

HALF-YEAR FINANCIAL REPORT

DECEMBER 2015



All figures in USD



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CORPORATE DIRECTORY



Directors:	Eduardo Elsztain Saul Zang Pablo Vergara del Carril Stabro Kasaneva Wayne Hubert Robert Trzebski Ben Jarvis	Chairman & Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
Company Secretary:	Andrew Bursill Franks and Associates Suite 4, Level 9 341 George Street Sydney NSW 2000	
Registered Principal Office:	Suite 203, 80 William Street Sydney NSW 2011 Tel: +61 (02) 9380 7233 Fax: +61 (02) 8354 0992 Email: info@australgold.com.au Web: www.australgold.com.au	
Antofagasta, Chile Office:	14 de Febrero 2065, of. 1103 Antofagasta, Chile Tel: +56 (55) 2892 241 Fax: +56 (55) 2893 260	
Buenos Aires, Argentina Office:	Bolívar 108 Buenos Aires (1066) Argentina Tel: +54 (11) 4323 7500 Fax: +54 (11) 4323 7591	
Share Registry:	Computershare Investor Services GPO Box 2975 Melbourne VIC 3001 Tel: 1300 850 505 (within Australia) Tel: +61 3 9415 5000 (outside Australia)	
Auditors:	BDO East Coast Partnership www.bdo.com.au	
Principal Bankers:	National Australia Bank Limited www.nab.com.au	
Solicitors:	Addisons Lawyers www.addisonslawyers.com.au	
Listed:	Australian Securities Exchange ASX: AGD	
Place of Incorporation:	Western Australia	

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Austral Gold Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange (ASX).

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2015 and the Auditor's Review Report. All Directors were in office for the full reporting period, being 1 July 2015 to 31 December 2015 and up to the date of this report.





Review of Operations

The consolidated revenue and profit for the half-year ended 31 December 2015 was US\$26,286,289 (31 December 2014: US\$36,467,698) and US\$1,273,890 (31 December 2014: US\$6,594,571) respectively.

Further information on the Company's operations during the half-year ended 31 December 2015 has been released in the Company's announcements and reports to the ASX. These are available for review on the Company's website at www.australgold.com.au.

Corporate

At the AGM held on 26 November 2015, all resolutions as set out in the Notice of Annual General Meeting were approved by shareholders.

Auditor's Independence Declaration

The lead Auditor's Independence Declaration for the period ended 31 December 2015 has been received and is included in this half-year report.

Signed in accordance with a resolution of the Directors in Sydney.

Robert Trzebski
Director

15 March 2016

A photograph of three miners standing in a dimly lit underground tunnel. The miners are wearing dark clothing and hard hats with bright, circular headlamps. The tunnel walls are rough and rocky, and a wooden ladder is visible in the background. A semi-transparent circular overlay in the top left corner contains the text "INDEPENDENT AUDITOR'S DECLARATION" in a bold, purple font.

**INDEPENDENT
AUDITOR'S
DECLARATION**



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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor for the review of Austral Gold Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Gareth Few'.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 15 March 2016

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd. ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



REVIEW OF ACTIVITIES

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

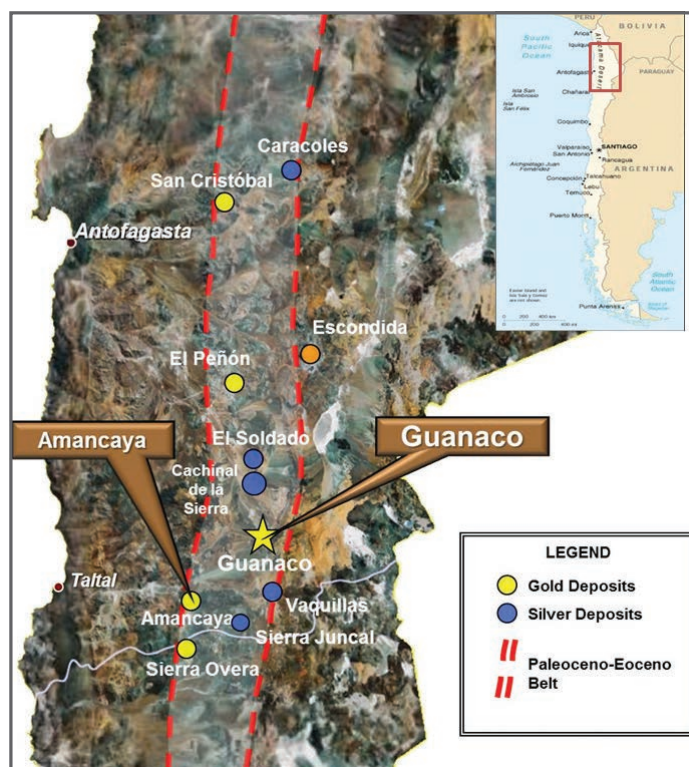
Guanaco Gold and Silver Mine, Chile

(100% interest)

Project and Mine Description

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

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



Production

Total production from the heap-leach process reached a total of 46,254 gold ounces (Au oz) and 41,233 silver ounces (Ag oz) in the 12-month period ended December 2015. The average cash operating cost (C1)* for the same period for the Guanaco mine was approximately US\$626/AuEq oz.

