



# December 2016

## QUARTERLY ACTIVITY REPORT

### Key Highlights

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#### Guanaco Production

- Guanaco mine production was 14,813 Au oz and 14,361 Ag oz in the December quarter 2016 (25% AuEq oz increase vs. previous quarter). Average cash cost for the quarter was US\$527/AuEq oz, AISC was US\$664/AuEq oz. and average realised gold selling price was US\$1,242/Au oz.
- Quarterly production in line with previous 2Q production totals, which in each of the previous 3 years has resulted in a 45,000-51,000 AuEq oz annual production total at Guanaco.

#### Casposo continues full commercial operations

- The Casposo mine, 51% owned by Austral Gold and 49% owned by Troy Resources (ASX:TRY), recommissioned during the September 2016 quarter, was operational for its first full quarter. For this quarter, total production was 4,489 Au oz and 434,607 Ag oz (100% basis) or 2,289 Au oz and 221,650 Ag oz (51% basis); cash cost was US\$969/AuEq oz and AISC was US\$~1,200/AuEq oz.

#### Exploration and Mine Development

- Dr Diego Guido was appointed as VP of Exploration in October 2016.
- The Amancaya infill drilling program (13,312 metres) was completed in November 2016. Two new high grade shoots were discovered (intersects 3.1 m grading 58.93 g/t Au) while the high grade zone of Central Vein was extended by ~400 metres. The results will be used to finalise a pre-feasibility study for Amancaya by the end of Q1 2017.
- Refurbishment of the exploration camp at Pinguino (Santa Cruz) commenced.

#### New Plant Construction

- The construction of the agitation leach plant to combine the ore from Amancaya and Guanaco is progressing well and completion is expected by end of March 2017.

#### Mergers & Acquisitions

- During the quarter, the Company sold 399,300 shares of Fortuna Silver for proceeds of US\$2.7 million (C\$3.7 million) with a realised 51.4% return (pre-tax). The shares were acquired upon the exercise of warrants at C\$6.10 per share and expire in October, 2018. Approximately 0.5x million warrants remain outstanding as of 31 December 2016.

#### Cash and Debt

- Cash flow from operating activities was US\$4.104 million during the quarter. Cash on hand at 31 December 2016 was US\$12 million, an increase of US\$2.8 million from 30 September 2016.
- Total consolidated debt reached US\$18.7 million, of which US\$17.2 million are 3-year financial leases with local banks in Chile.

# CHILE

## Guanaco Mine and Amancaya Project

### Background

The wholly-owned Guanaco mine remains 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 structural system which runs north/south through the centre of Chile. Currently, the majority of the production from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades.

Gold mineralisation at Guanaco is controlled by pervasively silicified, sub-vertical east/northeast-west/southwest trending zones with related hydrothermal breccias. Silicification grades outward into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system, most of the gold mineralisation is concentrated between depths of 75m and 200m and is contained in elongated mineralised shoots. High grade shoots (up to 180 g/t Au), 0.5m to 12.0m wide, have been exploited, but the lower grade halos, below 3 g/t Au, can reach up to 20m in width. The alteration pattern and the mineralogical composition of the Guanaco mineralisation have led to the classification as a high-sulfidation epithermal deposit.

### Production

Production from underground operations using the heap leach process generated 14,813 Au oz and 14,361 Ag oz during the quarter ended 31 December 2016. When measured in gold equivalent ounces<sup>1</sup> (AuEq oz) total production was 15,014 AuEq oz compared to 11,985 AuEq oz in the prior quarter.

Production for the quarter concentrated in the Dumbo and Cachinalito extensions.

### Gold Equivalent Production

Production	2013 Actual Calendar Year	2014 Actual Calendar Year	2015 Actual Calendar Year	2016 Actual Calendar Year	2017 Budget Calendar Year
Gold (AuEq oz)	51,331	51,068	46,869	44,474	~45-51,000

Production for the calendar year is expected to be in line with historical production during the last 3 years; in the order of 45-51,000 oz AuEq.

