MEDIA RELEASE

Austral Gold Limited

6 March 2020

Austral Gold Announces Filing of Annual Report for the Financial Year Ended 31 December 2019

Austral Gold Limited (the "Company") (ASX: AGD; TSX-V: AGLD) is pleased to announce that it has filed its Annual Report for the Financial Year ended 31 December 2019. The Annual Report is available at http://www.asx.com.au, www.sedar.com and the Company's website at **www.australgold.com**.

About Austral Gold

Austral Gold Limited is a growing precious metals mining, development and exploration company building a portfolio of quality assets in Chile and Argentina. The Company's flagship Guanaco/Amancaya project in Chile is a gold and silver producing mine with further exploration upside. The company also holds the Casposo Mine (San Juan, Argentina), a ~23.62% interest in the Rawhide Mine (Nevada, USA) and an attractive portfolio of exploration projects including the Pingüino project in Santa Cruz, Argentina (100% interest) and the San Guillermo and Reprado projects near Amancaya (100% interest). With an experienced local technical team and highly regarded major shareholder, Austral's goal is to continue to strengthen its asset base through acquisition and discovery. Austral Gold Limited is listed on the TSX Venture Exchange (TSXV: AGLD), and the Australian Securities Exchange. (ASX: AGD). For more information, please consult the company's website www.australgold.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Release approved by the Chief Executive Officer, Stabro Kasaneva.

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AUSTRALGOLD

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31 2019

www.australgold.com

TABLE OF CONTENTS

CORPORATE DIRECTORY

KEY MANAGEMENT

Stabro Kasaneva
Chief Executive Officer and Executive Director

Rodrigo Ramirez
Vice President of Operations

Jose Bordogna
Chief Financial Officer

DIRECTORS

Eduardo Elsztain
Chairman & Non-Executive Director

Saul Zang
Non-Executive Director

Pablo Vergara del Carril
Non-Executive Director

Stabro Kasaneva
Executive Director

Wayne Hubert
Independent Non-Executive Director

Robert Trzebski
Independent Non-Executive Director

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Independent Non-Executive Director

COMPANY SECRETARY

David Hwang
Automic Group

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TSX Venture Exchange
TSXV: AGLD

PLACE OF INCORPORATION:

Western Australia

CHAIRMAN'S LETTER

"I am pleased to report that 2019 was another solid year for Austral Gold Limited that created a strong foundation for the future of your Company."

Dear Shareholders,

I am pleased to report that 2019 was another solid year for Austral Gold Limited that created a strong foundation for the future of your Company. Our operations in Chile generated record cash flows through the realisation of higher gold and silver prices, improved production and lower operating cash costs. In addition, we accomplished key strategic objectives that added significant value to your Company which are discussed below.

At our Guanaco/Amancaya mine complex in Chile, our 2019 cash costs and all-in sustaining costs decreased to US$661 per gold equivalent ounce (2018-US$792) and US$899 per gold equivalent ounce (2018-US$943) respectively while record production of 67,005 gold equivalent ounces was achieved, representing a +9.4% year over year increase.

The Guanaco/Amancaya mine complex is our primary cash generating asset after placing our Casposo mine in Argentina on care & maintenance in April 2019. However, we have a clear objective to recommence mining operations at Casposo, and to accomplish this, we increased our brownfield exploration and drilling activities during the second half of 2019 and will continue to do so in 2020. Our commitment to grow our Argentinean mining operations is further reflected by increasing our interest in Casposo to 100%.

In addition, we continually assess opportunities to consolidate projects that surround Casposo and to source ore from third parties in the region. This is a work in progress and several compelling opportunities are being pursued by us.

Further, we intend to advance the Pingüino project in Santa Cruz, Argentina by continuing with exploration activities.

In Chile, we made a considerable financial commitment to exploration with encouraging results which led to the identification of the Sierra Inesperada mineralized area located 7km from the Guanaco Mine.

In addition to improved operational and financial results, we met a key strategic objective by entering the North American mining sector with a US$4 million investment in the Rawhide gold and silver mine located in the state of Nevada which gave us 22.5% of this potentially valuable asset. This investment strengthens our portfolio of mining projects by adding a new potentially cash-flow generating asset in one of the most prominent jurisdictions for mining. The Rawhide mining operation is located in the Walker Lane's Regent mining district. Gold was discovered at Rawhide in 1906 and from 1990-2003 the mine produced 1.4 million ounces of gold and 10.9 million ounces of silver. We believe there is considerable production upside with this asset and our team is actively involved to maximise the return on our investment.

In 2020 we plan to build upon the accomplishments we made this year. We forecast production to be at 55,000-60,000 gold equivalent ounces, which is marginally lower than production in 2019, but we expect to achieve solid margins resulting in free cash which can be used to strategically expand our operations. We also plan on accelerating exploration in 2020 to extend the mine life at Guanaco/Amancaya mine.

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

- Record production at Guanaco/Amancaya
- Record EBITDA and adjusted EBITDA of US$33.6m and US$37.6m respectively with solid C1 and AISC metrics at our mining operations in Chile
- Exploration success that identified a new mineralised NW structural Corridor at our Guanaco property in the Sierra Inesperada area
- The continued support from our shareholders through the Rights offering which raised US$1.4m
- A stronger balance sheet
- Entry into the North America through the investment in the Rawhide gold and silver mine.

Safety is a significant 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.

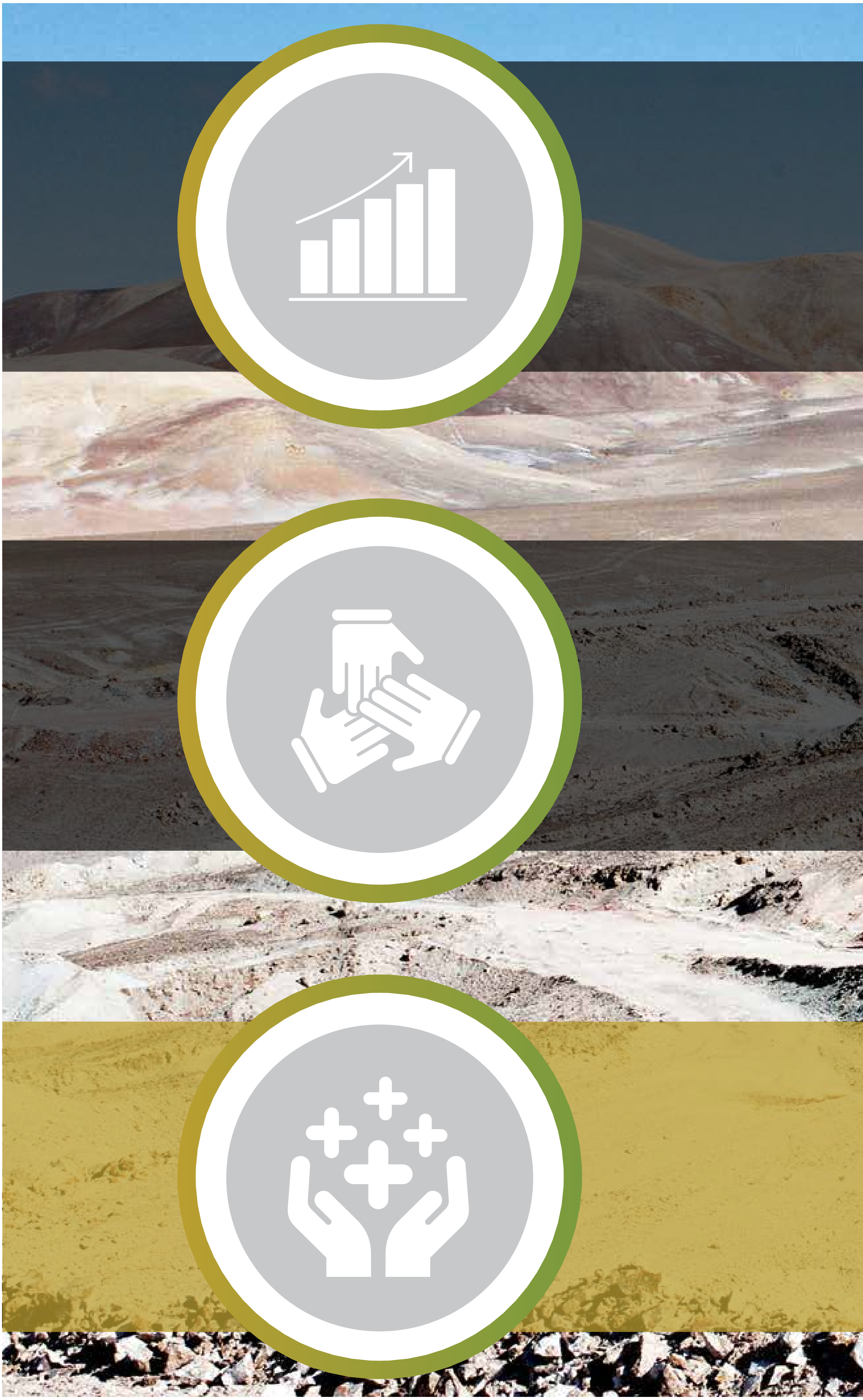
Our strategic acquisitions and organic growth opportunities, backed by an experienced management team with a proven operational and exploration track record, an exceptional understanding of the Chilean and Argentinean resources sector and the strategic equity investment in the Rawhide mine in Nevada,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

In 2019 and early 2020, we saw a positive trend for gold and silver prices and we expect the price of precious metals to remain strong in 2020 and increase over the long term. Although we have improved our financial results in 2019, we continually strive to improve profit margins, while increasing the life and 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

KEY PRINCIPLES



Minimize health and safety risks, be socially and environmentally responsible and strive to continually reduce operating costs.

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

Austral Gold Limited ('the Company' or 'Austral') and its subsidiaries ('the Group') is a precious metals mining and exploration company building a portfolio of assets in South America and recently entered into North America.

The Group produces gold and silver from the Guanaco and Amancaya Mines in Chile. The Group also holds the Casposo Mine in San Juan, Argentina, which is currently on care and maintenance and the recently acquired 22.48% effective interest (with three option agreements to acquire up to an additional 3.795%)* in the Rawhide Mine located ~50 miles outside of Fallon, Nevada, United States. It also holds an attractive portfolio of exploration projects including the Pingüino project in Santa Cruz, Argentina (100% interest).

*Additional 1.14% acquired through the exercise of one option agreement on 31 January 2020. The other two option agreements expire on 8 May 2020.

A summary of key operating results for the year ended December 2019 and 2018 and for the 6 months ended December 2017 is set out in the following table for comparative purposes.

Key Operating Results	Guanaco/Amancaya Mines			Casposo Mine (100% basis)			Net to Austral Gold*		
	12 months ended Dec 2019	12 months ended Dec 2018	6 months ended Dec 2017	12 months ended Dec 2019	12 months ended Dec 2018	6 months ended Dec 2017	12 months ended Dec 2019	12 months ended Dec 2018	6 months ended Dec 2017
Mined Ore (t)	250,986	295,481	169,524	33,318	166,336	98,298	274,323	411,817	238,333
Processed (t)	253,024	278,447	201,148	39,545	181,242[1]	281,848	280,706	405,316[2]	288,944
Average Plant Grade (g/t Au)	7.6	4.96	3.6	2.7	2.0	3.0	7.2	5.6	2.4
Average Plant Grade (g/t Ag)	81.2	79.42	45.4	97.8	277.3	331.3	82.9	167.5	96.3
Gold produced (Oz)	60,666	54,075	17,456	2,770	11,564	9,939	62,605	62,170	24,414
Silver produced (Oz)	543,906	585,201	117,497	143,542	1,213,316	1,022,639	644,385	1,447,122	833,344
Gold Equivalent Ounces (Oz)	67,005	61,271	18,997	4,473	26,836	23,340	70,136	80,056	35,335
Operating Cash Cost (US$/Oz)**	661	792	1,103	2,133	1,362	924	767	957	1,004
All-in Sustaining Cost (US$/Oz)#	899	943	1,330	2,289	1,710	1,096	1,004	1,175	1,201
Average Selling Gold Price (US$/Oz)	1,404	1,227	1,276	1,303	1,227	1,278	1,398	1,264[3]	1,277
Average Selling Silver Price (US$/Oz)	16	15	17	16	15	17	16	16	17
Sales Volume (AuEq Oz)	66,657	63,042	17,117	6,653	30,576	21,425	70,491	84,445[3]	32,115

* As of 23 December 2019, Austral Gold owned 100% of Casposo. From March 2017 to 22 December 2019, Austral Gold owned 70% of Casposo

** 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 85:1 for the 12 months ended December 2019 (84:1 for the 12 months ended December 2018, 76:1 for the 6 months ended December 2017)

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

1 Reported as 166,194 in the 2018 annual report

2 Reported as 461,675 in the 2018 annual report

3 Excludes the impact of AASB 15

TOTAL COMBINED PRODUCTION FOR CALENDAR YEAR 2019

70,136

NET GOLD EQUIVALENT OUNCES

Total combined production for calendar year 2019 reached 71,148 gold equivalent ounces (100% basis) or 70,136 (net to Austral Gold*) with an average C1 and AISC of US$767/oz and US$1,004 per ounce of gold equivalent respectively. The table below provides with a comparison between the 2019 actual and its forecasted production figures*.

Operations	Guanaco/Amancaya Mines		Casposo Mine (100% basis)		Net to Austral Gold*	
	Calendar 2019 Actual	Calendar 2019 Forecasted	Calendar 2019 Actual	Calendar 2019 Forecasted	Calendar 2019 Actual	Calendar 2019 Forecasted
Gold produced (oz)	60,066	70,000	2,770	10,000	62,605	77,000
Silver produced (oz)	543,906	400,000	143,542	200,000	644,385	540,000
Gold-Equivalent (oz)***	67,005	70,000-75,000	4,473	12,000	70,136	83,400
C1 Cash Cost (US$/AuEq oz)**	661	700-800	2,133	950-1,100	767	800-900
All-in Sustaining Cost (US$/Au oz)#	899	950-1,000	2,289	1,300-1,400	1,004	1,000-1,300
Sustaining Capital ($000's)	9,715	10,000	63	1,000	9,778	11,000

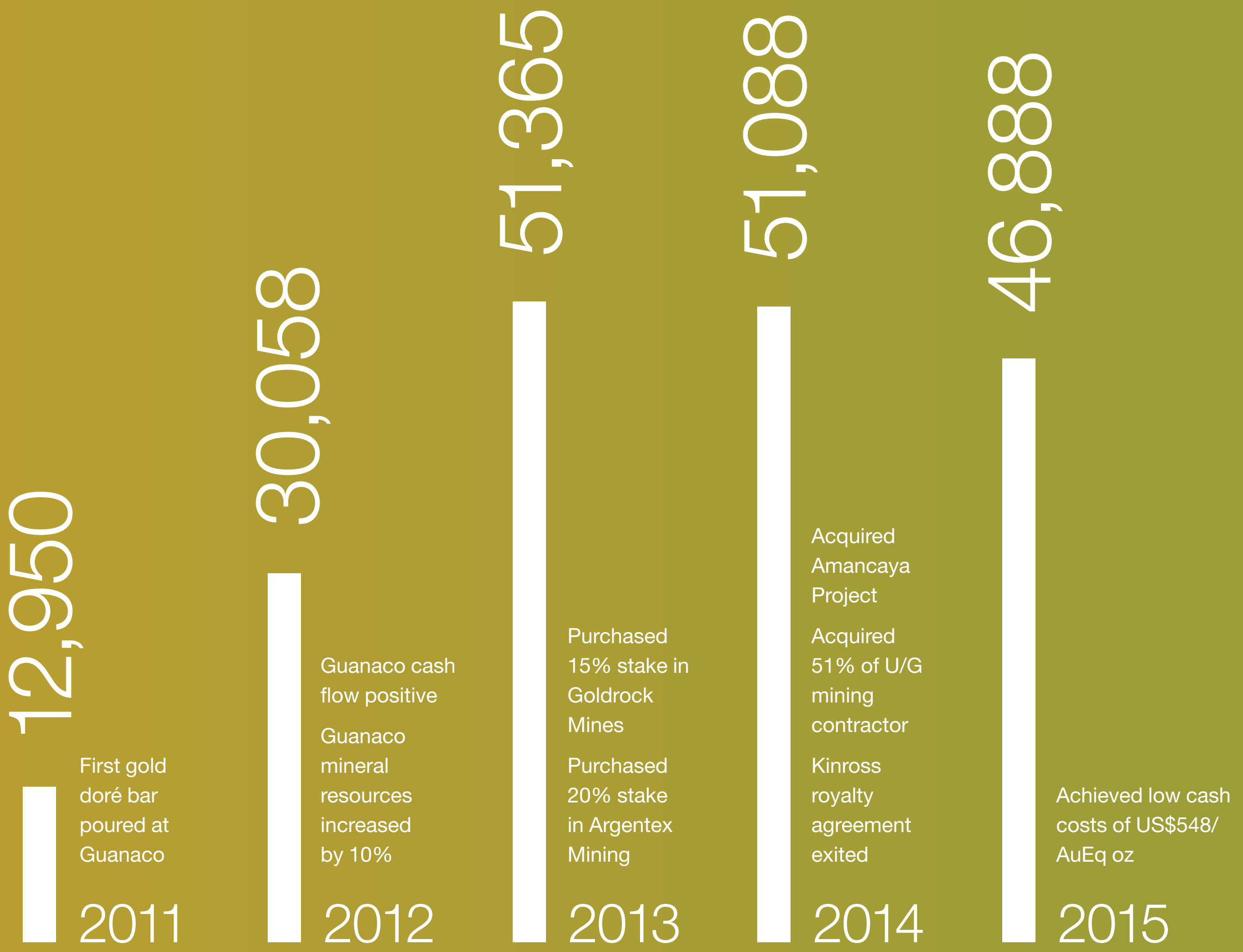
* As of 23 December 2019, Austral Gold owned 100% of Casposo. From March 2017 to 22 December 2019, Austral Gold owned 70% of Casposo; C1 and AISC calculated based on 100% Processed (t).