For the six-month period ended 31 December 2015, the Guanaco mine produced 22,653 Au oz and 20,809 Ag oz with an operating cash cost of approximately US\$656/ AuEq oz.

The lower production for the period meant that actual production for the calendar year 2015 fell just short of the budgeted 50,000 Au oz. This was due to the low feed of

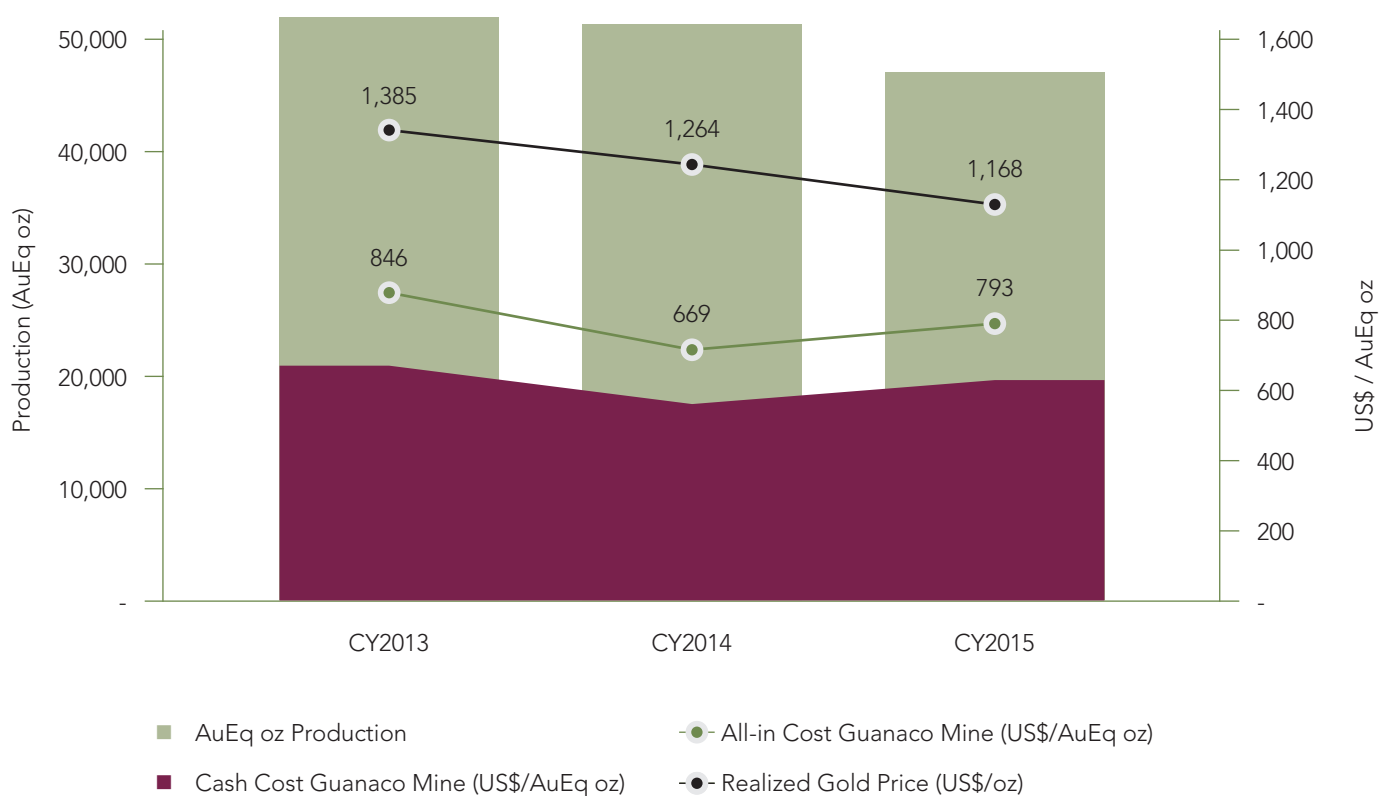
gold ounces to the heap leach pads from the mine in the latter part of 2015. The main reasons for the lower production were due to several factors: (i) delays in the benching sequence caused by delays in the scheduled preparations for changes in geometry between the long-term and short-term models (ii) geotechnical conditions and (iii) operational disruptions such as lack of ventilation, increased fortification, delays in the arrival of equipment, amongst others.