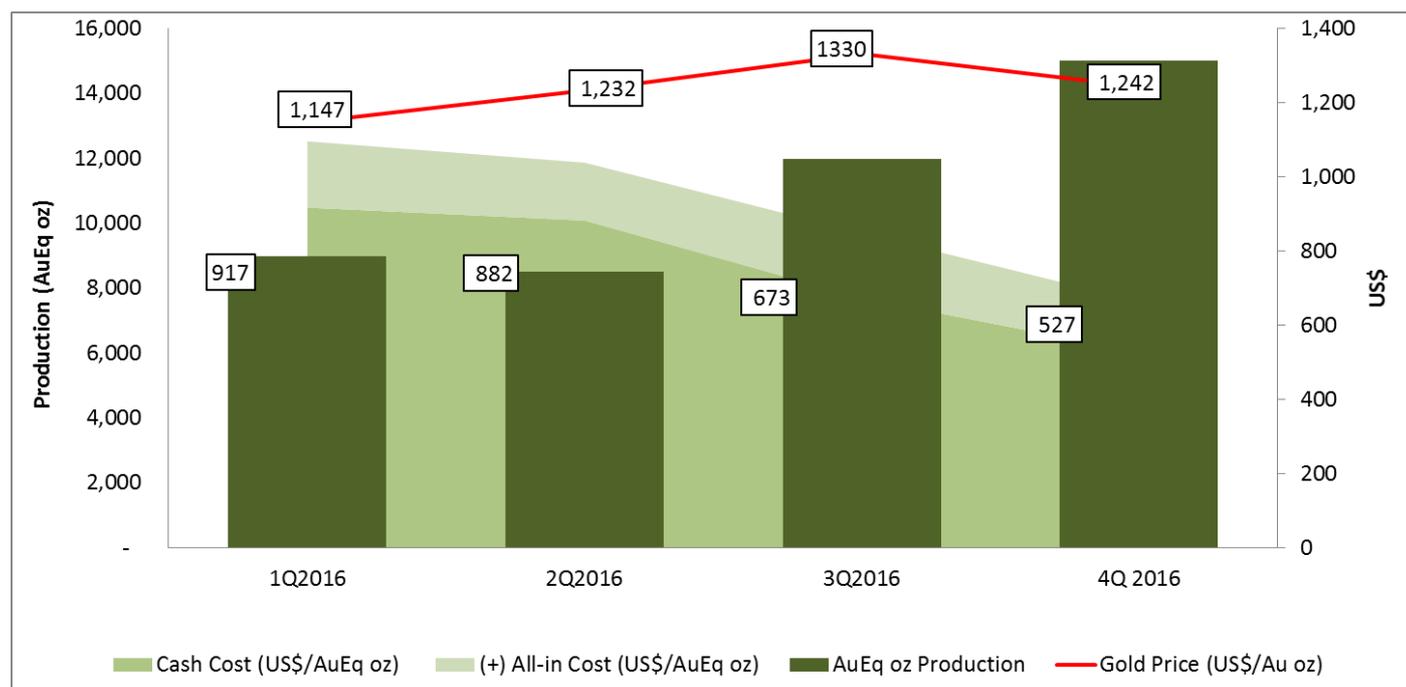
The December 2016 quarter operating cash cost<sup>2</sup> (C1) at Guanaco was US\$527/AuEq oz while the all-in sustaining cost<sup>3</sup> (AISC) was US\$664/AuEq oz (US\$673/AuEq oz and US\$848/AuEq oz respectively for the quarter ended 30 September 2016).

<sup>1</sup> AuEq ratio is calculated at ~71:1 Ag:Au

<sup>2</sup> The operating cash cost (C1) for the Guanaco Mine includes: Mine, Plant, On-Site G&A, Smelting, Refining, and 3% ENAMI Royalty.

<sup>3</sup> The All-in Sustaining Cost (AISC) for the Guanaco Mine includes: C1, Sustaining Capex, Exploration, and Mine Closure Amortisation.

## AuEq oz Production per Quarter (Calendar Year)



### Mining

During the December 2016 quarter, mining continued at the underground operations with a total of 142,412 tonnes mined. The crushed and leached material totalled 141,338 tonnes for the quarter at an average grade of 3.78 g/t Au and 9.36 g/t Ag.

During the quarter, a total of 2,657 metres of underground mine development was advanced, of which 694 metres related to developments and accesses and 1,963 metres to advances in production.

## Production Summary

Guanaco Mine	December Quarter 2016	December Quarter 2015	Six months ended December 2016	Six months ended December 2015
Total Ore processed (t)	<b>141,338</b>	<b>130,488</b>	<b>281,848</b>	<b>140,460</b>
Average Plant grade (g/t Au)	<b>3.78</b>	<b>2.90</b>	<b>4.62</b>	<b>5.47</b>
Average Plant grade (g/t Ag)	<b>9.36</b>	<b>8.3</b>	<b>8.8</b>	<b>8.2</b>
Gold produced (oz)	<b>14,813</b>	<b>9,244</b>	<b>26,575</b>	<b>11,762</b>
Silver produced (oz)	<b>14,361</b>	<b>11,157</b>	<b>30,470</b>	<b>16,109</b>
C1 Cash Cost (US\$/AuEq oz)	<b>527</b>	<b>823</b>	<b>591</b>	<b>673</b>
All-in Sustaining Cost (US\$/AuEq oz)	<b>664</b>	<b>1,010</b>	<b>746</b>	<b>848</b>
Realised gold price (US\$/Au oz)	<b>1,242</b>	<b>1,121</b>	<b>1281</b>	<b>1,330</b>

## Safety

During this quarter, three lost-time accidents (LTA) and two nil-lost-time accidents (NLTA) were reported involving Guanaco employees 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.