** 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 85:1 for the 12 months ended December 2019

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

AUSTRAL GOLD HAS PRODUCED OVER 460,000 GOLD EQUIVALENT OUNCES OVER LAST TEN YEARS. SOUND CASH FLOWS HAVE FUNDED AUSTRAL'S GROWTH INITIATIVES.



* Includes production from Casposo (51%) ** Includes production from Casposo (70%)


55,014*
Acquired 51% of Casposo Mine
Acquired Argentex Mining
Dual listed on TSX-V
2016
64,488**
Acquired San Guillermo & Reprado Projects
Acquired additional 19% of Casposo Mine
Updated FS for mining projects
Finalized construction of new agitation leaching plant in Chile
2017
80,056**
First full year operating the new agitation leaching in plant
Record combined production surpassing 80K Geo
Starts UG operations at Amancaya
2018
70,136
Record individual production at Guanaco/Amancaya
Placed Casposo on Care & Maintenance
Effectively acquired remaining 30% of Casposo mine
Entered into North America through investment in the Rawhide mine
2019

CHILE
THE GUANACO & 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, subvertical 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 (TSX:YRI | NYSE:AUY) 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 delivered to the Guanaco plant for processing.

On 14 November 2017, Austral Gold purchased 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.

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 June 2017 and the commissioning phase was completed in November 2017.

PRODUCTION

During the year ended December 2019, total production at Guanaco/Amancaya was 60,666 Au oz and 543,906 Ag oz (or 67,005 AuEq oz) compared to 61,271 AuEq oz during the year ended 31 December 2018. The increase in production is mainly a result of higher throughput from Amancaya, higher gold recoveries, additional mine equipment available and an increase in the amount of ore.

The operating cash cost (C1) at Guanaco/Amancaya for the years ended 31 December 2019 and 2018 were US$661/AuEq oz and US$792/AuEq while the all-in sustaining costs (AISC) were US$899/AuEq oz and US$943/AuEq. The reasons for the decrease in costs is explained in the prior paragraph. Production guidance for 2020 is 55,000-60,000 AuEq and C1 and AISC are forecasted to be US$600-700 and US$900-1,000.

MINING

During the year ended 31 December 2019, mining continued at the Guanaco underground operations with a total of 18,809 tonnes mined while 232,177 tonnes were mined at the Amancaya underground operations. 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.

Operations	Guanaco/Amancaya Mines		
	12 months ended 31 December 2019	12 months ended 31 December 2018	6 months ended 31 December 2017
Processed (t)	253,024	278,447	201,148
Average Plant Grade (g/t Au)	7.6	4.96	3.57
Average Plant Grade (g/t Ag)	81.2	79.42	45.21
Gold produced (oz)	60,066	54,075	17,456
Silver produced (oz)[1]	543,906	585,201	117,497
Gold-Equivalent (oz)[2]	67,005	61,271	18,997
C1 Cash Cost (US$/AuEq oz)[1]	661	792	1,103
All-in Sustaining Cost (US$/Au oz)[2]	899	943	1,330
Realised gold price (US$/Au oz)	1,404	1,227	1,276
Realised silver price (US$/Ag oz)	16	15	17

The cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)
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 2019 December 31, there were five lost-time accidents (LTA) and seven 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

Austral Gold has an extensive history of being a committed neighbor to the communities in which it operates.

Our support to the communities surrounding our projects in Chile focuses mainly on education programs as we believe that through education it is possible to improve citizens socio-economic conditions and contribute to the youth population and the overall community. During 2019, we fund special programs in the city of Taltal (located 173 km from the Guanaco Mine) with the main objective 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 2019 was focused on brownfield areas in the Amancaya District and Sierra Inesperada (Guanaco District).

AMANCAYA MINE EXPLORATION

The exploration activities at the Amancaya Project focused on the block immediately to the north of the Central Vein area where several veins with the same characteristics have been mapped and sampled.

HIGHLIGHTS

Completion of the 3,012 meters drilling program (24 drill holes) with some positive intercepts at Julia, Janita and Rosa veins.

Julia and Janita intercepts represent extensions of the previous drilled veins. Rosa is a vein that was recognized with surface sampling and this preliminary result open opportunities to expand the ore shoot in all directions.

We plan to continue drilling this area during 2020.

Drill highlights this year at Amancaya were as follows:

Drill hole	Sector	From (m)	To (m)	Interval (m)	Height (m)	Au g/t	Ag g/t	Cu g/t
ROS_012	Veta Rosa	118.90	119.40	0.50	0.25	1.14	11	0.02
ROS_013		92.00	92.80	0.80	0.40	2.59	88	0.00
JUL_003	Veta Julia	93.75	95.15	1.40	0.70	3.66	241	0.00
JUL_004		95.15	95.85	0.70	0.35	1.16	55	0.00
JAN-037	Veta Janita	72.60	73.70	1.10	0.55	5.18	7	0.00

Complete drill results have been posted on the Company's website www.australgold.com.

Considering the geological characteristics of the Amancaya District, a reinterpretation of the recognized structures in the sector has begun. This has been done with the support of geological mapping, structural pattern observations and the geophysical studies carried out to date.

Work was also performed on the review of the soil geochemical information of the Amancaya database and development and plotting of distribution maps of elements for Hg, Sb, As, and Tl. Mapping and sampling of UG faces and different levels was carried out inside Amancaya mine for ICP analysis.

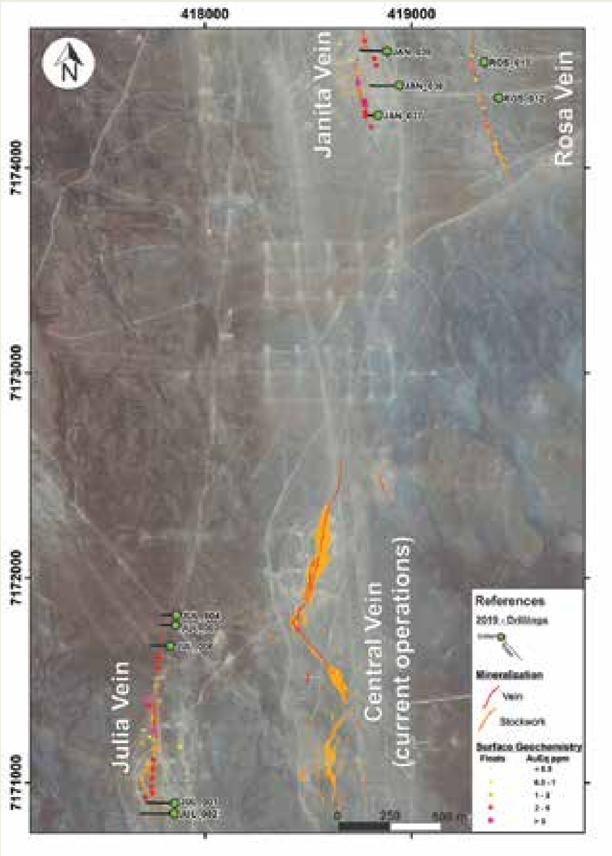


Figure: Julia, Janita and Rosa veins

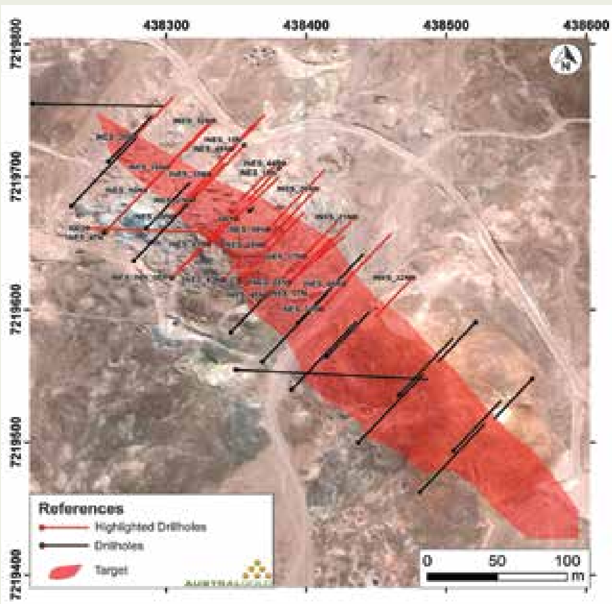


Figure: Sierra Inesperada drilling holes with grade intervals of Au > 1.0ppm (1 g/t Au)

GUANACO DISTRICT EXPLORATION

Sierra Inesperada mine Area Highlights

The planned drilling campaign for the area was completed. Forty-eight holes were drilled totaling 4,806 meters corresponding to 4,256 meters of RC drilling and 550 meters of DDH.

The focus of this program was to explore the vicinity of an old small mining works, represented by a shaft located in the south west portion of the area known as Sierra Inesperada, and not previously evaluated.

A mineralised structural corridor was identified, which is oriented N60 W / 85 SW, with a thickness that varies between 5 and 40 meters and an interpreted depth greater than 150 meters and strike of 200 meters.

The structures have brecciated textures with fragments of gray quartz, vuggy silica and lithics. The wall rock is affected by an advanced argillic alteration with moderate to intense silicification and a strong presence of alunite.

The oxidation zone is recognized by the presence of iron oxides that mostly correspond to hematite-jarosite and traces of copper oxides. The sulphide zone is clearly represented by the weak to high presence of disseminated pyrite in irregular veinlets. Gray sulphides are observed as enargite and traces of chalcocite, which are arranged as a very thin patina in the pyrite.

The host rock of the mineralization corresponds to a pyroclastic sequence formed by layers of tuffs and lithic tuffs of andesitic-dacitic composition, defined as Inesperada Hydro-magmatic Sequence. It covers a unit of green porphyric andesites with medium-sized plagioclase phenocrystals.

The gold grades observed varied mostly in a range between 0.5 g/t and 3 g/t Au, with a maximum gold grade of 19.17 g/t Au.

The Company believes the geological characteristics and orientation of the structural patterns observed in the veins will provide an important exploration guide to recognize the mineral potential of the Sierra Inesperada.

Significant new intersections were observed as follows (please refer to the Company´s press release dated 30 January 2020. Complete drill results have been posted on the Company's website www.australgold.com.)

- Guanaco_INES_38N 8.0m @ 4.26 g/t Au incl. 1m @ 19.17 g/t Au
- Guanaco_INES_27N 14m @ 2.90 g/t Au incl. 1.0m @ 13.77 g/t Au and 16m@ 2.29 g/t Au incl. 2.0m @ 6.64 g/t Au
- Guanaco_INES_42N-DDH 4.05m @ 4.33 g/t Au incl. 0.63m @ 13.80 g/t Au

Sierra Inesperada District Geological Map

In addition, a geological map was developed in the area which defined the lithological units and the hydrothermal alterations, based on field geology, analysis of samples with Terraspec and geochemistry. Three HS type mineralization events were recognized as follows: i) ground preparation-alteration event, ii) phreatomagmatic explosion, and iii) mineralizing event.

The next planned activity along with the drilling program for Q1 2020 along with metallurgical testing is a geophysics campaign using the ground magnetometry method. The objective is to recognize the main trends for mineralisation present in the sector.

ARGENTINA
THE CASPOSO MINE & PINGÜINO PROJECT

CASPOSO MINE

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

In March 2016, Austral Gold acquired a controlling stake and management of the Casposo gold and silver project. Since then, Austral Gold undertook a complete revision of historical work (geology, geochemistry, geophysics and drillings), and completed a regional mapping at a 1:10,000 scale to identify potential opportunities for discovering additional mineralisation and ranking a series of mine and brownfield exploration targets.

In March 2017, Austral Gold acquired an additional 19% of the Casposo silver and gold project and in December 2020, it effectively acquired the remaining 30%.

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.

CARE AND MAINTENANCE

During the June 2019 quarter, Austral completed a comprehensive review of operations, and as the mine operator, decided to temporarily place the mine on care and maintenance. During the year, Austral paid approximately US$2 million in severance to 199 Casposo employees.

The Casposo Mine continues to be on care and maintenance, although exploration activities commenced during the December 2019 quarter with the goal of recommencing processing operations in the future.

The table below summarises the results at the Casposo mine for the 12 months ended December 2019 and 2018 and the 6 months ended December 2017.

Operations	Casposo Mine		
	12 months ended 31 December 2019	12 months ended 31 December 2018	6 months ended 31 December 2017
Processed (t)	39,545	166,194	125,423
Average Plant Grade (g/t Au)	2.7	2.0	3.0
Average Plant Grade (g/t Ag)	97.8	277.3	331.3
Gold produced (oz)	2,770	11,564	9,939
Share of Gold produced*	1,939	8,095	6,458
Silver produced (oz)	143,542	1,213,316	1,022,639
Share of Silver produced*	100,479	861,921	715,848
C1 Cash Cost (US$/AuEq oz)	2,133	1,362	924
All-in Sustaining Cost (US$/Au oz)	2,289	1,710	1,096
Realised gold price (US$/Au oz)	1,303	1,227	1,278
Realised silver price (US$/Ag oz)	15	15	17

* As of 23 December 2019, Austral Gold owned 100% of Casposo. From March 2017 to 22 December 2019, Austral Gold owned 70% of Casposo; C1

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 2019 December 31, there were two lost-time accidents (LTA) and seven 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:

A drilling plan at Casposo was defined in the Inca 3 and Julieta sectors with the objective of extending the existing mineralization and consolidating resources. Works started in Q4 2019.

Completion of an inventory of all the information of the Pingüino Project with a breakdown on epithermal, polymetallic, and mix veins. A trenching and drilling program are being designed with the goal of expanding the deposit's oxidized silver rich resource.

CASPOSO EXPLORATION

The Company finalized the first phase of the drilling campaign that was designed during the year. To date a total of 2,294 meters of Diamond Drill holes (DDH) were drilled in the Inca 3 sector. No significant intercepts were identified.

The exploration team continued with the analysis of Inca 3 and its surrounding areas. The next target is the Julieta sector which is expected to commence in Q1 2020. Construction of new access to the Julieta sector and drilling platforms were finalized during the December 2019 quarter.

