



Media Release
Austral Gold Limited
26 August 2022

Austral Gold Announces Filing of 2022 Half Year Report

Austral Gold Limited (the “Company” or “Austral”) (ASX: AGD; TSX-V: AGLD) is pleased to announce that it has filed its half year report for the 6 months ended 30 June 2022. The complete Report is available under the Company’s profile at www.asx.com.au/, www.sedar.com/ and on the Company’s website at www.australgold.com/.

About Austral Gold

Austral Gold Limited is a gold and silver explorer and mining producer whose strategy is to expand the life of its cash generating assets in Chile, restart its Casposo mine in Argentina and build a portfolio of quality assets in Chile, the USA and Argentina organically through exploration and via acquisitions and strategic partnerships. Austral owns a 100% interest in the Guanaco/Amancaya mine complex in Chile and the Casposo-Manantiales mine complex (currently on care and maintenance) in Argentina, a non-controlling interest in the Rawhide Mine in Nevada, USA and a non-controlling interest in the Mercur exploration project in Utah, USA.

In addition, Austral owns an attractive portfolio of exploration projects in the Paleocene Belt in Chile (including those acquired in the 2021 acquisition of Revelo Resources Corp), a noncontrolling interest in Pampa Metals and a 100% interest in the Pingüino project and a 51% interest in the Sierra Blanca project, both in Santa Cruz, Argentina. Austral Gold Limited is listed on the TSX Venture Exchange (TSX-V: AGLD) and the Australian Securities Exchange. (ASX: AGD). For more information, please consult Austral's website at 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 of Austral Gold, Stabro Kasaneva.

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RESULTS FOR HALF-YEAR ENDED 30 JUNE 2022

Appendix 4D, previous corresponding period, half-year ended 30 June 2021.

| Revenue and net profit | | | | US\$'000 |
|---|------|-------|----|----------|
| Revenue from ordinary activities | Down | 16% | to | 25,848 |
| Loss from ordinary activities after tax | Up | 1061% | to | (4,355) |
| Net Loss attributable to members | Up | 1060% | to | (4,350) |
| Dividend information | | | | |

No interim dividend for the financial half year 2022 has been declared.

| Net tangible assets per security | June 2022 per share | Dec 2021 per share |
|--|---------------------|--------------------|
| Net tangible assets per security | US\$0.09 | US\$0.09 |
| Common shares on issue at balance sheet date | 612,311,353 | 612,311,353 |

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 30 June 2022 half-year financial statements.

This report is based on the consolidated half-year financial statements for the period to 30 June 2022 which have been reviewed by KPMG and are not subject to dispute or qualification. The Independent Auditors' Review Report is included herein.

This is a half-yearly report and is to be read in conjunction with the 31 December 2021 Annual Report.



AN ESTABLISHED GOLD & SILVER **PRODUCER & EXPLORER**

Half -Year Report 30 June 2022



| | |
|------------------------------------|----|
| CORPORATE DIRECTORY | 4 |
| DIRECTORS' REPORT | 6 |
| AUDITOR'S INDEPENDENCE DECLARATION | 12 |
| FINANCIAL STATEMENTS | 14 |
| DIRECTORS' DECLARATION | 31 |
| INDEPENDENT AUDITOR'S REPORT | 32 |

TABLE OF CONTENTS



CORPORATE DIRECTORY

KEY MANAGEMENT

Stabro Kasaneva

Chief Executive Officer and Executive Director

Rodrigo Ramirez

Vice President of Operations

Raul Guerra

Vice-President of Exploration

Jose Bordogna

Chief Financial Officer

DIRECTORS

Wayne Hubert

Chairman & Executive Director

Eduardo Elsztain

Vice Chairman & Non-Executive Director

Saul Zang

Non-Executive Director

Pablo Vergara del Carril

Non-Executive Director

Stabro Kasaneva

Chief Executive Officer and Executive Director

Robert Trzebski

Independent Non-Executive Director

Ben Jarvis

Independent Non-Executive Director

COMPANY SECRETARY

David Hwang

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KPMG

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LISTED

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ASX: AGD

TSX Venture Exchange

TSXV: AGLD

PLACE OF INCORPORATION:

Western Australia



DIRECTORS' **REPORT**



Your Directors present their report together with the consolidated interim financial report for the half-year ended 30 June 2022 and the Independent Auditor's Review Report. All Directors were in office for the full reporting period, being 1 January 2022 to 30 June 2022 and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the HY22 were:

- Gold and silver production at the Group's Guanaco/ Amancaya mine complex;
- Issuance of a new Technical Report on the Guanaco-Amancaya Operation in compliance with NI-43-101 and JORC 2012,
- Brownfield and Greenfield exploration activities seeking organic growth in the Company's existing mining projects in Argentina and Chile;
- Signed an offer letter with Mexplort Perforaciones Mineras S.A. ("Mexplort") for an earn-in option where we may acquire a 50% interest in the Jaguelito project, located in the Province of San Juan. In addition, we agreed to enter into a 50:50 Joint Venture to identify and develop new precious metal projects located in the Indio belt in the Province of San Juan, Argentina;
- All resolutions were passed at the Company's 27 May 2022 Annual General Meeting;
- There were no other significant changes in our principal activities during the period. A summary of key operating results for the half year ended 30 June 2022 and 2021 are set out in the following tables for comparative purposes.

OPERATIONS

| Guanaco/Amancaya Operations | Six months ended | |
|--|------------------|-----------|
| | June 2022 | June 2021 |
| Mined Ore (t) | 91,926 | 67,358 |
| Processed (t) Amancaya | 89,683 | 69,149 |
| Processed (t) Heap | 45,728 | - |
| Average Plant Grade Underground (g/t Au) | 4.07 | 5.46 |
| Average Plant Grade Heap (g/t Au) | 1.14 | - |
| Average Plant Grade Underground (g/t Ag) | 13.90 | 20.78 |
| Average Plant Grade Heap (g/t Ag) | 3.91 | - |
| Gold produced (Oz) | 13,388 | 12,416 |
| Silver produced (Oz) | 39,293 | 42,363 |
| Gold-Equivalent (Oz) *** | 13,868 | 13,035 |
| C1 Cash Cost of Production (US\$/AuEq Oz)* | 1,404 | 1,280 |
| All-in Sustaining Cost (US\$/Au Oz)** | 1,766 | 1,988**** |
| Realised gold price (US\$/Au Oz) | 1,869 | 1,801 |
| Realised silver price (US\$/Ag Oz) | 23 | 26 |
| Sales volume | 13,831 | 17,047 |

* The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A). It is the cost of production per gold equivalent ounce.

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

*** AuEq ratio is calculated at: 82:03 Ag:Au or the six months ended Jun 2022 and 68:1 Ag:Au for the six months ended Jun 2021

****Reduction from the June 2021 HY report as the 2021 HY report included greenfield exploration expenses.

Production during the six months ended 30 June 2022 ("HY22") at Guanaco/Amancaya increased by 6% to 13,868 gold equivalent ounces (13,388 gold ounces and 39,293 silver ounces) from 13,035 gold equivalent ounces (12,416 gold ounces and 42,363 silver ounces) for the six months ended 30 June 2021 ("HY21"). The increase in production was primarily due to higher throughput from the Amancaya mine and the Guanaco's former heap leach pads in HY22.

The full impact of the Q1 2022 operational initiatives (hiring a new contractor as mining operator and another contractor to maintain the mining fleet) and the Company's plan to mine higher grade ore are expected to result in increased production during the second half of 2022 to achieve annual guidance of 30,000-35,000 gold equivalent ounces.

UPDATED MINERAL RESERVE AND RESOURCE ESTIMATES AT GUANACO/AMANCAYA

During HY22, the Group announced results of the updated Mineral Reserve and Mineral Resource Estimates prepared by SLR Consulting (Canada) Ltd. ("SLR") in accordance with CIM Definitions 2014, National Instrument 43-101 ("NI 43-101") and Joint Ore Reserves Committee Code, 2012 (JORC 2012) for the Group's 100% owned Guanaco/Amancaya Operation in Chile, which consists of the Guanaco Mine (Guanaco) and Inesperada satellite deposit (Inesperada), the Amancaya Mine (Amancaya), and the Guanaco heap leach pads (Heap Reprocessing project). The Technical Report was filed on Sedar and on the Group's website.