## Mine Exploration Program

Detailed sampling for ICP multi-element assaying was performed on the main ledges of Dumbo and Cachinalito, which were sent to laboratory. The statistical study of the Cachinalito samples shows a positive correlation of Au only with Ba ( $r=0.43$ ). Unlike Dumbo, there is a low correlation of Au with Ag ( $r=0.12$ ) and As ( $r=0.03$ ), and this can be explained by the tectonic remobilisation of primary elements.

Similar to the Dumbo orebody, and considering the elevation, the system has higher contents of Na and K near surface, and higher contents of Cu and Sb at depth. This observation can be used to vectorise those barren veins that were already drilled and allows making an interpretation of these levels:  $\sim 10$  is at the mineralised interval, and  $< 5.5$  represents zones below the mineralisation.

**3D modeling:** The process of creating a 3D model for the Guanaco mine using the Leapfrog software is in process. A total of 389 digitalised drill holes were controlled in December, they will help to create a database to build solids in order to finish the model in 2017.

## Amancaya and San Guillermo Properties

### *Amancaya Project*

Activities to advance the Amancaya project towards construction were made during the quarter. Onsite facilities and road works to the site are well advanced. All the basic permits to start operations are in place. The independent pre-feasibility study that was commissioned in September 2016 was started during the quarter and is expected to be completed by the end of March 2017.

### **Amancaya Project Exploration**

During the period, and as announced in the Company's press releases issued in December 2016 and January 2017, the 13,312 metres infill drilling campaign was completed. A total of 93 holes were drilled, all of which were initially drilled with reverse circulation collaring and converted to diamond drilling as they approached the vein target areas. This resulted in approximately 87% of the drilled metres being comprised of reverse circulation, and 13% represented as diamond drilling.

Assay results for these holes, all on the Central Vein, have been reported in recent Austral Gold news releases. The drill program was designed to test and confirm the presence and consistency of mineralisation within the inferred resource that was previously reported at Amancaya in the amended Technical Report (Amancaya Technical Report) "Guanaco Gold Project, Antofagasta Province, Region II, Chile, NI 43-101 Technical Report", dated 24 November 2015 and which was amended 30 June 2016. It was filed on 25 July 2016 on the Company's profile on [www.sedar.com](http://www.sedar.com)<sup>2</sup>. Most of the historical drilling used to define the inferred resource was reverse circulation drilling.

Highlights from assays are as follows:

- AM-082: **3.1 metres @ 58.93 g/t gold and 94.7 g/t silver** from 72.4 metres,
- AM-053: **3 metres @ 45.48 g/t gold and 966.70 g/t silver** from 132 metres,
- AM-055: **6.7 metres @ 14.6 g/t gold and 83.2 g/t silver** from 20 metres, plus

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<sup>2</sup> The Technical Report was not made JORC2012 compliant, and as such should be treated as a Foreign Estimate.

4.4 metres @ 11.65 g/t gold and 62.8 g/t silver from 45.2 metres,

- AM-067: 1.77 metres @ 49.41 g/t gold and 61.6 g/t silver from 170.2 metres
- AM-052: 3 metres @ 24.69 g/t gold and 363.7 g/t silver from 102 metres