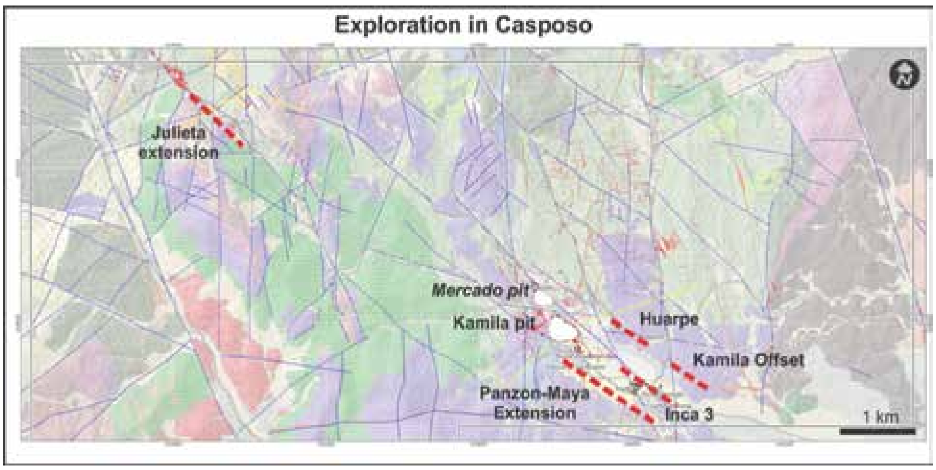


Figure: Casposo Exploration Targets

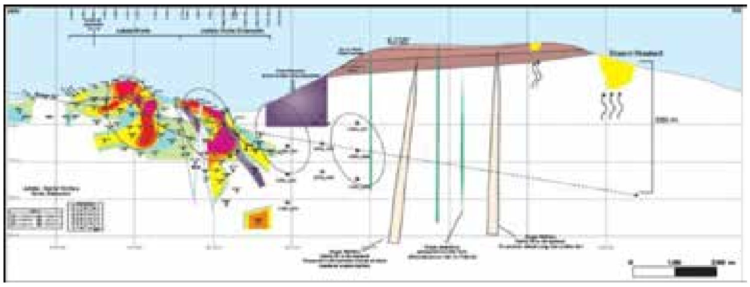


Figure: Julieta Sector

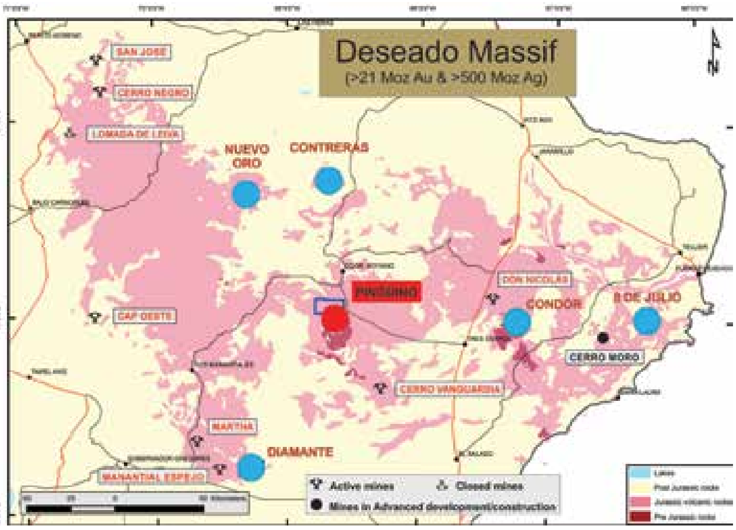


Figure: Casposo Exploration Targets

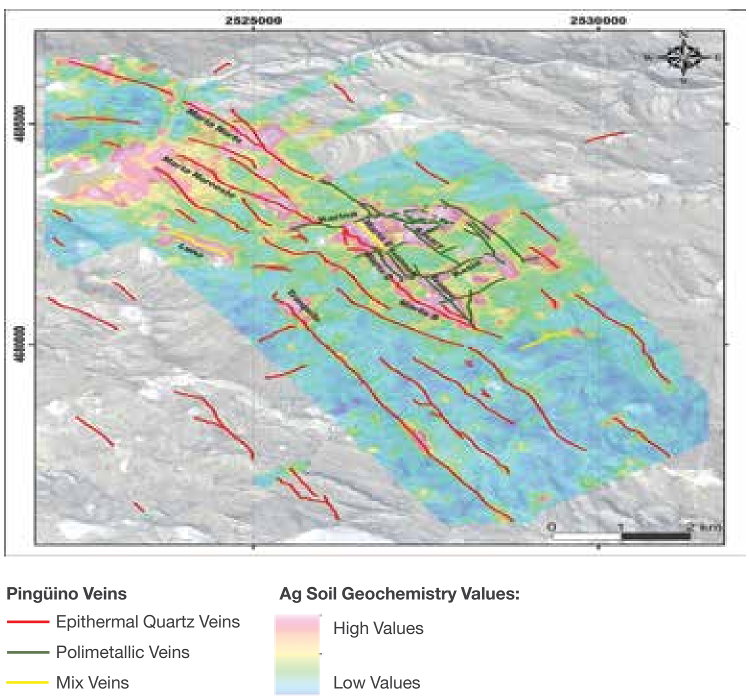


Figure: Pingüino veins and soil sampling

PINGÜINO PROJECT

Argentex Properties including Pingüino Project (100% owned)

Recent activities

During the year, the geology team completed a trenching program at the Pingüino project which totaled 113 trenches with 5,000 meters excavated within the main targets (Tranquilo, Silvia and Trinda). Samples were sent to an external laboratory and the first results are expected in Q1 2020.

Pingüino Project

The Company completed the acquisition of Toronto Venture Exchange listed company, Argentex Mining Corporation ('Argentex') in 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 Somuncura 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 infra- structure, has no nearby communities and more than 70% of surface land is owned by the Company.

UNITED STATES

RAWHIDE MINE

BACKGROUND

On 17 December, 2019, Austral Gold's newly formed Nevada subsidiary, Austral Gold North America Corp. ("AGNA"), acquired an equity interest in Rawhide Acquisition Holding LLC ("RWH"), a privately-held Delaware limited liability company that owns Rawhide Mining LLC which in turn owns the Rawhide Mine located ~50 miles outside of Fallon, Nevada, United States.

The Rawhide mine is located in Nevada's prolific Walker Lane gold-silver belt, among multiple historic mines that produced more than 1 million ounces of gold (e.g., Comstock, Round Mountain, Borealis, and Tonopah). Rawhide is a historical mining operation that started in the early 1900s. Rawhide was formerly operated as a subsidiary of Kennecott Corporation prior to Coral Reef Capital, a private equity firm, partnering with the Rawhide mine management team to acquire the property from Rio Tinto Plc in 2010. Currently, Coral Reef Capital is the controlling shareholder of Rawhide Acquisition Holding LLC.

The Rawhide mine is a fully permitted operation that produces gold and silver through an open pit heap leaching operation. In 2019, Rawhide received a mine expansion permit associated with the Regent open pit. It is surrounded by multiple 1.0 million+ gold oz deposits.

Austral Gold made the strategic investment in the Rawhide operation as part of its acquisition plan to focus on near-term cash producing mining assets.

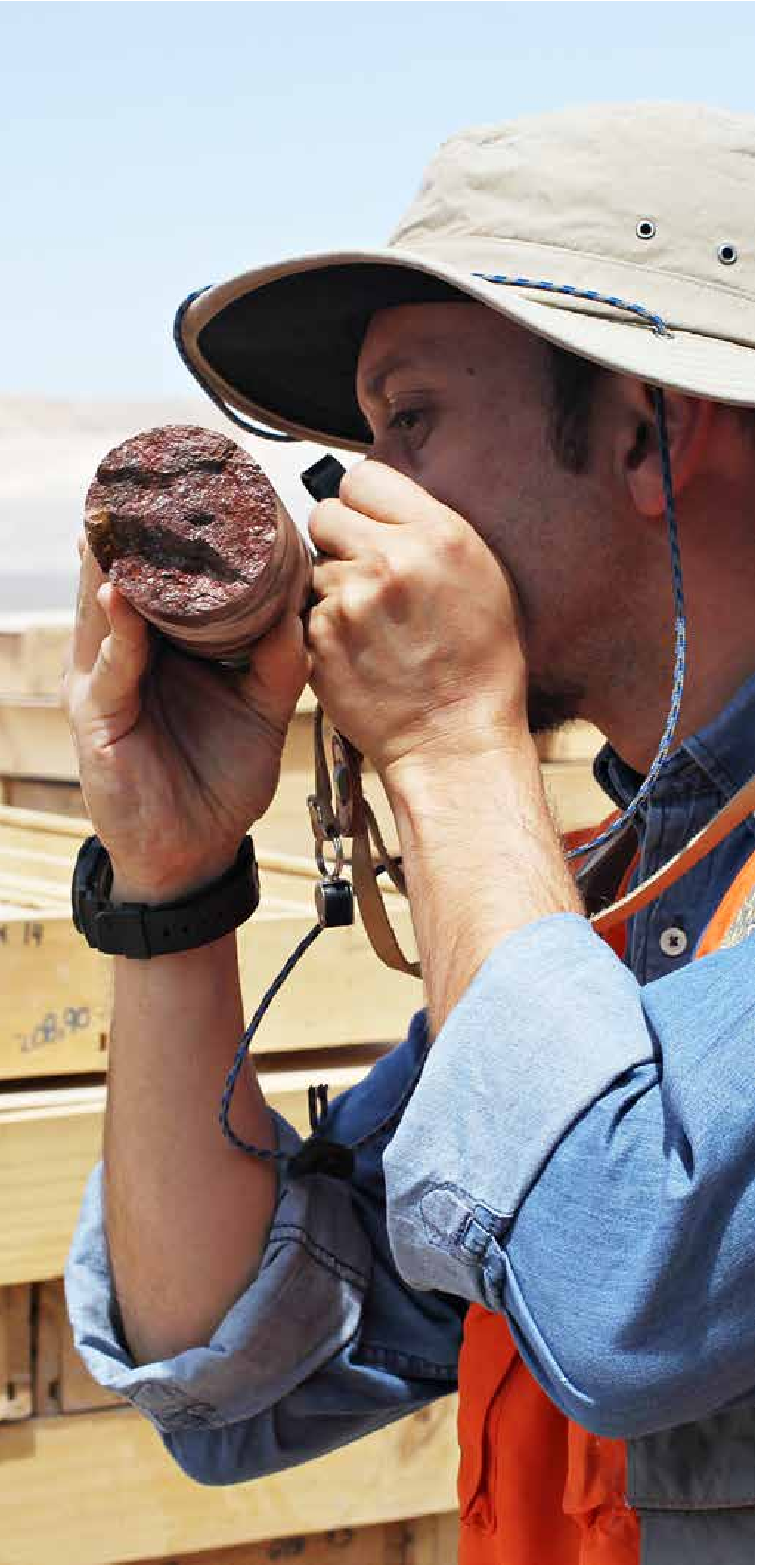
OVERVIEW OF RAWHIDE OPERATION

Gold was discovered at Rawhide in 1906, with intermittent small scale production until Kennecott undertook open pit mining from 1990-2003, producing 1.4 million ounces of gold and 10.9 million ounces of silver from 88 million tons1. Residual heap leaching until 2010 recovered an additional 200 thousand ounces of gold and 1.9 million ounces of silver. Austral Gold has been advised by Rawhide that from 2011-2018 its mining at the Rawhide property totaled 4.9 million tons, with 160,000 ounces of gold and 1.8 million ounces of silver produced.

Gold-silver mineralization at Rawhide has been historically mined from a series of low sulfidation epithermal veins, vein swarms and replacement zones hosted by various basaltic to rhyolitic volcanic units. The lower grade bulk tonnage mineralization that is the focus of current operations occurs between structures within permeable volcanic units and at intrusive contacts. Rawhide Mining received a mine expansion permit earlier this year covering the Regent satellite deposit, and open pit mining has recently commenced. Regent highlights the upside exploration and production optionality of Austral's strategic investment in the Rawhide mining operation.

OVERVIEW OF COMMERCIAL TERMS

- Purchase of a 22.48% membership interest (21.28% on a fully diluted basis) in Rawhide Acquisition Holding LLC ("RAH") for a purchase price of US$3.957 million of which US $2,000,000 was paid in cash at closing. The balance of US $1,957,406 was paid on 31 January 2020.
- Entered into three option agreements with three existing Unit owners pursuant to which it has the option to purchase up to an additional 3.795% of the issued and outstanding Rawhide Units for an aggregate purchase price of US $750,813 (collectively, the "Options") until they expire at various dates during the first six months of 2020. If Austral Gold exercises all of these Options, it will own approximately 26.46% (25.04% on a fully diluted basis). On 30 January 2020, Austral paid US$214,576 to exercise options under the option agreement due 30 January 2020, increasing the Group's equity investment in Rawhide to 23.62%.
- RAH distributes 50% of its taxable income to the LLC members on a quarterly basis as a Tax Distribution.
- RAH has historically made significant additional Ordinary Distributions to its members, and may continue doing so given ongoing mining at the Rawhide and Regent open pits.
- Austral Gold is entitled to nominate one manager to the six-member RAH management committee. Upon exercise of the Options, AGNA will be entitled to a second seat on a seven-member Rawhide management committee. AGNA is also entitled to nominate one member of each of Rawhide's Operating and Exploration Committees.



COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results listed in the Review of Activities section of this December 2019 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 2019 compared to Tables 3 and 4 which are the Company's Mineral Reserves and Resource Estimates as at 31 December 2018.

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

TABLE 1: ORE RESERVES ESTIMATE

31 December 2019

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
Total Guanaco	**65**	**4.7**	**10**	**168**	**3.1**	**17**	**233**	**3.6**	**27**
Amancaya									
Underground	264	6.9	59	243	5.5	43	506	6.3	102
Total Amancaya	**264**	**6.9**	**59**	**243**	**5.5**	**43**	**506**	**6.3**	**102**
Total Combined	**329**	**6.5**	**69**	**410**	**4.5**	**60**	**739**	**5.4**	**129**
Casposo									
Underground	–	–	–	608	2.4	46	608	2.4	46
Total Casposo	**–**	**–**	**–**	**608**	**2.4**	**46**	**608**	**2.4**	**46**
Total	**329**	**6.5**	**69**	**1,018**	**3.2**	**106**	**1,347**	**4.0**	**175**

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	19	233	4	31
Total Guanaco	**65**	**6**	**12**	**168**	**3**	**19**	**233**	**4**	**31**
Amancaya									
Underground	264	32	274	243	25	196	506	29	470
Total Amancaya	**264**	**32**	**274**	**243**	**25**	**196**	**506**	**29**	**470**
Total Combined	**329**	**27**	**285**	**410**	**16**	**215**	**739**	**21**	**500**
Casposo									
Underground	0	0	0	608	179	3,495	608	179	3,495
Total Casposo	**0**	**0**	**0**	**608**	**179**	**3,495**	**608**	**179**	**3,495**
Total	**329**	**27**	**285**	**1,019**	**113**	**3,709**	**1,347**	**92**	**3,995**

TABLE 2: MINERAL RESOURCES ESTIMATE

31 December 2019

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
Total Guanaco	**422**	**3.2**	**43**	**1,213**	**2.8**	**108**	**1,636**	**2.9**	**151**	**1,134**	**2.6**	**96**
Amancaya												
Open Pit	0	0	0	2	8.9	0.4	2	8.9	0.4	23	4.49	3
Underground	307	10.2	101	298	7.3	70	605	8.8	171	716	5.96	137
Total Amancaya	**307**	**10.2**	**101**	**300**	**7.3**	**70**	**607**	**8.8**	**171**	**739**	**5.9**	**140**
Total Combined	**730**	**6.1**	**144**	**1,513**	**3.7**	**178**	**2,243**	**4.5**	**322**	**1,874**	**3.9**	**236**
Casposo												
Underground	37	2.4	3	1,009	2.8	92	1,046	2.8	95	913	5.4	158
Total Casposo	**37**	**2.4**	**3**	**1,009**	**2.8**	**92**	**1,046**	**2.8**	**95**	**913**	**5.4**	**158**
Total	**767**	**5.9**	**147**	**2,522**	**3.3**	**270**	**3,289**	**3.9**	**417**	**2,787**	**4.4**	**394**

