83% for silver.

The table below summarises the results at the Casposo mine for the 12 months ended December 2018, the 6 months ended December 2017 and for the 12 months ended June 2017.

Operations	Casposo Mine		
	12 months ended 31 December 2018	6 months ended 31 December 2017	12 months ended 30 June 2017
Processed (t)	166,194	125,423	248,109**
Average Plant Grade (g/t Au)	2.0	3.0	2.6
Average Plant Grade (g/t Ag)	277.3	331.3	215.5
Gold produced (oz)	11,564	9,939	16,793
Share of Gold produced*	8,095	6,458	9,622
Silver produced (oz)	1,213,316	1,022,639	1,411,282
Share of Silver produced*	861,921	715,848	811,662
C1 Cash Cost (US\$/AuEq oz)	1,362	924	952
All-in Sustaining Cost (US\$/Au oz)	1,710	1,096	1,262
Realised gold price (US\$/Au oz)	1,227	1,278	1,259
Realised silver price (US\$/Ag oz)	15	17	18

\* Austral Gold owned 70% of the Casposo mine since March 2017

\*\*Casposo production includes the last three Quarters of the 12 months ended 30 June 2017 and also includes production during recommissioning

## Safety and Environmental protection

The implementation of best practice safety standards along with a sound risk management program are key priorities for Austral Gold as safety and environmental protection are core values of the Company. During the year ended 2018 December 31, there were three lost-time accidents (LTA) and seventeen nil-lost-time accidents (NLTA) involving employees of Casposo and third party contractors.

We share our commitment to the environment by conducting participatory social monitoring every six months. We are committed to work with local communities and suppliers and we have an environmental policy, in which we promote responsible behavior towards the environment and promote safety and health. We also seek to implement best practices in environmental management, complying with current local and international legislation.





### Exploration in Argentina:

Exploration in Argentina was focused on adjacent areas to the Casposo mine, testing the extensions of the MV1 vein at the Mercado area, and confirming the potential of the Julieta vein brownfield target. Reinterpretation of previous IP geophysics at Kamila area defined a series of blind targets. Four vein areas were investigated for potentially shallow mineralisation with mapping and sampling of the Cerro Norte Sur and Amanda veins. A 6-hole drill program at the Amanda vein started during the second quarter of 2018 for further testing.

An underground drill program was designed to identify extensions of the bodies in operation and / or growth of the areas with development and another drill program that from surface points to the discovery of new mineral bodies recognized through surface structures by hydrothermal manifestations of lower temperature.

B-vein Minex drill program was completed with 3 holes and 295.5 m in total. These results confirm that B-vein has an erratic behaviour, with isolated high-grade zones and a 45° plunge to the south.

### Casposo Brownfield Exploration:

Julieta drilling program (13 holes and 1525m) started in March and continued to June 2018.

In addition, an infill program of 13 holes (1653.6 meters) were drilled at the Julieta vein target area to improve the quality of the resource. Drilling successfully intersected the Julieta

vein in most of the cases, including mineralised secondary veins in the hanging wall in some cases. The presence of a post-mineral dike is attributed to holes that failed to intersect the vein.

In addition to the drill program at Julieta, surface mapping, geophysics interpretation, and channel sampling were performed at Amanda, Cerro Norte Sur, Lucía, and Oveja Negra vein targets.

### Casposo Cluster Exploration: Cristina project

Channel samples were taken at Cristina project with low and erratic gold contents. An analysis of the new sampling shows the different structural controls of the mineralization: N-S, NW and NNE. The NW strike structures are probably controlling the best gold results, which are related with Pb and erratic Ag values.

During the year, the Company designed a brownfield exploration program for Q1 2019 comprising the following main activities: (i) a drilling program to confirm the Southeast extension of the Julieta vein (currently being exploited as open pit) (ii) geophysics studies over the Mercado north west area including Panzon and Maya, (iii) a new modelling of the Kamila offset and Rosarita Hill areas to investigate below steam heated alterations observed at surface.

Other activities included metallurgical sampling at Julieta and analysis of the corresponding thin sections.

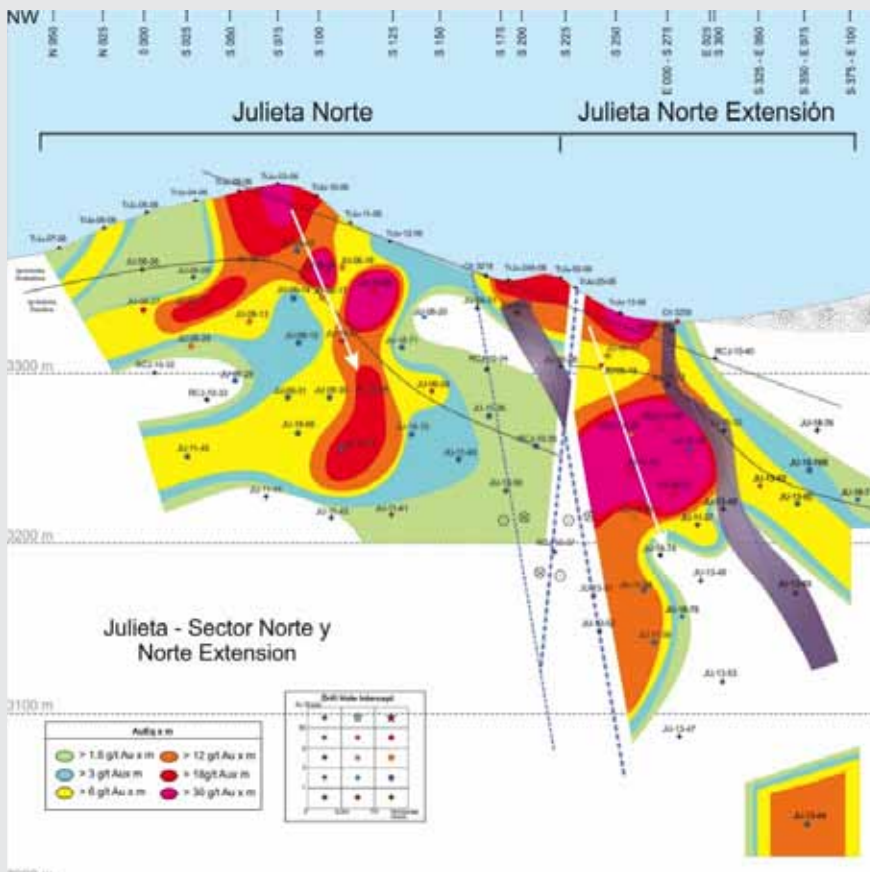


Figure 5: Long section of the Julieta target area

## Pingüino Project

### Recent activities

During the year, the Company continued analyzing the various business scenarios for the sulphide mineral resource within the Pingüino vein system.

To date, studies have focused on the sub-surface oxidized portion of the deposit and the Company's analysis indicates that the size of the mineral resource base is not significant enough to justify the construction of a processing plant. However, based on recent internal studies Management believes there is an opportunity to build a resource of zinc equivalent (zinc, lead, silver and indium) that could expand the size of the project in areas that were not previously considered.

A new selection of samples from the oxidized zone of the most important veins for the execution of metallurgical tests was carried out. The analysis resulted in recovery rates of +90% which were aligned with the former NI-43-101 report released by Argentex Mining Corporation.

## Pingüino Project

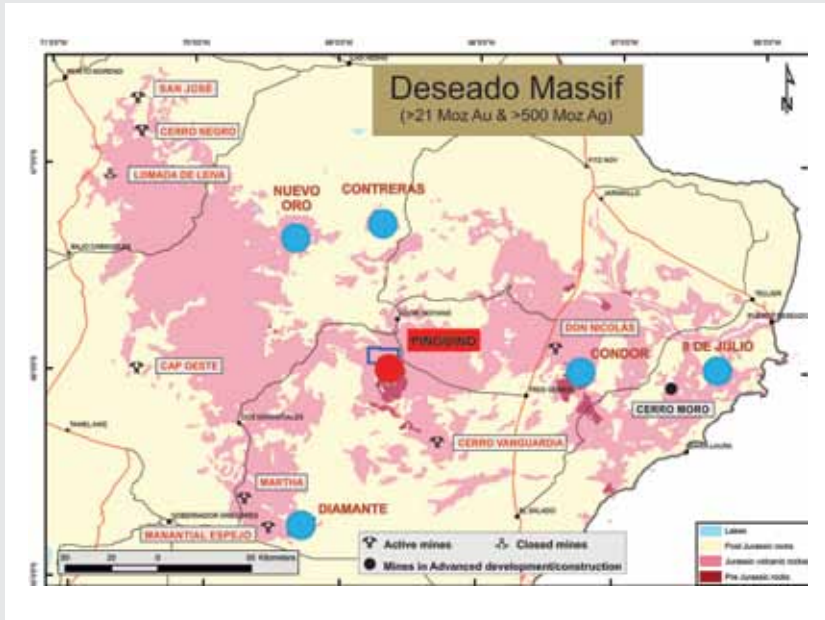
The Company completed the acquisition of Toronto Venture Exchange listed company, Argentex Mining Corporation ('Argentex') on 22 August 2016. Currently, Argentex owns 100% mineral rights of 20 properties with over 51,000 hectares of land. These properties are located within two prominent geographical features, the Deseado and Somun-

cura Massifs, both of which have proven to host significant epithermal precious metal deposits. The large epithermal vein swarm at Pingüino contains Argentex's discovery of indium-enriched vein-hosted base metal mineralisations which represented a new deposit type for the region, as well as low sulphidation precious metal vein mineralisation. The combination of these two types of mineralisation within the same property is unique for the province of Santa Cruz and a significant asset for the Company.

The Silver-Gold-Zinc-Lead-Indium Pingüino Project is an advanced stage development project located in south-central Argentina, 300km southwest of the city of Comodoro Rivadavia and 220km northwest of Puerto San Julián. In the last 15 years, six mines have been constructed in Santa Cruz, making it one of the most prolific precious metal provinces in the world, including world class deposits such as Cerro Vanguardia and Cerro Negro.

The Pingüino Project lies in a vein field similar but smaller to Cerro Vanguardia some 35kms north-west along same controlling structure as Pingüino deposit (225km strike length of veins vs 115 km strike length of veins).

The project has year round access, is close to major infrastructure, has no nearby communities and more than 70% of surface land is owned by the Company.



## Pingüino



Argentex Properties including Pingüino Project (100% owned)

### Competent person statement

The information in this report that relates to Exploration Results listed in the Review of Activities section of this December 2017 Annual Report is based on work supervised, or compiled on behalf of, Dr. Robert Trzebski, a Non-Executive Director of the Company.

Technical Information in this included has been reviewed by Dr. Robert Trzebski, who is a fellow of the Australian Institute of Mining and Metallurgy (AUSIMM) and qualifies as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr Robert Trzebski consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

Dr Robert Trzebski has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012.

# Mineral Resources & Ore Reserves Statement

Tables 1 and 2 are the Company's Mineral Reserves and Resource Estimates as at 31 December 2018 compared to Tables 3 and 4 which are the Company's Mineral Reserves and Resource Estimates as at 31 December 2017.

**Please note that numbers in the tables are subject to rounding differences.**

**Table 1: Ore Reserves Estimate**

31 December 2018

Ore Reserves (JORC 2012 and NI 43-101 Compliant)									
Location	Proven Reserves			Probable Reserves			Total Ore Reserves		
Gold (Au)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco									
Underground	65	4.7	10	168	3.1	17	233	3.6	27
<b>Total Guanaco</b>	<b>65</b>	<b>4.7</b>	<b>10</b>	<b>168</b>	<b>3.1</b>	<b>17</b>	<b>233</b>	<b>3.6</b>	<b>27</b>
Amancaya									
Underground	109	6.7	23	472	6.6	100	581	6.6	123
<b>Total Amancaya</b>	<b>109</b>	<b>6.7</b>	<b>23</b>	<b>472</b>	<b>6.6</b>	<b>100</b>	<b>581</b>	<b>6.6</b>	<b>123</b>
<b>Total Combined</b>	<b>174</b>	<b>6.0</b>	<b>33</b>	<b>640</b>	<b>5.7</b>	<b>117</b>	<b>814</b>	<b>5.7</b>	<b>150</b>
Casposo									
Underground	-	-	-	676	2.5	55	676	2.5	55
<b>Total Casposo</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>676</b>	<b>2.5</b>	<b>55</b>	<b>676</b>	<b>2.5</b>	<b>55</b>
<b>Total</b>	<b>174</b>	<b>6.0</b>	<b>33</b>	<b>1,316</b>	<b>4.0</b>	<b>171</b>	<b>1,490</b>	<b>4.3</b>	<b>205</b>

Silver (Ag)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco									
Underground	65	6	12	168	3.5	19	233	4.1	31
<b>Total Guanaco</b>	<b>65</b>	<b>6</b>	<b>12</b>	<b>168</b>	<b>3.5</b>	<b>19</b>	<b>233</b>	<b>4.1</b>	<b>31</b>
Amancaya									
Underground	109	80	281	472	26	395	581	36	676
<b>Total Amancaya</b>	<b>109</b>	<b>80</b>	<b>281</b>	<b>472</b>	<b>26</b>	<b>395</b>	<b>581</b>	<b>36</b>	<b>676</b>
<b>Total Combined</b>	<b>174</b>	<b>52</b>	<b>293</b>	<b>640</b>	<b>20.1</b>	<b>414</b>	<b>814</b>	<b>27</b>	<b>707</b>
Casposo									
Underground	0	0.0	0.0	676	181	3,939	676	181	3,939
<b>Total Casposo</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>676</b>	<b>181</b>	<b>3,939</b>	<b>676</b>	<b>181</b>	<b>3,939</b>
<b>Total</b>	<b>174</b>	<b>52</b>	<b>293</b>	<b>1,316</b>	<b>103</b>	<b>4,353</b>	<b>1,490</b>	<b>97</b>	<b>4,646</b>



Table 2: Mineral Resources Estimate  
31 December 2018

Mineral Resources (JORC 2012 and NI 43-101 Compliant)												
Location	Measured (Me)			Indicated (Ind)			Total (Me + Ind)			Inferred (Inf)		
Gold (Au)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco												
Underground	422	3.2	43	1,213	2.8	108	1,636	2.9	151	1,134	2.6	96
<b>Total Guanaco</b>	<b>422</b>	<b>3.2</b>	<b>43</b>	<b>1,213</b>	<b>2.8</b>	<b>108</b>	<b>1,636</b>	<b>2.9</b>	<b>151</b>	<b>1,134</b>	<b>2.6</b>	<b>96</b>
Amancaya												
Open Pit	0	0	0	15	5.9	3	15	5.9	3	23	4.49	3
Underground	99	10.0	32	516	8.7	145	615	8.9	177	840	6.71	181
<b>Total Amancaya</b>	<b>99</b>	<b>10.0</b>	<b>32</b>	<b>531</b>	<b>8.7</b>	<b>148</b>	<b>630</b>	<b>8.9</b>	<b>180</b>	<b>864</b>	<b>6.7</b>	<b>185</b>
<b>Total Combined</b>	<b>522</b>	<b>4.5</b>	<b>75</b>	<b>1,744</b>	<b>4.6</b>	<b>256</b>	<b>2,266</b>	<b>4.5</b>	<b>331</b>	<b>1,998</b>	<b>4.4</b>	<b>281</b>
Casposo												
Underground	37	2.4	3	1,090	2.9	102	1,127	2.9	105	913	5.4	158
<b>Total Casposo</b>	<b>37</b>	<b>2.4</b>	<b>3</b>	<b>1,090</b>	<b>2.9</b>	<b>102</b>	<b>1,127</b>	<b>2.9</b>	<b>105</b>	<b>913</b>	<b>5.4</b>	<b>158</b>
<b>Total</b>	<b>559</b>	<b>4.3</b>	<b>78</b>	<b>2,834</b>	<b>3.9</b>	<b>358</b>	<b>3,393</b>	<b>4.0</b>	<b>435</b>	<b>2,912</b>	<b>4.7</b>	<b>438</b>