**The operating cash cost for the Guanaco mine includes: Mine, Plant, On-Site G&A, Smelting, Refining and 3% ENAMI Royalty.*

Gold and Silver Production:

Production	2013 Calendar Year	2014 Calendar Year	2015 Calendar Year	2016 (Budget Range) Calendar Year
Gold (Au Oz)	50,226	50,375	46,254	45,000-50,000
Silver (Ag Oz)	74,031	46,458	41,233	40,000-45,000

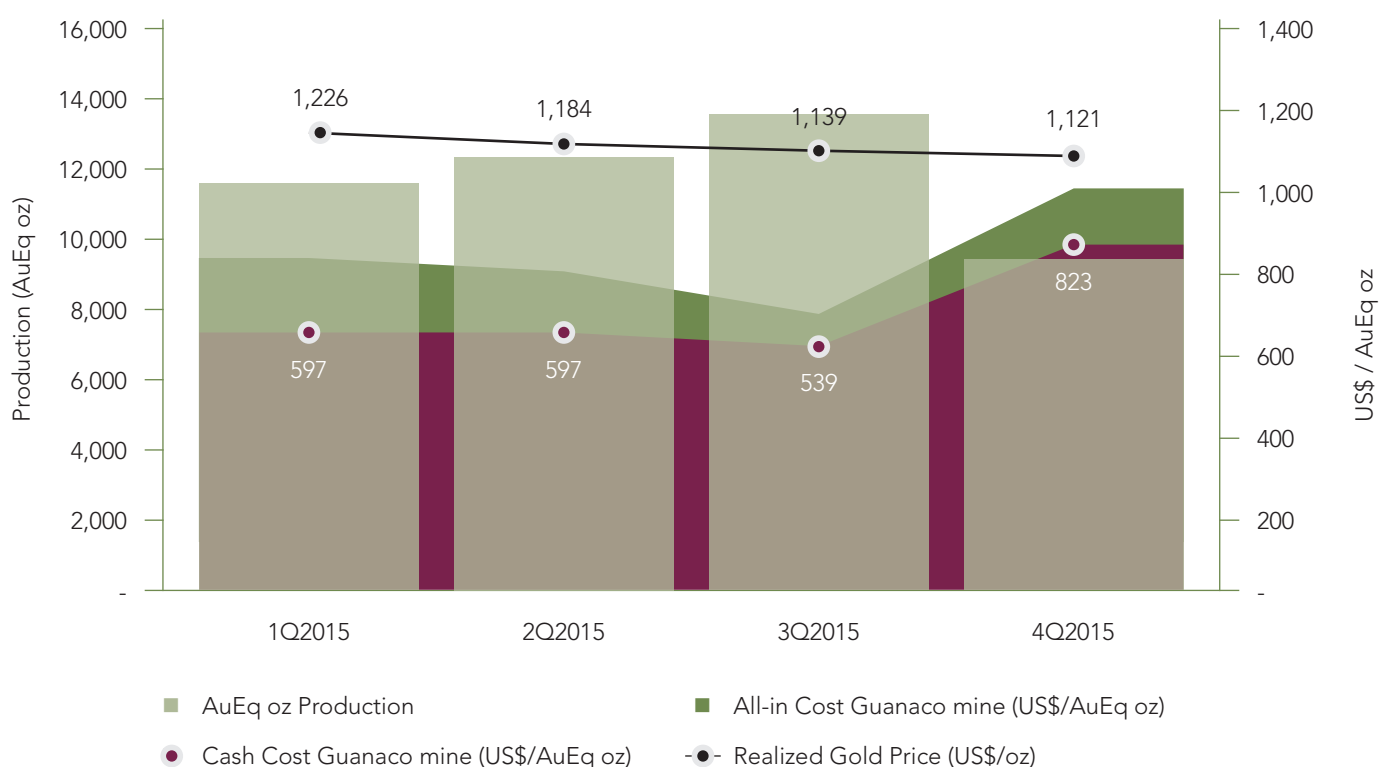
AuEq oz Production per Calendar Year (CY)



Guanaco Operational Performance:

	12 months to December 2015	12 months to December 2014
Total ore processed (t)	441,733	397,966
Average plant grade (g/t Au)	3.83	5.08
Average plant grade (g/t Ag)	6.42	4.17
Gold produced (Au oz)	46,254	50,375
Silver produced (Ag oz)	41,233	46,458
C1 cash cost (US\$/AuEq oz)	626	558
All-in sustaining cost* (US\$/AuEq oz)	793	669
Realised gold price (US\$/oz)	1,168	1,264

2015 Production in Gold Equivalent Ounces (AuEq oz) per Quarter



* The all-in sustaining costs (AISC) for the Guanaco mine includes: C1, Sustaining capex, Exploration and Mine Closure Amortisation.



Safety

No lost-time accidents (LTAs) and three (3) nil-lost-time accidents (NLTAs) were reported involving employees and third party contractors of the Group during the half-year ended 31 December 2015. All accidents were investigated and corrective actions were identified and implemented to prevent recurrence. Safety and environmental protection are core values of the Group. The implementation of safety best practices, along with a sound risk management program are key priorities for Austral Gold.