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
Total Guanaco	**422**	**17**	**235**	**1,213**	**15**	**592**	**1,636**	**16**	**827**	**1,134**	**13**	**477**
Amancaya												
Open Pit	0	0	0	2	81	4	2	81	4	23	37	28
Underground	307	49	480	298	28	265	605	38	744	716	17	399
Total Amancaya	**307**	**49**	**480**	**300**	**28**	**269**	**607**	**38**	**748**	**739**	**18**	**426**
Total Combined	**730**	**30**	**715**	**1,513**	**18**	**861**	**2,243**	**22**	**1,576**	**1,874**	**15**	**903**
Casposo												
Underground	37	221	264	1,090	167	5,409	1,046	169	5,673	913	143	4,204
Total Casposo	**37**	**221**	**264**	**1,009**	**167**	**5,409**	**1,046**	**169**	**5,673**	**913**	**143**	**4,204**
Total	**767**	**40**	**978**	**2,522**	**77**	**6,270**	**3,289**	**69**	**7,248**	**2,787**	**57**	**5,108**

TABLE 3: ORE RESERVES ESTIMATE

31 December 2018

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	65	4.7	10	168	3.1	17	233	3.6	27
Total Guanaco	**65**	**4.7**	**10**	**168**	**3.1**	**17**	**233**	**3.6**	**27**
Amancaya									
Underground	109	6.7	23	472	6.6	100	581	6.6	123
Total Amancaya	**109**	**6.7**	**23**	**472**	**6.6**	**100**	**581**	**6.6**	**123**
Total Combined	**174**	**6.0**	**33**	**640**	**5.7**	**117**	**814**	**5.7**	**150**
Casposo									
Underground	–	–	–	676	2.5	55	676	2.5	55
Total Casposo	**–**	**–**	**–**	**676**	**2.5**	**55**	**676**	**2.5**	**55**
Total	**174**	**6.0**	**33**	**1,316**	**4.0**	**171**	**1,490**	**4.3**	**205**

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
Total Guanaco	**65**	**6**	**12**	**168**	**3.5**	**19**	**233**	**4.1**	**31**
Amancaya									
Underground	109	80	281	472	26	395	581	36	676
Total Amancaya	**109**	**80**	**281**	**472**	**26**	**395**	**581**	**36**	**676**
Total Combined	**174**	**52**	**293**	**640**	**20.1**	**414**	**814**	**27**	**707**
Casposo									
Underground	0	0	0	676	181	3,939	676	181	3,939
Total Casposo	**0**	**0**	**0**	**676**	**181**	**3,939**	**676**	**181**	**3,939**
Total	**174**	**52**	**293**	**1,316**	**103**	**4,353**	**1,490**	**97**	**4,646**

TABLE 4: 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
Total Guanaco	422	3.2	43	1,213	2.8	108	1,636	2.9	151	1,134	2.6	96
Amancaya												
Open Pit	0	0	0	15	5.9	3	15	5.9	3	23	4.49	3
Underground	99	10	32	516	8.7	145	615	8.9	177	840	6.71	181
Total Amancaya	**99**	**10**	**32**	**531**	**8.7**	**148**	**630**	**8.9**	**180**	**864**	**6.7**	**185**
Total Combined	**522**	**4.5**	**75**	**1,744**	**4.6**	**256**	**2,266**	**4.5**	**331**	**1,998**	**4.4**	**281**
Casposo												
Underground	37	2.4	3	1,090	2.9	102	1,127	2.9	105	913	5.4	158
Total Casposo	**37**	**2.4**	**3**	**1,090**	**2.9**	**102**	**1,127**	**2.9**	**105**	**913**	**5.4**	**158**
Total	**559**	**4.3**	**78**	**2,834**	**3.9**	**358**	**3,393**	**4.0**	**435**	**2,912**	**4.7**	**438**

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
Total Guanaco	**422**	**17**	**235**	**1,213**	**15**	**592**	**1,636**	**16**	**827**	**1,134**	**13**	**477**
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
Total Amancaya	**99**	**129**	**413**	**531**	**38**	**655**	**630**	**53**	**1,068**	**863**	**26**	**734**
Total Combined	**522**	**39**	**648**	**1,744**	**22**	**1,247**	**2,266**	**26**	**1,895**	**1,998**	**19**	**1,211**
Casposo												
Underground	37	221	264	1,090	183	6,413	1,127	184	6,677	913	143	4,204
Total Casposo	**37**	**221**	**264**	**1,090**	**183**	**6,413**	**1,127**	**184**	**6,677**	**913**	**143**	**4,204**
Total	**559**	**51**	**911**	**2,834**	**84**	**7,661**	**3,393**	**79**	**8,572**	**2,912**	**58**	**5,415**

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.

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 Sebastian Ramirez, P.Eng, an Austral Gold employee and a QP as per NI 43-101 and a CP as per JORC 2012.

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 on 13 June 2017 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 Comission 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 Year Ended 31 December 2019

The following report on the review of results for the year ended 31 December 2019 ("FY19") and 2018 ("FY18") together with the consolidated financial report of Austral Gold Limited (the Company) and its subsidiaries, (referred to hereafter as the Group).

PRINCIPAL ACTIVITIES

The principal activities of the Group during FY19 were gold and silver production at the Group's Guanaco/ Amancaya mine and Casposo mine, exploration at areas surrounding the Guanaco/Amancaya mines and the Casposo mine, acquisition of the non-controlling interests in Casposo, the strategic investment in the Rawhide gold and silver mine in Nevada, USA and a rights offering financing. During FY19, the Group's Casposo mine was placed on care and maintenance as a result of the mine operating at a loss and following the decrease of mineral reserves of the project. There were no other significant changes in those activities during the period.

OPERATING AND FINANCIAL RESULTS

Key Operating Results	Years ended					
	31 December 2019			31 December 2018		
	Guanaco/ Amancaya	Casposo (100% basis)	Net to Austral*	Guanaco/ Amancaya	Casposo (100% basis)	Net to Austral*
Mined Ore (t)	250,986	33,318	274,309	295,481	166,194	411,817
Processed (t)	253,024	39,545	280,706	278,447	181,242[1]	405,316[2]
Average Plant Grade (g/t Au)	7.6	2.7	7.2	4.96	2.0	5.6
Average Plant Grade (g/t Ag)	81.2	97.8	82.9	79.42	277.3	167.5
Gold Produced (Oz)	60,666	2,770	62,605	54,075	11,564	62,170
Silver Produced (Oz)	543,906	143,542	644,385	585,201	1,213,316	1,447,122
Gold Equivalent Ounces (Oz)	67,005	4,473	70,136	61,271	26,836	80,056
Operating Cash Cost (US$/Oz) **	661	2,133	767	792	1,362	957
All-in Sustaining Cost (US$/Oz) #	899	2,289	1,004	943	1,710	1,175
Average Selling Gold Price (US$/Oz)	1,404	1,303	1,398	1,227	1,227	1,264
Average Selling Silver Price (US$/Oz)	16	16	16	15	15	16
Sales Volume (AuEq Oz)	66,657	6,653	70,491	63,042	30,576	84,445

* As of 23 December 2019, Austral Gold owned 100% of Casposo. From March 2017 to 22 December 2019, Austral Gold owned 70% of Casposo; C1 and AISC calculated based on 100% Processed (t).

** 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 85:1 Ag:Au for the twelve months ended 31 December 2019

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

*Note: The Operating cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A) while the All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation and Mine Closure Amortisation.

[1] Reported as 166,194 in the 2018 annual report

[2] Reported as 461,675 in the 2018 annual report

OPERATING AND FINANCIAL RESULTS

The Group's profit attributable to shareholders for 2019 was US$5.3m (2018: net loss 26.1m)

During FY19, the Group realised a gross profit of US$26.7m or 26% (including US$20.3m of depreciation and amortisation) (FY18: gross profit of US$6.0m or 5% including US$18.4m of depreciation and amortisation). Excluding depreciation and amortisation, the Group earned a gross profit of US$46.9m in FY19 or 46% (FY18: US$24.4m or 20%).

The turnaround to a net profit in FY19 from a loss in FY18 was the first net profit for the Group since 2016 and was mainly due to higher operating margins and lower administration costs, which were partially offset by an increase in net finance costs (mainly due to a foreign exchange loss on the Group's assets in Argentina from the depreciation of the Argentine peso), income taxes, care and maintenance costs and restructuring expenses at Casposo. The 2018 net loss was primarily due to a US$29.2m impairment loss related to the Casposo mine.

During FY19, the Group markedly improved the operational margins when compared to FY18. As explained below, despite lower combined production and revenue in FY19, the Guanaco/Amancaya mine complex generated higher levels of production along with higher gold grades leading to record cash flows during FY19.

Sales revenue of US$102.2m in FY19 (FY18: US$122.8m) was earned as production (100% basis) was 71,478 AuEq oz (2018: 88,107 AuEq oz). The decrease in revenue during FY19 was mainly due to less gold equivalent ounces produced at Casposo, which was impacted by the placement of the mine on care and maintenance in Q2 2019 and the impact of AASB 15 for FY18 that resulted in an increase in sales of US$7.0m. The decrease was partially offset by an increase in production at the Guanaco/Amancaya mine complex and the realisation of higher gold and silver selling prices.

Despite the lower sales revenue, the combined gross profit before depreciation and amortisation increased to US$46.9m (46%) from US$24.4m (20%) during FY18. The increase was mainly due to the stronger performance at the Guanaco/ Amancaya mine complex with a gross profit of 52% compared to 30% in FY18 which offset the decrease in gross profit at Casposo. The gross profit from Guanaco/ Amancaya in FY18 was mainly impacted by the delay in the stabalisation of the new agitation leaching plant until the second quarter and the implementation of AASB 15.

Net gold equivalent ounces (GEO) produced during the FY19 decreased to 70,136 GEO from 80,056 GEO produced during FY18. However, production from the Guanaco/Amancaya mine complex increased to 67,005 GEO from 61,271 GEO or an increase of 9.4% or average monthly production of almost 5,584 GEO from 5,106 GEO in FY18. The increase in production at Guanaco/Amancaya was offset by the decrease in production at Casposo.

Overall operating cash costs ("C1) of production* and All-in sustaining costs ("AISC") decreased to US$767/AuEq oz and US$1,004/ AuEq oz during FY19 compared to US$957/AuEq oz and US$1,175/AuEq oz during FY18. C1 at the Guanaco/ Amancaya mine decreased to US$661/AuEq oz during FY19 from US$792/AuEq oz during FY18. The decrease in costs was mainly a result of higher throughput from Amancaya due to greater mine equipment availability, higher gold grades, higher gold recoveries and a decrease in the value of the Argentine and Chilean currencies versus the US dollar. Operating cash costs* at Casposo increased significantly during FY19 to US$ 2,133/ AuEq oz compared to cash costs of US$1,362/AuEq oz during FY18. The higher operating cash costs at Casposo in FY19 were due to lower production and temporarily placing the mine on care and maintenance.

KEY FINANCIAL RESULTS

Key financial metrics Thousands of US$	Year ended	
	31 December 2019	31 December 2018
Revenue	102,209	122,767
Gross profit	26,661	5,958
Gross profit %	26.1%	4.9%
Adjusted gross profit (excluding depreciation and amortisation)	46,916	24,380
Adjusted gross profit % (excluding depreciation and amortisation)	45.9%	19.9%
EBITDA	33,550	(16,506)
EBITDA per share (basic)	0.062	(0.031)
EBITDA per share (fully diluted)	0.059	(0.031)
Adjusted EBITDA*	37,612	12,018
Adjusted EBITDA per share (basic)	0.070	0.023
Adjusted EBITDA per share (fully diluted)	0.066	0.023
Profit/ (loss) attributed to shareholders	5,225	(26,064)
(Loss) attributed to non-controlling interests	(3,586)	(10,171)
Earnings/(loss) per share (Basic)	0.97c	(4.88)c
Earnings/(Loss) earnings per share (diluted)	0.93c	(4.88)c
Comprehensive income (loss)	1,658	(36,262)

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

Note: Readers are cautioned that adjusted gross profit and net profit/(loss) 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.

EBITDA AND ADJUSTED EBITDA

Thousands of US$	Year ended	
	31 December 2019	31 December 2018
Profit/(loss) before tax	9,508	(37,054)
Depreciation and amortisation	20,255	18,422
Net finance costs	3,787	2,126
EBITDA	**33,550**	**(16,506)**
Restructuring cost (Casposo)	2,087	-
Care and maintenance expenses	1,185	-
Other income	(62)	(1,868)
Gain/(loss) on movements of financial assets	(10)	1,202
Impairment of assets	862	29,190
Adjusted EBITDA	**37,612**	**12,018**

FINANCIAL RESULTS

EBITDA and adjusted EBITDA increased to US$33.6m (33%) and US$37.6m (37%) during FY19 from (US$-16.5m) (-13%) and US$12.0m (10.0%) during FY18.

During FY19 administration expenses decreased to US$9.3m (FY18-US$12.4m). The decrease was mainly due to the Casposo care and maintenance phase and the impact of the decrease in the value of the Argentine Peso and Chilean Peso versus the US dollar.

Net Finance costs increased to US$3.8m during FY19 (FY18-US$2.1m). The increase was mainly due to an increase in foreign exchange losses and an increase in the mine closure provision.

Restructuring and care and maintenance costs related to placing the Casposo mine on care and maintenance in the respective amounts of US$2.1m and $1.2m were incurred during FY 19.

An impairment loss of US$0.9m of which $US 0.6m related to exploration expenses in Chile and US$0.3m related to exploration expenses in Argentina was recorded in FY19, while an impairment loss of US$29.2m related to its Casposo property was recorded in FY18 as the Group valued the property at US$7.8m.

FINANCIAL POSITION

The net assets of the Group increased by US$1.9m since 31 December 2018 to US$56.7m at 31 December 2019 (31 December 2018: US$54.9m). The increase was partially due to $US1.4m raised from the rights offering financing and profit earned in FY19. Working capital increased by US$8.5m to US$3.3m at 31 December 2019, (31 December 2018: negative working capital of US$5.2m at 31). The increase in working capital arose mainly due to the strong operational performance at Guanaco.

As at 31 December 2019, the Group had a current ratio equal to 1.14 (FY18 negative 0.83) along with US$9.2m cash and cash equivalents (FY18-$1.7m)

Combined net debt (borrowings and financial leases net of cash & cash equivalents) decreased by US$10.5m to US$6.3m at 31 December 2019 compared to US$16.8m at 31 December 2018.

Trade and other receivables (current and non-current) decreased by US$1.5m to US$7.8m at 31 December 2019 mainly due to a decrease tax credits receivable and an increase in trade receivables.

Inventories decreased by US$3.3m to US$10.6m at 31 December 2019 and was mainly due to a decrease in materials and supplies and a decrease in gold and silver bullion in process. The allowance for inventory obsolescence increased by US$0.2m to US$1.3m at 31 December 2019.

Trade and other payables (current and non-current) decreased by US$3.6m to US$10.9m at 31 December 2019 mainly due to a decrease in trade payables as a result of an increase in cash generated from operations during FY19.

CASH FLOW

Net cash provided from operating activities before and after changes in assets and liabilities was US$33.3m and US$29.6m during FY19 compared to US$14.1m and US$21.3m during FY18 respectively. In addition, the increase is mainly due to additional cash generated at Guanaco/Amancaya as described above.

Cash used in investing activities totaled US$14.7m during FY19 compared to US$17.7m during FY18. Cash was used primarily for additions to property, plant and equipment, mine properties and the acquisition of a 22.5% equity interest in the Rawhide Mine in Nevada, USA.

Cash used in financing activities totaled US$7.5m during FY19 compared to US$8.5m during FY18 mainly due to the net repayment of borrowings and financial leases.

LIQUIDITY

The Group forecasts 2020 profitable production of 55,000-60,000 gold equivalent ounces.