Silver (Ag)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco												
Underground	422	17	235	1,213	15	592	1,636	16	827	1,134	13	477
<b>Total Guanaco</b>	<b>422</b>	<b>17</b>	<b>235</b>	<b>1,213</b>	<b>15</b>	<b>592</b>	<b>1,636</b>	<b>16</b>	<b>827</b>	<b>1,134</b>	<b>13</b>	<b>477</b>
Amancaya												
Open Pit	0	0	0	15	141	68	15	141	68	23	37	28
Underground	99	129	413	516	35	587	615	51	1,000	840	26	707
<b>Total Amancaya</b>	<b>99</b>	<b>129</b>	<b>413</b>	<b>531</b>	<b>38</b>	<b>655</b>	<b>630</b>	<b>53</b>	<b>1,068</b>	<b>864</b>	<b>26</b>	<b>734</b>
<b>Total Combined</b>	<b>522</b>	<b>39</b>	<b>648</b>	<b>1,744</b>	<b>22</b>	<b>1,247</b>	<b>2,266</b>	<b>26</b>	<b>1,895</b>	<b>1,998</b>	<b>19</b>	<b>1,211</b>
Casposo												
Underground	37	221	264	1,090	183	6,413	1,127	184	6,677	913	143	4,204
<b>Total Casposo</b>	<b>37</b>	<b>221</b>	<b>264</b>	<b>1,090</b>	<b>183</b>	<b>6,413</b>	<b>1,127</b>	<b>184</b>	<b>6,677</b>	<b>913</b>	<b>143</b>	<b>4,204</b>
<b>Total</b>	<b>559</b>	<b>51</b>	<b>911</b>	<b>2,834</b>	<b>84</b>	<b>7,661</b>	<b>3,393</b>	<b>79</b>	<b>8,572</b>	<b>2,912</b>	<b>58</b>	<b>5,415</b>

Table 3: Ore Reserves Estimate

31 December 2017

Ore Reserves (JORC 2012 and NI 43-101 Compliant)Ore (JORC 2012 and NI 43-101 Compliant)									
Location	Proven Reserves			Probable Reserves			Total Ore Reserves		
Gold (Au)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco									
Underground	100	4.4	14	183	3.1	18	283	3.5	32
<b>Total Guanaco</b>	<b>100</b>	<b>4.4</b>	<b>14</b>	<b>183</b>	<b>3.1</b>	<b>18</b>	<b>283</b>	<b>3.5</b>	<b>32</b>
Amancaya									
Open Pit	-	-	-	157	7.6	38	157	7.6	38
Underground	-	-	-	693	6.5	145	693	6.5	145
<b>Total Amancaya</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>6.7</b>	<b>183</b>	<b>850</b>	<b>6.7</b>	<b>183</b>
<b>Total Combined</b>	<b>100</b>	<b>4.4</b>	<b>14</b>	<b>1,033</b>	<b>6.1</b>	<b>201</b>	<b>1,133</b>	<b>5.9</b>	<b>215</b>
Casposo									
Underground	5	2.7	0.5	742	2.6	63	747	2.6	63
<b>Total Casposo</b>	<b>5</b>	<b>2.7</b>	<b>0.5</b>	<b>742</b>	<b>2.62</b>	<b>63</b>	<b>747</b>	<b>2.6</b>	<b>63</b>
<b>Total</b>	<b>105</b>	<b>4.3</b>	<b>14</b>	<b>1,775</b>	<b>4.6</b>	<b>264</b>	<b>1,880</b>	<b>4.6</b>	<b>278</b>

Silver (Ag)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco									
Underground	100	5	17	183	3.6	21	283	4.2	38
<b>Total Guanaco</b>	<b>100</b>	<b>5</b>	<b>17</b>	<b>183</b>	<b>3.6</b>	<b>21</b>	<b>283</b>	<b>4.2</b>	<b>38</b>
Amancaya									
Open Pit	-	-	-	157	113.4	572	157	113	572
Underground	-	-	-	693	42.5	946	693	42	946
<b>Total Amancaya</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>55.5</b>	<b>1,518</b>	<b>850</b>	<b>55.5</b>	<b>1,518</b>
<b>Total Combined</b>	<b>100</b>	<b>5</b>	<b>17</b>	<b>1,033</b>	<b>46.3</b>	<b>1,539</b>	<b>1,133</b>	<b>43</b>	<b>1,556</b>
Casposo									
Underground	5	355	59	742	214	5,108	747	215	5,167
<b>Total Casposo</b>	<b>5</b>	<b>355</b>	<b>59</b>	<b>742</b>	<b>214</b>	<b>5,108</b>	<b>747</b>	<b>215</b>	<b>5,167</b>
<b>Total</b>	<b>105</b>	<b>23</b>	<b>76</b>	<b>1,775</b>	<b>116</b>	<b>6,647</b>	<b>1,880</b>	<b>111</b>	<b>6,723</b>

Table 4: Mineral Resources Estimate

31 December 2017

Mineral Resources (JORC 2012 and NI 43-101 Compliant)												
Location	Measured (Me)			Indicated (Ind)			Total (Me + Ind)			Inferred (Inf)		
Gold (Au)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco												
Underground	447	3.0	43	1,255	2.9	115	1,703	2.9	157	1,136	2.6	96
<b>Total Guanaco</b>	<b>447</b>	<b>3.0</b>	<b>43</b>	<b>1,255</b>	<b>2.9</b>	<b>115</b>	<b>1,703</b>	<b>2.9</b>	<b>157</b>	<b>1,136</b>	<b>2.6</b>	<b>96</b>
Amancaya												
Open Pit	0	0	0	106	11.3	38	106	11.3	38	41	6.11	8
Underground	0	0	0	633	9.2	187	633	9.2	187	900	6.70	194
<b>Total Amancaya</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>739</b>	<b>9.5</b>	<b>225</b>	<b>739</b>	<b>9.5</b>	<b>225</b>	<b>941</b>	<b>6.7</b>	<b>203</b>
<b>Total Combined</b>	<b>447</b>	<b>3.0</b>	<b>43</b>	<b>1,994</b>	<b>5.3</b>	<b>341</b>	<b>2,441</b>	<b>4.9</b>	<b>382</b>	<b>2,077</b>	<b>4.5</b>	<b>299</b>
Casposo												
Underground	167	2.7	14	1,144	3.0	110	1,311	2.9	124	1,050	4.2	142
<b>Total Casposo</b>	<b>167</b>	<b>2.7</b>	<b>14</b>	<b>1,144</b>	<b>3.0</b>	<b>110</b>	<b>1,311</b>	<b>2.9</b>	<b>124</b>	<b>1,050</b>	<b>4.2</b>	<b>142</b>
<b>Total</b>	<b>615</b>	<b>2.9</b>	<b>57</b>	<b>3,138</b>	<b>4.5</b>	<b>451</b>	<b>3,753</b>	<b>4.2</b>	<b>507</b>	<b>3,127</b>	<b>4.4</b>	<b>441</b>

Silver (Ag)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)	Tonnes (Kt)	Grade (g/t)	Contained Metal (koz)
Guanaco												
Underground	447	17	244	1,255	15	596	1,703	15	840	1,136	13	485
<b>Total Guanaco</b>	<b>447</b>	<b>17</b>	<b>244</b>	<b>1,255</b>	<b>15</b>	<b>596</b>	<b>1,703</b>	<b>15</b>	<b>840</b>	<b>1,136</b>	<b>13</b>	<b>485</b>
Amancaya												
Open Pit	-	-	-	106	169	576	106	169	576	41	77	101
Underground	-	-	-	633	54	1,109	633	54	1,109	900	31	901
<b>Total Amancaya</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>739</b>	<b>71</b>	<b>1,682</b>	<b>739</b>	<b>71</b>	<b>1,682</b>	<b>941</b>	<b>33</b>	<b>1,001</b>
<b>Total Combined</b>	<b>447</b>	<b>17</b>	<b>244</b>	<b>1,994</b>	<b>36</b>	<b>2,278</b>	<b>2,441</b>	<b>32</b>	<b>2,522</b>	<b>2,077</b>	<b>22</b>	<b>1,485</b>
Casposo												
Underground	167	257	1,382	1,144	206	7,568	1,311	212	8,950	1,050	136	4,605
<b>Total Casposo</b>	<b>167</b>	<b>257</b>	<b>1,382</b>	<b>1,144</b>	<b>206</b>	<b>7,568</b>	<b>1,311</b>	<b>212</b>	<b>8,950</b>	<b>1,050</b>	<b>136</b>	<b>4,605</b>
<b>Total</b>	<b>615</b>	<b>82</b>	<b>1,625</b>	<b>3,138</b>	<b>98</b>	<b>9,846</b>	<b>3,753</b>	<b>95</b>	<b>11,472</b>	<b>3,127</b>	<b>61</b>	<b>6,091</b>



# Notes to the Mineral Resources & Ore Reserves Statement

## Casposo Mine

The RPA Qualified Persons ('QP') for the Casposo Reserve and Resource Estimate include: Jason J. Cox, P.Eng. (Mineral Reserves) and Chester M. Moore, P.Eng., (Mineral Resources). The Mineral Resources and Reserves 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, within the Technical Report on the Casposo Gold-Silver Mine, Department of Calingasta, San Juan Province, Argentina dated 7 September 2016.

Mineral Resources and Ore Reserves have been updated to account for depletion from mining activities by Nicolas Pizarro, P.Eng, an Austral Gold employee and a QP as per NI-43-101 and a Competent Person ('CP') as per JORC 2012. Ore reserves have been updated to account for depletion from mining activities by Dr Robert Trzebski, who is an Independent Director of Austral Gold, and a QP as per NI-43-101 and a CP as per JORC 2012.

The information is extracted from the news release published on the ASX website ([www.asx.com.au](http://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 CP's findings are presented have not been materially modified from the original market announcement.

## Guanaco and Amancaya Mines

The RPA Qualified Persons (QPs) for the Amancaya and Guanaco Reserve and Resource Estimate include: Kathleen Ann Altman, P.E., Ph.D. (Metallurgy); Jason J. Cox, P.Eng. (Mineral Reserves); Ian Weir, P.Eng. (Mineral Reserves); Chester M. Moore, P.Eng., (Mineral Resources). The Mineral Resources and Reserves are classified and reported in accordance with CIM definitions as incorporated in NI 43-101, as well as JORC 2012, within the Guanaco and Amancaya Gold Project, Region II, Chile, dated 16 June, 2017, with an effective date of 31 December 2016. Mineral resources have been updated to account for depletion from mining activities by Nicolas Pizarro, P.Eng, an Austral Gold employee and a QP as per NI-43-101 and a CP as per JORC 2012. Ore reserves have been updated to account for depletion from mining activities by Dr Robert Trzebski, who is an Independent Director of Austral Gold, and a QP as per NI-43-101 and a CP as per JORC 2012.

The information is extracted from the news release published on the ASX website ([www.asx.com.au](http://www.asx.com.au)) on 13 June 2017. 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 CP's findings are presented have not been materially modified from the original market announcement. The Company ensures that the Ore Reserves and Mineral Resource Estimates are subject to appropriate levels of governance and internal controls. Governance of the Company's Ore Reserves and 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 oversees the review and technical evaluations of the Ore Reserves and Mineral Resource estimates.

## Competent Persons Statements

The information in the report to which this statement is attached that relates to Mineral Resources is based upon information compiled by Sebastian Ramirez, a Competent Person (CP 165) who is a registered member of the Comision Calificadora de Competencias en Recursos y Reservas Mineras. Sebastian Ramirez is a full time employee of the company and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Sebastian Ramirez consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

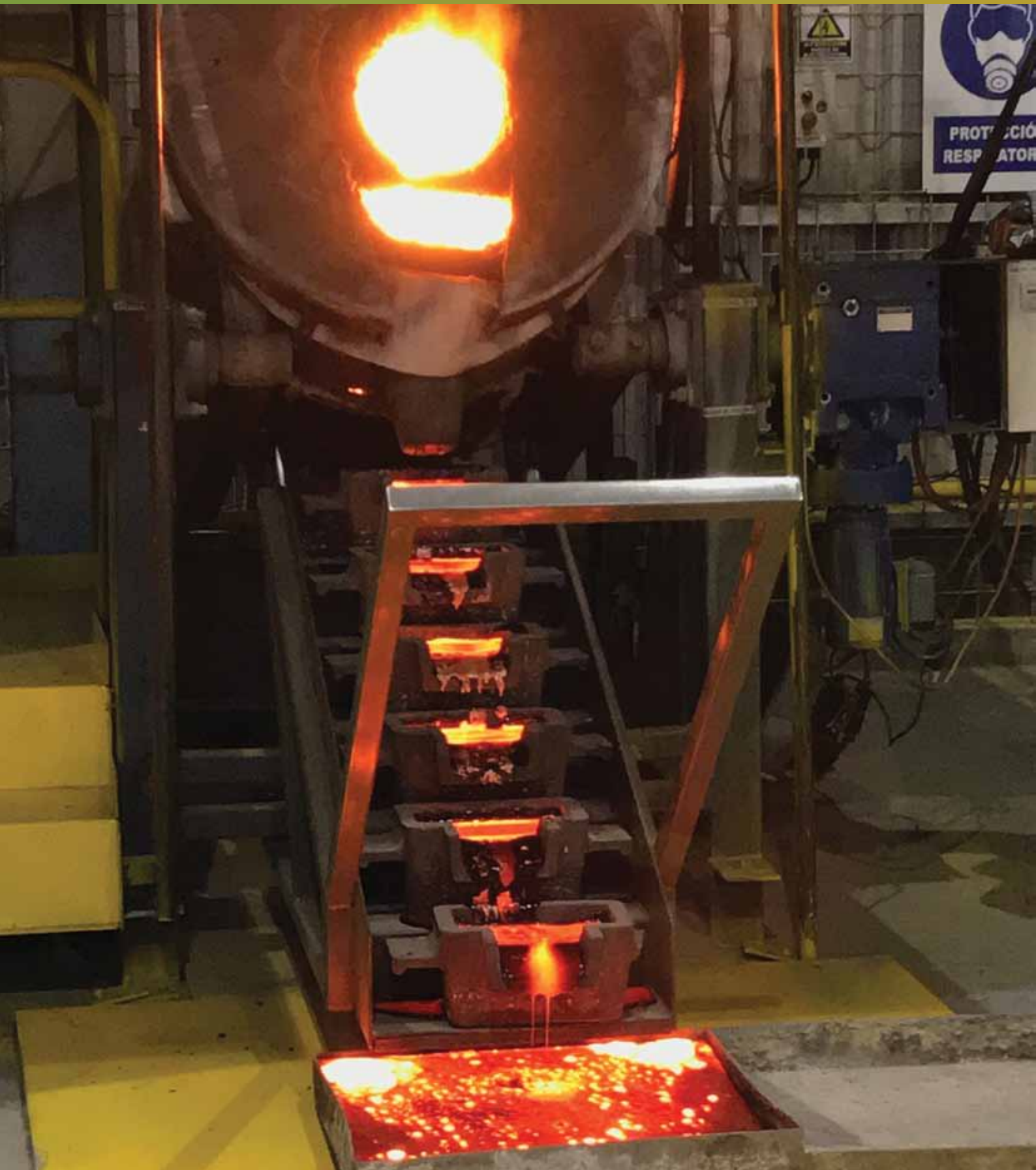
The information in the report to which this statement is attached that relates to Ore Reserves is based upon information compiled by Dr Robert Trzebski, a Competent Person who is a fellow of the Australian Institute of Mining and Metallurgy (AUSIMM). Dr Robert Trzebski is a Non- Executive Director of the Company and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Robert Trzebski consents to the inclusion in the report of matters based on his information in the form and context in which it appears.