Exploration Program

The Geology team continued to advance with the exploration program within the current development area of the Guanaco deposit. During this period, underground works were mainly performed at the Aurora vein and Dumbo sector.

The exploration program during the half-year comprised the following main activities: (i) completion of 1,300 metres underground drilling campaign, (ii) design of future drilling programs; (iii) execution of geophysics studies including detailed ground magnetics survey; and (iv) evaluation of potential geological resources located in the south of the Cachinalito structure, amongst others.

Amancaya Project, Chile (100% interest)

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

During the half-year, all of the surface geological mapping works were completed in the Amancaya district with 50 samples taken for petrographic studies and 78 samples taken for ICP analysis.

In addition, components of the new leaching plant were received on site at the Guanaco mine, corresponding to the entire ball mill, flocculant plant and filters; and 50% of the components of the thickeners and agitators.

The epithermal vein sector presents more than 70% post-mineral cover providing the opportunity to find new structures beneath these rocks. In addition, quartz floats allowed the identification of new structures and defined structural blocks inside the mineralised corridor.

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

The Group holds several exploration licences (cateos) and "manifestations of discovery" over more than 67,000 hectares in the Deseado Massif corridor in the Province of Santa Cruz (the "8 de Julio Project"). Two of these properties are classified as "cateos" (10,499 hectares) while the remaining properties are already classified as "manifestations of discovery" (56,888 hectares). The company continued filing base geological reports in compliance with local regulations during the period.



FINANCIAL STATEMENTS



Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2015

All figures are reported in US\$

		Half-Year Consolidated	
	Notes	31 Dec 2015 US\$	31 Dec 2014 US\$
CONTINUING OPERATIONS			
Revenue	3	26,286,289	36,467,698
Cost of sales		(15,594,779)	(14,087,726)
Gross profit		10,691,510	22,379,972
Administration expenses		(1,793,119)	(3,203,646)
Gain from foreign exchange		265,259	67,084
Operating profit		9,163,650	19,243,410
Impairment of assets		-	(96,102)
Finance costs		(320,851)	(1,134,610)
Depreciation and amortisation expense		(7,074,710)	(7,443,567)
Profit before income tax expense		1,768,089	10,569,131
Income tax expense	6	(494,199)	(3,974,560)
Profit after income tax expense		1,273,890	6,594,571
Profit attributable to:			
Owners of the Company		1,215,234	6,476,925
Non-controlling interests		58,656	117,646
		1,273,890	6,594,571
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Loss arising on revaluation of financial assets, net of tax		(607,505)	(3,518,448)
ITEMS THAT MAY BE CLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign currency translation		(9,343)	(503)
Total comprehensive income for the period		657,042	3,075,620
Comprehensive income attributable to:			
Owners of the Company		598,386	2,957,974
Non-controlling interests		58,656	117,646
		657,042	3,075,620
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	4	0.3c	3.5c
Diluted earnings per share	4	0.3c	3.5c

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

Statement of Financial Position

Austral Gold Limited and its Subsidiaries

As at 31 December 2015

All figures are reported in US\$

		Consolidated	
	Notes	31 Dec 2015 US\$	30 Jun 2015 US\$
ASSETS			
Current assets			
Cash and cash equivalents		10,046,932	7,303,315
Trade and other receivables	8	7,329,498	9,615,694
Financial assets	9	74,010	189,978
Inventories	7	4,371,972	5,272,583
Total current assets		21,822,412	22,381,570
Non-current assets			
Other receivables	8	235,776	285,483
Financial assets	9	1,888,092	2,495,597
Intangible assets and goodwill	10	9,237,383	11,814,129
Plant and equipment	11	29,037,283	28,944,901
Exploration and evaluation expenditure	12	14,223,009	13,279,319
Total non-current assets		54,621,543	56,819,429
TOTAL ASSETS		76,443,955	79,200,999
LIABILITIES			
Current liabilities			
Trade and other payables	13	10,474,579	12,745,893
Derivative financial instruments		35,297	-
Provisions		681,610	692,305
Borrowings	14	1,420,125	1,627,471
Total current liabilities		12,611,611	15,065,669
Non-current liabilities			
Trade and other payables	13	39,903	2,185,508
Provisions		1,905,744	1,842,352
Borrowings	14	1,111,662	766,514
Deferred tax liability		1,582,450	805,413
Total non-current liabilities		4,639,759	5,599,787
TOTAL LIABILITIES		17,251,370	20,665,456
NET ASSETS		59,192,585	58,535,543
EQUITY			
Issued capital	16	93,537,023	93,537,023
Accumulated losses		(28,163,703)	(29,378,937)
Reserves		(7,795,962)	(7,179,114)
Non-controlling interest		1,615,227	1,556,571
TOTAL EQUITY		59,192,585	58,535,543