The highlights of the technical report on the Guanaco/Amancaya operation, Antofagasta region, Chile report for NI 43-101 include:

- an increase in the mine life (LOM) until year 2033 (30K-35K GEOs per year for four to five years and 10K GEO per year for the next eight years).
- base case after-tax Net Present Value (NPV) of US\$77 million (AU\$106 million) at a discount rate of 6.89% and an average gold price of US\$1,686/oz over the LOM.
- Undiscounted pre-tax free cash flows of US\$132.7 million (after tax US\$102.6 million).
- Measured and Indicated Mineral Resources for the Guanaco-Amancaya Operation are estimated to be 14.9 million tonnes (Mt) grading 1.03 g/t Au and 5.89 g/t Ag.
- Proven and Probable Mineral Reserves for the Guanaco-Amancaya Operation are estimated to be 12.1 Mt grading 0.84 g/t Au and 4.89 g/t Ag and containing 0.326 million ounces (Moz) Au and 1.91 M oz Ag. The Heap Reprocessing material provides the majority of the increase from previous estimates.

KEY FINANCIAL RESULTS

| Thousands of US\$ | Six months ended | |
|---|------------------|-----------|
| | June 2022 | June 2021 |
| Sales revenue | 25,848 | 30,698 |
| Gross (loss) profit | (303) | 6,602 |
| Gross profit % | (1.2%) | 21.5% |
| Adjusted gross profit (excluding depreciation and amortisation) | 6,461 | 11,365 |
| Adjusted gross profit % (excluding depreciation and amortisation) | 25.0% | 37.0% |
| EBITDA | 339 | 5,775 |
| EBITDA per share (basic and fully diluted) | 0.00 | 0.01 |
| Adjusted EBITDA* | 1,632 | 5,916 |
| Adjusted EBITDA per share (basic and fully diluted) | 0.00 | 0.01 |
| (Loss)/profit attributed to shareholders | (4,350) | (375) |
| (Loss)/profit attributed to non-controlling interests | (5) | - |
| (Loss) earnings per share (Basic and diluted) | (0.71)c | (0.06)c |
| Comprehensive (loss) income | (4,354) | (460) |

*Reduction of US\$585,000 from the June 2021 HY report as the 2021 HY report included exploration expenses.

Note: Readers are cautioned that Adjusted EBITDA does 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.

EBITDA AND ADJUSTED EBITDA

| Thousands of US\$ | Six months ended | |
|-------------------------------|------------------|-----------|
| | June 2022 | June 2021 |
| (Loss) Profit before tax | (5,586) | 1,276 |
| Depreciation and amortisation | 6,838 | 4,841 |
| Net finance (income) / costs | (913) | (342) |
| EBITDA | 339 | 5,775 |
| Other expense / (income)*** | 961 | (319) |
| Share of loss of associates | 332 | 460 |
| Adjusted EBITDA* | 1,632 | 5,916 |

*note 7 to the financial statements excluding exploration expenses

| Thousands of US\$ | Six months ended | |
|--|------------------|-----------|
| | June 2022 | June 2021 |
| Cash & cash equivalents | 1,550 | 2,346 |
| Current assets | 17,522 | 19,992 |
| Non-current assets | 78,092 | 77,998 |
| Current liabilities | 23,995 | 22,745 |
| Non-current liabilities | 18,875 | 18,147 |
| Net assets | 52,744 | 57,098 |
| Net current assets | (6,473) | (2,753) |
| Current loans and borrowings | 6,021 | 5,338 |
| Non-current loans and borrowings | 1,847 | 415 |
| Current financial leases | 2,821 | 2,920 |
| Non-current financial leases | 1,495 | 1,843 |
| Combined debt (borrowings and financial leases) | 12,184 | 10,516 |
| Combined net debt (net of cash & cash equivalents) | 10,634 | 8,170 |
| Combined debt to EBITDA | 3,594% | 182% |
| Combined net debt to EBITDA | 3,137% | 141% |
| Current ratio* | 0.73 | 0.88 |
| Total liabilities to net assets | 0.81 | 0.72 |

*Current Assets divided by Current Liabilities

OPERATING AND FINANCIAL RESULTS OF THE GROUP

EBITDA and adjusted EBITDA decreased to US\$0.3m (1%) and US\$1.6m (6%) during the half year ended 30 June 2022 ("HY22") from US\$5.8m (19%) and US\$5.9m (19%) during the half year ended 30 June 2021 ("HY21").

During HY22, the Group realised a gross loss of US\$0.3m or (1.2%) (including US\$6.8m of depreciation and amortisation) (HY21: gross profit of US\$6.6m or 21% including US\$4.8m of depreciation and amortisation).

The Group's loss attributable to shareholders during HY22 was US\$4.3m (HY21: loss of US\$0.4m).