## DIRECTORS' REPORT







# Austral Gold Limited and its Subsidiaries

## Review of Results

### For the 12 Months Ended 31 December 2018

The following report on the review of results for the 12-month period ended 31 December 2018 together with the consolidated financial report of Austral Gold Limited (the Company) and its subsidiaries, (referred to hereafter as the Group). The comparative numbers are for the 6-month period ended 31 December 2017 (FYD17) as the Company changed its year end to align the Company's financial year with that of its operating subsidiaries in 2017.

## Review and Results of Operations

### Operating Results and Dividends

The Group's net loss attributable to shareholders for the 12-month period ended 31 December 2018 (FY18) was US\$26.1m (6 months ended 31 December 2017: net loss

\$13.3m) (FYD17). The net loss during FY18 was mainly due to a US\$29.2m impairment loss related to the Casposo mine as explained below.

The Group earned sales revenue of US\$122.8m in FY18 (FYD17: US\$48.9m) as production (100% basis) was 88,107 AuEq oz (FYD17: 42,337 AuEq oz). The increase in revenue was due to (i) 12-month period as compared to a 6-month period, and (ii) an increase of production at Guanaco/Aman-caya, which was partially offset by a decrease in production at Casposo. The increase in production at Guanaco/Aman-caya occurred due to completion of the construction of the new agitation leaching plant during the latter part of 2017, higher gold and silver grades, higher recovery rates and higher throughput. Production at Casposo decreased due to lower head grades, lower tonnage of ore extraction from the mine due to operational delays, changes in exploitation sequence, poor rock quality conditions that required further fortification work, amongst others.

## FYD18 Production Summary

Operations	Guanaco/ Amancaya Mines		Casposo Mine (100% basis)		Net to Austral Gold*	
	YTD 2018 Actual	Calendar 2018 Forecasted	YTD 2018 Actual	Calendar 2018 Forecasted	YTD 2018 Actual	Calendar 2018 Forecasted
Gold produced (Oz)	54,075	56,000	11,564	10,000- 12,000	62,170	63,000- 64,000
Silver produced (Oz)	585,201	520,000	1,231,316	1,400,000	1,447,122	1,500,000
Gold-Equivalent (Oz) ***	61,271	62,000	26,836	26,000- 28,000	80,056	80,000- 82,000
C1 Cash Cost (US\$/AuEq Oz)**	792	820-850	1,362	1,270-1,300	957	950-990
All-in Sustaining Cost (US\$/Au Oz)#	943	950-1,000	1,710	1,600-1,650	1,175	1,150-1,200
Sustaining Capital (\$000's)	6,646	10,000	8,273	9,000	14,919	16,300
Realised gold price (US\$/Au oz)	1,227	1,214	1,227	1,215	1,227	1,282
Realised silver price (US\$/Ag oz)	15	17	15	17	15	17

\* Austral Gold owned 70% of Casposo since March 2017

\*\* The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)

# The All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation

\*\*\* AuEq ratio is calculated at 84:1 Ag:Au for the twelve months ended 31 December 2018

(1) "Cash cost" and All-in Sustaining-Cost (AISC) are non-IFRS financial information and are not subjected to audit

Overall operating cash costs decreased to US\$957/AuEq oz during FY18 compared to US\$994/AuEq oz during FYD17. The overall decrease in operating costs was mainly driven by the Guanaco/Amancaya operation that offset the weaker performance of the Casposo operation. The cash costs of production at the Guanaco/Amancaya mine decreased to US\$792/AuEq oz in FY18 from US\$1,103/AuEq oz in FYD17 while the operating cash costs at Casposo increased to US\$ 1,362/AuEq oz in FY18 from US\$924/AuEq oz in FYD17. Overall operating cash costs were primarily impacted by cost saving initiatives, depreciation of local currencies against the US dollar, higher gold and silver grades and higher recovery rates at the Guanaco/Amancaya operation.

The Group achieved a gross profit of US\$6.0m or 5% (including US\$18.4m of depreciation and amortization) during FY18 (FYD17: negative gross profit of US\$4.0m or -8% including US\$13.9m of depreciation and amortization). Excluding depreciation and amortisation, the Group earned a gross profit in FY18 of US\$24.4m or 20% (FYD17: US\$10.0m or 20.4%).

The Group recorded an impairment loss of US\$29.2m related to its Casposo property during FY18 as the Group valued the property at US\$7.8m. The low valuation is based on a change in the Group's mine plan for Casposo which anticipates the current remaining life of the mine to end during the first half of FY19. The Company is currently evaluating alternatives for Casposo.

FY18 administration expenses were US\$12.4m (FYD17: US\$8.6m). Administration expenses were lower in FYD18 on a pro-rata basis in comparison to FYD17 mainly due to lower administration costs, lower staff costs as FYD17 included a performance bonus paid in shares to the CEO and the effect of the depreciation of the Chilean peso and Argentine peso against the US dollar.

Other income increased to US\$1.9m in FY18 from US\$0.1m in FYD17 primarily from the realization of Argentine silver tax credits in FY18.

A loss on movements in financial assets of US\$1.2m was realised in FY18 compared to a gain of US\$0.6m in FYD17. The loss realised in FY18 was primarily due to the decrease in the valuation of the option to acquire the remaining 30% interest in Casposo.

Net finance costs were US\$2.1m in FY18 compared to US\$3.0m in FYD17. The decrease was mainly due to lower losses on foreign exchange due to the devaluation of the Argentine Peso and Chilean Peso against the USD and the net monetary position of the Group. This was partially offset by an increase in interest expense which was mainly due to new short-term financing and the renewal of certain borrowings.

FY18 negative EBITDA was US\$(16.5m) (FYD17: US\$2.0m). Excluding the gain/(loss) on movements in financial assets and the impairment loss, FY18 resulted in adjusted EBITDA of US\$13.9m (FYD17: US\$1.4m).

	12 months ended 31 December 2018 US\$000	6 months ended 31 December 2017 US\$000
Revenue	122,767	48,867
Gross (loss) profit	5,958	(3,958)
Gross (loss) profit %	4.9%	(8.1%)
Adjusted gross profit (excluding depreciation and amortization)	24,380	9,952
Adjusted gross profit %	19.86%	20.37%
EBITDA	(16,506)	2,032
EBITDA per share (basic)	(0.031)	0.004
Adjusted EBITDA*	13,886	1,407
Adjusted EBITDA per share (basic)	0.026	0.003
(Loss)/profit attributed to shareholders	(26,064)	(13,299)
(Loss)/profit attributed to non-controlling interests	(10,171)	(81)
(Loss)/earnings per share (Basic)	(4.88)c	(2.56)c
(Loss) /earnings per share (Diluted)	(4.88)c	(2.56)c
Comprehensive loss/(income)	(36,262)	(13,357)

\*excluding gain/(loss) on financial assets and impairment loss

Note: Readers are cautioned that adjusted gross profit and net/(loss) profit before finance costs, income tax expense and depreciation ('Adjusted EBITDA') do not have standardised meanings as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Further, readers are cautioned that Adjusted EBITDA should not replace profit or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance. are cautioned that Adjusted EBITDA should not replace profit or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance.

## Financial Position

The net assets of the Group decreased by US\$36.5m since 31 December 2017 to US\$54.9m at 31 December 2018 (31 December 2017: US\$91.4m). Working capital was negative US\$5.2m at 31 December 2018, a decrease of US\$6.6m compared to working capital of US\$1.4m at 31 December 2017. The decrease in working capital arose mainly due to the operational performance at Casposo and related other issues as described above.

Trade and other receivables decreased by US\$3.6m to US\$9.2m mainly due to a decrease in trade receivables and prepaid income tax which was partially offset by an increase in VAT credits receivable.

Inventories decreased by US\$9.0m to US\$13.8m and is mainly due to a decrease in ore stockpiles and a decrease in gold and silver bullion in process. The ore stockpiles were higher at 31 December 2017 mainly due to the start up of the open pit operation at Amancaya. The allowance for inventory obsolescence increased by US\$0.1m to US\$1.1m as at 31 December 2018.

Non-current assets decreased by US\$29.3m in FY18 compared to FYD17 primarily due to the impairment on the Group's Casposo property.

Trade and other payables decreased by US\$8.4m in FYD18 compared to FYD17 and is mainly due to a decrease in trade payables.

## Cash flow

Net cash provided from operating activities before and after changes in assets and liabilities was US\$13.0m and US\$21.3m during FY18 compared to US\$2.0m and US\$9.2m during FYD17 respectively. In addition to the FY18 being for 12 months compared to 6 months for FYD17, the increase is mainly due to higher cash generated at Guanaco/Amancaya as described above.

Cash used in investing activities totaled US\$17.7m during FY18 compared to US\$8.1m during FYD17. Cash was used primarily for additions to property, plant and equipment and mine properties.

Cash flows from financing activities were US\$(8.5m) during FY18 compared to US\$(0.6m) during FYD17 mainly due to the repayment of borrowings.

## Liquidity

As at 31 December 2018, the Group had a current ratio equal to 0.83 (FYD17 1.03) along with US\$1.7m cash and cash equivalents (FYD17 \$6.6m). In addition, the Group forecasts 2019 production of 75,000-85,000 gold equivalent ounces (100% basis\*) and 74,000-77,000 gold equivalent ounces (net basis).

	As at 31 December 2018 US\$000	As at 31 December 2017 US\$000
Cash & Cash equivalents	1,716	6,612
Current Assets	25,264	43,519
Non-Current Assets	81,970	111,242
Current-Liabilities	30,487	42,104
Non-Current Liabilities	21,875	21,241
Net Assets	54,872	91,416
Net Current (Liabilities) Assets	(5,223)	1,415
Total Borrowings	18,471	22,592
Current ratio *	0.83	1.03
Total Liabilities to Net Assets	0.95	0.69

\*Current Assets divided by Current Liabilities



## THE DIRECTORS

The Directors and Senior Management of the Company in office during or since the end of the financial year.



**Eduardo Elsztain**  
Chairman

Mr. Eduardo Elsztain is Chairman of IRSA Inversiones y Representaciones S.A. (NYSE:IRS; BASE:IRSA), one of Argentina's largest and most diversified real estate companies; and IRSA Commercial Properties (NASDAQ:IRCP; BASE: IRCP), with 15 shopping centres 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; BASE: CRES) and BrasilAgro (NYSE:LND; BVMF: AGRO3), leading Latin American agricultural companies that own directly and indirectly almost one million hectares of farmland.

Mr Elsztain is also Chairman of Banco Hipotecario S.A. (BASE:BHIP) and of BACS, a leading Argentinean bank specialised in providing innovative financial solutions to local companies.

He is Chairman of IDB Development, a leading conglomerate in 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: CEL; TASE: CEL), among others.

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

Mr. Elsztain is also a 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 Fundación 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.

Appointed Director 29 Jun 2007  
Appointed Chairman on 2 Jun 2011  
Re-elected by shareholders on 30 May 2018



**Stabro Kasaneva**  
Executive Director, Chief Executive Officer

Mr. Kasaneva is a Geologist with a degree from the Universidad Católica del Norte, Chile and has over 30 years of experience in production geology, exploration and management of precious metal mining operations.

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

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

Mr. Kasaneva has not held any other Directorships.

Appointed 7 Oct 2009  
Re-elected by shareholders on 30 May 2018



**Saul Zang**  
Non-Executive Director

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 the Buenos Aires Stock Exchange and provides legal advice to national and international companies.

Mr Zang currently holds:

- i. Vice-Chairmanships on the Boards of IRSA (NYSE: IRS, BASE: IRSA), IRSA Commercial Properties (NASDAQ: IRCP, BASE: IRCP), Cresud (NASDAQ: CRESY, BASE: CRES) and
- ii. Directorships with Banco Hipotecario (BASE: BHIP), BrasilAgro (NYSE: LND, BVMF:AGRO3), IDB Development – 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 Australian or Canadian listed companies in the last three years.

Appointed 29 Jun 2007  
Re-elected by shareholders on 30 May 2018

## THE DIRECTORS



**Wayne Hubert**  
Non-Executive Director,

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. In addition to his role at Austral Gold Limited, Mr Hubert is the Chief Executive Officer and Director of InZinc Mining Limited (TSX-V: IZN).

Appointed 18 Oct 2011  
Re-elected by shareholders on 30 May 2018



**Ben Jarvis**  
Non-Executive Director  
Member of the Audit Committee

Mr Jarvis is the Managing Director of Six Degrees Investor Relations, an Australian advisory firm that provides investor relations services 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.

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

Appointed 2 Jun 2011  
Re-elected by shareholders on 30 May 2018

The Company's Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders. The Board brings a broad mix of experience and skills to the Company including in the areas of corporate governance, legal, geological expertise and financial management.





**Pablo Vergara del Carril**  
Non-Executive Director,  
Member of the Audit Committee

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 organisations. 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 recognised 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 Commercial Properties (NASDAQ: IRCP, BASE: APSA) 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 Australian or Canadian listed companies in the last three years.

Appointed 18 May 2006  
Re-elected by shareholders on 30 May 2018



**Robert Trzebski**  
Non-Executive Director,  
Chairman of the Audit Committee

Dr Trzebski holds a degree in Geology, PhD in Geophysics, Masters in Project Management and has over 25 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.

Appointed 10 Apr 2007  
Re-elected by shareholders on 30 May 2018

## SENIOR MANAGEMENT AND COMPANY SECRETARY



**Rodrigo Ramirez**  
Vice President of Operations

Mr. Ramirez holds a Mining Engineering degree from the University of Chile.

He assumed the role of VP of Operations as the Company looks to maximize efficiencies across three operations and seek out growth opportunities.

He has been involved with the Company since it was founded, to recommission the Guanaco mine. Mr. Ramirez has led mining and engineering activities since then, as well as all reviews and analysis of the Company's growth activities. Mr. Ramirez recently led the design and construction of the Company's new agitation leach plant at Guanaco. Prior to joining Austral, had senior operational, planning and execution roles at Antofagasta PLC and at Meridian Gold's world class El Peñon mine acquired by Yamana Gold.

Appointed 7 August 2017



**José Bordogna**  
Chief Financial Officer

Mr. Bordogna is a Certified Public Accountant and holds a Bachelor of Accounting from the Universidad Catolica Argentina, a Masters of Finance from Universidad del CEMA, Argentina and a Masters of International Business from the University of Sydney, Australia.

In his time with the company, José has overseen the conversion of more than US\$50m in debt to equity, more than \$15m in equity investments with TSX-V listed companies, as well as more than US\$50m in direct investments in key exploration and mining-related assets.

Prior to joining Austral Gold in 2013, Mr. Bordogna worked for the International Finance Corporation (IFC) — member of the World Bank Group, and Deloitte & Touche in Latin America. He has over 15 years' experience in corporate finance, M&A, investment banking and accounting roles.