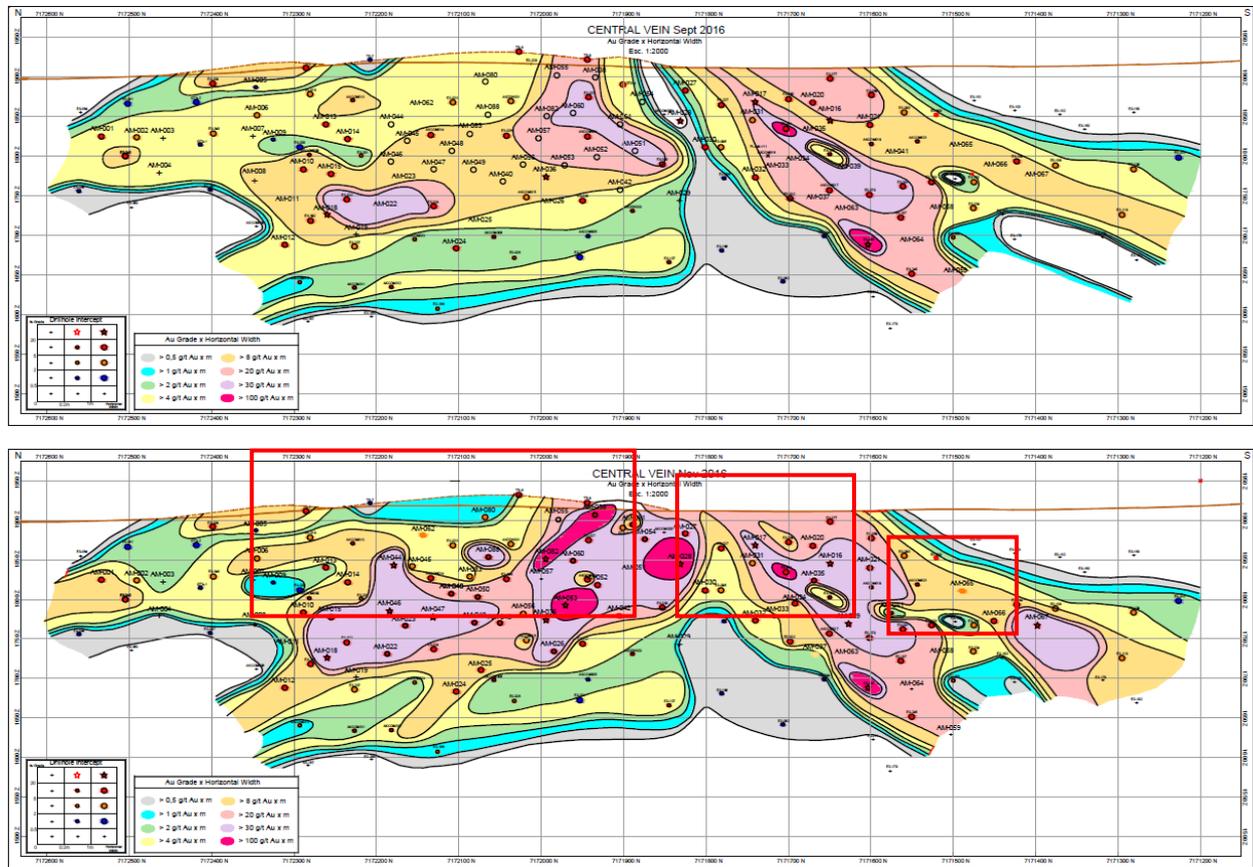


Figure 1: Central Vein Long Sections: previous (above) and updated (below)