The decrease in gross profit during HY22 from HY21 was mainly due to (i) lower sales of gold equivalent ounces (GEO) (13,831 GEOs vs 17,047 GEOs- HY21), (ii) higher costs of production due to lower grades and higher tones extracted as explained below, and (iii) higher amortisation charges for the Amancaya mine. Revenue in HY21 included the sale of 6,185 GEO's produced in 2020 at lower production costs than HY21 production costs. Production costs increased in HY22 due to an increase in ore processed, of which 45,728 tonnes were processed from lower grade material at the historical heap pads at Guanaco, and lower gold and silver grades. Depreciation and amortisation increased in HY22 to US\$6.8m (HY21-US\$4.8m) due to the change in estimated reserves and resources at the Amancaya underground mine per the March 2022 NI 43-101 Technical Report.

The net loss during HY22 was also impacted by the following:

- i. Decrease in HY22 administration costs by US\$0.5m to US\$4.4m (HY21-US\$4.9) mainly due to transaction costs incurred in the acquisition of Revelo in HY21, a decrease in consulting expenses, and a decrease in withholding taxes due to a decrease in inter-company dividends.
- ii. Increase in other expenses by US\$1.1m to US\$1.4m (HY21-US\$0.3m) mainly due to an unrealised loss on its financial assets of US\$0.7m (HY21-unrealised gain of US\$1.1m).
- iii. Increase in net finance income by US\$0.6m to US\$0.9m (HY21-US\$0.3m) primarily due to a foreign exchange gain of US\$1.8m (HY21: US\$0.6m) due to the increase in the value of the US dollar versus the Argentine and Chilean currencies during HY22. The increase was partially offset by a present value adjustment to the mine closure provision due to a decrease in the discount rate.

HY22 production at Guanaco/Amancaya increased by 833 GEOs (6%) to 13,868 GEOs (13,389 gold ounces and 39,291 silver ounces) from 13,035 GEOs (12,416 gold ounces and 42,363 silver ounces) during HY21. The cost of production ("C1") per GEO increased to US\$1,404 in 1H 2022 from US\$1,280 in HY21 while the all-in sustaining cost ("AISC") per GEO decreased to US\$1,766 in HY22 from US\$1,988* in HY2021.

*revised from US\$2,011 per GEO in the Company's 30 June 2021 half year report

FINANCIAL POSITION

As at 30 June 2022, the Company had net current liabilities of US\$6.5m (31 December 2021: US\$2.8m). Net current liabilities increased from 31 December 2021 mainly due to a decrease in gross profit/loss on sales that led to an increase trade and other payables and an increase in short term borrowings. The Group expects its net current liability position to improve with an increase in production during the second half of the year.

Cash plus refined gold totaled US\$3.9m, (31 December 2021:US\$4.8m), comprised of US\$1.6m cash and cash equivalents (31 December 2021: US\$2.3m) and ~1,200 refined gold ounces in inventory with a fair value of ~US\$2.3m (31 December 2021: 1,400 refined gold ounces with a fair value of ~US\$2.5m).

Combined financial debt (borrowings and financial leases net of cash & cash equivalents) increased by US\$0.1m to US\$10.6m at 30 June 2022 (31 December 2021: US\$10.5m). Borrowings increased by US\$2.1m and financial leases decreased by US\$0.4m. In addition, US\$3.5m of a current loan payable was converted into a three year ESG loan with an interest rate of 4.2% per annum. New financial leases of US\$1.2m were obtained to acquire mining equipment.

Trade and other receivables (current and non-current) remained relatively constant and decreased by US\$0.1m to US\$2.8m at 30 June 2022 (31 December 2021:US\$2.9m).

Net assets decreased by US\$4.4m to US\$52.7m at 30 June 2022 (31 December 2021: US\$57.1m). The decrease was mainly due to the net loss during the period.

Inventories remained relatively constant and increased by US\$0.1m to US\$10.7m at 30 June 2022 (31 December 2021: US\$10.6m). The allowance for inventory obsolescence was unchanged at US\$1.6m at 30 June 2022 and 31 December 2021.

Prepaid income taxes (current and non-current) decreased by US\$1.3m to US\$3.0m mainly due to the refund of US\$2.0m and the impact of foreign exchange as prepaid income taxes source currencies are Chilean pesos and Argentinean pesos.

CASH FLOW

Net cash provided from operating activities before and after changes in assets and liabilities increased to US\$3.3m and US\$4.6m during the HY22 (HY21: US\$0.1m and US\$2.7m). The increase was mainly due to a refund of US\$2m of 2021 income taxes. The remaining 40% of income taxes receivable of approximately US\$1.5m is expected to be received in Q3 2022.