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

Statement of Changes in Equity

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2015

All figures are reported in US\$

	Half-Year Consolidated				
	Issued capital	Accumulated losses	Reserves	Non-controlling interest	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2014	39,803,088	(24,035,750)	(3,307,372)	1,638,406	14,098,372
Profit for the period	-	6,476,925	-	117,646	6,594,571
<i>Other comprehensive income for the year, net of income tax:</i>					
Revaluation of financial assets	-	-	(3,518,448)	-	(3,518,448)
Foreign exchange movements from translation of financial statements to US dollars	-	-	(503)	-	(503)
Total comprehensive income for the period	-	6,476,925	(3,518,951)	117,646	3,075,620
<i>Transactions with owners in their capacity as owners:</i>					
Dividend distribution	-	-	-	(73,500)	(73,500)
Shares issued	53,733,935	-	-	-	53,733,935
Balance at 31 December 2014	93,537,023	(17,558,825)	(6,826,323)	1,682,552	70,834,427
Balance at 1 July 2015	93,537,023	(29,378,937)	(7,179,114)	1,556,571	58,535,543
Profit for the period	-	1,215,234	-	58,656	1,273,890
<i>Other comprehensive income for the year, net of income tax:</i>					
Revaluation of financial assets	-	-	(607,505)	-	(607,505)
Foreign exchange movements from translation of financial statements to US dollars	-	-	(9,343)	-	(9,343)
Total comprehensive income for the period	-	1,215,234	(616,848)	58,656	657,042
Balance at 31 December 2015	93,537,023	(28,163,703)	(7,795,962)	1,615,227	59,192,585

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

Statement of Cash Flows

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2015

All figures are reported in US\$

	Half-Year Consolidated	
	31 Dec 2015 US\$	31 Dec 2014 US\$
Cash flows from operating activities		
Receipts from sale of goods	28,793,803	30,299,344
Payments to suppliers and employees	(16,038,079)	(13,778,450)
Taxes paid	(1,527,437)	(1,410,540)
Net cash provided through operating activities	11,228,287	15,110,354
Cash flows from investing activities		
Purchase of plant and equipment	(4,351,112)	(693,304)
Deferred consideration for investment in subsidiaries (Cachinalito)	(485,902)	(627,554)
Deferred consideration for investment in subsidiaries (Amancaya)	(2,882,688)	-
Payment for exploration and evaluation expenditure	(943,690)	(3,316,937)
Payment for investment in development assets	(239,234)	(3,606,094)
Interest received	1,577	870
Net cash used in investing activities	(8,901,049)	(8,243,019)
Cash flows from financing activities		
Interest paid	(320,851)	(220,247)
Dividends distributed to minority interests	-	(73,500)
Proceeds from/ (Repayment of) borrowings	137,802	(298,386)
Repayments made on loan issued to related party	343,512	-
Repayment of borrowings to related party	-	(460,585)
Net cash provided by/ (used in) financing activities	160,463	(1,052,718)
Movement attributable to foreign currency translation	255,916	92,515
Net increase in cash held	2,743,617	5,907,132
Cash at beginning of the period	7,303,315	4,347,075
Cash at end of the period	10,046,932	10,254,207

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

Notes to the Half-Year Financial Statements

1. CORPORATE INFORMATION

Austral Gold Limited ('the Company') is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. This consolidated half-year financial report comprises the Company and its controlled entities ('the Group') for the half-year ended 31 December 2015. The nature of the operations and principal activities of the Group are described in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation of half-year financial report

The Half-year Financial Report has been prepared in accordance with the requirements of the Australian Accounting Standards Board (AASB) 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit orientated entities.

The Half-year Financial Report should be read in conjunction with the Annual Financial Report of Austral Gold Limited as at 30 June 2015, which complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

It is also recommended that the Half-year Financial Report be considered together with any public announcements made by Austral Gold Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(ii) Basis of accounting

The Half-year Financial Report has been prepared on a historical cost convention except for certain financial assets and liabilities which are stated at fair value.

For the purpose of preparing the Half-year Financial Report, the half-year has been treated as a discrete reporting period.

(iii) Basis of consolidation

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

A list of subsidiaries is contained in Note 17 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 consolidated entity.

(iv) Significant accounting policies

The Half-year Financial Report has been prepared using the same accounting policies as used in the Annual Financial Report of Austral Gold Limited for the year ended 30 June 2015.