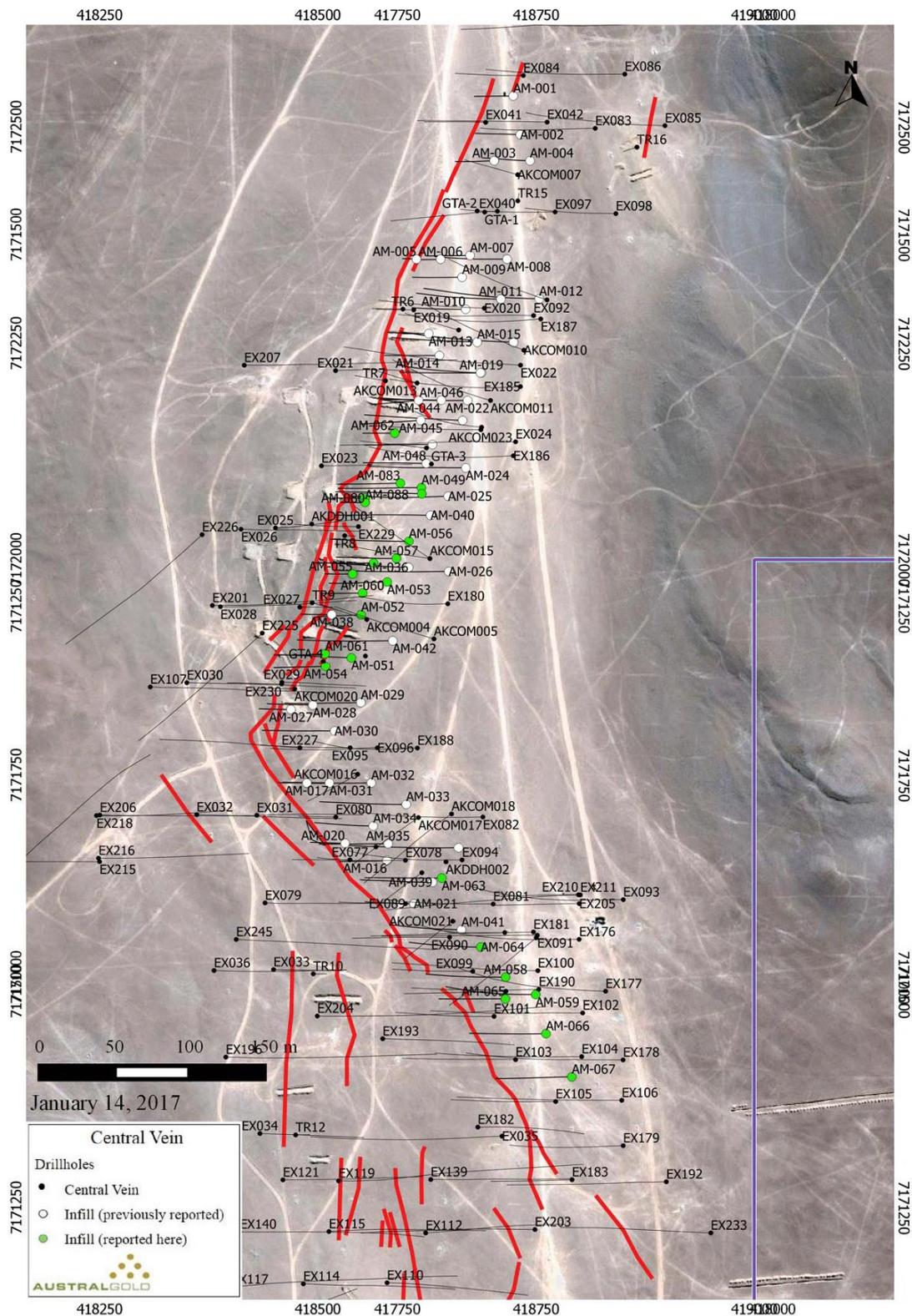


Figure 2: Central Vein Drilling Plan and Reported Results

### Guanaco Agitation Leach Plant Progress

Construction of the new agitation leach plant (Merrill-Crowe circuit) at Guanaco continues to advance and a completion date of March 2017 has been forecast. So far the actual spend on the project is about 80% complete.

The Company intends to truck production initially from the open pits, then from underground operations at Amancaya to the new agitation leach plant at Guanaco. The new plant will process the higher grade material from

the Guanaco mine, production from the Amancaya mine, and potentially reprocess the higher grade cells on the heap leach pads.



Figure 3: View of the agitation leach plant being constructed at Guanaco mine site

## Guanaco and Other Mining Properties in Chile - Tenements Status

A complete list of the Guanaco Mine and Amancaya Project mining tenements in which the Company has an interest is presented in **Appendix A**, attached to this report. There have been no changes to the Company's interests in these mining tenements during the quarter. All mining properties are fully owned by the Company through its subsidiaries.

**Appendix D** lists the San Guillermo mining properties acquired as part of the purchase agreement with Revelo Resources (TSX-V: RVL).

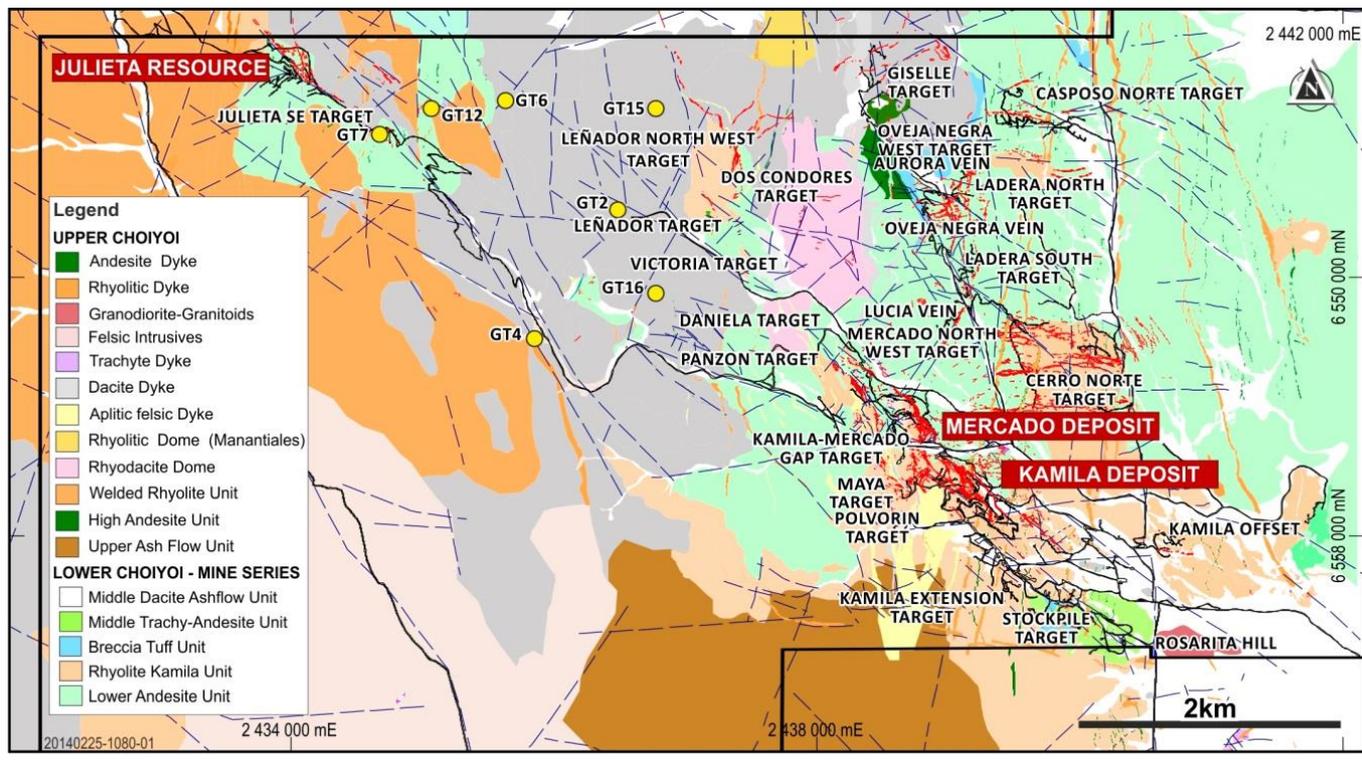
# ARGENTINA

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## Casposo Project

The Casposo project is located in the department of Calingasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21km<sup>2</sup>. Casposo is a low sulphidation epithermal deposit of gold and silver.