Thousands of US$	Year ended	
	31 December 2019	31 December 2018
Cash & cash equivalents	9,196	1,716
Current assets	26,849	25,264
Non-current assets	79,318	81,970
Current liabilities	23,529	30,487
Non-current liabilities	25,907	21,875
Net assets	56,731	54,872
Net current assets (liabilities)	3,320	(5,223)
Current loans and borrowings	4,045	6,860
Current financial leases	3,047	2,086
Non-current loans and borrowings	2,077	2,908
Non-current financial leases	6,302	6,617
Combined debt (borrowings and financial leases)	15,471	18,471
Combined net debt (net of cash & cash equivalents)	6,275	16,755
Combined debt to EBITDA	46%	112%
Combined net debt to EBITDA	19%	102%
Current ratio*	1.14	0.83
Total liabilities to net assets	0.87	0.95

*Current Assets divided by Current Liabilities

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

THE DIRECTORS

EDUARDO ELSZTAIN
Chairman

Mr. Eduardo Elsztain is chairman of IRSA Inversiones y Representaciones S.A. (NYSE:IRS), one of Argentina's largest and most diversified real estate companies; and IRSA Commercial Properties (NASDAQ:IRCP), with 14 shopping centers, premium office buildings, five-star hotels and residential developments. These investments extend also into the US real estate market. He also serves as Chairman of Cresud (NASDAQ:CRESY) and BrasilAgro (NYSE:LND), leading Latin American agricultural companies that own directly and indirectly almost 1M HA of farmland.

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

Mr. Elsztain serves as Chairman of IDB Development, a huge conglomerate in the State of Israel with direct and indirect interest in various industries: communications, retail, insurance, real estate, oil exploration, air transport, medical R&D and oil exploration

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

He is also member of the World Economic Forum, the Council of the Americas, the Group of 50 and Argentina's Business Association (AEA). Is President of Fundacion IRSA, which promotes education among children and young people; President of TAGLIT - Birthright Argentina; Co-Founder of Endeavor Argentina; and Vice-President of the World Jewish Congress.

Appointed Director 29 Jun 2007
Appointed Chairman on 2 Jun 2011
Re-elected by shareholders on 30 May 2019

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 Depart- ments 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 2019

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), Brasil Agro (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 2019

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 currently serving as Chairman of Revival Gold Inc. (TSX.V:RVG) (OTCQB:RVLGF) and Viking Strategic Metals Ltd. (TSX.V:SMD), and is also a director of InZinc Mining.

Appointed 18 Oct 2011
Re-elected by shareholders on 30 May 2019

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.

Other Directorships with listed companies in the last three years: Hip Resources Limited (ASX: HIP) Appointed 24 October 2019.

Appointed 2 Jun 2011
Re-elected by shareholders on 30 May 2019

The Company's Board believes that a highly credentialed Board, with diverse backgrounds, skills and perspectives, will be effective in supporting and enabling delivery of strong governance for the Company and create value for the Company's shareholders.

PABLO VERGARA DEL CARRIL

Non-Executive Director,
Member of the Audit Committee

Mr Vergara del Carril is a lawyer and is professor of Post-graduate 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 Intercontinen- tal Hotel in Buenos Aires), IRSA Commercial Properties (NASDAQ: IRCP, BASE: APSA) and Emprendimiento Recoleta SA (owner of the Buenos Aires Design Shop- ping 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 Director- ships with Australian or Canadian listed companies in the last three years.

Appointed 18 May 2006
Re-elected by shareholders on 30 May 2019

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 2019

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.

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 in 2010. 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 Inter- national Business from the University of Sydney, Australia.

At Austral Gold, Mr. Bordogna has overseen the conversion than US$50m in debt to equity, $15m in equity investments with TSX-V listed companies, as well as greater 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. He is also CFA Candidate Level 3.

Appointed 22 August 2016

DAVID HWANG
Automic Group, Company Secretary

Mr. Hwang assumed the role of Company Secretary in July 2019. Mr. Hwang is an experienced corporate lawyer specialising in listings on the ASX, equity capital markets and providing advice on corporate governance and compliance issues.

Appointed 31 July 2019

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

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

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 and Executive Officer (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	Options
P Vergara del Carril	68,119	-
R Trzebski	-	-
E Elsztain	479,805,958	16,241,776
S Zang	1,640,763	136,730
S Kasaneva	6,881,230	-
B Jarvis	-	-
W Hubert	1,750,000	-
R Ramirez	279,514	-
J Bordogna	-	-

It is also noted:

1. E Elsztain, S Zang, P Vergara del Carril and are Directors of Guanaco Capital Holding Corp which holds 35,870,730 shares and 2,989,227 options according to the last substantial holder notice lodged in October 2019.
2. E Elsztain and S Zang are Directors of IFISA which holds 433,448,890 shares and 12,378,689 options according to the last substantial holder notice lodged in October 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
- **José Bordogna** Chief Financial Officer

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 predetermined 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, 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 value. 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 each KMP. Consequently, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	12 months ended 30 June 2016	12 months ended 30 June 2017	12 months ended 30 June 2017	6 months ended 31 December 2018	12 months ended 31 December 2019
Sales Revenue (US$'000)	55,865	101,025	48,867	122,767	102,209
Profit/(loss) before tax (US$'000)	27,711	(6,232)	(14,905)	(37,054)	9,508
Basic EPS (US cents per share)	5.25	(0.85)	(2.56)	(4.88)	0.97
Diluted EPS (US cents per share)	5.25	(0.85)	(2.56)	(4.88)	0.93
Share price (cents AUD/CDN)	15.6/NA	15.0/15.0	15.0/13.0	6.0/6.0	9.0/8.5

Details of Remuneration

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

12 month period ended 31 December 2019

	Primary			Post-employment		Share-based		Total
	Cash and accrued Salary and Fees US$	Accrued Cash Bonus US$[1]	Non-monetary benefits US$	Superannuation US$	Retirement/ Termination benefits US$	Shares US$	Options US$	US$
Directors								
Non-executive directors								
E Elsztain	100,000	–	–	–	–	–	–	100,000
S Zang	50,000	–	–	–	–	–	–	50,000
W Hubert	58,000	–	–	–	–	–	–	58,000
R Trzebski	45,976	–	–	4,024	–	–	–	50,000
B Jarvis	45,976	–	–	4,024	–	–	–	50,000
P Vergara del Carril	50,000	–	–	–	–	–	–	50,000
Total non-executive director remuneration	**349,952**	**–**	**–**	**8,048**	**–**	**–**	**–**	**358,000**
Executive Director								
S Kasaneva	355,127	311,255	–	–	–	–	–	666,382
Total Director remuneration	**705,079**	**311,255**	**–**	**8,048**	**–**	**–**	**–**	**1,024,382**
Other Key Executives								
R. Ramirez	287,069	251,606	–	–	–	–	–	538,675
J. Bordogna	119,390	69,857	–	–	–	–	–	189,247
Total other executive remuneration	**406,459**	**321,463**	**–**	**–**	**–**	**–**	**–**	**727,922**
Total director and executive officer remuneration	**1,111,538**	**632,718**	**–**	**8,048**	**–**	**–**	**–**	**1,752,304**

[1] Accrued cash bonus defined as bonus earned during the year that has been paid or accrued
[2] All salaries are paid in local currency and converted to USD by average FX — only for the purpose of preparing this table.

Twelve-month period ended 31 December 2018

	Primary			Post-employment		Share-based		Total
	Cash and accrued Salary and Fees US$	Accrued Cash Bonus US$	Non-monetary benefits US$[1]	Superannuation US$	Retirement benefits US$	Shares US$	Options US$	US$
Directors								
Non-executive directors								
E Elsztain	100,000	–	–	–	–	–	–	100,000
S Zang	50,000	–	–	–	–	–	–	50,000
W Hubert	58,000	–	–	–	–	–	–	58,000
R Trzebski	45,675	–	–	4,325	–	–	–	50,000
B Jarvis	45,675	–	–	4,325	–	–	–	50,000
P Vergara del Carril	50,000	–	–	–	–	–	–	50,000
Total non-executive director remuneration	**349,350**	**–**	**–**	**8,650**	**–**	**–**	**–**	**358,000**
Executive director								
S Kasaneva	381,371	381,371						762,742
Total Director remuneration	**730,721**	**381,371**		**8,650**				**1,120,742**
Other Key Executives[3]								
R. Ramirez	309,362	309,362						618,724
J. Morel[2]	170,703	307,132						477,835
J Bordogna	150,454	83,250						233,704
D Guido[3]	112,100	116,626						228,726
Total Other Executive remuneration	**742,619**	**816,370**						**1,588,989**
Total director and executive officer remuneration	**1,473,340**	**1,197,741**		**8,650**				**2,679,731**

[1] Accrued cash bonus defined as bonus earned during the year that has been paid or accrued
[2] No longer employed as an Executive Officer effective 31 May 2018
[3] No longer employed as an Executive Officer effective 30 September 2018
[4] 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, 2019

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	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	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	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 2019	December 2018	December 2019	December 2018	December 2019	December 2018
Executive Directors						
Stabro Kasaneva	53%	50%	47%	50%	0%	0%
Executive Officers						
Rodrigo Ramirez	53%	50%	47%	50%	0%	0%
Jose Bordogna	63%	62%	37%	38%	0%	0%
Juan Andrés Morel	N/A	36%	N/A	64%	N/A	0%
Diego Guido	N/A	52%	N/A	48%	N/A	0%

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 year ended 31 December 2019 amounted to US$141,022 (2018: US$117,663).

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 2019 a total of US$326,437 was charged to the Company (2018: US$197,237) in regard to IT services support, HR services, software licenses building/ office expenses and other fees. In addition, during April 2019, Consultores Assets Management SA, a company controlled by E Elsztain provided a loan of US$1.6 million at an annual interest rate of at 10% per annum. The loan plus interest of $30,609, was repaid in July 2019.

This concludes the remuneration report, which has been audited.

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 10 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 2019 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
6 March 2020

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 2019 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

6 March 2020

FINANCIAL STATEMENTS

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2019

Consolidated statement of profit or loss and other comprehensive income

All figures are reported in thousands of US$	For the year ended 31 December		
	Note	2019	2018
Continuing operations			
Sales revenue	13	102,209	122,767
Cost of sales	6	(55,293)	(98,387)
Gross profit before depreciation and amortisation expense		**46,916**	**24,380**
Depreciation and amortisation expense	6	(20,255)	(18,422)
Gross profit (loss)		**26,661**	**5,958**
Other income		62	1,868
Administration expenses	7	(9,304)	(12,362)
Impairment of assets	18/20	(862)	(29,190)
Care and maintenance expenses		(1,185)	-
Restructuring expenses	8	(2,087)	-
Net finance costs	9	(3,787)	(2,126)
Gain/(loss) on financial assets		10	(1,202)
Profit/(loss/before income tax		**9,508**	**(37,054)**
Income tax (expense)/benefit	11	(7,869)	819
Profit/(loss) after income tax expense		**1,639**	**(36,235)**
Profit/(loss) attributable to:			
Owners of the Company		5,225	(26,064)
Non-controlling interests		(3,586)	(10,171)
		1,639	**(36,235)**
Items that may not be classified subsequently to profit or loss			
Foreign currency translation		19	(27)
Total comprehensive (loss)/income for the year		**1,658**	**(36,262)**
Comprehensive income/(loss) attributable to:			
Owners of the Company		5,244	(26,091)
Non-controlling interests		(3,586)	(10,171)
		1,658	**(36,262)**
Earnings per share (cents per share):			
Basic earnings per share	12	0.97	(4.88)
Diluted earnings per share	12	0.93	(4.88)

The notes on pages (5) to (33) are an integral part of these consolidated financial statements.

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures are reported in thousands of US$	As at 31 December		
	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	14	9,196	1,716
Trade and other receivables	16	6,825	9,168
Other financial assets	17	277	561
Inventories	15	10,551	13,819
Total current assets		**26,849**	**25,264**
Non-current assets			
Other receivables	16	990	139
Mine properties	18	6,484	6,723
Property, plant and equipment	19	50,432	54,020
Exploration and evaluation expenditure	20	15,281	16,270
Equity Investment	21	3,976	-
Goodwill	18	926	926
Deferred tax assets	11	1,229	3,892
Total non-current assets		**79,318**	**81,970**
Total assets		**106,167**	**107,234**
Liabilities			
Current liabilities			
Trade and other payables	22	10,932	14,566
Deferred revenue		-	2,140
Employee entitlements	23	3,548	4,835
Loans and borrowings	25	4,045	6,860
Promissory note	21	1,957	-
Financial leases	19	3,047	2,086
Total current liabilities		**23,529**	**30,487**
Non-current liabilities			
Trade and other payables	22	1	5
Provisions for reclamation and rehabilitation	24	10,814	10,664
Loans and borrowings	25	2,077	2,908
Financial leases	19	6,302	6,617
Employee entitlements	23	1,048	793
Deferred tax liability	11	5,665	888
Total non-current liabilities		**25,907**	**21,875**
Total liabilities		**49,436**	**52,362**
Net assets		**56,731**	**54,872**
Equity			
Issued capital	26	101,682	100,569
Accumulated losses	27	(44,238)	(49,473)
Reserves	28	(713)	35
Non-controlling interest	29	-	3,741
Total equity		**56,731**	**54,872**

The notes on pages (5) to (33) are an integral part of these consolidated financial statements.

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 and 2018

All figures are reported in thousands of US$	Note	Issued capital	Accumulated losses	Reserves	Non-controlling interest	Total
Balance at 31 December 2017		**100,569**	**(23,210)**	**62**	**13,995**	**91,416**
Adjustment on initial application of AASB15 (net of tax)		–	(199)	-	-	(199)
Adjusted balance at 1 January 2018		**100,569**	**(23,409)**	**62**	**13,995**	**91,217**
Profit (loss) for the period		–	(26,064)	–	(10,171)	(36,235)
Foreign exchange movements from translation of financial statements to US$		–	–	(27)	–	(27)
Total comprehensive income/ (loss)		**–**	**(26,064)**	**(27)**	**(10,171)**	**(36,262)**
Dividends declared		–	–	–	(83)	(83)
Balance at 31 December 2018		**100,569**	**(49,473)**	**35**	**3,741**	**54,872**
Adjustment on initial application of AASB16		–	10	–	–	10
Adjusted balance at 1 January 2019		**100,569**	**(49,463)**	**35**	**3,741**	**54,882**
Profit (loss) for the period		–	5,225	–	(3,586)	1,639
Foreign exchange movements from translation of financial statements to US$	28	–	–	19	–	19
Total comprehensive income/ (loss)		**–**	**5,225**	**19**	**(3,586)**	**1,658**
Issued Capital	26/28	1,113	–	186	–	1,299
Acquisition of 49% of Cachinalito	28/29	–	–	453	(1,361)	(908)
Acquisition of 30% of Casposo	28/29	–	–	(1,406)	1,206	(200)
Balance at 31 December 2019		**101,682**	**(44,238)**	**(713)**	**–**	**56,731**

The notes on pages (5) to (33) are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

All figures are reported in thousands of US$	For the year ended 31 December		
	Note	2019	2018
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		1,716	6,612
Cash and cash equivalents, at the end of the period		9,196	1,716
Net increase/(decrease) in cash and cash equivalents		**7,480**	**(4,896)**
Causes of change in cash and cash equivalents			
Operating activities			
Profit / (loss) after income tax		1,639	(36,235)
Non-cash items			
Income tax expense/(benefit) recognized in profit or loss		7,869	(819)
Impairment of assets		862	29,190
Depreciation and amortisation		20,255	18,422
Interest received		(27)	(84)
Loss/(gain) on sale of equipment		215	(141)
Non-cash net finance charges		1,860	1,680
Provision for reclamation and rehabilitation		175	1,095
Inventory write-down		179	133
Allowance for doubtful accounts		75	(97)
Non-cash employee entitlements		255	(210)
(Gain)/loss in fair value of other financial assets		(10)	1,202
Net cash from operating activities before change in assets and liabilities		**33,347**	**14,136**
Changes in working capital:			
Decrease (increase) in inventory		2,481	8,680
Decrease/(increase) in trade and other receivables		1,417	3,882
Increase (decrease) in trade and other payables		(4,183)	(7,314)
Increase/(decrease) in deferred revenue		(2,140)	2,140
Increase/(decrease) in employee entitlements		(1,287)	(189)
Net cash provided through operating activities		**29,635**	**21,335**
Cash flows from investing activities			
Additions to plant, property and equipment	19	(10,035)	(15,854)
Proceeds from maturity of bonds and sale of securities		294	894
Proceeds from sale of inventory and equipment		650	203
Payment for investment in bonds and securities		-	(1,303)
Payment for investment in exploration and evaluation	20	(779)	(553)
Payment for investment in mine properties	18	(1,993)	(1,214)
Payment for equity investment, net of costs	21	(2,019)	-
Payment for purchase of non-controlling interests	29	(817)	-
Interest received		27	84
Net cash used in investing activities		**(14,672)**	**(17,743)**
Cash flows from financing activities			
Proceeds from loans and borrowings		5,991	5,746
Repayment of loans and borrowings	16	(11,455)	(11,421)
Repayment of lease liabilities		(2,794)	(2,813)
Interest paid on leases		(524)	-
Proceeds from rights offering net of offering costs		1,299	-
Net cash used in financing activities		**(7,483)**	**(8,488)**
Net (decrease) / increase in cash and cash equivalents		**7,480**	**(4,896)**

The notes on pages (5) to (33)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 year ended 31 December 2019 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.