Notes to the Half-Year Financial Statements

3. REVENUE

	Half-Year Consolidated	
	31 Dec 2015 US\$	31 Dec 2014 US\$
Operating activities		
Revenue from gold and silver sales	26,062,463	36,398,597
Interest revenue	207,580	870
Other revenue	16,246	68,231
Total revenue	26,286,289	36,467,698

4. EARNINGS PER SHARE

	Half-Year Consolidated	
	31 Dec 2015 US\$	31 Dec 2014 US\$
Classification of securities as ordinary shares		
<i>Ordinary shares have been included in basic earnings per share</i>		
Earnings reconciliation		
Net profit attributable to owners	1,215,234	6,476,925
Net profit attributable to non-controlling interest	58,656	117,646
Net profit	1,273,890	6,594,571

Weighted average number of shares used as the denominator		
Number for basic earnings per share	478,761,995	191,023,324
Number for diluted earnings per share	478,761,995	191,023,324
Basic earnings per ordinary share (cents)	0.3	3.5
Diluted earnings per ordinary share (cents)	0.3	3.5

Notes to the Half-Year Financial Statements

5. SEGMENTS

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

	Half-Year Consolidated					
	31 Dec 2015			31 Dec 2014		
	Australia US\$	South America US\$	Consolidated US\$	Australia US\$	South America US\$	Consolidated US\$
Revenue from gold and silver sales	-	26,062,463	26,062,463	-	36,398,597	36,398,597
Interest revenue	307	207,273	207,580	870	-	870
Other revenue	-	16,246	16,246	-	68,231	68,231
Total segment revenue	307	26,285,982	26,286,289	870	36,466,828	36,467,698
Cost of sales	-	(15,594,779)	(15,594,779)	-	(14,087,726)	(14,087,726)
Amortisation	-	(2,815,980)	(2,815,980)	-	(3,112,202)	(3,112,202)
Depreciation	-	(4,258,730)	(4,258,730)	(583)	(4,330,782)	(4,331,365)
Finance costs	-	(320,851)	(320,851)	(998,720)	(135,890)	(1,134,610)
Gain from foreign exchange	-	265,259	265,259	-	67,084	67,084
Administration expenses	(391,214)	(1,401,905)	(1,793,119)	(576,018)	(2,627,628)	(3,203,646)
Impairment of assets	-	-	-	-	(96,102)	(96,102)
Income tax expense	-	(494,199)	(494,199)	-	(3,974,560)	(3,974,560)
Segment profit/(loss)	(390,907)	1,664,797	1,273,890	(1,574,451)	8,169,022	6,594,571
Segment assets	537,737	75,906,218	76,443,955	796,164	98,215,607	99,011,771
Segment liabilities	34,617	17,216,753	17,251,370	163,159	28,014,185	28,177,344

Notes to the Half-Year Financial Statements

6. INCOME TAX EXPENSE

	Half-Year Consolidated	
	31 Dec 2015 US\$	31 Dec 2014 US\$
Amounts recognised in profit and loss		
Current tax paid	(282,838)	(335,625)
Current tax payable	-	3,837,914
Deferred tax expense	777,037	472,271
Income tax expense	494,199	3,974,560
Reconciliation of effective tax rate		
Profit before tax	1,768,089	10,569,131
Prima facie income tax calculated at 30%	530,426	3,170,739
Difference due to blended overseas tax rates*	(200,570)	(1,136,512)
Deferred tax not brought into account	282,994	597,001
Difference due to change in tax rate**	(118,651)	1,343,332
Income tax expense	494,199	3,974,560

* Chile tax rate: 22.5% (2014: 21%); Argentina tax rate: 35%

** The tax rate in Chile will increase progressively over the next three years.

7. INVENTORIES

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
Materials and supplies – at cost	2,743,742	2,361,548
Gold bullion and gold in process – at net realizable value	1,628,230	2,911,035
Total inventories	4,371,972	5,272,583

Notes to the Half-Year Financial Statements

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
CURRENT		
Gold bullion awaiting settlement	2,026,110	4,535,201
Pre-payments	2,175,775	1,187,730
Loan receivable from related party	2,666,351	3,009,863
Taxes receivable	461,262	882,900
Total current receivables	7,329,498	9,615,694
NON CURRENT		
GST/VAT receivable	144,447	195,077
Other	91,329	90,406
Total non-current receivables	235,776	285,483

9. FINANCIAL ASSETS

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
CURRENT		
Bonds – level 1	74,010	189,978
Total current financial assets at fair value	74,010	189,978
NON CURRENT		
Listed equity securities – level 1	1,888,092	2,495,597
Total non-current financial assets at fair value	1,888,092	2,495,597

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 31 December 2015.

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

Listed equity securities represents the fair value of the Company's 19.9% investment in Argentex Mining Corporation (TSX-V: ATX) and 12.8% investment in Goldrock Mines Corp (TSX-V: GRM). A fair value movement of US\$0.6m relating to these investments has been recognised in other comprehensive income.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

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

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

Transfers

During the half year ended 31 December 2015, the consolidated entity has no Level 2 or Level 3 financial instruments. As such, there have been no transfers between the financial instrument levels of hierarchy.