The Cordillera Principal runs along the Chile-Argentina border for approximately 1,500km. It is a volcanically and seismically active zone formed by subduction of the Nazca plate beneath the South American continent. The Casposo gold-silver mineralisation occurs in both the rhyolite and underlying andesite, where it is associated with banded quartz-chalcedony veins, typical of low sulphidation epithermal environments. Post-mineralisation dykes of rhyolitic (Kamila), aphanitic-felsic, and trachytic (Mercado) 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 west-northwest to east-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. The Julieta Zone is located 5km along strike to the northwest of the Kamila and Mercado deposits and is situated within the same regional structural corridor. The Casposo Norte deposit is located on a parallel structure, approximately 2km north of Kamila.



**Figure 4: Casposo mine Mineralization and Exploration Target Locations**

As announced on 7 March 2016, Austral acquired 51% of this project from Troy Resources Limited (ASX: TRY) and entered into a Management Agreement whereby Austral was appointed manager of Casposo with immediate effect. A further 19% will be acquired in March 2017 for US\$1m. The Company has options to acquire the remaining 30% of the project on agreed terms within 5 years.

## Production and Safety

The table below summarises the first two quarter results since the recommissioning of the mine.

Casposo Mine (51% owned by Austral Gold)	Dec Quarter 2016	Sept Quarter 2016
<b>Total Ore processed (t)</b>	<b>66,328</b>	<b>68,055</b>
<b>Gold recovery (%)</b>	<b>91%</b>	<b>90%</b>
<b>Silver recovery (%)</b>	<b>84%</b>	<b>78%</b>
<b>Average Plant Grade (g/t Au)</b>	<b>2.30</b>	<b>2.98</b>
<b>Average Plant Grade (g/t Ag)</b>	<b>241.4</b>	<b>180.9</b>
<b>Gold produced (oz)</b>	<b>4,489</b>	<b>4,457</b>
<b>Share of Gold produced (oz) (51%)</b>	<b><u>2,289</u></b>	<b><u>2,426</u></b>
<b>Silver produced (oz)</b>	<b>434,607</b>	<b>313,765</b>
<b>Share of Silver produced (oz) (51%)</b>	<b><u>221,650</u></b>	<b><u>160,020</u></b>

Following the results of the updated Mineral Resource and Ore Reserve estimate for Casposo reviewed by independent consultants Roscoe Postle Associates (RPA), the Company expects production for 2017 to reach approximately 50K AuEq and is also working towards reducing costs of Casposo.

From a safety perspective, there were three lost-time accidents (LTA) and five nil-lost-time accidents (NLTA) involving employees of Casposo and third party contractors during the December quarter.

## Exploration Activities

During the quarter exploration activities at Casposo consisted mainly of:

- **detailed mapping at Julieta:** the area was mapped in detail (1:2,000 scale), with a focus on the volcanic sequence and the different mineralisations and structures. Seventeen (17) rock chip samples were taken.
- **ground mag survey at Julieta:** the Company Geofísica Argentina completed the detail ground mag survey with a total of 66.4 linear kilometres.
- **regional mapping of the Julieta vein pulses and events:** Mapping advanced at the NE sector of the Casposo mine and in Julieta areas (10% of the total area). The most relevant feature from this preliminary map is the finding of a possible sinter terrace (hot spring deposit) related to a NNE regional fault.



Figure 3: The Casposo mine in the province of San Juan, Argentina.

## Casposo Project Properties - Tenements Status

A complete list of the mining tenements in which the Company has an interest is in **Appendix C**, attached to this report. There was no change to the Company's interests in these mining tenements during the quarter. All mining properties are 51% owned by the Company through its subsidiaries.

## Pinguino Project

The Company completed the acquisition of Toronto Venture Exchange listed company, Argentex Mining Corporation ('Argentex') on 22 August 2016. Currently, Argentex owns 100% mineral rights of more than 20 properties with over 67,000 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 Pinguino 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 Pinguino camp is not yet active, but work is being done on the site to prepare it for future activity and the Company is engaging with mining authorities in the region.

## Pinguino Project (and surrounds) Properties - Tenements Status

A complete list of the mining tenements in which the Company has an interest is in **Appendix E**, attached to this report. There was no change to the interests in these mining tenements during the quarter. All mining properties are 100% owned by the Company through its subsidiaries.

## 8 de Julio

No significant activity for the period.

## 8 de Julio Area - Tenements Status

A complete list of the mining tenements in which the Company has an interest is in **Appendix B**, attached to this report. There have been no changes to the Company's interests in these mining tenements during the quarter. All mining properties are fully owned by the Company through its subsidiaries.