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.

These financial statements were authorised for issue by the Company's Board of Directors on 6 March 2020.

Details of the Group's accounting policies are included in Note 38.

2.1 Functional and Presentation currency

These consolidated financial statements are presented in United States dollars (US$), which is the Group's functional currency. The Group 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.

2.2 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 34.

2.3 Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Financial leases previously included in Borrowings have been disclosed separately and Salaries and bonuses payable previously included with Trade and other payables have been grouped with Employee entitlements.

3. GOING CONCERN

For the year ended 31 December 2019, the Group made a profit after income tax of $1.639 million (2018: loss after income tax of $36.235 million) from continuing operations and generated net cash flows from operating activities of $29.635 million (2018: net cash flow from operating activities of $21.335 million). At 31 December 2019, the group has net current assets of $3.32 million (2018: net current liabilities of $5.223 million).

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

i. At 31 December 2019, the Group had a cash balance of $9.196 million.

ii. The Group's cash flow forecasts following the most likely mine plan and 2020 production guidance that forecast production of;

- 55,000-60,000 gold equivalent ounces; and
- average 2020 gold and silver selling price of US$1,500 and US$17.3 per ounce respectively, indicate that the Group forecasts that it will have free cash flow from operations to meet its 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 out 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.

NOTES TO THE FINANCIAL STATEMENTS

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 year ended 31 December 2019 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 amortisation 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.

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.

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 year ended 31 December 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

Further information about the assumptions made in measuring fair values is included in Note 17 – Other financial assets and Note 30 – Financial instruments.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW/AMENDED AASB AND AASB INTERPRETATIONS

AASB 16 Leases

On January 1, 2019, the Group adopted AASB 16 – Leases ("AASB 16") which replaced AASB 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in AASB 17. AASB 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low value assets.

The Group applied AASB 16 using the modified retrospective method. Under this method, comparative financial information will not be restated and will continue to be reported under IAS 17 Leases and IFRIC 4: Determining whether an Arrangement Contains a Lease. The Group recognised lease liabilities related to its lease commitments. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's entities estimated incremental borrowing rate as at January 1, 2019. The associated right-of-use assets are be measured retrospectively but using the incremental borrowing rates ranging from 6.5%-9% at 1 January 2019. The difference between the present value of the remaining lease payments and the right-of-use assets resulted in an adjustment to the accumulated losses at 1 January 2019.

Accounting policy changes

Prior to 1 January 2019, assets acquired through a finance lease were recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance cost using the effective interest method, whereby a constant rate of interest expense was recognized on the balance of the liability outstanding. The interest element of the lease was charged to the consolidated statement of profit or loss as a finance cost. Property, plant and equipment assets acquired under finance leases were depreciated over the shorter of the useful life of the asset and the lease term. All other leases were classified as operating leases. Operating lease payments were recognized as an operating cost in the consolidated statements of profit or loss and on a straight-line basis over the lease term. Effective January 1, 2019, leases are recognized as a right-of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the Group's incremental borrowing rate, being the rate that each entity of the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured retrospectively from the date of the lease net of accumulated depreciation but using the incremental borrowing rate at 1 January 2019. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS

Impact on financial statements

Impact on transition*
On transition to AASB 16, the Group recognized additional right-of-use assets, including office, vehicles, and machinery and equipment lease liabilities, recognizing the difference in accumulated losses. The impact on transition is summarized below.

In thousands of US$	1 January, 2019
Right-of-use assets-property, plant and equipment	339
Lease liabilities	(329)
Accumulated losses	10

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11%

	1 January, 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	122
Discounted using the incremental borrowing rate at 1 January, 2019	329
Financial lease liabilities recognized as of 31 December 2018	8,703
-Recognition exemption for leases of low-value assets	568
-Recognition exemption for leases with less than 12 months of lease term at transition	11
-Extension options reasonably certain to be exercised	217
Lease liabilities recognized at 1 January, 2019	9,349

ii. 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 2019. The impact of adoption was not significant to the Group's Consolidated Financial Statements. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

6. COST OF SALES

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Profit before income tax includes the following specific expenses:		
Production	30,615	63,631
Staff costs	21,616	30,161
Royalties	2,560	4,050
Mining Fees	502	545
Total cost of sales before depreciation and amortisation expense	**55,293**	**98,387**
Depreciation of plant and equipment	17,117	16,430
Amortisation of mine properties	3,138	1,992
Total depreciation and amortisation expense	**20,255**	**18,422**
Severance included in staff costs	**988**	**2,728**

7. ADMINISTRATION EXPENSES

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Consulting and professional services	1,987	2,110
Administration	1,044	1,635
Staff costs	4,909	6,794
Non-executive director fees	358	358
Other	1,006	1,465
Total administration expenses	**9,304**	**12,362**

8. RESTRUCTURING EXPENSES

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Severance	1,670	-
Tax credits write-down	238	-
Other	179	-
Total restructuring expenses	**2,087**	**-**

9. NET FINANCE COSTS

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Interest (income)	(27)	(84)
Interest expense	901	1,642
Interest expense on leases	524	-
Loss from foreign exchange	1,845	826
Present value adjustment to mine closure provision	517	(381)
Other	27	123
Net finance costs	**3,787**	**2,126**

NOTES TO THE FINANCIAL STATEMENTS

10. AUDITOR'S REMUNERATION

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Audit and review services:		
Auditors of the Group-KPMG		
Audit and review of financial statements-Group	74,000	95,830
Audit and review of financial statements-controlled entities	159,500	207,030
	233,500	**302,860**

11. INCOME TAX EXPENSE

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
(A) Income tax expense comprises:		
Current tax payable	2,312	591
Deferred tax expense	5,557	(1,410)
Income tax (benefit)	**7,869**	**(819)**
(B) Reconciliation of effective income tax rate		
Profit/ (Loss) before tax	9,508	(37,054)
Prima facie income tax (benefit)/expense calculated at 30%	2,852	(11,116)
Difference due to blended overseas tax rate*	(721)	(114)
Difference due to change in tax rate	-	(88)
Non-deductible expenses	6,510	4,295
Temporary differences not brought into account	(460)	682
Recognition of carry-forward tax losses	(312)	5,522
Income tax (benefit)	**7,869**	**(819)**

* Chile tax rate: 27.0% (31 December 2019: 27.0%). Argentina tax rate: 30% (31 December 2018: 30%)

NOTES TO THE FINANCIAL STATEMENTS

All figures are reported in thousands of US$	31 December 2019				31 December 2018			
	Chile	Argentina	Other	Total	Chile	Argentina	Other	Total
(C) Deferred tax assets and liabilities								
Deferred tax assets								
Other receivable	57	–	–	57	102	–	–	102
Inventory	69	61	–	130	69	83	–	152
Mining Concessions	–	320	–	320	–	307	–	307
Accrual for mine closure	1,198	198	–	1,396	967	55	–	1,022
Deferred income	18	–	–	18	–	–	–	–
Tax losses carried forward	-	98	9,182	9,280	3,258	518	9,144	12,920
Property, plant and equipment	–	1,072	–	1,072	–	8,255	–	8,255
Payroll accrual	780	–	–	780	385	–	–	385
Other	36	989	–	1,025	–	303	–	303
Leasing	1,147	-	–	1,147	–	–	–	–
Temporary differences not brought to account	–	–	(9,182)	(9,182)	–	(5,522)	(9,144)	(14,666)
Deferred tax assets	**3,305**	**2,738**	**–**	**6,043**	**4,781**	**3,999**	**–**	**8,780**
Deferred tax liabilities								
Other provisions	–	–	–	–	–	(102)	–	(102)
Mining concessions	(8,950)	–	–	(8,950)	(4,625)	–	–	(4,625)
Property plant and equipment inflation adjustment	–	(1,474)	(20)	(1,494)	–	–	–	–
Financial assets	–	(35)	–	(35)	–	(5)	–	(5)
Leasing assets	–	–	–	-	(1,044)	–	–	(1,044)
Deferred tax liabilities	**(8,950)**	**(1,509)**	**(20)**	**(10,479)**	**(5,669)**	**(107)**	**–**	**(5,776)**
Net deferred tax (liabilities)/ assets	**(5,645)**	**1,229**	**(20)**	**(4,436)**	**(888)**	**3,892**	**–**	**3,004**
Movement in deferred tax balances								
Opening balance	(888)	3,892	–	3,004	683	2,196	–	2,879
Exchange rate difference	2	(1,897)	12	(1,883)	12	(1,297)	–	(1,285)
Charged to profit or loss	(4,759)	(766)	(32)	(5,557)	(1,583)	2,993	–	1,410
Closing balance	**(5,645)**	**1,229**	**(20)**	**(4,436)**	**(888)**	**3,892**	**–**	**3,004**

12. EARNINGS PER SHARE

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Net profit/(loss) attributable to owners	5,244	(26,064)
Weighted average number of shares used as the denominator		
Number for basic earnings per share	539,424,350	534,173,010
Number for diluted earnings per share	556,237,880	534,173,010
Basic earnings per ordinary share (cents)	0.97	(4.88)
Diluted earnings per ordinary share (cents)	0.93	(4.88)

NOTES TO THE FINANCIAL STATEMENTS

13. 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 which is based in Chile and Casposo which is based in Argentina. The CODM monitors the performance in these two regions separately. During the year ended 31 December 2019, the Group earned approximately 78% (2018-90%) of its consolidated revenue from sales made to one customer.

All figures are reported in thousands of US$	For the year ended 31 December 2019				For the year ended 31 December 2018			
	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated
Revenue:								
Gold	84,823	5,045	–	89,868	76,032	15,384	–	91,416
Silver	8,650	3,691	–	12,341	9,058	22,293	–	31,351
Cost of sales	(44,985)	(10,308)	–	(55,293)	(59,882)	(38,505)	–	(98,387)
Depreciation and amortisation expense	(16,269)	(3,927)	(59)	(20,255)	(13,638)	(4,738)	(46)	(18,422)
Other (loss)/ income net	(49)	36	75	62	8	1,860		1,868
Administration expenses	(5,455)	(887)	(2,962)	(9,304)	(7,278)	(2,164)	(2,920)	(12,362)
Care and maintenance expense	–	(1,185)	–	(1,185)	–	–	–	–
Restructuring expense	–	(2,087)	–	(2,087)	–	–	–	–
Finance costs (gain)	(1,239)	(2,545)	(3)	(3,787)	460	(1,931)	(655)	(2,126)
Gain/(loss) on financial assets	–	–	10	10	8	(903)	(307)	(1,202)
Impairment of assets	(619)	(243)	–	(862)	–	(29,190)	–	(29,190)
Income tax (expense) benefit	(7,155)	(832)	118	(7,869)	(1,789)	3,072	(464)	819
Segment profit/ (loss)	**17,702**	**(13,242)**	**(2,821)**	**1,639**	**2,979**	**(34,822)**	**(4,392)**	**(36,235)**
Segment assets	76,525	13,568	16,074	106,167	68,394	27,350	11,490	107,234
Segment liabilities	41,832	4,565	3,039	49,436	38,264	12,994	1,104	52,362
Capital expenditure	12,138	486	183	12,807	8,824	8,455	342	17,621

NOTES TO THE FINANCIAL STATEMENTS

Geographic information:

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Revenue by geographic location		
Chile	93,473	85,090
Argentina	8,736	37,677
Australia	-	-
Canada	-	-
United States	-	-
Total revenue	**102,209**	**122,767**
Non-current assets by geographic location		
Chile	57,615	58,171
Argentina	17,619	23,697
Australia	-	-
British Virgin Islands	102	92
Canada	6	10
United States	3,976	-
Total non-current assets	**79,318**	**81,970**

14. CASH AND CASH EQUIVALENTS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Cash at call and in hand	7,756	1,716
Short-term investments	1,440	–
Total cash and cash equivalents	**9,196**	**1,716**

Reconciliation of Cash

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

Cash and cash equivalents	**9,196**	**1,716**

Risk Exposure

The Group's exposure to interest rate risk is discussed in note 30. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

15. INVENTORIES

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Materials and supplies	8,648	10,453
Ore stocks	71	354
Gold bullion and gold in process	1,832	3,012
Total inventories	**10,551**	**13,819**

*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$1,262k (31 December 2018:US$1,082k).

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Current		
Trade receivables	3,787	–
Other current receivables	548	272
Prepaid income tax	1,252	2,827
GST/VAT receivable	1,238	6,069
Total current receivables	**6,825**	**9,168**
Non-current		
GST/VAT receivable	578	12
Other	412	121
Prepaid income tax	–	6
Total non-current receivables	**990**	**139**
Allowance for doubtful accounts	**390**	**315**
Trade debtors		
The ageing of trade receivables is 0–30 days	3,787	–

16.1 Past due but not impaired

There were no receivables past due at 31 December 2019 (31 December 2018: nil).

16.2 Fair value and credit risk

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

Refer to note 30 for more information on the risk management policy of the Group and the credit quality of the receivables.

16.3 Key customers

The Group is mainly reliant on two customers to which gold and silver produced from the Guanaco/Amancaya mines are sold.

17. OTHER FINANCIAL ASSETS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Current		
Call option to buy a further 3.795% of Rawhide — level 3	4	–
Listed bonds — level 1	29	341
Listed equity securities — level 1	244	220
Total current other financial assets at fair value	**277**	**561**

The table above sets out the Group’s assets and liabilities that are measured and recognised at fair value at 31 December 2019.

Listed equity securities as at 31 December 2019 and 2018 are shares of Fortuna Silver Mines Inc.

The Group has options to buy 3.795% of the equity investment in Rawhide. Options with one unit owner are exercisable by 31 January, 2020 and options with two unit owners are exercisable by 8 May, 2020.

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 2019 there were no transfers between the financial instrument levels of hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

18. MINE PROPERTIES

All figures are reported in thousands of US$	Guanaco/Amancaya	Casposo	Total
Mine Properties — 31 December 2019			
Cost	63,122	9,795	72,917
Accumulated amortisation	(56,638)	(9,795)	(66,433)
Carrying value — Mine Properties	**6,484**	**–**	**6,484**
Movements in carrying value			
Carrying amount at 1 January 2019	6,723	–	6,723
Additions	1,993	–	1,993
Transfers from Exploration and Evaluation expenditure	–	906	906
Amortisation	(2,232)	(906)	(3,138)
Carrying amount at 31 December 2019	**6,484**	**–**	**6,484**
Mine Properties – 31 December 2018			
Cost	61,129	8,889	70,018
Accumulated amortisation	(54,406)	(8,889)	(63,295)
Carrying value — Mine Properties	**6,723**	**–**	**6,723**
Movements in carrying value			
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 of Casposo	-	(5,009)	(5,009)
Carrying amount at 31 December 2018	**6,723**	**–**	**6,723**

Carrying value — Guanaco/Amancaya
The Guanaco mine along with the Amancaya properties in the surrounding areas has been determined by Management 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 19) with a total book value of $US51.150m 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/Amancaya project and therefore no impairment charge has been applied to the assets for the current year. The impairment test was performed by an independent party using the discounted cash flow model (DCF) as the primary valuation methodology with the following key assumptions:

- Real Forecast Gold price: US$1,493/oz – US$1,498/oz (31 December 2018 US$1,255/oz – US$1,290/oz)
- Real Forecast Silver price: US$17.10/oz – US$17.90/oz (31 December 2018 US$15.70/oz – US$16.80/oz)
- Life of Mine: 2.0 years (Life of mine based on most recent financial model used for impairment testing)
- Real Discount Rate (post-tax): 4.9% (31 December 2018: 6.2%)

The sensitivity to +/- 10% variation in the gold price (US$1,300-1,600/oz) and in the discount rate (4.4%–5.4%) on the fair value of the Guanaco/Amancaya project results in an inpact of +/- US$11.25 million on the valuation which does not lead to a fair value below the book value of the project.