Appointed 22 August 2016



**Andrew Bursill**  
Automatic Group, Company Secretary

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 Argonaut Resources Limited.

Appointed 10 Jan 2014

## 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 were

Director	Directors' meetings		Audit Committee meetings	
	A	B	A	B
Pablo Vergara del Carril	3	3	3	3
Robert Trzebski	2	3	3	3
Wayne Hubert	2	3	2	2
Eduardo Elsztain	3	3	N/A	N/A
Saul Zang	3	3	N/A	N/A
Stabro Kasaneva	3	3	N/A	N/A
Ben Jarvis	3	3	1	1

A: Number of meetings attended

B: Number of meetings held during the time the Director held office during the financial year

## Shares and Options

At the date of this report there are no options over the Company's ordinary shares.

During or since the end of the financial year, the Company has not granted options over its ordinary 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
- 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 Key Management Personnel

- The relevant interest of each Director (directly or indirectly) in the share capital of the Company, as notified by the Directors to the Australian Securities 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	455,443,295
S Zang	1,435,668
S Kasaneva	6,881,230
B Jarvis	-
W Hubert	1,750,000
R Ramirez	279,514

It is also noted:

1. E Elsztain, S Zang, P Vergara del Carril and are Directors of Guanaco Capital Holding Corp which holds 31,386,890 shares according to the last substantial holder notice lodged in January 2019.
2. E Elsztain and S Zang are Directors of IFISA which holds 414,880,857 shares according to the last substantial holder notice lodged in January 2019.

E Elsztain is the ultimate beneficial owner of IFISA.

## Remuneration Report (Audited)

### Remuneration Policy

The full Board of Austral Gold is responsible for determining remuneration policies in respect of executives and Key Management Personnel (KMP).

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.



## The Key Management Personnel (KMP) during or since the end of the financial year were:

The Directors of the Group during or since the end of the financial year:

- **Eduardo Elsztain** Non-Executive Chairman
- **Saul Zang** Non-Executive Director
- **Pablo Vergara de Carril** Non-Executive Director
- **Wayne Hubert** Non-Executive Director
- **Robert Trzebski** Non-Executive Director
- **Ben Jarvis** Non-Executive Director
- **Stabro Kasaneva** Chief Executive Officer and Director

The Senior Executive KMP during or since the end of the financial year:

- **Rodrigo Ramirez** Vice President of Operations
- **Juan Andres Morel** Former Chief Operating Officer
- **José Bordogna** Chief Financial Officer
- **Diego Guido** Former Vice President Exploration

### Remuneration of KMP

The Group has employment agreements with all executive KMP in accordance with the laws in the jurisdiction in which the KMP is employed.

Remuneration of executive KMP is made up of a fixed component and a variable component. Performance against pre-determined targets (KPIs) are used to determine the portion of the variable component paid annually.

The KPIs are based on financial and non-financial indicators and include production, safety, cost of production, sustaining capital investments and new business and value accretive investments amongst others.

### Link Between Remuneration and Performance

The Group aims to align its executive remuneration to its strategic and business objectives and the creation of shareholder wealth. The table below shows the measures of the Group's financial performance over the last 5 financial years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measure and the variable remuneration awarded.

	12 months ended 30 June 2015	12 months ended 30 June 2016	12 months ended 30 June 2017	6 months ended 31 December 2017	12 months ended 31 December 2018
Sales Revenue (US\$'000)	62,465	55,865	101,025	48,867	122,767
Profit/(loss) before tax (US\$'000)	(3,088)	27,711	(6,232)	(14,905)	(37,054)
Basic EPS (US cents per share)	(1.58)	5.25	(0.85)	(2.56)	(4.88)
Share price (cents AUD)	14.2	15.6	15.0	15.0	6.0

## Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each Directors of the Group and each of the KMP of the Group during the financial year are:

### Twelve-month period ended 31 December 2018

	Primary			Post-employment		Share-based		Total
	Cash and accrued Salary and Fees US\$	Accrued Cash Bonus US\$ <sup>1</sup>	Non-monetary benefits US\$	Superannuation US\$	Retirement/Termination benefits US\$	Shares US\$	Options US\$	US\$
Directors								
E Elsztain	100,000	-	-	-	-	-	-	100,000
S Zang	50,000	-	-	-	-	-	-	50,000
S Kasaneva	381,371	381,371	-	-	-	-	-	762,742
W Hubert	58,000	-	-	-	-	-	-	58,000
R Trzebski	45,675	-	-	4,325	-	-	-	45,675
B Jarvis	45,675	-	-	4,325	-	-	-	45,675
P Vergara del Carril	50,000	-	-	-	-	-	-	50,000
<b>Total Directors</b>	<b>730,721</b>	<b>381,371</b>	<b>-</b>	<b>8,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,120,742</b>
Executive KMP <sup>4</sup>								
R. Ramirez	309,362	309,362	-	-	-	-	-	618,724
J. Morel <sup>2</sup>	170,703	307,132	-	-	-	-	-	477,835
J Bordogna	150,454	83,250	-	-	-	-	-	233,704
D Guido <sup>3</sup>	112,100	116,626	-	-	-	-	-	228,726
<b>Total Executive KMP</b>	<b>742,619</b>	<b>816,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,558,989</b>
<b>Total 2018 December</b>	<b>1,473,340</b>	<b>1,197,741</b>	<b>-</b>	<b>8,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,679,731</b>

<sup>1</sup> Accrued cash bonus defined as bonus earned during the year that has been paid or accrued

<sup>2</sup> KMP was employed by the Group up to 31 May 2018

<sup>3</sup> No longer employed as a KMP effective 30 September 2018 and engaged as a part-time consultant at a monthly fee of US\$3,125 per month effective October 2018.

<sup>4</sup> All salaries are paid in local currency and converted to USD by average FX – only for the purpose of preparing this table

**Six-month period ended 31 December 2017**

	Primary			Post-employment		Share-based		Total
	Cash and accrued Salary and Fees US\$	Accrued Cash Bonus US\$	Non-monetary benefits US\$ <sup>1</sup>	Superannuation US\$	Retirement benefits US\$	Shares US\$	Options US\$	US\$
Directors								
E Elsztain	40,000	-	-	-	-	-	-	40,000
S Zang	20,000	-	-	-	-	-	-	20,000
S Kasaneva	187,916	170,000	-	-	-	547,330	-	905,246
W Hubert	24,000	-	-	-	-	-	-	24,000
R Trzebski	14,282	-	-	1,357	-	-	-	15,639
B Jarvis	14,282	-	-	1,357	-	-	-	15,639
P Vergara del Carril	20,000	-	-	-	-	-	-	20,000
<b>Total Directors</b>	<b>320,480</b>	<b>170,000</b>	<b>-</b>	<b>2,714</b>	<b>-</b>	<b>547,330</b>	<b>-</b>	<b>1,040,524</b>
Executive KMP <sup>3</sup>								
R. Ramirez	151,893	135,000						286,893
J. Morel	134,493	121,000						255,493
J Bordogna	91,906	50,000	-	-	-	-	-	141,906
D Guido	92,522	50,000	-	-	-	-	-	142,522
M Brown <sup>1, 2</sup>	107,085	-	6,111	-	322,161	-	-	435,357
<b>Total Executive KMP</b>	<b>577,899</b>	<b>356,000</b>	<b>6,111</b>	<b>-</b>	<b>322,161</b>	<b>-</b>	<b>-</b>	<b>1,262,171</b>
<b>Total 2017 December</b>	<b>898,379</b>	<b>526,000</b>	<b>6,111</b>	<b>2,714</b>	<b>322,161</b>	<b>547,330</b>	<b>-</b>	<b>2,302,695</b>

<sup>1</sup> Represents health benefits

<sup>2</sup> No longer employed as KMP effective as of 31 December 2017

<sup>3</sup> All salaries are paid in local currency and converted to USD by average FX – only for the purpose of preparing this table



### Contractual Arrangement with Executive KMP at December 31, 2018

Name	Term of Agreement and notice period	Base salary	Termination payments
Stabro Kasaneva Chief Executive Officer	No fixed term 30 days notice	Base salary is paid in Chilean pesos annually with no FX adjustment clause (US\$381,731 at USD:CLP exchange rate 1:642)	Pro rata bonus accrued
Rodrigo Ramirez VP of Operations	No fixed term 30 days notice	Base salary is paid in Chilean pesos annually with no FX adjustment clause (US\$309,362 at USD:CLP exchange rate 1:642)	Pro rata bonus accrued
Jose Bordogna Chief Financial Officer	No fixed term 30 days notice	Base salary is paid in Argentine pesos annually with no FX adjustment clause (US\$138,130 at ARS:USD exchange rate 30:1)	Pro rata bonus accrued

### Relative Proportion of Fixed vs Variable Remuneration Expense

The following table shows the relative proportions of executive remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above

Name	Fixed remuneration		At risk — short-term incentive		At risk — long-term incentive	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
Executive Directors						
Stabro Kasaneva	50%	21%	50%	79%	0%	0%
KMP						
Rodrigo Ramirez	50%	53%	50%	47%	0%	0%
Jose Bordogna	62%	46%	38%	54%	0%	0%
Juan Andrés Morel	36%	53%	64%	47%	0%	0%
Diego Guido	52%	65%	48%	0%	0%	0%

End of Remuneration Report (Audited)

### **Other transactions with KMP**

Zang, Bergel & Viñes Abogados is a related party since two non-executive 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 twelve month period ended 31 December 2018 amounted to US\$117,663 (six months ended 31 December 2017: US\$63,536). This concludes the remuneration report, which has been audited.

Cresud S.A.C.I.F.Y.A, IRSA Inversiones y Representaciones S.A., IRSA Proiedades Comerciales S.A. and Consultores Asset Management S.A. are related parties as they are controlled by Non-executive Director and Chairman, Eduardo Elsztain. During the twelve month period ended 31 December 2018 a total of US\$197,237 was charged to the Company (six months ended 31 December 2017: US\$270,368) in regard to IT services support, HR services, software licenses and building/ office expenses.

### **Auditors**

KPMG 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 period by the auditor are outlined in note 9 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the period 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 9 during the period 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 period ended 31 December 2018 has been received and is included in this report.

Signed in accordance with a resolution of Directors at Sydney.

### **Rounding of Amounts**

The Company is a company of the kind referred to in ASIC Instrument 2016/191, dated 1 April 2016, and in accordance with that Instrument amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

For and on behalf of the board



**Robert Trzebski**

Director

15 March 2019



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Austral Gold Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Austral Gold Limited for the financial year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Daniel Camilleri  
Partner

Sydney  
15 March 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



## FINANCIAL STATEMENTS





## Austral Gold Limited Financial Report 2018

### Consolidated statement of profit or loss and other comprehensive income

All figures are reported in thousands of US\$	Note	12 months ended 31 December 2018	6 months ended 31 December 2017
<b>Continuing operations</b>			
Sales revenue		122,767	48,867
Cost of sales	6	(98,387)	(38,915)
<b>Gross (loss) profit before depreciation and amortisation expense</b>		<b>24,380</b>	<b>9,952</b>
Depreciation and amortisation expense		(18,422)	(13,910)
<b>Gross (loss) profit</b>		<b>5,958</b>	<b>(3,958)</b>
Other income		1,868	100
Administration expenses	7	(12,362)	(8,645)
Impairment of assets	17/18	(29,190)	-
Net finance costs	8	(2,126)	(3,027)
Gain/(loss) on financial assets		(1,202)	625
<b>(Loss)/Profit before income tax</b>		<b>(37,054)</b>	<b>(14,905)</b>
Income tax benefit	10	819	1,525
<b>(Loss)/Profit after income tax expense</b>		<b>(36,235)</b>	<b>(13,380)</b>
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		(26,064)	(13,299)
Non-controlling interests		(10,171)	(81)
		<b>(36,235)</b>	<b>(13,380)</b>
Items that may not be classified subsequently to profit or loss			
Foreign currency translation		(27)	23
<b>Total comprehensive (loss)/income for the year</b>		<b>(36,262)</b>	<b>(13,357)</b>
<b>Comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(26,091)	(13,276)
Non-controlling interests		(10,171)	(81)
		<b>(36,262)</b>	<b>(13,357)</b>
<b>Earnings per share (cents per share):</b>			
Basic earnings per share	11	(4.88)	(2.56)
Diluted earnings per share	11	(4.88)	(2.56)

The notes on pages (6) to (34) are an integral part of these consolidated financial statements.

# Austral Gold Limited Financial Report 2018

## Consolidated statement of financial position

All figures are reported in thousands of US\$	Note	As at 31 December 2018	As at 31 December 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,716	6,612
Trade and other receivables	15	9,168	12,722
Other financial assets	16	561	1,354
Inventories	14	13,819	22,831
<b>Total current assets</b>		<b>25,264</b>	<b>43,519</b>
<b>Non-current assets</b>			
Other receivables	15	139	371
Mine properties	17	6,723	12,336
Property, plant and equipment	18	54,020	78,839
Exploration and evaluation expenditure	19	16,270	15,891
Goodwill	17	926	926
Deferred tax assets	10	3,892	2,879
<b>Total non-current assets</b>		<b>81,970</b>	<b>111,242</b>
<b>Total assets</b>		<b>107,234</b>	<b>154,761</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	17,541	25,966
Deferred revenue	30	2,140	-
Employee entitlements	21	1,860	2,049
Borrowings	23	8,946	14,089
<b>Total current liabilities</b>		<b>30,487</b>	<b>42,104</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	5	6
Provisions	22	10,664	11,729
Borrowings	23	9,525	8,503
Employee entitlements	21	793	1,003
Deferred tax liability	10	888	-
<b>Total non-current liabilities</b>		<b>21,875</b>	<b>21,241</b>
<b>Total liabilities</b>		<b>52,362</b>	<b>63,345</b>
<b>Net assets</b>		<b>54,872</b>	<b>91,416</b>
<b>Equity</b>			
Issued capital	24	100,569	100,569
Accumulated losses	25	(49,473)	(23,210)
Reserves	26	35	62
Non-controlling interest	27	3,741	13,995
<b>Total equity</b>		<b>54,872</b>	<b>91,416</b>

The notes on pages (6) to (34) are an integral part of these consolidated financial statements.