## CORPORATE SUMMARY & FINANCIAL PERFORMANCE

Austral Gold had a cash balance of US\$12 million as of 31 December 2016.

Cash proceeds for gold and silver sales for the quarter were US\$19 million from Guanaco mine and US\$11 million from the Casposo mine. Recuperation of VAT contributed US\$1.8 million in cash proceeds.

During the quarter, US\$125k was paid in relation to the 51% acquisition of the underground mining contractor Humberto Reyes. A final payment of deferred consideration relating to this acquisition of US\$42k was paid on 10 January 2017.

Austral Gold held 2,312,000 warrants related to its 2013 purchase of an equity stake in Goldrock Mines Corp (TSX-V: GRM). These warrants converted to Fortuna Silver warrants when that company acquired Goldrock in August 2016 (converted at the acquisition ratio of 0.133133). For the quarter ended 31 December 2016, the Company exercised 399,300 warrants and subsequently sold the related shares of Fortuna Silver shares for proceeds of US\$2.7 million with a 51.4% realised return (pre-tax). During the quarter, Austral Gold loaned US\$662k to Casposo to finance capital purchases and working capital. A total of US\$2.5 million has been loaned to Casposo since the 51% acquisition in March 2017.

The Annual General Meeting was held on 30 November 2017. All resolutions were duly passed.

The Company declared a A\$0.009/share dividend in December 2016 for a total dividend of approximately US\$3 million. The record date was 18 January 2017 and the dividend payment date is 1 February 2017.

By order of the Board.

Andrew Bursill  
Company Secretary

### Competent Person's Statement

*Information in this report is extracted from the following reports, which are available for viewing on the Company's website: [www.australgold.com](http://www.australgold.com).*

*27 September 2016 "Restart of Casposo Gold-Silver Mine Operations"*

*6 October 2016 "Preliminary Amancaya Exploration Results"*

*15 December 2016 "Initial Results from Infill Drill Program at Amancaya Project"*

*25 January 2017 "Austral Gold Receives Final Infill Drilling Assays at Amancaya Project"*

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements listed above and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

**Appendices: List of Tenements in which the Company currently has an interest**

**Appendix A: Guanaco Mine and Amancaya Project (Chile) Tenements**

<b>Property Name</b>	<b>Claim Type</b>	<b>Size (hectares)</b>
Mining Concessions under exploration	Constituted Mining Claims	42,814
Loreto I, Loreto II, Loreto III and Loreto IV	Mining claims in process	1,000
Barbara and Flora concessions	Constituted Mining Claims	3,200
<b>Total</b>		<b>47,014</b>

## Appendix B: 8 de Julio Site (Argentina) Tenements

Property Name	Claim Type	Size (hectares)
8 de Julio IX	Cateo	7,002
8 de Julio X	Cateo	3,497
Cerro Contreras Norte	Cateo	10,000
Juanguí II	Manifestation of discovery	4,200
Juanguí VII-B	Manifestation of discovery	4,000
Juanguí VI-D	Manifestation of discovery	4,000
Juanguí I	Manifestation of discovery	3,970
Juanguí IV	Manifestation of discovery	3,226
Juanguí I-B	Manifestation of discovery	3,936
Juanguí II-D	Manifestation of discovery	3,740
Juanguí VIII-A	Manifestation of discovery	840
Juanguí VI-C	Manifestation of discovery	3,148
Juanguí III	Manifestation of discovery	4,081
Juanguí IV-F	Manifestation of discovery	2,286
Juanguí I-A	Manifestation of discovery	2,008
Juanguí V	Manifestation of discovery	1,920
Juanguí II-A	Manifestation of discovery	840
Juanguí VI-A	Manifestation of discovery	840
Juanguí VII-A	Manifestation of discovery	840
Juanguí VI	Manifestation of discovery	840
Juanguí IV-A	Manifestation of discovery	840
Juanguí IV-B	Manifestation of discovery	840
Juanguí IV-C	Manifestation of discovery	840
Juanguí IV-D	Manifestation of discovery	840
Juanguí IV- E 1	Manifestation of discovery	840
Juanguí IV- E 2	Manifestation of discovery	840
Juanguí IV- E 3	Manifestation of discovery	840
Juanguí IV- E 4	Manifestation of discovery	840
Juanguí IV- E 5	Manifestation of discovery	840
Juanguí V-A	Manifestation of discovery	840
Juanguí V-B	Manifestation of discovery	840
Juanguí II-C	Manifestation of discovery	638
Juanguí II-B	Manifestation of discovery	615
Barroso Chico I	Manifestation of discovery	840
Barroso Chico II	Manifestation of discovery	840
<b>Total</b>		<b>77,387</b>