Cash used in investing activities totaled US\$5.6m during HY22 (HY21: US\$10.9m). Investments of US\$3.2m in HY22 were primarily used for additions to plant, property and equipment (HY21:US\$3.3m), exploration and evaluation activities of US\$2.4m, (HY21:US\$4.9m) and equity investments and acquisitions of US\$0.1m (HY21:US\$3.1m).

Cash from financing activities totaled US\$0.2m during HY22 (HY21: used US\$2.4m) due to the net proceeds from loans, borrowings and financial leases of US\$0.2m including the repayment of borrowings and financial leases (HY21:US\$1.4m). HY21 also included the payment of a shareholder dividend totaling US\$3.8m.

LIQUIDITY

Guidance

The Group forecasts 2022 production to be in the 30,000-35,000 gold equivalent ounces range with production to be higher in the second half of the year and annual C1 and AISC to decrease to US\$1,250-US\$1,350 and US\$1,500-US\$1,650 respectively per gold equivalent ounce.

Access to capital

The Group has strong banking relationships from which it expects it can obtain additional financing including capital expenditures for reprocessing of the Group's heaps that is scheduled to commence production in 2023.



Significant Changes in the State of Affairs

Future Developments, Prospects and Business Strategies

Performance in Relation to Environmental Regulation

The Group has no exploration activities in Australia and is therefore not subject to any particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory.

In relation to the Group's mineral exploration operations in Chile and Argentina, the Directors are not aware of any breaches during the period covered by this report.

Auditors

KPMG continues in office as auditors in accordance with the requirements of the Corporations Act 2001.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 30 June 2022 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
26 August 2022



LEAD INDEPENDENT **AUDITOR'S REPORT**



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 review of Austral Gold Limited for the half-year ended 30 June 2022 there have been:

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

KPMG

KPMG

Jessica Dillon
Partner
Sydney
26 August 2022

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FINANCIAL STATEMENTS

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| All figures are reported in thousands of US\$ | For the six months ended 30 June | | |
|---|----------------------------------|----------------|--------------|
| | Note | 2022 | 2021 |
| Continuing operations | | | |
| Sales revenue | | 25,848 | 30,698 |
| Cost of sales (including depreciation and amortisation) | 6 | (26,151) | (24,096) |
| Gross (Loss)/ profit | | (303) | 6,602 |
| Other expenses | 7 | (1,378) | (266) |
| Administration expenses | | (4,486) | (4,942) |
| Net finance income | 8 | 913 | 342 |
| Share of loss of associates | 17 | (332) | (460) |
| (Loss)/ profit before income tax | | (5,586) | 1,276 |
| Income tax benefit/(expense) | | 1,231 | (1,651) |
| Loss after income tax expense | | (4,355) | (375) |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | (4,350) | (375) |
| Non-controlling interests | | (5) | - |
| | | (4,355) | (375) |
| Items that may not be classified subsequently to profit or loss | | | |
| Foreign currency translation | | 1 | (85) |
| Total comprehensive (loss)/income for the period | | (4,354) | (460) |
| Comprehensive income/(loss) attributable to: | | | |
| Owners of the Company | | (4,349) | (460) |
| Non-controlling interests | | (5) | - |
| | | (4,354) | (460) |
| Earnings per share (cents per share): | | | |
| Basic loss per share | 9 | (0.71) | (0.06) |
| Diluted loss per share | 9 | (0.71) | (0.06) |

The notes on pages (19) to (30) are an integral part of these consolidated financial statements.