Goodwill
Goodwill has arisen on the acquisition of a subsidiary, Ingenieria y Mineria Cachinalito Limitada. The recoverable amount of the goodwill arising from the Cachinalito business has been determined by including it as part of the combined Guanaco/Amancaya CGU described above. In light of the results of the independent valuation, management has assessed the goodwill as not being impaired.

Carrying value-Casposo
At 31 December, 2018, Management assessed the fair value of Casposo to be lower than the book value. As a result, management recorded an impairment charge of $29.190m against the carrying value of the Casposo Mine of which US$5.009m was charged against Mine Properties and US$24.181m against Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY, PLANT AND EQUIPMENT

All figures are reported in thousands of US$	31 December 2019	31 December 2018
Property, plant and equipment owned	37,515	54,020
Right-of-use-assets	12,917	-
	50,432	**54,020**
Property, plant and equipment owned		
Cost	146,883	155,436
Accumulated depreciation	(109,368)	(101,416)
Carrying amount at end of the period	37,515	54,020
Movements in carrying value		
Carrying amount at beginning of the period	54,020	78,839
Additions	10,035	15,854
Transfer of leases to right-of-use assets	(12,930)	-
Depreciation	(13,352)	(16,430)
Disposals	(258)	(62)
Impairment of Casposo	-	(24,181)
Carrying amount at end of the period	**37,515**	**54,020**

The majority of the property, plant and equipment is included in the Guanaco/Amancaya Cash Generating Unit ("CGU"). Property, plant and equipment that does not form part of the Guanaco CGUs are being carried at the lower of their book value and recoverable amount. The Casposo property, plant and equipment is recorded at salvage value as it is currently not being used.

The Group leases production equipment under a number of finance leases. At 31 December 2019, the net carrying amount of finance lease assets under AASB 16 was US$12.917m.

All figures are reported in thousands of US$	31 December 2019						
	Underground Mine Development	Plant	Mining Equipment	Buildings	Land	Other	Total
Movements in carrying value							
Balance at 1 January, 2019	14,669	28,090	5,600	4,056	815	790	54,020
Additions	7,687	655	1,013	680	–	–	10,035
Transfer of leases to right-of-use assets	–	(10,652)	(888)	(1,390)	–		(12,930)
Disposals	–	–	(258)	–	–	–	(258)
Impairment	–	–	–	–	–	–	–
Depreciation	(5,670)	(5,392)	(917)	(1,173)	–	(200)	(13,352)
Carrying amount at the end of the period	**16,686**	**2,701**	**4,550**	**2,173**	**815**	**590**	**37,515**
Movements in carrying value							
Balance at 1 January, 2018	26,746	33,164	9,316	6,838	815	1,960	78,839
Additions	11,214	2,422	1,535	642	–	41	15,854
Transfer of leases to right-of-use assets	–	502	–	–	–	(502)	–
Disposals	–	–	(62)	–	–	–	(62)
Impairment	(15,812)	(2,218)	(3,688)	(2,027)	–	(436)	(24,181)
Depreciation	(7,479)	(5,780)	(1,501)	(1,397)	–	(273)	(16,430)
Carrying amount at the end of the period	**14,669**	**28,090**	**5,600**	**4,056**	**815**	**790**	**54,020**

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of carrying amount

All figures are reported in thousands of US$	Underground Mine Development	Plant	Mining Equipment	Buildings	Land	Other	Total
Cost							
Balance at 1 January 2018	51,556	45,684	19,928	14,090	815	7,550	139,623
Additions	11,214	2,422	1,557	642	-	59	15,894
Transfer between classes	-	502	-	-	-	(502)	-
Disposals	-	-	(81)	-	-	-	(81)
Impairment loss	-	-	-	-	-	-	-
Balance at 31 December 2018	**62,770**	**48,608**	**21,404**	**14,732**	**815**	**7,107**	**155,436**
Recognition of right-of-use assets on initial application of AASB 16	-	(14,352)	(1,240)	(2,499)	-	-	(18,091)
Adjusted balance at 1 January 2019	**62,770**	**34,256**	**20,164**	**12,233**	**815**	**7,107**	**137,345**
Additions	7,687	655	1,013	680	-	-	10,035
Disposals	-	-	(497)	-	-	-	(497)
Impairment loss	-	-	-	-	-	-	-
Balance at 31 December 2019	**70,457**	**34,911**	**20,680**	**12,913**	**815**	**7,107**	**146,883**

All figures are reported in thousands of US$	Underground Mine Development	Plant	Mining Equipment	Buildings	Land	Other	Total
Accumated depreciation and impairment losses							
Balance at 1 January 2018	24,810	12,520	10,631	7,251	-	5,612	60,824
Depreciation	7,479	5,780	1,501	1,397	-	273	16,430
Disposals	-	-	(19)	-	-	-	(19)
Impairment loss	15,812	2,218	3,688	2,027	-	436	24,181
Balance at 31 December 2018	**48,101**	**20,518**	**15,801**	**10,675**	**-**	**6,321**	**101,416**
Recognition of right-of-use assets on initial application of AASB 16	-	(3,700)	(352)	(1,110)	-	-	(5,162)
Adjusted balance at 1 January 2019	**48,101**	**16,818**	**15,449**	**9,565**	**-**	**6,321**	**96,254**
Depreciation	5,670	5,392	917	1,173	-	200	13,352
Disposals	-	-	(238)	-	-	-	(238)
Impairment loss	-	-	-	-	-	-	-
Balance at 31 December 2019	**53,771**	**22,210**	**16,128**	**10,738**	**-**	**6,521**	**109,368**
Carrying amounts							
At 1 January 2018	26,746	33,164	9,297	6,839	815	1,937	78,799
At 31 December 2018	**14,669**	**28,090**	**5,603**	**4,057**	**815**	**785**	**54,020**
At 31 December 2019	**16,686**	**12,701**	**4,553**	**2,175**	**815**	**585**	**37,515**

Right of use assets

All figures are reported in thousands of US$	31 December 2019			
	Office	Vehicles	Machinery and equipment	Total
Balance at 1 January, 2019	–	–	–	–
Recognised on adoption of AASB 16	339*	3,206	9,724	13,269
Additions	47	3,366	–	3,413
Less depreciation	(94)	(1,383)	(2,288)	(3,765)
Carrying amount at the end of the period	**292**	**5,189**	**7,436**	**12,917**
Lease liabilities				
Lease liabilities				9,349
Less: current portion				(3,047)
Non-current long-term liability				**6,302**

*Not recorded as property plant and equipment as of 31 December 2018.

Undiscounted lease payments

All figures are reported in thousands of US$	As at 31 December 2019
Less than a year	3,233
Greater than a year	7,811
	11,044

Stripping costs in production phase included in Property, Plant and Equipment

All figures are reported in thousands of US$	31 December 2019	31 December 2018
Movements in carrying value		
Carrying amount at the beginning of the period	244	2,241
Amortisation	(244)	(1,997)
Carrying amount at end of the period	-	244

Stripping costs were related to the surface mine at Amancaya mine. All production at Amancaya in 2019 was from the underground mine.

20. EXPLORATION AND EVALUATION EXPENDITURE

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the period	16,270	15,891
Additions	779	553
Impairment for the period	(862)	-
Transfers to Mining Properties	(906)	(174)
Carrying amount at end of the period	**15,281**	**16,270**

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 year ended 31 December 2019 and 2018 relate mainly to exploration on the Guanaco, Casposo and Pingüino projects.

Impairment for the year ended 31 December 2019 relate exploration projects with no expected value in Chile and Argentina.

NOTES TO THE FINANCIAL STATEMENTS

21. EQUITY INVESTMENT

The Group's interests in equity-accounted investees comprise an interest in a Rawhide Acquisition Holding LLC. ("Rawhide"). On 17 December 2019 the Group made an initial purchase of approximately 22.48% (21.28% on a fully diluted basis) directly from Rawhide for a purchase price of US$3,957,406, of which US$2,000,000 was paid in cash at closing. The balance of US $1,957,406 is to be paid pursuant to a promissory note of 0% interest maturing January 31, 2020. Transaction costs of $19,016 were incurred. In addition, the Group entered into separate option agreements with three existing unit owners whereby the Group has the option to purchase up to an additional 3.795% of the issued and outstanding Rawhide Units for a total of US$750,813. The fair value of the options of $4,261 was determined using the Black-scholes model.

22. TRADE AND OTHER PAYABLES

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Current		
Trade payables	4,081	8,582
Accrued expenses	3,075	3,868
Royalty payable	746	1,656
Director fees	432	297
Income taxes payable	2,022	15
Other	576	148
Total trade and other payables	**10,932**	**14,566**
Non-Current		
Other payables	1	5

23. EMPLOYEE ENTITLEMENTS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Current		
Salaries and bonuses	1,894	2,975
Employee entitlements	1,654	1,860
Total employee entitlements	**3,548**	**4,835**

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.

Non-current		
Employee entitlements	1,048	793

Retirement benefits

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 turn-over 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 AASB 119 Employee benefits on Retirement Benefits Costs. The parameters of turnover rates, rates of increase of remunerations and discount rate have been determined by the Group.

NOTES TO THE FINANCIAL STATEMENTS

24. PROVISIONS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Non current		
Mine closure	10,804	10,628
Others	10	36
Closing balance	**10,814**	**10,664**
Movement in non current provisions		
Opening balance	10,664	11,729
(Reductions)/additions	(25)	25
Reclassifications from payables	-	5
Exchange difference	(342)	(714)
Present Value Adjustment	517	(381)
Closing balance	**10,814**	**10,664**

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 2019, 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$7.6m; and
- Discount period: 2 years (Discount period based on expected timing of restoration activities).
- Discount rate: 1.75% (2018-2.50%)

As at 31 December 2019, the total restoration provision amounts US$3.6m 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
- Discount rate: 12.3% (2018–9.63%)

There are no current plans for rehabilitation and restoration as the Group has initiated an exploration program and there is potential to restart operations in the future.

NOTES TO THE FINANCIAL STATEMENTS

25. LOANS AND BORROWINGS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Current		
Loan facilities	3,754	6,860
Vendor take-back loan	291	-
Total current loans and borrowings	**4,045**	**6,860**
Loan facilities	2,077	2,908
Total non-current loans and borrowings	**2,077**	**2,908**

Loan Facilities

At 31 December 2019, the breakdown of Loan Facilities payable in US$ is as follows:

- Banco Santander: US$4.9 million total outstanding amount structured in two facilities:

  i) US$2.1 million pre-export loan that carries an annual interest rate of 5.25% (due in January 2020 and renewed for another 6 months (Note 37), and;

  ii) US$2.8 million to be repaid over 48 months at an annual average interest rate of 5.5%. The total outstanding amount is classified as follows: US$2.1 million as current and US$2.8 million as a non-current loan facility.

- Baf Latam Credit Fund: US$0.6 million outstanding at an annual interest rate of 9.5%. The outstanding amount was repaid on 20 February, 2020.

- Banco de Crédito e Inversiones (BCI): US$0.3 million outstanding at an annual interest rate of 5.4% due 4 April 2020.

Vendor loan

A vendor take-back loan of US$949,728 payable in Chilean UF bearing no interest per annum, unsecured, payable in eighteen monthly installments of approximately US$52,651. The amortized cost of the loan has been discounted using a rate of 6.50%. The loan matures on 30 June 2020.

26. ISSUED CAPITAL

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Fully paid ordinary shares	101,682	100,569
Number of ordinary shares	**559,393,259**	**534,173,010**
Weighted average number of ordinary shares (basic)	**539,424,350**	**534,173,010**

Movements in ordinary share capital	Date	Number of ordinary shares	US$'000
Balance at 31 December 2018		**534,173,010**	**100,569**
Shares issued pursuant to pro-rata rights offering	16 Oct 2019	25,220,249	1,194
Share issue costs pursuant to pro-rata rights offering		-	(81)
Balance at 31 December 2019		**559,393,259**	**101,682**

On 15 October 2019, the Group closed its non-renounceable pro-rata rights offer of ordinary shares and attaching options at a price of A$0.08 per share. One option was granted for each 1.5 shares ordinary issued. The fair value of the options granted was US$186,000 (note 28). The Group received gross proceeds of US$1.38m (A$2.018m).

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.

Movements in share options	As at 31 December		
	Date	2019	2018
Unlisted Options to acquire ordinary fully paid shares at A$0.092 on or before 18 October, 2021	18 Oct 2019	16,813,530	-

NOTES TO THE FINANCIAL STATEMENTS

27. ACCUMULATED LOSSES

All figures are reported in thousands of US$	31 December 2019	31 December 2018
Accumulated losses at beginning of year	(49,473)	(23,210)
Adjustment on initial application of AASB15 (net of tax)	–	(199)
Adjustment on initial application of AASB16 (net of tax)	10	-
Adjusted balance at 1 January 2019/1 January 2018	(49,463)	(23,409)
Net profit/(loss) for the year	5,225	(26,064)
Accumulated losses at end of year	(44,238)	(49,473)

28. RESERVES

All figures are reported in thousands of US$	Note	31 December 2019	31 December 2018
Foreign currency translation reserve			
Balance at beginning of year		356	383
Foreign exchange movements from translation of financial statements to US dollars		19	(27)
Balance at end of year		**375**	**356**
Share option reserve			
Balance at beginning of year		(321)	(321)
Unlisted options (1)		186	-
Balance at end of year		**(135)**	**(321)**
Business combination reserve			
Balance at beginning of year		-	-
Acquisition of 49% of Cachinalito		453	-
Acquisition of 30% of Casposo		(1,406)	
Balance at end of year		**(953)**	**-**
Total reserves		**(713)**	**35**

(1) The fair value of the unlisted options issued in its non-renounceable pro-rata rights offer is determined at the date of issuance using the Black-Scholes options valuation model that takes into account the assumptions per the following table. Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

Exercise price	AUS$ 0.092
Term of option	2 years
Share price at date of issuance	AUS$ 0.073
Expected price volatility	53% per annum
Risk-free interest rate	0.72%

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 and a capital raise are recognised in the share option reserve.

NOTES TO THE FINANCIAL STATEMENTS

29. NON-CONTROLLING INTEREST

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Non-controlling interest in subsidiaries comprise		
Acquired as part of subsidiary	–	3,741

On 20 March 2019, the Group entered into an agreement to acquire the 49% non-controlling interest in Cachinalito for US$949,729 to be paid in eighteen monthly installments of approximately US$52,651. During the year ended 31 December 2019, the Company made twelve payments totaling US$617,000.

On 23 December 2019, the Group entered into an agreement to effectively acquire the 30% non-controlling interest in Casposo for US$200,000.

30. 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:

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Financial Assets		
Cash and cash equivalents	9,196	1,716
Trade and other receivables	6,000	3,226
Other financial assets	277	561
Financial liabilities		
Trade and other payables	10,933	14,571
Employee entitlements	4,596	5,628
Borrowings	6,122	9,768
Promissory note	1,957	-
Financial leases	9,349	8,703

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 2019, 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 (CLP)	Canadian Dollar
Financial assets				
Cash and cash equivalents	65	119	601	7
Trade and other receivables	2,320	1,324	20	17
Other financial assets	29	–	–	–
Financial liabilities				
Trade and other payables	327	4,388	84	25
Employee entitlements	483	1,411	–	–
Financial leases	34	155	–	–
Borrowings	–	291	–	–

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.