# Austral Gold Limited Financial Report 2018

## Consolidated statement of changes in equity

For the 12 months ended 31 December 2018 and 6 months ended 31 December 2017

All figures are reported in thousands of US\$	Note	Issued capital	Accumulated losses	Reserves	Non-controlling interest	Total
<b>Balance at 30 June 2017</b>		<b>99,050</b>	<b>(9,911)</b>	<b>39</b>	<b>14,201</b>	<b>103,379</b>
Profit/(loss) for the period		-	(13,299)	-	(81)	(13,380)
Foreign exchange movements from translation of financial statements to US\$		-	-	23	-	23
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>(13,299)</b>	<b>23</b>	<b>(81)</b>	<b>(13,357)</b>
Shares issued	24	1,519	-	-	-	1,519
Dividends declared	29	-	-	-	(125)	(125)
<b>Balance at 30 December 2017</b>		<b>100,569</b>	<b>(23,210)</b>	<b>62</b>	<b>13,995</b>	<b>91,416</b>
Adjustment on initial application of AASB15 (net of tax)	5	-	(199)	-	-	(199)
<b>Adjusted balance at 1 January 2018</b>		<b>100,569</b>	<b>(23,409)</b>	<b>62</b>	<b>13,995</b>	<b>91,217</b>
Profit (loss) for the period		-	(26,064)	-	(10,171)	(36,235)
Foreign exchange movements from translation of financial statements to US\$	26	-	-	(27)	-	(27)
<b>Total comprehensive income / (loss)</b>		<b>-</b>	<b>(26,064)</b>	<b>(27)</b>	<b>(10,171)</b>	<b>(36,262)</b>
Dividends declared	29	-	-	-	(83)	(83)
<b>Balance at 31 December 2018</b>		<b>100,569</b>	<b>(49,473)</b>	<b>35</b>	<b>3,741</b>	<b>54,872</b>

The notes on pages (6) to (34) are an integral part of these consolidated financial statements

# Austral Gold Limited Financial Report 2018

## Consolidated statement of cash flows

All figures are reported in thousands of US\$

All figures are reported in thousands of US\$	Note	12 months ended 31 December 2018	6 months ended 31 December 2017
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		6,612	6,094
Cash and cash equivalents, at the end of the period		1,716	6,612
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,896)</b>	<b>518</b>
<b>Causes of change in cash and cash equivalents</b>			
<b>Operating activities</b>			
(Loss) / profit after income tax		(36,235)	(13,380)
<b>Non-cash items</b>			
Income tax benefit recognised in profit or loss		(819)	(1,525)
Impairment of assets		29,190	-
Depreciation and amortisation		18,422	13,910
Interest received		(84)	-
Gain on sale of plant, property and equipment		(141)	-
Non-cash net finance charges		1,680	1,763
Inventory write-down		133	-
Allowance for doubtful accounts		(97)	-
Performance bonus paid through issuance of ordinary shares		-	547
Non-cash employee entitlements		(210)	1,318
(Gain)/loss in fair value of other financial assets		1,202	(625)
<b>Net cash from operating activities before change in assets and liabilities</b>		<b>13,041</b>	<b>2,008</b>
Changes in working capital:			
Decrease / (increase) in inventory		8,680	(3,484)
Decrease / (increase) in trade and other receivables		3,883	2,314
Increase / (decrease) in trade and other payables		(6,219)	8,343
Increase / (decrease) in deferred revenue		2,140	-
Increase / (decrease) in employee entitlements		(189)	-
<b>Net cash provided through operating activities</b>		<b>21,335</b>	<b>9,181</b>
<b>Cash flows from investing activities</b>			
Net additions to plant and equipment	18	(15,854)	(7,469)
Proceeds from sale of bonds and securities		894	333
Proceeds from sale of property, plant and equipment		203	-
Payment for investment in bonds and securities		(1,303)	(87)
Payment for investment in exploration and evaluation	19	(553)	(744)
Payment for investment in mine properties	17	(1,214)	(105)
Interest received		84	-
<b>Net cash used in investing activities</b>		<b>(17,743)</b>	<b>(8,072)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,746	5,333
Repayment of borrowings	15	(11,421)	(2,047)
Financial lease payments		(2,813)	(3,877)
<b>Net cash used in financing activities</b>		<b>(8,488)</b>	<b>(591)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,896)</b>	<b>518</b>

The notes on pages (6) to (34) are an integral part of these consolidated financial statements

# Notes to the financial statements

## 1. Reporting entity

Austral Gold Limited (“the Company”) is a company limited by shares that is incorporated and domiciled in Australia. The Company’s shares are publicly traded on the Australian Securities Exchange under the symbol AGD and on the TSX Venture Exchange under the symbol AGLD.

These consolidated financial statements (“financial statements”) as at and for the 12 months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group”). The nature of the operations and principal activities of the Group are described in the Directors’ Report.

These financial statements are available upon request from the Company’s registered office at Level 5, 126 Phillip Street, Sydney NSW 2000 or at [www.australgold.com](http://www.australgold.com).

## 2. Basis of preparation

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 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.

This is the first set of the Group’s audited financial statements where AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments has been applied. Changes to significant accounting policies are described in note 5.

These financial statements were authorised for issue by the Company’s Board of Directors on 15 March 2019.

Details of the Group’s accounting policies are included in Note 36.

### 2.1 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.

### 2.2 Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the audited financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

### 2.3 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 32.

### 2.4 Change in year-end

In November 2017, the financial year end of the Company was changed from 30 June to 31 December to be coterminous with the year end of its operating companies. Accordingly, the financial statements are prepared for the 12 months from 1 January 2018 to 31 December 2018 and the comparative figures stated in the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the related notes and relate to the period 1 July 2017 to 31 December 2017.

# Notes to the financial statements

## 3. Going concern

For the 12 months ended 31 December 2018, the Group incurred a loss after income tax of \$34.125 million (6 months ended 31 December 2017: loss after income tax of \$13.380 million) from continuing operations and generated net cash flows from operating activities of \$21.335 million (6 months ended 31 December 2017: net cash flow from operating activities of \$9.181 million). At 31 December 2018, the group has net current liabilities of \$5.223m.

The Directors note the following with regards to the ability of the Group to continue as a going concern:

- i. At 31 December 2018, the Group had a cash balance of \$1.716 million.
- ii. The Group's cash flow forecasts following the most likely mine plan and 2019 production guidance that forecast production of;
  - 75,000-85,000 gold equivalent ounces (100% basis\*) and 74,000-77,000 gold equivalent ounces (net basis\*); and
  - average 2019 gold and silver selling price of US\$1,300 and US\$15.9 per ounce respectively, indicate that the Group forecasts that it will have free cash flow from operations to meet its current and non-current borrowing obligations and to meet the required capital expenditures.

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realization of assets and settlement of liabilities in the normal course of business. Based on the factors set at above, the Directors believe that the going concern basis of preparation is appropriate and the Group will be able to repay its debts as and when they fall due.

## 4. Use of estimates and judgements

In preparing these financial statements, Management has made judgements, estimates and assumptions that affect the application of the 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 12 months ended 31 December 2018 is detailed below:

### **Carrying value of Mine Properties**

The Group estimates its ore reserves and mineral resources annually at each year end and reports within the following three months, based on information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources (JORC code 2012). The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying amount of mine development (including mine properties, property, plant and equipment and exploration and evaluation assets), the provision for mine closure provisions, the recognition of deferred tax assets, as well as the amount of amortization charged to the statement of profit or loss.

### **Impairment**

Significant judgements, estimates and assumptions are required in determining value in use or fair value less costs of disposal. This is particularly so in the assessment of long life assets. It should be noted that the CGU recoverable amounts are subject to variability in key assumptions including, but not limited to, gold and silver prices, currency exchange rates, discount rates, production profiles and operating and capital costs. A change in one or more of the assumptions used to determine value in use or fair value less costs of disposal could result in a change in a CGU's recoverable amount. Indications of impairment of the Group's Casposo mine property were identified in the current year as disclosed in note 17.

### **Carrying value 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.

\*Austral owns 70% of Casposo



# Notes to the financial statements

## **Mine closure provisions**

Obligations associated with exploration and mine properties are recognised when the Group has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The provision is measured at the present value of the future expenditure and a corresponding rehabilitation asset is also recognised. On an ongoing basis, the rehabilitation will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances (recognised as additions to a corresponding asset and rehabilitation liability).

## **Measurement of fair values**

The Group has established a control framework with respect to the measurement of fair values. 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 12 months ended 31 December 2018 is detailed below:

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:

- i. Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities
- ii. 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)
- iii. Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group holds listed equity securities on the Australian and Canadian stock exchanges and listed Argentine sovereign bonds 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. The option to buy a further 10% in the Casposo mine is within Level 3 of the fair value hierarchy.

Further information about the assumptions made in measuring fair values is included in Note 16 – Other financial assets and Note 28 – Financial instruments.

# Notes to the financial statements

## 5. Changes in significant accounting policies and adoption of new/amended AASB and AASB interpretations

The Group has initially applied AASB 15 (see (i)) and AASB 9 (see (ii)) and AASB Interpretation 22 (see iii) from 1 January 2018. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

### (i) AASB 15 Revenue from Contracts with Customers ("AASB 15")

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, the sale of minerals is recognised at the transfer of control or 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. Determining the timing of the transfer of control-at a point in time or over time-requires judgement.

The Group has adopted AASB 15 using the cumulative effect method. This has been applied to those contracts that were not completed as at 1 January 2018, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sales are set out below.

Type of product or service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Gold and silver	When the customer is the refinery, the control of the metals is transferred at the metal availability date. The metal availability date is when the metals are available for pricing by the refinery. If the customer is not the refinery, revenue is recognized when the metals are transferred to the customer upon receipt and the customer obtains control of the metals. Invoices are payable two business days after the metal availability date.	<p>Under AASB 118, revenue was recognised at the Group's mines as follows:</p> <ul style="list-style-type: none"> <li>a) at the Casposo mine when the refinery confirmed the number of ounces</li> <li>b) at the Guanaco/Amancaya mine revenue was recognized when silver/gold doré bars were shipped to the refinery which was taken to be the point in time at which the customer accepted the material and related risk and rewards of ownership transferred.</li> </ul> <p>Under AASB 15, at the Group's Guanaco /Amancaya and Casposo mines, revenue is recognized when the customer obtains control of the gold and silver sold.</p> <p>When the customer is a refinery, control occurs when material is received and when the customer is not a refinery, control occurs when the ounces of metals are received.</p>

## Notes to the financial statements

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings and non- controlling interest at 1 January 2018.

Impact of adopting AASB 15 as of 1 January 2018	In thousands of US\$
<b>Accumulated losses</b>	
Control of gold and silver sold (1)	(267)
Related tax	68
Impact at 1 January 2018	(199)
Non-controlling interests	-
Impact at 1 January 2018	(199)

(1) Represents sales less cost of sales that was accounted for in December 2017 which under AASB15 would have been accounted for in January 2018.

The following tables summarise the impact of adopting AASB 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income ("OCI") for the year then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the year ended 31 December 2018.

### Impact on the consolidated statement of financial position

In thousands of US\$ As at 31 December 2018	Amount without adoption of AASB 15	Adjustment	As reported
<b>Assets</b>			
Non-current assets	81,970	-	81,970
Cash and cash equivalents	1,716	-	1,716
Trade and other receivables	10,614	(1,446)	9,168
Other financial assets	561	-	561
Inventories	12,989	830	13,819
<b>Current assets</b>	<b>25,880</b>	<b>(616)</b>	<b>25,264</b>
<b>Total assets</b>	<b>107,850</b>	<b>(616)</b>	<b>107,234</b>
<b>Equity</b>			
Issued capital	100,569	-	100,569
Accumulated losses	(49,084)	(389)	(49,473)
Reserves	35	-	35
<b>Equity attributable to owners of the Group</b>	<b>51,220</b>	<b>(389)</b>	<b>51,131</b>
Non-controlling interest	3,741	-	3,741
<b>Total equity</b>	<b>55,261</b>	<b>(389)</b>	<b>54,872</b>
<b>Liabilities</b>			
Non-current liabilities	22,019	(144)	21,875
Trade and other payables	19,764	(2,223)	17,541
Deferred revenue	-	2,140	2,140
Employee entitlements	1,860	-	1,860
Borrowings	8,946	-	8,946
Current liabilities	30,570	(83)	30,487
<b>Total liabilities</b>	<b>52,589</b>	<b>(227)</b>	<b>52,362</b>
<b>Total equity and liabilities</b>	<b>107,850</b>	<b>(616)</b>	<b>107,234</b>

The Group had several sales to a customer who held back approximately 5% of the sale until the price and quantity of gold and silver are verified. In addition, the Group controls when these amounts are sold. These amounts are not considered a sale transaction at 31 December 2018 under AASB 15. Had the revenue been recognised without the adoption of AASB 15, an adjustment to receivables and inventory would have been recorded.

# Notes to the financial statements

## Impact on the consolidated statement of profit or loss and OCI

For the 12 months ended 31 December 2018 In thousands of US\$	Amount without adoption of AASB 15	Adjustment	As reported
Sales revenue	115,755	7,012	122,767
Cost of sales	(91,109)	(7,278)	(98,387)
Gross (loss) profit before depreciation and amortisation expense	24,646	(266)	24,380
Depreciation and amortisation expense	(18,422)	-	(18,422)
<b>Gross (loss) profit</b>	<b>6,224</b>	<b>(266)</b>	<b>5,958</b>
<b>(Loss)/Profit before income tax</b>	<b>(36,788)</b>	<b>(266)</b>	<b>(37,054)</b>
Income tax benefit	743	76	819
<b>(Loss)/Profit after income tax benefit</b>	<b>(36,045)</b>	<b>(190)</b>	<b>(36,235)</b>

The revenue and cost of sales adjustment above reflects the change in accounting policy of applying AASB 15 as referred to on page 9.

### ii. AASB 9 Financial Instruments (“AASB 9”)

AASB 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. The adoption of AASB 9 did not have a significant impact on the Group’s Consolidated Financial statements.

### iii. Adoption of other narrow scope amendments to IFRSs and IFRS Interpretations

The Group also adopted other amendments to IFRSs, as well as the Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration, which were effective for accounting periods beginning on or after 1 January 2018. The impact of adoption was not significant to the Group’s Consolidated Interim Financial Statements.

## 6. Cost of sales

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Profit before income tax includes the following specific expenses:		
Production	63,631	21,312
Staff costs	30,161	15,664
Royalties	4,050	1,934
Mining Fees	545	5
<b>Total cost of sales before depreciation and amortisation expense</b>	<b>98,387</b>	<b>38,915</b>
Depreciation of plant and equipment	16,430	9,184
Depreciation of mine properties	1,992	4,726
<b>Total depreciation and amortisation expense</b>	<b>18,422</b>	<b>13,910</b>
<b>Severance included in staff costs</b>	<b>2,728</b>	<b>319</b>

## 7. Administration expenses

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Consulting and professional services	2,110	1,098
Administration	1,635	1,693
Staff costs	6,794	4,559
Non-executive director fees	358	135
Other	1,465	1,160
<b>Total administration expenses</b>	<b>12,362</b>	<b>8,645</b>
<b>Severance included in staff costs</b>	<b>330</b>	<b>322</b>



# Notes to the financial statements

## 8. Net finance costs

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Interest (income)	(84)	(1)
Interest expense	1,642	666
Loss from foreign exchange	826	1,881
Present value adjustment to mine closure provision	(381)	508
Other	123	(27)
<b>Net finance costs</b>	<b>2,126</b>	<b>3,027</b>

## 9. Auditor's remuneration

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Remuneration of the auditors (KPMG) of the parent entity for:		
Auditing or reviewing the financial reports	95,830	47,200
<b>Total auditors' remuneration - parent entity</b>	<b>95,830</b>	<b>47,200</b>
Remuneration of auditors (KPMG) of subsidiaries for:		
Auditing or reviewing the financial reports	207,030	185,848
Other services/taxation	-	14,888
<b>Total auditors' remuneration - subsidiaries</b>	<b>207,030</b>	<b>200,736</b>

## 10. Income tax expense

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
(A) Income tax expense comprises:		
Current tax payable	591	694
Deferred tax expense	(1,410)	(2,219)
<b>Income tax (benefit)</b>	<b>(819)</b>	<b>(1,525)</b>
(B) Reconciliation of effective income tax rate		
Profit/ (Loss) before tax	(37,054)	(14,905)
Prima facie income tax (benefit)/expense calculated at 30%	(11,116)	(4,471)
Difference due to blended overseas tax rate*	(114)	513
Difference due to change in tax rate	(88)	(311)
Non-deductible expenses	4,295	2,259
Temporary differences not brought into account	682	485
Allowance for doubtful carryforward losses	5,522	-
<b>Income tax (benefit)</b>	<b>(819)</b>	<b>(1,525)</b>