Notes to the Half-Year Financial Statements

10. INTANGIBLE ASSETS AND GOODWILL

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
Development assets - Guanaco		
Cost	45,337,207	45,097,973
Accumulated amortisation	(37,025,717)	(34,209,737)
Carrying value - Development assets - Guanaco	8,311,490	10,888,236
Goodwill		
Cost	925,893	925,893
Carrying value - Goodwill	925,893	925,893
Total intangible assets and goodwill		
Cost	46,263,100	46,023,866
Accumulated amortisation	(37,025,717)	(34,209,737)
Total carrying value – intangible assets and goodwill	9,237,383	11,814,129
MOVEMENTS IN CARRYING VALUE - Development assets – Guanaco		
Carrying amount at beginning of the period/year	10,888,236	35,326,779
Additions for the period/year	239,234	4,685,071
Reclassification to plant and equipment	-	(4,473,765)
Write-off	-	(880,867)
Amortisation for the period/year	(2,815,980)	(8,368,982)
Impairment	-	(15,400,000)
Carrying amount at end of the period/year	8,311,490	10,888,236
MOVEMENTS IN CARRYING VALUE – Goodwill		
Carrying amount at beginning of the period/year	925,893	1,021,995
Impairment	-	(96,102)
Carrying amount at end of the period/year	925,893	925,893

Notes to the Half-Year Financial Statements

11. PLANT AND EQUIPMENT

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
Plant and equipment - at cost	57,678,737	53,327,624
Accumulated depreciation	(28,641,454)	(24,382,723)
Carrying amount at end of period/year	29,037,283	28,944,901
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of period/year	28,944,901	28,124,421
Additions for the period/year	4,545,205	5,258,487
Reclassification from intangible assets	-	4,473,765
Write-off	(194,093)	(201,292)
Depreciation for the period/year	(4,258,730)	(8,710,115)
Movement attributable to foreign currency translation	-	(365)
Carrying amount at end of period/year	29,037,283	28,944,901

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the period/year	13,279,319	506,718
Additions for the period/year	943,690	12,772,601
Carrying amount at end of period/year	14,223,009	13,279,319

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

Acquisition of the Amancaya property

The Group completed its acquisition of the Amancaya property in July 2014. The property is currently recognised as exploration and evaluation expenditure as it is in the early exploration phase of development.

Notes to the Half-Year Financial Statements

13. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
CURRENT		
Trade payables	3,676,693	4,442,048
Accrued expenses	1,080,317	866,397
Income tax payable	-	519,710
Other payables (Notes 13.1 and 13.2 below)	5,717,569	6,917,738
Total current trade and other payables	10,474,579	12,745,893
NON CURRENT		
Other payables (Note 13.2 below)	39,903	2,185,508

13.1 Outstanding balance of US\$4.9m payable to Minera Meridian Ltd relating to the acquisition of the Amancaya project on 8 August 2014 for US\$12m payable in a series of 4 six-monthly instalments. At 31 December 2015, US\$7m has been paid with the remaining balance payable measured at present value with a discount rate of 4% per annum.

13.2 Outstanding balance of US\$0.6m to be paid to Mr. Humberto Reyes Schurmann with respect to the acquisition of the 51% interest in Ingeniería y Minería Cachinalito Ltd. for US\$2.7m (to be paid in 36 monthly instalments). At 31 December 2015, the remaining balance is measured at present value with a discount rate of 4% per annum.

14. BORROWINGS

	Consolidated	
	31 Dec 2015 US\$	30 Jun 2015 US\$
CURRENT		
Lease liability	1,420,125	1,627,471
NON CURRENT		
Lease liability	1,111,662	766,514

14.1 LEASE LIABILITIES

The Group leases production equipment under a number of finance leases. At 31 December 2015, the net carrying amount of lease equipment was US\$3,839,291 (30 June 2015: US\$3,235,954).

15. DIVIDENDS

No dividends were paid or proposed during the period.

16. ISSUED CAPITAL

	31 Dec 2015	30 Jun 2015
Fully paid ordinary shares (US\$)	93,537,023	93,537,023
Number of ordinary shares at year end	478,761,995	478,761,995

Notes to the Half-Year Financial Statements

17. SUBSIDIARIES

	Country of Incorporation	31 Dec 2015 % owned	30 June 2015 % owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.940	99.940
Ingeniería y Minería Cachinalito Limitada	Chile	51.000	51.000

18. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2015.

19. SUBSEQUENT EVENTS

19.1 Definitive arrangement agreement signed to acquire all Argentex shares not currently held by the Group

On February 3, 2016, the Company announced that it has entered into the definitive arrangement agreement ("Agreement") with Argentex Mining Corporation ("Argentex") (TSX-V: ATX; OTC PINK: AGXMF) with respect to the acquisition by the Company of Argentex. The execution of this agreement cleared the way for Argentex to seek the approval of its shareholders for the merger transaction as announced on 31 August 2015.

The Agreement provides for the acquisition by the Company of all outstanding Argentex securities not already owned by the Group by way of a share-for-share exchange as part of a plan of arrangement pursuant to Canadian law (the "Transaction"). The Transaction contemplates an exchange ratio pursuant to which each outstanding common share of Argentex will be exchanged for 0.5651 of an ordinary share of the Company, implying valuation of CAD\$~0.08 per common share of Argentex (or CAD\$~5.8m total valuation). This ratio may be subject to adjustment in certain circumstances, including changes to the capital structure of either the Company or Argentex subsequent to the date of the Agreement and prior to the completion of the Transaction (other than a change resulting from the completion of a financing by the Company on specified terms). The ordinary shares of the Company issued to the former holders of common shares of Argentex are expected to represent, in the aggregate, ~7.75% of the total outstanding ordinary shares of the Company after accounting for the issue of such shares.