All figures are reported in thousands of US$	Effect on profit/(loss) For the year ended		Effect on equity	
	December 2019	December 2018	31 December 2019	31 December 2018
10% increase in gold and silver prices	10,221	12,277	10,221	12,277
10% decrease in gold and silver prices	(10,221)	(12,277)	(10,221)	(12,277)

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.

NOTES TO THE FINANCIAL STATEMENTS

a. **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 17). These are classified as level 1 within the fair value hierarchy as per AASB 7 "Financial Instruments. The group also holds a call option to purchase an additional 3.795% in the equity investment (note 21) which is classified as level 3.

b. **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.

c. **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.

	Consolidated				
All figures reported in thousands of US$	6 months	6-12 months	1-5 years	> 5 years	Total
31 December 2019					
Financial liabilities					
Trade and other payables	10,932	–	1	–	10,933
Employee entitlements	3,548	-	1,048	-	4,596
Promissory note	1,957	-	-	-	1,957
Borrowings	3,484	561	2,077	–	6,122
Leasing	1,532	1,515	6,302	-	9,349
Total 31 December 2019 liabilities	**21,453**	**2,076**	**9,428**	**-**	**32,957**
31 December 2018					
Financial liabilities					
Trade and other payables	14,566	–	5	–	14,571
Employee entitlements	4,835	–	793	-	5,628
Borrowings	6,331	529	2,908	–	9,768
Leasing	1,043	1,043	6,617	-	8,703
Total 31 December 2018 liabilities	**26,775**	**1,572**	**10,323**	**-**	**38,670**

NOTES TO THE FINANCIAL STATEMENTS

31. DIVIDENDS

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
No dividends to shareholders were paid or proposed during the current and prior period.		
During the year ended 31 December 2019 no dividends were declared to the shareholders of Ingenieria y Minera Cachinalito Limitada. (2018— US$83k) corresponds to the former minority interest shareholder.		

32. COMMITMENTS

All figures are reported in thousands of US$	As at 31 December	
	2019	2018
Lease commitments		
Finance lease commitments at the reporting date and recognised as liabilities, payable:		
Within one year	3,496	2,536
Two to five years	6,711	7,264
Total commitment	10,207	9,800
Less: Future finance charges	(858)	(1,097)
Net commitment recognised as liabilities	**9,349**	**8,703**
Representing:		
Lease liability—current	3,047	2,036
Lease liability—non-current	6,302	6,617
Operating leases not recognised as liabilities	**–**	**122**

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$0.499m during the next year to maintain legal rights to all of its properties.

33. SUBSIDIARIES

	Country of Incorporation	% owned	
		31 December 2019	31 December 2018
Subsidiaries			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Ingenieria y Mineria Cachinalito Limitada	Chile	100.000	51.000
Casposo Energías Renovables S.A.U.	Argentina	100.000	100.000
Austral Gold Argentina S.A.	Argentina	99.970	99.970
Austral Gold North America Corp.	United States	100.000	-
Argentex Mining Corporation	Canada	100.000	100.000
SCRN Properties Ltd.	Canada	100.000	100.000
Casposo Argentina Limited[1]	Canada	100.000	70.000

[1] In 2018, the Group owned 70% of the Casposo project and had power over the key operating and strategic decisions of the Casposo project and accordingly consolidated the project.

NOTES TO THE FINANCIAL STATEMENTS

34. PARENT ENTITY INFORMATION

All figures are reported in thousands of US$	31 December 2019	31 December 2018
Current assets	1,136	39
Total assets	**67,920**	**66,933**
Current liabilities	12,896	12,552
Total liabilities	12,896	12,552
Net assets	**55,024**	**54,381**
Issued capital	101,682	100,569
Accumulated losses	(46,553)	(45,878)
Reserves	(106)	(310)
Total shareholders' equity	**55,023**	**54,381**
Profit for the year	**(676)**	**(978)**
Total comprehensive income/(loss) for the year	**(657)**	**(1,005)**
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$0.3m between BAF and Guanaco Compañía Minera SpA.

35. RELATED PARTY TRANSACTIONS

35.1 KMP holdings of shares and share options at 31 December 2019

- Mr Eduardo Elsztain holds 479,805,958 shares and 16,241,776 options directly and indirectly in Austral Gold Limited. (31 December 2018— 455,443,295 shares and nil options)
- Mr Saul Zang holds 1,640,763 shares and 136,730 options directly in Austral Gold Limited. (31 December 2018—1,435,668 shares and nil options)
- Mr Pablo Vergara del Carril holds 68,119 shares directly in Austral Gold Limited. (31 December 2018—68,119)
- E Elsztain and S Zang are Directors of IFISA which holds 433,448,890 shares and 12,378,689 options according to the last substantial holder notice lodged in October 2019. (31 December 2018—414,880,857)
- P Vergara del Carril, E Elsztain and S Zang are Directors of Guanaco Capital Holding Corp which holds 35,870,730 shares and 2,989,227 options according to the last substantial holder notice lodged in October 2019. (31 December 2018—31,386,890)
- Mr Stabro Kasaneva holds 6,881,230 shares indirectly in Austral Gold Limited. (31 December 2018—6,881,230)
- Mr Wayne Hubert holds 1,750,000 shares indirectly in Austral Gold Limited. (31 December 2018—1,750,000)
- Mr. Rodrigo Ramirez holds 279,514 shares directly in Austral Gold Limited. (31 December 2018—279,514)

35.2 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:

All figures are reported in thousands of US$	For the year ended 31 December	
	2019	2018
Short-term employment benefits	1,394	2,322
Non-executive director fees	358	358
Total	**1,752**	**2,680**

NOTES TO THE FINANCIAL STATEMENTS

Other transactions with related parties

During April 2019, Consultores Assets Management SA, a company controlled by E Elsztain provided a loan of US$1.6 million at an annual interest rate of at 10% per annum. The loan plus interest of US$30,609 was repaid in July 2019.

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 and expenses to reimbursement to the Group for the 12 months ended 31 December 2019 amounted to US$141,022 (2018: US$117,663).

Cresud S.A.C.I.F.Y.A, IRSA Inversiones y Representaciones S.A., IRSA Propiedades 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 2019 a total of US$326,437 was charged to the Company (2018: US$197,237) in regard to IT services support, HR services, software licenses building/office expenses and other fees.

35.3 Ultimate parent entity

The Parent Entity is controlled by IFISA with a 77.49% non-diluted and 77.97% diluted interest in Austral Gold Limited and is incorporated in Uruguay.

The ultimate beneficial owner of IFISA is Eduardo Elsztain.

36. 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	As at 31 December 2019	
	US$ '000	Expiry
Tax losses	14,042	No Expiry
Capital losses	2,277	No Expiry
Canada		
Tax losses	15,877	2020-2040

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.

37. SUBSEQUENT EVENTS

37.1 On 9 January 2020, a pre-export loan facility was renewed with Banco Santander for US$2.0 million. The loan is due on 9 July 2020 and carries an annual interest rate of 4.47%, a decrease from 5.25% from the previous loan facility (note 25).

37.2 On 16 January 2020, 1,063 ordinary shares were issued pursuant to the exercise of 1,063 options at a conversion price of A$0.092 for proceeds US$68.

37.3 On 30 January 2020, US$ 1,945,409 was paid to Rawhide for the amount owed under the Promissory note. In addition, US$214,576 was paid to exercise options held by one optionholder due 30 January 2020, increasing the Group's equity investment in Rawhide to 23.62%.

37.4 On February 20, 2020, the Company repaid the outstanding loan amount with Baf Capital for US$0.6 million.

37.5 During February 2019, the Group changed the production plan at its Guanaco plant which resulted in the decision to reduce its workforce by 80 emloyees at the Guanaco plant. The Group estimates the severance to cost approximately US$1.6 million.

NOTES TO THE FINANCIAL STATEMENTS

38. 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.

38.1	Basis of consolidation
38.2	Revenue recognition
38.3	Goods and services tax (GST)/ Value added tax (VAT)
38.4	Foreign currency translation
38.5	Mine properties
38.6	Exploration and evaluation expenditure
38.7	Property, plant and equipment
38.8	Cash and cash equivalents
38.9	Income tax
38.10	Inventories
38.11	Trade and other receivables
38.12	Trade and other payables
38.13	Interest bearing liabilities
38.14	Provisions
38.15	Leases
38.16	Impairment of non-financial assets
38.17	De-recognition of financial assets and financial liabilities
38.18	Contributed equity
38.19	Earnings per share
38.20	Borrowing costs
38.21	Employee leave benefits
38.22	Segment reporting
38.23	New, revised or amending Accounting Standards and Interpretations adopted

38.1 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 account- ing 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 Mineria Cachinalito Limitada. The recoverable amount of the goodwill arising from the Cachinalito business has been determined by including it as part of the combined Guanaco/ Amancaya CGU described above.

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

38.2 Revenue Recognition

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.

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.

38.3 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.

38.4 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.

38.5 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.

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.

38.6 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.

38.7 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 except for underground mine development is between 10%-20%. The depreciation rate used in underground mine development 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.

38.8 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.

38.9 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.

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.

38.10 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.

38.11 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.

38.12 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.

38.13 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.

38.14 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.

38.15 Leases

The Group adopted AASB 16 - Leases ("AASB 16") 1 January 2019. Information about the Group's accounting policies related to leases is provided in Note 5. The effect of initially applying AASB 16 is also described in Note 5.

38.16 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to deter- mine 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.

38.17 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.

38.18 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.

38.19 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.

38.20 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.

38.21 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.

38.22 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.

38.23 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.

DIRECTORS' DECLARATION

AUSTRALGOLD

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 2019 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
6 March 2020

INDEPENDENT AUDITOR'S REPORT

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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 2019 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 2019;
- 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 Austral Gold Limited (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.

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.

<table>
<tr><th colspan="2">Going concern basis of preparation</th></tr>
<tr><td colspan="2">Refer to Note 3 "Going concern" to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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.

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.

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:

• impact of future commodity prices to cash inflows projected;

• the Group's planned levels of operational and capital expenditures, and the ability of</td><td>We evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

• analysing cash flow projections by:

- 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 documents; and

- 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.

• 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</td></tr>
</table>

the Group to manage cash outflows within available funding; and • the nature and feasibility of planned methods the Group has to meet its financing commitments. 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.	from the results of our tests of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions; • 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; • reading Directors' meeting minutes to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty; and • 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.

Carrying value of mine assets and plant & equipment ($56.916 million)	
Refer to Notes 18 "Mine properties" and 19 "Property, plant and equipment" to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's mine properties and plant & equipment are a significant portion (54%) 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: • 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: - level of resources and reserves capable of being produced economically, as reported in the Group's third party Reserve Report; - forecast cost of developing areas of interest and producing silver and gold;	Our procedures included: • 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; • evaluating the net present value methodology used by the Group for consistency with the requirements of the Accounting Standards; • 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; • critically evaluating the Group's key assumptions used to determine the recoverable amount of key CGUs relating to commodity prices, and

- future production volumes and timing; and - specific discount rate applied in each model. These forward looking assumptions necessitate additional scrutiny by us due to: • the inherent uncertainties in estimating these assumptions; • the consistency of application and the changes in silver and gold pricing increasing the risk of inaccurate forecasting; and • the sensitivity of the net present value model to changes in assumptions such as commodity prices and discount rate, reducing available headroom. Management engaged third party experts to assist in their assessment of mine property and plant & equipment carrying value.	discount rate based on our knowledge of the industry, publicly available data of comparable entities, and published forecast price expectations of industry commentators; • 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; • 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; • corroborating mine closure plans with the key operational and finance personnel; • assessing the historical accuracy of budgeting and forecasting by the Group to inform our evaluation of forecasts incorporated in the models; • evaluating the scope, competence, and objectivity of the Group's external experts engaged to 1) assist the Group prepare the Group's Reserves Report as utilised within the net present value model and 2) assess the salvage value of plant and equipment; and • assessing the financial report disclosures based on our understanding and the requirements of the accounting standards.

Carrying value of exploration and evaluation assets ($15.281 million)	
Refer to Note 20 "Exploration and evaluation expenditure" to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's exploration and evaluation assets ('E&E assets') are a significant portion (14%) of the Group's total assets.	Our procedures included:

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The carrying value of E&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. The conditions allowing capitalisation of relevant expenditure focus on: • the determination of the areas of interest (areas) in particular evaluating the results of the external expert engaged by the Group; • documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest; • the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and • the presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E. Assessing the presence of impairment indicators includes factors that may draw into question the commercial continuation of E&E activities for the areas of interest where significant capitalised E&E exists. In addition to the assessments above we paid particular attention to: • the impact of changes in gold and silver prices to the Group's strategy and intentions; • the intention of the Group to fund the continuation of activities; and • results from latest activities regarding the existence or otherwise of economically recoverable reserves or commercially viable quantity of the reserves. The Group engaged an external third party expert to assist with these assessments for certain exploration interests.	• obtaining an understanding of the key controls associated with evaluating the E&E assets; • evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; • 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; • 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; • testing the Group's additions to E&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; • evaluating documents, such as minutes of directors meetings and ASX market announcements, for consistency with the Group's stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel; • 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; • assessing the impact of changes in the gold and silver prices to the Group's modelling underlying their decision for commercial continuation of activities;

	• 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&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; and • evaluate the scope, competence and objectivity and assess the results of the external expert.

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 and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

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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. 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 2019, 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 45 to 50 of the Directors' report for the year ended 31 December 2019.

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

KPMG

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Daniel Camilleri

Partner

Sydney

6 March 2020

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.

STATEMENT OF ISSUED CAPITAL

As at 29 February 2020 the total issued capital of Austral Gold Limited was 559,394,322 ordinary shares. 520,076,181 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. 39,318,141 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 2020

Size of Holding	Holders	Shares held	% of issued capital
1-1,000	570	265,519	0.05
1,001-5,000	379	1,002,534	0.18
5,001-10,000	137	1,024,488	0.18
10,001-50,000	141	3,121,340	0.56
50,001-100,000	25	1,857,980	0.33
>100,000	56	552,122,461	98.70
	1,308	**559,394,322**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following substantial shareholdings as at 29 February 2019:

Registered Holder	Beneficial Holder	Shares Held	Options Held
HSBC Custody Nominees (Australia) Limited	Inversiones Financieras Del Sur SA (IFISA)	367,222,395	–
Citicorp Nominees Pty Limited	Inversiones Financieras Del Sur SA (IFISA)	47,658,462	–
HSBC Custody Nominees (Australia) Limited	Guanaco Capital Holding Corp	35,870,730	2,989,227
HSBC Custody Nominees (Australia) Limited	Eduardo Elsztain	29,054,371	13,252,548

Rank	Name	No. of shares	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	402,554,799	71.96%
2	CITICORP NOMINEES PTY LIMITED	56,975,721	10.19%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	27,941,253	4.99%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	10,367,589	1.85%
5	REVELO RESOURCES CORP.	10,000,000	1.79%
6	CITICORP NOMINEES PTY LIMITED	5,189,832	0.93%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,928,655	0.34%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,563,524	0.28%
9	ASOCIACION ISRAELITA ARGENTINA TZEIRE AGUDATH JABAD	1,158,265	0.21%
10	MR ERLE EDWINSON	860,000	0.15%
11	MR HAROLD JOSEPH FREIMAN	770,416	0.14%
12	BNP PARIBAS NOMS PTY LTD <DRP>	687,450	0.12%
13	ENDEAVOUR SILVER CORP	668,011	0.12%
14	MR. RICHARD BROOK	628,487	0.11%
15	MR RUDOLF ALBERT SCHULZ	387,272	0.07%
16	MR RODNEY DAVID JACKSON	300,000	0.05%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	297,449	0.05%
18	JP MORGAN TRUST COMPANY LTD <NEW AUSTRIA TRUST LLC A/C>	297,445	0.05%
19	LIMOL TRADING CORP	297,445	0.05%
20	MR DEAN MATHEWS	280,000	0.05%
	Total	**523,153,613**	**93.52%**
	Other	36,240,709	6.48%
	Total shares on issue	**559,394,322**	**100.00%**


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