\* Chile tax rate: 27.0% (31 December 2017: 25.5%). Argentina tax rate: Effective June 2018-30% (31 December 2017: 35%)

# Notes to the financial statements

in thousands of US\$	31 December 2018				31 December 2017			
	Chile	Argentina	Other	Total	Chile	Argentina	Other	Total
<b>(C) Deferred tax assets and liabilities</b>								
<b>Deferred tax assets</b>								
Other receivable	102	-	-	102	26	-	-	26
Inventory	69	83	-	152	367	477	-	844
Mining Concessions	-	307	-	307	-	886	-	886
Accrual for mine closure	967	55	-	1,022	920	112	-	1,032
Tax losses carried forward	3,258	518	9,144	12,920	2,583	463	10,307	13,353
Property, plant and equipment	-	8,255	-	2,732	-	585	-	585
Payroll accrual	385	-	-	385	381	-	-	381
Other	-	303	-	303	-	3	-	3
Temporary differences not brought into account	-	(5,522)	(9,144)	(14,666)	-	-	(10,307)	(10,307)
<b>Deferred tax assets</b>	<b>4,781</b>	<b>3,999</b>	<b>-</b>	<b>8,780</b>	<b>4,277</b>	<b>2,526</b>	<b>-</b>	<b>6,803</b>
<b>Deferred tax liabilities</b>								
Other provisions	-	(102)	-	(102)	-	(220)	-	(220)
Mining concessions	(4,625)	-	-	(4,625)	(2,139)	-	-	(2,139)
Financial assets	-	(5)	-	(5)	-	(110)	-	(110)
Leasing assets	(1,044)	-	-	(1,044)	(1,455)	-	-	(1,455)
<b>Deferred tax liabilities</b>	<b>(5,669)</b>	<b>(107)</b>	<b>-</b>	<b>(5,776)</b>	<b>(3,594)</b>	<b>(330)</b>	<b>-</b>	<b>(3,924)</b>
<b>Net deferred tax assets / (Liabilities)</b>	<b>(888)</b>	<b>3,892</b>	<b>-</b>	<b>3,004</b>	<b>683</b>	<b>2,196</b>	<b>-</b>	<b>2,879</b>
<b>Movement in deferred tax balances</b>								
Opening balance	683	2,196	-	2,879	(1,516)	2,873	-	1,357
Exchange rate difference	12	(1,297)	-	(1,285)	-	(697)	-	(697)
Charged to profit or loss	(1,583)	2,993	-	1,410	2,199	20	-	2,219
<b>Closing balance</b>	<b>(888)</b>	<b>3,892</b>	<b>-</b>	<b>3,004</b>	<b>683</b>	<b>2,196</b>	<b>-</b>	<b>2,879</b>

## 11. Earnings per share

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Net profit attributable to owners	(26,064)	(13,299)
<b>Weighted average number of shares used as the denominator</b>		
Number for basic earnings per share	534,173,010	519,883,471
Number for diluted earnings per share	534,173,010	519,883,471
Basic earnings per ordinary share (cents)	(4.88)	(2.56)
Diluted earnings per ordinary share (cents)	(4.88)	(2.56)

## 12. Operating 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, Guanaco/Amancaya and Casposo. The CODM monitors the performance in these two regions separately.

## Notes to the financial statements

in thousands of US\$	12 months ended 31 December 2018				6 months ended 31 December 2017			
	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated
Revenue:								
Gold	76,032	15,384	-	91,416	20,077	12,307	-	32,384
Silver	9,058	22,293	-	31,351	1,910	14,573	-	16,483
Cost of sales	(59,882)	(38,505)		(98,387)	(20,131)	(18,784)	-	(38,915)
Depreciation and amortisation expense	(13,638)	(4,738)	(46)	(18,422)	(8,469)	(5,424)	(17)	(13,910)
Other income	8	1,860	-	1,868	16	84	-	100
Administration expenses	(7,278)	(2,164)	(2,920)	(12,362)	(3,324)	(3,706)	(1,615)	(8,645)
Finance costs	460	(1,931)	(655)	(2,126)	(2,182)	(831)	(14)	(3,027)
Gain/(loss) on movements in financial assets	8	(903)	(307)	(1,202)	-	625	-	625
Impairment of assets	-	(29,190)	-	(29,190)	-	-	-	-
Income tax benefit	(1,789)	3,072	(464)	819	1,505	20	-	1,525
<b>Segment profit/(loss)</b>	<b>2,979</b>	<b>(34,822)</b>	<b>(4,392)</b>	<b>(36,235)</b>	<b>(10,598)</b>	<b>(1,136)</b>	<b>(1,646)</b>	<b>(13,380)</b>
Segment assets	68,394	27,350	11,490	107,234	83,623	61,801	9,337	154,761
Segment liabilities	38,264	12,994	1,104	52,362	48,095	14,037	1,213	63,345
Capital expenditure	8,824	8,455	342	17,621	5,131	4,900	227	10,258

### Geographical information:

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Revenue by geographic location		
Chile	85,090	21,987
Argentina	37,677	26,880
Australia	-	-
Canada	-	-
<b>Total revenue</b>	<b>122,767</b>	<b>48,867</b>
Non-current assets by geographic location		
Chile	58,171	64,849
Argentina	23,697	46,299
Australia	-	-
British Virgin Islands	92	81
Canada	10	13
<b>Total non-current assets</b>	<b>81,970</b>	<b>111,242</b>

# Notes to the financial statements

## 13. Cash and cash equivalents

in thousands of US\$	31 December 2018	31 December 2017
Cash at call and in hand	1,716	6,612
<b>Total cash and cash equivalents</b>	<b>1,716</b>	<b>6,612</b>

### 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:

<b>Cash and cash equivalents</b>	<b>1,716</b>	<b>6,612</b>
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### Risk Exposure

The Group's exposure to interest rate risk is discussed in note 28. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above

## 14. Inventories

in thousands of US\$	31 December 2018	31 December 2017
Materials and supplies	10,453	9,178
Ore stocks	354	5,730
Gold bullion and gold in process	3,012	7,923
<b>Total inventories</b>	<b>13,819</b>	<b>22,831</b>

\*Ore stock inventories require estimates and assumptions most notably in regard to grades, volumes, densities, future completion costs and ultimate sale price. Such estimates and assumptions may change as new information becomes available which may impact upon the carrying value of inventory. The allowance for inventory obsolescence forming part of the above balance is US\$1,082k (31 December 2017:US\$949k).

## 15. Trade and other receivables

in thousands of US\$	31 December 2018	31 December 2017
<b>Current</b>		
Trade receivables	-	2,036
Other current receivables	272	1,435
Prepaid income tax	2,827	4,402
GST/VAT receivable	6,069	4,849
<b>Total current receivables</b>	<b>9,168</b>	<b>12,722</b>
<b>Non-current</b>		
GST/VAT receivable	12	226
Other	121	145
Prepaid income tax	6	-
<b>Total non-current receivables</b>	<b>139</b>	<b>371</b>
<b>Trade debtors</b>		
The ageing of trade receivables is 0-30 days	-	2,036

### 15.1 Past due but not impaired

There were no receivables past due at 31 December 2018 (31 December 2017: nil).

### 15.2 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 28 for more information on the risk management policy of the Group and the credit quality of the receivables.

### 15.3 Key customers

The Group is not reliant on any one customer to sell gold and silver produced from the Guanaco/Amancaya and Casposo mines.



# Notes to the financial statements

## 16. Other Financial Assets

in thousands of US\$	31 December 2018	31 December 2017
<b>Current</b>		
Call option to buy a further 10% of Casposo - level 3	-	903
Options (warrants) — level 2	-	364
Listed bonds — level 1	341	69
Listed equity securities — level 1	220	18
<b>Total current other financial assets at fair value</b>	<b>561</b>	<b>1,354</b>

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 31 December 2018.

Listed equity securities as at 31 December 2018 are shares of Fortuna Silver Mines Inc. (31 December 2017; shares of Troy Resources Limited).

The Group has options to buy the remaining 30% of the Casposo mine. The call options were valued by comparing the discounted future cash flows related to each remaining 10% tranche and comparing against the contracted price for each 10% option.

### Fair value hierarchy

Refer to note 4 of these financial statements for details of the fair value hierarchy.

### Transfers

During the year ended 31 December 2018 there were no transfers between the financial instrument levels of hierarchy.

## 17. Mine properties

in thousands of US\$	Guanaco/Amancaya	Casposo	Total
<b>Mine Properties – 31 December 2018</b>			
Cost	61,129	8,889	70,018
Accumulated amortisation	(54,406)	(8,889)	(63,295)
<b>Carrying value – Mine Properties</b>	<b>6,723</b>	<b>-</b>	<b>6,723</b>
<b>Movements in carrying value</b>			
Carrying amount at 1 January 2018	6,608	5,728	12,336
Additions	1,214	-	1,214
Transfers from Exploration and Evaluation expenditure	-	174	174
Amortisation	(1,099)	(893)	(1,992)
Impairment	-	(5,009)	(5,009)
<b>Carrying amount at 31 December 2018</b>	<b>6,723</b>	<b>-</b>	<b>6,723</b>
<b>Mine Properties – 31 December 2017</b>			
Cost	59,915	8,715	68,630
Accumulated amortisation	(53,307)	(2,987)	(56,294)
<b>Carrying value – Mine Properties</b>	<b>6,608</b>	<b>5,728</b>	<b>12,336</b>
<b>Movements in carrying value</b>			
Carrying amount at 1 July 2017	8,939	7,003	15,942
Additions	105	-	105
Increase in mine closure provision	961	-	961
Present value adjustment	-	54	54
Amortisation	(3,397)	(1,329)	(4,726)
<b>Carrying amount at 31 December 2017</b>	<b>6,608</b>	<b>5,728</b>	<b>12,336</b>

# Notes to the financial statements

## Carrying value – Guanaco/Amancaya

The Guanaco mine has been determined by Management, along with the Amancaya properties in the surrounding areas to be a single cash generating unit (“CGU”). The mine properties noted above and the property, plant and equipment that is an intrinsic part of the mine and its structure (included in note 18) with a total book value of \$51.861m are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Management have assessed the fair value to be above book value of the Guanaco project and therefore no impairment charge has been applied to the assets for the current year. The fair value is based on an independent valuation using a discounted cash flow model and the following key assumptions:

- Gold price: US\$1,268/oz – US\$1,325/oz (31 December 2017 US\$1,277/oz – US\$1,301/oz)
- Silver price: US\$15.90/oz – US\$17.5/oz (31 December 2017 US\$17.30/oz – US\$18.10/oz)
- Life of Mine: 2.5 years (Life of mine based on most recent financial model used for impairment testing)
- Discount Rate (post-tax): 5.2% (31 December 2017: 6.4%)

## Carrying value – Casposo

After the acquisition of and as part of the restart of full operations at the Casposo gold-silver mine (‘Casposo’) an update to the Mineral Resource and Ore Reserve estimate was made. The estimates were reviewed by independent consultants Roscoe Postle Associates (“RPA”), and are summarised in a National Instrument 43-101 (“NI 43-101”) and JORC 2012 compliant Technical Report dated September 7, 2016. The mine properties noted above and the property, plant and equipment that is an intrinsic part of the mine and its structure

There has been a decrease in production at Casposo throughout 2018 due to lower tonnage of ore extraction from the mine due to operational delays, changes in exploitation sequence, poor rock quality conditions that required further fortification work, amongst others. As a result of the decrease in production, management performed a comprehensive review of the Casposo operational and business model which facilitated a short-term mine plan for only the first-half of 2019 with production guidance of 12,000-16,000 GEOs. As such, the Group anticipates that with the current level of reserves, the remaining life of the mine will end during the first half of FY19. This has resulted in a valuation for Casposo which facilitated the impairment loss to write down the book value of the mine and property, plant and equipment to its estimated fair value.

Management have assessed the fair value of Casposo to be lower than the book value. As a result, management has recorded an impairment charge of \$29.190m against the carrying value of the Casposo Mine of which US\$5.009m has been charged against Mine Properties and US\$24.181m against Property, Plant and Equipment. The fair value is based on an independent valuation using a discounted cash flow model and the following assumptions:

- Gold price: US\$1,268/oz US (31 December 2017 US\$1,277/oz – US\$1,301/oz)
- Silver price: US\$15.90/oz US/oz (31 December 2017 US\$17.30/oz – US\$18.10/oz)
- Life of Mine: 0.5 years (Life of mine based on most recent financial model used for impairment testing)
- Discount Rate (post-tax): 10.5% (31 December 2017: 8.4%)

## Change to amortisation

Changes to estimates of the recoverable ounces of the Company’s mining projects are reviewed at least annually, or whenever facts and circumstances warrant that an assessment should be made. During the year ended December 2018, management assessed the estimated recoverable ounces that form the basis for the Company’s Life of Mine (LOM) plans which are used for business purposes and accounting estimates, including: determination of the useful life of property, plant and equipment and measurement of the depreciation and amortisation expense, and impairment assessment for non-current assets.

As a result of this review, the Group determined that the depreciation and amortisation of mining properties and property, plant and equipment should be aligned with the Company’s LOM plans.

Amortisation of the Casposo mine will be over the remaining 6 month expected production life.

The effect of these changes on actual and expected depreciation and amortisation expense on the Guanaco mine included in “cost of sales” is as follows:

In thousands of US\$	2018	2019	2020	2021	Net
(Decrease) increase in depreciation and amortisation expense	(199)	(288)	(292)	779	0

# Notes to the financial statements

## Goodwill

Goodwill has arisen on the acquisition of a subsidiary, Ingenieria y Minería 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.

## 18. Property, plant and equipment

in thousands of US\$	31 December 2018	31 December 2017
Property, plant and equipment - at cost	155,436	139,644
Accumulated depreciation	(101,416)	(60,805)
<b>Carrying amount at end of the period</b>	<b>54,020</b>	<b>78,839</b>
<b>Movements in carrying value</b>		
Carrying amount at beginning of the period	78,839	80,554
Additions	15,854	7,469
Depreciation	(16,430)	(9,184)
Disposals	(62)	-
Impairment of Casposo	(24,181)	-
<b>Carrying amount at end of the period</b>	<b>54,020</b>	<b>78,839</b>

The majority of the property, plant and equipment is included in either the Guanaco/Amancaya Cash Generating Unit ("CGU") or the Casposo ("CGU"). Refer to note 17 for discussion on impairment. Property, plant and equipment that does not form part of the Guanaco or Casposo CGUs 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 31 December 2018, the net carrying amount of lease equipment was US\$12.2m (31 December 2017: US\$16.4m).

in thousands of US\$	31 December 2018	31 December 2017
Stripping costs in production phase included in Property, Plant and Equipment	244	2,241
<b>Movements in carrying value</b>		
Carrying amount at beginning of the period	2,241	2,314
Amortisation	(1,997)	(73)
<b>Carrying amount at end of the period</b>	<b>244</b>	<b>2,241</b>

## 19. Exploration and evaluation expenditure

in thousands of US\$	31 December 2018	31 December 2017
<b>Costs carried forward in respect of areas of interest:</b>		
Carrying amount at the beginning of the period	15,891	14,175
Additions	553	1,723
Transfers to Mining Properties	(174)	-
Write-off for the period	-	(7)
<b>Carrying amount at end of the period</b>	<b>16,270</b>	<b>15,891</b>

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. This balance mainly relates to expenditures at the Guanaco, Casposo and Pingüino exploration projects.

Additions for the 12 months ended 31 December 2018 relate mainly to exploration on the Casposo and Pingüino projects.