The proposed Transaction is subject to all applicable regulatory, court, stock exchange and shareholder approvals.

Notes to the Half-Year Financial Statements

19.2 The Group expands its asset base in Chile with option to purchase mining concessions from Revelo Resources

On February 9, 2016, Guanaco Compañía Minera SpA entered into an option and sales agreement ("Agreement") with Revelo Resources ("Revelo") (TSX-V: RVL) to secure 12,500 hectares of mining concessions, part of the San Guillermo project owned by Revelo (the "Properties").

These properties are strategically located around the Amancaya property, which was purchased by Guanaco Compañía Minera SpA from Minera Meridian Ltda. in 2014. This is the first time that these properties are integrated into one mining project. The company is hopeful that the Amancaya mineralisation can be extended into these newly secured properties to allow for targeting generation and testing in a relatively short time frame.

The proposed transaction involves a staged investment over three years and is composed of three elements in order for full ownership of the properties to be transferred to Guanaco Compañía Minera SpA.

1. Work commitment of US\$3m over 3 years starting from the date of a binding agreement between the parties (Year 1: US\$0.5m; Year 2: US\$1.25m; Year 3: US\$1.25m);
2. Cash payment of US\$650k over 3 years (Year 1: US\$50k; Year 2: US\$50k; Year 3: US\$550k); with
3. Final optional cash payment of US\$2m subject to exploration results from the work commitment program to finally acquire 100% of the Properties.

Concessions comprising the Properties are subject to royalty agreements providing royalty payments of between 1.5% and 4.5% of net smelter returns, depending on the location of certain concessions within the properties, with 0.5% payable to Revelo and the remainder payable to previous owners of the properties, with options available to reduce or exit the royalty agreement. In addition, Guanaco Compañía Minera SpA will cover the cost of the mining rights annual payment for the properties for the Year 2015 and subsequent years during the term of the final binding agreement.

19.3 The Group to acquire controlling stake and management of the Casposo gold-silver project in Argentina currently owned and managed by Troy Resources

On 7 March 2016 it was announced that Austral entered into an agreement with Troy Resources Limited ("Troy") (ASX: TRY) to acquire 70% of the Casposo gold-silver mining project located in Argentina ("Casposo").

The Group ("Austral") and Troy have entered into an Implementation Deed whereby Austral will immediately acquire a 51% economic interest in Casposo for US\$1m. Austral will then be entitled to acquire a further 19% economic interest in Casposo for US\$1m paid within 12 months.

Austral has options to acquire the remaining 30% as follows: 10% for US\$1.5m in 3 years; 10% for US\$2.5m in 4 years; and 10% for US\$3m in 5 years. The exercise price of each option is subject to adjustment based on any increase in the price of silver (base case US\$15/oz Ag).

In addition, the Argentinean entity currently owning Casposo will make deferred payments totalling US\$2m (US\$1m payable within six months and US\$1m payable within 12 months) from proceeds generated from Casposo and Austral will provide or obtain through other sources up to US\$10m pursuant to an initial capital investment plan to develop and implement a re-engineering plan for Casposo with a view to achieving profitable operations within 12 months.

Casposo is located in the department of Calingasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21 km².

The parties have also entered into a Management Agreement whereby Austral is appointed with immediate effect as Manager of Casposo, responsible for all business and activities conducted in relation to Casposo and is granted all authorities and powers by Troy in order to perform those functions.

Notes to the Half-Year Financial Statements

20 RELATED PARTIES

20.1 Ultimate Parent Entity

The Parent Entity is controlled by IFISA which is incorporated in Uruguay. The ultimate beneficial owner of IFISA is Eduardo Elsztein.

20.2 Significant Related Party Transaction During the Period

In May 2015, a loan for US\$3m was made to Inversiones Financieras del Sur SA, a related party, on better than arm's length terms. The loan was to be repaid in 2 instalments by 30 November 2015. The loan is unsecured and borrower's rights and obligations under the loan can be assigned or transferred at any time.

As of 31 December 2015, the loan repayment term has been extended with an amendment to the original loan agreement. The remaining balance outstanding of US\$2.6m is now due to be repaid on or before 30 June 2016 with all other terms and conditions of the loan remaining the same.

DIRECTORS' DECLARATION





In the Directors' opinion:

- The attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Robert Trzebski
Director

Sydney, 15 March 2016

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

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

**INDEPENDENT
AUDITOR'S
REVIEW REPORT**



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austral Gold Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austral Gold Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austral Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austral Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Partner

Sydney, 15 March 2016

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