### Appendix C: Casposo Project (Argentina) Tenements

Property Name	Claim Type	Size (Hectares)
Kamila	Constituted Mining claim	3,497
Julieta	Constituted Mining claim	2,625
Alicia -I	Constituted Mining claim	16
Various	Mining claims in process	16,420
<b>Total</b>		<b>22,558</b>

**Appendix D: San Guillermo (Chile) Tenements**

Property Name	Claim Type	Size (hectares)
Mining Concessions under exploration	Constituted Mining Claims	8,375
Cepillo Rojo 7D	Mining claims in process	200
Cepillo Rojo 8D	Mining claims in process	100
Cepillo Rojo 11C	Mining claims in process	200
Cepillo Rojo A	Mining claims in process	100
Cepillo Rojo 1D	Mining claims in process	300
Cepillo Rojo 2D	Mining claims in process	300
Cepillo Rojo 3D	Mining claims in process	300
Cepillo Rojo 4D	Mining claims in process	300
Cepillo Rojo 5D	Mining claims in process	300
Cepillo Rojo 6D	Mining claims in process	300
Cepillo Rojo 9D	Mining claims in process	200
Cepillo Rojo 10D	Mining claims in process	200
Cepillo Rojo 12D	Mining claims in process	200
Cabello 11D	Mining claims in process	300
Cabello 12D	Mining claims in process	300
Cabello 13D	Mining claims in process	200
<b>Total</b>		<b>12,175</b>

## Appendix E: Pingüino Project (and surrounds) (Argentina) Tenements

Property Name	Claim Type	Size (hectares)
<b>Pingüino</b>		
Tranquilo 1	Manifestation of discovery	3,484
Tranquilo 2	Manifestation of discovery	3,182
Cañadon	Manifestation of discovery	1,827
Pingüino	Manifestation of discovery	1,493
Plata Leon	Cateo	7,500
<b>Other Santa Cruz properties</b>		
Alto Condor	Manifestation of discovery	5,014
Condor Manifestacion de Descubrimiento	Manifestation of discovery	1,500
Diamante 1	Manifestation of discovery	2,906
Diamante 2	Manifestation of discovery	2,862
Contreras Oeste	Manifestation of discovery	2,938
Contreras Este	Manifestation of discovery	1,622
Nuevo Oro 2	Manifestation of discovery	840
<b>Rio Negro</b>		
Mochas 2	Cateo	9,960
Menucos 6	Manifestation of discovery	2,999
Menucos 7	Manifestation of discovery	2,880
Menucos 8	Manifestation of discovery	2,959
Menucos 9	Manifestation of discovery	2,999
Menucos 10	Manifestation of discovery	2,730
Menucos 11	Manifestation of discovery	1,840
Menucos 12	Manifestation of discovery	2,920
Menucos 13	Manifestation of discovery	2,965
<b>Total</b>		<b>67,420</b>

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

AUSTRAL GOLD LIMITED

### ABN

30 075 860 472

### Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers/tax credits	32,053	53,629
1.2 Payments for		
(a) exploration & evaluation	(207)	(679)
(b) development	(1,908)	(4,593)
(c) production	(14,172)	(23,123)
(d) staff costs	(4,823)	(9,422)
(e) royalties paid	(23)	(215)
(f) administration and corporate costs	(4,687)	(9,395)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1,969)	(2,322)
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(160)	(178)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>4,104</b>	<b>3,704</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(570)	(2,255)
(b) tenements (see item 10)	-	-
(c) investments	(4,337)	(6,438)
(d) other non-current assets	-	-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	2,719	5,348
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,188)</b>	<b>(3,345)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(13)
3.5	Proceeds from borrowings	1,500	1,500
3.6	Repayment of borrowings	(864)	(1,704)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>636</b>	<b>(217)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	9,417	11,827
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,104	3,704
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,188)	(3,345)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	636	(217)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>11,969</b>	<b>11,969</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1 Bank balances	11,969	9,417
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>11,969</b>	<b>9,417</b>

**6. Payments to directors of the entity and their associates**

	<b>Current quarter US\$'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	115
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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**7. Payments to related entities of the entity and their associates**

	<b>Current quarter US\$'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
8.1 Loan facilities	1,500	1,500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	17,243	17,243
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 The loan with Banco San Juan is a US\$1.5 million pre-export facility (180 days) at an annual interest rate of 4%.

8.3 The outstanding balance of financial leases from local banks in Chile reached US\$17.2 million at 31 December 2016 (secured, interest rates 3-4%).

<b>9. Estimated cash outflows for next quarter</b>	<b>US\$'000</b>
9.1 Exploration and evaluation	835
9.2 Development	2,112
9.3 Production	17,107
9.4 Staff costs	2,384
9.5 Royalties	807
9.6 Administration and corporate costs	2,848
9.7 Investments	2,812
9.8 Income tax	924
<b>9.9 Total estimated cash outflows</b>	<b>29,829</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter (Ha)</b>	<b>Interest at end of quarter (Ha)</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
(Company secretary)

Date: 31 January 2017

Print name:

Andrew Bursill

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.