Additions for the 6 months ended 31 December 2017 relate mainly to the acquisition of the San Guillermo and Reprado projects from Revelo Resources Corporation ('Revelo', TSX-V: RVL) for consideration of ten million Austral Gold ordinary shares and subject to existing Net Smelter Royalties ('NSR') and an additional NSR of up to 1%. At the time of acquisition, the San Guillermo and Reprado projects were not in production and there was no mine plan to place them into production. For these reasons, among others, the acquisition was accounted for as an asset acquisition. The value of the shares issued was US\$972,006.

# Notes to the financial statements

## 20. Trade and other payables

in thousands of US\$	31 December 2018	31 December 2017
<b>Current</b>		
Trade payables	8,582	14,655
Accrued expenses	3,868	4,331
Royalty payable	1,656	2,259
Salaries and bonuses	2,975	4,105
Income tax payable	15	241
Other taxes payable	148	277
Director fees payable	297	92
Other payables	-	6
<b>Total trade and other payables</b>	<b>17,541</b>	<b>25,966</b>
<b>Non-Current</b>		
Other payables	5	6

## 21. Employee entitlements

in thousands of US\$	31 December 2018	31 December 2017
<b>Current</b>		
Employee entitlements	1,860	2,049
<p>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.</p>		
<b>Non-current</b>		
Employee entitlements	793	1,003

### Indemnification for years of service

Retirement benefits are to be paid upon the death of workers and for disability and retirement.

The methodology followed to determine the provision for all employees adhering to the agreements has considered turnover rates and the RV-2014 mortality table established by the Superintendency of Securities and Insurance to calculate the reserves of life insurance in Chile according to the valuation method called Accumulated Benefit Valuation Method or Accrued Benefit Cost. This methodology is established in the International Accounting Standard No. 19 on Retirement Benefits Costs. The parameters of turnover rates, rates of increase of remunerations and discount rate have been determined by the Group.

## 22. Provisions

in thousands of US\$	31 December 2018	31 December 2017
<b>Non current</b>		
Mine closure	10,628	11,718
Others	36	11
<b>Closing balance</b>	<b>10,664</b>	<b>11,729</b>
<b>Movement in non current provisions</b>		
Opening balance	11,729	10,195
Additions	25	961
Reclassifications from payables	5	11
Exchange difference	(714)	-
Present Value Adjustment	(381)	562
<b>Closing balance</b>	<b>10,664</b>	<b>11,729</b>



## Notes to the financial statements

The mine closure (restoration) provision relates to the estimated costs of dismantling and restoring mining sites and exploration tenements to their original condition at the end of the life of the mine or exploration drilling program. The provision at period 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 Group'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 31 December 2018, the total restoration provision amounts to US\$7.3m for Guanaco/Amancaya mine. The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US\$8.8m; and
- Remaining life of Mine: 2.5 years (Life of mine based on most recent financial model used for impairment testing).
- Discount rate: 2.50% (2017-2.25%)

As at 31 December 2018, the total restoration provision amounts US\$3.365m for the Casposo mine. The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US\$4.2m; and
- Remaining life of Mine: 0.5 years (Life of mine based on most recent financial model used for impairment testing).
- Discount rate: 9.63% (2017-2.49%)

There are no current plans for rehabilitation and restoration as the Group plans to operate the mine at Casposo until the forecasted life of mine in June 2019 and an exploration program is expected to continue along with a regular review of market conditions for the potential future restart of operations.

### 23. Borrowings

in thousands of US\$	31 December 2018	31 December 2017
<b>Current</b>		
Lease liability	2,086	5,640
Credit facilities	6,860	8,449
<b>Total current borrowings</b>	<b>8,946</b>	<b>14,089</b>
<b>Non-Current</b>		
Lease liability	6,617	5,503
Credit facilities	2,908	3,000
<b>Total non-current borrowings</b>	<b>9,525</b>	<b>8,503</b>

The Group's owes US\$10.9m to Santander Bank (Chile) which is to be repaid over 60 months at an annual interest rate of 5.5%. The amount is classified as follows: US\$0.5m as a current lease, US\$1.2m as a current credit facility, non-current lease of US\$5.9m and non-current credit facility of US\$2.9m.

In addition to the amount referred to above, the current Credit facilities consists of the following facilities:

- US\$2.5m pre-export facility for Casposo mine operation with Banco San Juan (180 days) at an annual interest rate of 6.25%;
- US\$0.5m credit facility for Casposo mine operation with Banco Comafi (6 months) at an annual interest rate of 4.75%; and
- the current portion of a US\$3.0m credit facility with the BAF Latam Credit Fund at an annual interest rate of 8.5%. The credit facility is secured by a guarantee from the Group and a corresponding proportion of the receipts of doré sales from the Guanaco mine in Chile. Amounts drawn against the credit facility are to be repaid within 6 months.

# Notes to the financial statements

## 24. Issued capital

in thousands of US\$	31 December 2018	31 December 2017
Fully paid ordinary shares	100,569	100,569
<b>Number of ordinary shares at year end</b>	<b>534,173,010</b>	<b>534,173,010</b>

Movements in ordinary share capital	Date	Number of ordinary shares	US\$'000
<b>Balance at 30 June 2017</b>		<b>518,983,178</b>	<b>99,050</b>
Shares issued to purchase properties from Revelo	08 Dec 17	10,000,000	972
Shares issued to a non-executive Director	12 Dec 17	5,189,832	547
<b>Balance at 31 December 2017</b>		<b>534,173,010</b>	<b>100,569</b>
<b>Balance at 31 December 2018</b>		<b>534,173,010</b>	<b>100,569</b>

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.

## 25. Accumulated losses

in thousands of US\$	Note	31 December 2018	31 December 2017
Accumulated losses at beginning of year		(23,210)	(9,911)
Adjustment on initial application of AASB15 (net of tax)	5	(199)	-
<b>Adjusted balance at 1 January 2018</b>		<b>(23,409)</b>	<b>(9,911)</b>
<b>Net profit/(loss) for the year</b>		<b>(26,064)</b>	<b>(13,299)</b>
<b>Accumulated losses at end of year</b>		<b>(49,473)</b>	<b>(23,210)</b>

## 26. Reserves

in thousands of US\$	31 December 2018	31 December 2017
<b>Foreign currency translation reserve</b>		
<b>Balance at beginning of period</b>	<b>383</b>	<b>360</b>
Foreign exchange movements from translation of financial statements to US dollars	(27)	23
<b>Balance at end of period</b>	<b>356</b>	<b>383</b>
<b>Share option reserve</b>		
<b>Balance at beginning of period</b>	<b>(321)</b>	<b>(321)</b>
<b>Balance at end of period</b>	<b>(321)</b>	<b>(321)</b>
<b>Total reserves</b>	<b>35</b>	<b>62</b>

### 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.

## 27. Non-controlling interest

in thousands of US\$	31 December 2018	31 December 2017
Non controlling interest in subsidiaries comprise		
<b>Acquired as part of subsidiary</b>	<b>3,741</b>	<b>13,995</b>

# Notes to the financial statements

## 28. 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's exposure to credit risk and liquidity risk is monitored through general business budgets and forecasts.

### The Group holds the following financial instruments:

in thousands of US\$	31 December 2018	31 December 2017
<b>Financial Assets</b>		
Cash and cash equivalents	1,716	6,612
Trade and other receivables	3,226	8,018
Other financial assets	561	1,354
<b>Financial liabilities</b>		
Trade and other payables	17,546	25,972
Borrowings	18,471	22,592

#### a. Market Risk

##### i. 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\$.

As at 31 December 2018, the Group was exposed to foreign exchange risk though the following financial assets and liabilities denominated in currencies other than the Group's functional currency (thousands of \$US).

	Argentinian Peso (ARS)	Chilean Peso (CLP)	Australian Dollar	Canadian Dollar
<b>Financial assets</b>				
Cash and cash equivalents	81	21	8	8
Trade and other receivables	5,310	3,915	22	23
Other financial assets	54	-	-	-
<b>Financial liabilities</b>				
Trade and other payables	6,236	8,554	118	43
Borrowings	128	191	-	-

# Notes to the financial statements

## ii. 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\$.

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 Evolution in the gold and silver commodity prices (US\$)



### Sensitivity to Changes in Commodity Prices (Gold and Silver)

The below sensitivity analysis demonstrates the after tax effect on the profit/(loss) and equity which could result if there were changes in the gold and silver commodity prices by +/- 10% of the actual commodity prices realised by the Group.

in thousands of US\$	Effect on profit/(loss)		Effect on equity	
	year ended 31 December 2018	6 months ended 31 December 2017	31 December 2018	31 December 2017
10% increase in gold and silver prices	12,277	4,887	12,277	4,887
10% decrease in gold and silver prices	(12,277)	(4,887)	(12,277)	(4,887)

## iii. 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.

## b. 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.

The group holds listed government bonds and listed equity securities (note 16). These are classified as level 1 within the fair value hierarchy as per AASB 7 "Financial Instruments. The call option to buy a further 10% interest in Casposo (note 16) are classified as level 3.



## Notes to the financial statements

### c. 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 securitise 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.

### d. 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 analyses 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.

in thousands of US\$	Consolidated				
	< 6 months	6-12 months	1-5 years	> 5 years	Total
31 December 2018					
<i>Financial liabilities</i>					
Trade and other payables	17,544	-	2	-	17,546
Borrowings	7,374	1,572	9,525	-	18,471
<b>Total 31 December 2018 liabilities</b>	<b>24,918</b>	<b>1,572</b>	<b>9,527</b>	<b>-</b>	<b>36,017</b>
31 December 2017					
<i>Financial liabilities</i>					
Trade and other payables	25,966	-	6	-	25,972
Borrowings	3,150	3,149	5,526	-	11,825
<b>Total 31 December 2017 liabilities</b>	<b>29,116</b>	<b>3,149</b>	<b>5,532</b>	<b>-</b>	<b>37,797</b>

## 29. Dividends

in thousands of US\$	31 December 2018	31 December 2017
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No dividends to shareholders were paid or proposed during the current and prior period.

During the year ended 31 December 2018 a dividend was declared to the shareholders of Ingenieria y Minera Cachinalito Limitada. US\$83k (6 months ended 31 December 2017— US\$125k) corresponds to the minority interest shareholder.

# Notes to the financial statements

## 30. Commitments

in thousands of US\$	31 December 2018 % owned	31 December 2017 % owned
<b>Lease commitments</b>		
Finance lease commitments at the reporting date and recognised as liabilities, payable:		
Within one year	<b>2,536</b>	6,083
Two to five years	<b>7,264</b>	5,743
Total commitment	<b>9,800</b>	11,826
Less: Future finance charges	<b>(1,097)</b>	(683)
Net commitment recognised as liabilities	<b>8,703</b>	11,143
Representing:		
Lease liability—current	<b>2,036</b>	5,640
Lease liability—non-current	<b>6,617</b>	5,503
<b>Operating leases not recognised as liabilities</b>	<b>122</b>	326

To maintain legal rights to its properties, the Group pays fees for mining concessions and exploration. It anticipates that it will need to pay approximately US\$0.488m during the next year to maintain legal rights to all of its properties.

As at 31 December 2018 US\$2.1 million has been recognised as deferred revenue for cash received in advance from its customer. A contractual obligation exists for the supply of 1,910 ounces of gold equivalent ounces by 2019 February. The shipment was made on 9 January 2019.

## 31. Subsidiaries

	Country of Incorporation	31 December 2018 % owned	31 December 2017 % owned
<b>Parent entity</b>			
Austral Gold Limited	owned		
<b>Subsidiaries</b>			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.970	99.970
Ingeniería y Minería Cachinalito Limitada	Chile	51.000	51.000
Argentex Mining Corporation	Canada	100.000	100.000
SCRN Properties Ltd.	Canada	100.000	100.000
Casposo Project <sup>1</sup>	Argentina	70.000	70.000

1. The Group has power over the key operating and strategic decisions of the Casposo project and accordingly consolidates the project.

## 32. Parent Entity Information

in thousands of US\$	31 December 2018	31 December 2017
Current assets	39	1,022
<b>Total assets</b>	<b>66,933</b>	<b>67,916</b>
Current liabilities	12,552	12,530
Total liabilities	12,552	12,530
<b>Net assets</b>	<b>54,381</b>	<b>55,386</b>
Issued capital	100,569	100,569
Accumulated losses	(45,878)	(44,900)
Reserves	(310)	(283)
<b>Total shareholders' equity</b>	<b>54,381</b>	<b>55,386</b>
<b>Gain/(Loss) of the parent entity</b>	<b>(978)</b>	<b>(1,056)</b>
<b>Total comprehensive income/(loss) of the parent entity</b>	<b>(1,005)</b>	<b>(1,033)</b>
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	A*	A*
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

A\* Austral Gold Limited is guarantor for the credit facility of US\$3m between BAF and Guanaco Compañía Minera SpA.

# Notes to the financial statements

## 33. Related party transactions

### 33.1 KMP holdings of shares and share options at 31 December 2018

- Mr Eduardo Elsztain holds 455,443,295 shares indirectly in Austral Gold Limited. (31 December 2017—451,573,010)
- Mr Saul Zang holds 1,435,668 shares directly in Austral Gold Limited. (31 December 2017—1,435,668)
- Mr Pablo Vergara del Carril holds 68,119 shares directly in Austral Gold Limited. (31 December 2017—68,119)
- E Elsztain and S Zang are Directors of IFISA which holds 414,880,857 shares according to the last substantial holder notice lodged in January 2019. (31 December 2017—414,880,857)
- P Vergara del Carril, E Elsztain and S Zang are Directors of Guanaco Capital Holding Corp which holds 31,386,890 shares according to the last substantial holder notice lodged in January 2019. (31 December 2017—31,386,890)
- Mr Stabro Kasaneva holds 6,881,230 shares indirectly in Austral Gold Limited. (31 December 2017—6,881,230)
- Mr Wayne Hubert holds 1,750,000 shares indirectly in Austral Gold Limited. (31 December 2017—1,750,000)
- Mr. Rodrigo Ramirez holds 279,514 shares directly in Austral Gold Limited. (31 December 2017—279,514)

### 33.2 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:

in thousands of US\$	12 months ended 31 December 2018	6 months ended 31 December 2017
Short-term employment benefits	2,322	1,620
Non-executive director fees	358	135
Share-based payment (note 24)	-	547
Post-employment benefits	-	322
<b>Total</b>	<b>2,680</b>	<b>2,624</b>

### Other transactions with related parties

Zang, Bergel & Viñes Abogados is a related party since two non-executive 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 Group for the 12 months ended 31 December 2018 amounted to US\$117,663 (6 months ended 31 December 2017: US\$63,536).

Cresud S.A.C.I.F.Y.A., IRSA Inversiones y Representaciones S.A., IRSA Proiedades Comerciales S.A. and Consultores Asset Management S.A. are related parties as they are controlled by Non-executive Director and Chairman, Eduardo Elsztain. During the twelve month period ended 31 December 2018 a total of US\$197,237 was charged to the Company (six months ended 31 December 2017: US\$270,368) in regard to IT services support, HR services, software licenses and building/office expenses.

### 33.3 Ultimate parent entity

The Parent Entity is controlled by IFISA with a 77.67% interest in Austral Gold Limited and is incorporated in Uruguay.

The ultimate beneficial owner of IFISA is Eduardo Elsztain.

# Notes to the financial statements

## 34. Unrecognised deferred tax assets

In certain entities of the Group, tax losses have not been recognised as deferred tax assets in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Australia	US\$ '000	Expiry
Tax losses	14,096	No Expiry
Capital losses	2,277	No Expiry
Canada		
Tax losses	15,677	2019-2039

The ability of the Group to utilise Australian or Canadian tax losses will depend on the applicability and compliance with the respective Australian or Canadian tax laws regarding continuity of ownership or same or similar business tests.

## 35. Subsequent events

None

## 36. Significant accounting policies

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 5).

Set out below is an index of the significant accounting policies.

36.1	Basis of consolidation
36.2	Revenue recognition
36.3	Goods and services tax (GST)/ Value added tax (VAT)
36.4	Foreign currency translation
36.5	Mine properties
36.6	Exploration and evaluation expenditure
36.7	Property, plant and equipment
36.8	Cash and cash equivalents
36.9	Income tax
36.10	Inventories
36.11	Trade and other receivables
36.12	Trade and other payables
36.13	Interest bearing liabilities
36.14	Provisions
36.15	Leases
36.16	Impairment of non-financial assets
36.17	De-recognition of financial assets and financial liabilities
36.18	Contributed equity
36.19	Earnings per share
36.20	Borrowing costs
36.21	Employee leave benefits
36.22	Segment reporting
36.23	New, revised or amending Accounting Standards and Interpretations adopted



# Notes to the financial statements

## 36.1 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 31 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.

### Goodwill

Goodwill has arisen on the acquisition of a subsidiary, Ingenieria y Minería 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.

## 36.2 Revenue Recognition

The Group has initially applied AASB 15 from 1 January 2018. Information about the Group's accounting policies related to contracts with customers is provided in Note 5. The effect of initially applying AASB 15 is also described in Note 5.

## 36.3 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.

## 36.4 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.

## 36.5 Mine Properties

Mines in production represent the aggregated exploration and evaluation expenditure and capitalised development costs in respect of areas of interest in which mining is ready to or has commenced. Mine development costs are deferred until commercial production commences, at which time they are depreciated on a units-of-production basis over the mineable reserves. Once production commences, further development expenditure is classified as part of the cost of production, unless substantial future economic benefits can be established.

### Amortisation

Aggregated costs on productive areas are amortised over the life of the area of interest to which such costs relate on the units-of-production basis.

# Notes to the financial statements

## Deferred stripping costs

Deferred stripping costs represent certain mining costs, principally those that relate to the stripping of waste, which provides access so that future economically recoverable ore can be mined. Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the expected useful life of the identified component of the ore body.

Capitalised stripping costs are disclosed as a component of Mine Properties. Components of an ore body are determined with reference to life of mine plans and take account of factors such as the geographical separation of mining locations and/or the economic status of mine development decisions. Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs. The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected waste to ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the statement of profit or loss when the stripping ratio falls below the life of mine ratio. These are a function of the mine design and therefore any changes to the design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on reserves may also have an impact on the component ratio even though they may not impact the mine design. Changes to the life of mine plan, identified components of an ore body, stripping ratios, units of production and expected useful life are accounted for prospectively. Deferred stripping costs form part of the total investment in a cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

## 36.6 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 rights to tenure of the area of interest are current; and 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 the technical and commercial feasibility of an undeveloped mining project has been demonstrated, the project enters the construction phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into construction 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 Mine Properties or an appropriate class of property, plant and equipment.

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.

# Notes to the financial statements

## 36.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

### Depreciation

The depreciated amount of property, 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 de-recognised 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.

## 36.8 Cash and cash equivalents

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.

## 36.9 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.

## Notes to the financial statements

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.

### **36.10 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.

If the ore stockpile is not expected to be processed in 12 months after reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified to periodic surveys.

Gold bullion and gold-in-process are valued at the lower of cost and net realisable value. Net realisable value is determined using the prevailing metal prices.

### **36.11 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.

### **36.12 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.

### **36.13 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.

### **36.14 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.

### **36.15 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.

# Notes to the financial statements

## 36.16 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.

## 36.17 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.

## 36.18 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.

## 36.19 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.



# Notes to the financial statements

## 36.20 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.

## 36.21 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.

## 36.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

## 36.23 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.

## 37. New accounting standards and interpretations not yet mandatory or early adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

### AASB 16 Leases

AASB 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of a lease. In particular, companies will now recognise a front-loaded pattern of expenses for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. Lessors continue to classify leases as finance and operating leases.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Group does not foresee a significant impact for its operations or its financial statement disclosures with regard to this new accounting standard given that the majority of leases held by the Group are already classified as finance leases.







## 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 31 December 2018 and of its performance for the 12 months 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

15 March 2019



# KPMG INDEPENDENT AUDIT REPORT









# Independent Auditor's Report

To the shareholders of Austral Gold Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Austral Gold Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Going concern basis of preparation;
- Carrying value of mine assets and plant & equipment; and
- Carrying value of exploration and evaluation assets.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of preparation	
Refer to Note 3 "Going concern" to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's use of the going concern basis of preparation and the associated extent of uncertainty is a key audit matter due to the high level of judgment required by us in evaluating the Group's assessment of going concern.</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.</p> <p>We critically assessed the level of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgments, focusing on the following:</p> <ul style="list-style-type: none"> <li>• Impact of future commodity prices to cash inflows projected.</li> <li>• The Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding.</li> <li>• The nature and feasibility of planned methods the Group has to meet its financing commitments.</li> </ul>	<p>We evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:</p> <ul style="list-style-type: none"> <li>• Analysing cash flow projections by: <ul style="list-style-type: none"> <li>• evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices. We specifically looked for consistency between commodity prices used by management and those tested by us and consistency with the Group's intentions, as outlined in Directors minutes and strategy document;</li> <li>• assessing the planned levels of operating and capital expenditures for consistency of relationships and trends with the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;</li> </ul> </li> </ul>

<p>In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.</p>	<ul style="list-style-type: none"> <li>• Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected monthly cash positions. We assessed the resulting impact on the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from the results of our tests of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions;</li> <li>• Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the Group, its industry and status to assess the level of associated uncertainty;</li> <li>• Reading Directors' meeting minutes to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty;</li> <li>• Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans, and accounting standard requirements.</li> </ul>
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**Carrying value of mine assets and plant & equipment (\$60.743 million)**

Refer to Notes 17 “Mine properties” and 18 “Property, plant and equipment” to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group’s mine properties and plant &amp; equipment are a significant portion (57%) of the Group’s total assets. The recoverable value is based on a net present value model for each cash generating unit (‘CGU’), and is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The high level of judgement used in evaluating key assumptions applied by the Group in each net present value model, which are affected by expected future operating performance and market conditions, including: <ul style="list-style-type: none"> <li>• level of resources and reserves capable of being produced economically, as reported in the Group’s third party Reserve Report;</li> <li>• forecast cost of developing areas of interest and producing silver and gold;</li> <li>• future production volumes and timing; and</li> <li>• specific discount rate applied in each model.</li> </ul> </li> </ul> <p>These forward looking assumptions necessitate additional scrutiny by us due to:</p> <ul style="list-style-type: none"> <li>• the inherent uncertainties in estimating these assumptions;</li> <li>• the consistency of application and the changes in silver and gold pricing increasing the risk of inaccurate forecasting; and</li> <li>• the sensitivity of the net present value model to changes in assumptions such as commodity prices and discount rate, reducing available headroom.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key controls associated with the preparation of the net present value models used to assess the recoverable amount of each CGU;</li> <li>• Evaluating the net present value methodology used by the Group for consistency with the requirements of the Accounting Standards;</li> <li>• Evaluating the Group’s determination of CGUs based on our understanding of the operations of the Group’s business and each area of interest, and how independent cash inflows were generated, against the requirements of the accounting standards;</li> <li>• Critically evaluating the Group’s key assumptions used to determine the recoverable amount of key CGUs relating to commodity prices, and discount rate based on our knowledge of the industry, publicly available data of comparable entities, and published forecast price expectations of industry commentators;</li> <li>• Considering the sensitivity of the models by varying key assumptions such as commodity price and discount rate within a reasonably possible range to identify those CGUs at higher risk of impairment and to focus our further procedures;</li> <li>• Checking the forecast cost of developing areas of interest and producing silver and gold, future production volumes and timing to those within the Group’s Reserves Report, Board approved plans and budgets. We assessed these against our understanding of the business and industry trends;</li> <li>• Corroborating mine closure plans with the key operational and finance personnel;</li> <li>• Assessing the historical accuracy of budgeting and forecasting by the Group to inform our evaluation of forecasts incorporated in the models;</li> </ul>



<p>Management engaged a third party expert to assist in their assessment of mine property and plant &amp; equipment carrying value.</p>	<ul style="list-style-type: none"> <li>• Evaluating the scope, competence, and objectivity of the Group’s external experts engaged to assist the Group prepare the Group’s Reserves Report as utilised within the net present value model;</li> <li>• Recalculating the impairment charge against the recorded amount disclosed;</li> <li>• Assessing the financial report disclosures based on our understanding and the requirements of the accounting standards.</li> </ul>
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**Carrying value of exploration and evaluation assets (\$16.270 million)**

Refer to Note 19 “Exploration and evaluation expenditure” to the Financial Report

<p><b>The key audit matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
<p>The Group’s exploration and evaluation assets (‘E&amp;E assets’) are a significant portion (15%) of the Group’s total assets.</p> <p>The carrying value of E&amp;E assets is a key audit matter due to the high level of judgement used in application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators.</p> <ul style="list-style-type: none"> <li>• The conditions allowing capitalisation of relevant expenditure focus on: <ul style="list-style-type: none"> <li>• the determination of the areas of interest (areas) in particular evaluating the results of the external expert engaged by the Group;</li> <li>• documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest;</li> <li>• the Group’s determination of whether the E&amp;E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> </li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key controls associated with evaluating the E&amp;E assets;</li> <li>• Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;</li> <li>• Evaluating the Group’s determination of areas of interest based on our understanding of the operations of the Group and each area of interest, and how independent cash inflows were generated, against the requirements of the accounting standards;</li> <li>• For each area of interest, we assessed the Group’s current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;</li> <li>• Testing the Group’s additions to E&amp;E assets for the period by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group’s accounting policy and the requirements of the accounting standard;</li> </ul>

<ul style="list-style-type: none"> <li>• The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&amp;E. Assessing the presence of impairment indicators includes factors that may draw into question the commercial continuation of E&amp;E activities for the areas of interest where significant capitalised E&amp;E exists.</li> </ul> <p>In addition to the assessments above we paid particular attention to:</p> <ul style="list-style-type: none"> <li>• The impact of changes in gold and silver prices to the Group's strategy and intentions</li> <li>• The intention of the Group to fund the continuation of activities</li> <li>• Results from latest activities regarding the existence or otherwise of economically recoverable reserves or commercially viable quantity of the reserves.</li> </ul> <p>The Group engaged an external third party expert to assist with these assessments for certain exploration interests.</p>	<ul style="list-style-type: none"> <li>• Evaluating documents, such as minutes of directors meetings and ASX market announcements, for consistency with the Group's stated intentions for continuing E&amp;E in certain areas. We corroborated this through interviews with key operational and finance personnel;</li> <li>• Analysing the Group's determination of recoupment through successful development and exploitation of the area (or by its sale) by evaluating the Group's documentation of planned future and continuing activities including work programmes and project and corporate budgets for a sample of areas;</li> <li>• Assessing the impact of changes in the gold and silver prices to the Group's modelling underlying their decision for commercial continuation of activities;</li> <li>• Obtaining project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&amp;E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding;</li> <li>• Assessing the results of the external expert.</li> </ul>
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## Other Information

Other Information is financial and non-financial information in Austral Gold Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our Auditor's Report.





## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Austral Gold Limited for the year ended 31 December 2018 complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 43 to 47 of the Directors' report for the year ended 31 December 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Daniel Camilleri  
Partner

Sydney  
15 March 2019

## ADDITIONAL INFORMATION





### Forward Looking Statements

In this annual report that are not historical facts are forward-looking statements. Forward-looking statements are statements that are not historical, and consist primarily of projections — statements regarding future plans, expectations and developments. Words such as “expects”, “intends”, “plans”, “may”, “could”, “potential”, “should”, “anticipates”, “likely”, “believes” and words of similar import tend to identify forward-looking statements. All forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied, including, without limitation, business integration risks; uncertainty of production, development plans and cost estimates, commodity price fluctuations; political or economic instability and regulatory changes; currency fluctuations, the state of the capital markets, uncertainty in the measurement of mineral reserves and resource estimates, Austral’s ability to attract and retain qualified personnel and management, potential labour unrest, reclamation and closure requirements for mineral properties; unpredictable risks and hazards related to the development and operation of a mine or mineral property that are beyond the Company’s control, the availability of capital to fund all of the Company’s projects and other risks and uncertainties identified under the heading “Risk Factors” in the Company’s continuous disclosure documents filed on the ASX and SEDAR. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Austral cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management’s assumptions may prove to be incorrect. Austral’s forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date hereof and Austral does not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, you should not place undue reliance on forward-looking statements.

### 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](http://www.australgold.com).

### Statement of Issued Capital

As at 28 February 2019 the total issued capital of Austral Gold Limited was 534,173,010 ordinary shares. 494,588,975 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. 39,584,035 shares were quoted on the Toronto Venture Exchange under the code AGLD.

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.

### Distribution of fully paid ordinary shares

As at 28 February 2019

Size of Holding	Holders	Shares Held	% of Issued capital
1-1,000	595	270,125	0.05
1,001-5,000	376	990,531	0.18
5,001-10,000	138	1,054,655	0.20
10,001-50,000	134	3,004,209	0.56
50,001-100,000	30	2,232,753	0.42
>100,000	57	526,562,509	98.59
	<b>1,330</b>	<b>534,173,010</b>	<b>100.00</b>

### Substantial Shareholders

The Company has been notified of the following substantial shareholdings as at 28 February 2019:

Registered Holder	Beneficial Holder	Shares Held
Citicorp Nominees	Inversiones Financieras Del Sur SA (IFISA)	414,440,857
HSBC Custody Nominees	Eduardo Sergio Elsztain	9,175,548
HSBC Custody Nominees	Guanaco Capital Holding Corp	31,386,890
HSBC Custody Nominees	Inversiones Financieras Del Sur SA (IFISA)	440,000
		<b>455,443,295</b>

Rank	Name	No. of shares	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	431,153,815	80.71%
2	CDS & CO	32,667,938	6.12%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	24,469,692	4.58%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,073,840	3.01%
5	MINERA MENA CHILE LIMITADA	6,000,000	1.12%
6	CITICORP NOMINEES PTY LIMITED	5,189,832	0.97%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	2,211,726	0.41%
8	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.22%
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,102,748	0.21%
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	879,517	0.17%
11	MR ERLE EDWINSON	870,000	0.16%
12	MR HAROLD JOSEPH FREIMAN	770,416	0.14%
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	585,535	0.11%
14	MR RUDOLF ALBERT SCHULTZ	379,872	0.07%
15	MR ERLE RYAN EDWINSON	329,195	0.06%
16	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	319,469	0.06%
17	MR RODNEY DAVID JACKSON	311,090	0.06%
18	LIMOL TRADING CORP	297,445	0.06%
19	JP MORGAN TRUST COMPANY LTD <NEW AUSTRIA TRUST LLC A/C>	297,445	0.06%
20	BIRCHALL PROJECTS LTD	230,000	0.04%
	<b>Total</b>	<b>521,314,715</b>	<b>97.59%</b>
	Other	12,858,295	2.41%
	<b>Total shares on issue</b>	<b>534,173,010</b>	<b>100.00%</b>