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| All figures are reported in thousands of US\$ | As at | | |
|---|-------|-----------------|---------------------|
| | Note | 30 June 2022 | 31 December 2021 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,550 | 2,346 |
| Trade and other receivables | 11 | 1,849 | 1,818 |
| Prepaid income tax | | 2,361 | 3,510 |
| Other financial assets | 12 | 1,046 | 1,717 |
| Inventories | 13 | 10,716 | 10,601 |
| Total current assets | | 17,522 | 19,992 |
| Non-current assets | | | |
| Other receivables | 11 | 948 | 1,054 |
| Prepaid income tax | | 628 | 750 |
| Mine properties | 14 | 4,462 | 1,217 |
| Property, plant and equipment | 15 | 40,447 | 42,007 |
| Exploration and evaluation expenditure | 16 | 31,169 | 32,322 |
| Investments accounted for using the equity method | 17 | 420 | 628 |
| Deferred tax assets | | 18 | 20 |
| Total non-current assets | | 78,092 | 77,998 |
| Total assets | | 95,614 | 97,990 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 11,783 | 10,263 |
| Employee entitlements | | 3,370 | 4,224 |
| Loans and borrowings | 19 | 6,021 | 5,338 |
| Lease liabilities | | 2,821 | 2,920 |
| Total current liabilities | | 23,995 | 22,745 |
| Non-current liabilities | | | |
| Provisions for reclamation and rehabilitation | 20 | 10,115 | 9,233 |
| Loans and borrowings | 19 | 1,847 | 415 |
| Lease liabilities | | 1,495 | 1,843 |
| Employee entitlements | | 4 | 9 |
| Deferred tax liability | | 5,414 | 6,647 |
| Total non-current liabilities | | 18,875 | 18,147 |
| Total liabilities | | 42,870 | 40,892 |
| Net assets | | 52,744 | 57,098 |
| Equity | | | |
| Issued capital | | 109,114 | 109,114 |
| Accumulated losses | | (55,413) | (51,063) |
| Reserves | | (1,140) | (1,141) |
| Non-controlling interest | | 183 | 188 |
| Total equity | | 52,744 | 57,098 |

The notes on pages (19) to (30) are an integral part of these consolidated financial statements.

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 and 2021

| All figures are reported in thousands of US\$ | Note | Issued capital | Accumulated losses | Reserves | Non- controlling interest | Total |
|--|------|-------------------|-----------------------|----------------|---------------------------------|----------------|
| Balance at 31 December 2020 | | 102,177 | (43,871) | 2,962 | - | 61,268 |
| Loss for the period | | - | (375) | - | - | (375) |
| Foreign exchange movements from translation of financial statements to US\$ | | - | - | (85) | - | (85) |
| Total comprehensive income/ (loss) | | - | (375) | (85) | - | (460) |
| Windup of Cachinalito Limitada | | - | 453 | (453) | - | - |
| Issued Capital | | 6,169 | - | - | - | 6,169 |
| Dividend paid | | - | - | (3,790) | - | (3,790) |
| Balance at 30 June 2021 | | 108,346 | (43,793) | (1,366) | - | 63,187 |
| Balance at 31 December 2021 | | 109,114 | (51,063) | (1,141) | 188 | 57,098 |
| Loss for the period | | - | (4,350) | - | (5) | (4,355) |
| Foreign exchange movements from translation of financial statements to US\$ | | - | - | 1 | - | 1 |
| Total comprehensive (loss)/ income | | - | (4,350) | 1 | (5) | (4,354) |
| Balance at 30 June 2022 | | 109,114 | (55,413) | (1,140) | 183 | 52,744 |

The notes on pages (19) to (30) are an integral part of these consolidated financial statements

AUSTRAL GOLD LIMITED FINANCIAL REPORT 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

| All figures are reported in thousands of US\$ | For the six months ended 30 June | | |
|---|----------------------------------|----------------|-----------------|
| | Note | 2022 | 2021 |
| Changes in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the period | | 2,346 | 12,401 |
| Cash and cash equivalents, at the end of the period | | 1,550 | 1,790 |
| Net decrease in cash and cash equivalents | | (796) | (10,611) |
| Causes of change in cash and cash equivalents | | | |
| Operating activities | | | |
| (Loss)/profit after income tax | | (4,355) | (375) |
| Adjustments for | | | |
| Income tax (benefit)/expense recognized in profit or loss | | (1,231) | 1,651 |
| Income tax collection/(payments), net | | 1,272 | (6,024) |
| Depreciation and amortisation | | 6,838 | 4,841 |
| Gain on sale of equipment | | (143) | (276) |
| Non-cash net finance charges | | 575 | 185 |
| Provision for reclamation and rehabilitation | | (882) | 31 |
| Inventory write-down | | - | 24 |
| Allowance for doubtful accounts | | 219 | 35 |
| Non-cash employee entitlements | | (4) | 586 |
| Share of loss of associates | | 332 | 460 |
| Loss /(Gain) in fair value of other financial assets | | 671 | (1,112) |
| Net cash from operating activities before change in assets and liabilities | | 3,292 | 26 |
| Changes in working capital: | | | |
| (Increase)/decrease in inventory | | (115) | 3,017 |
| (Increase)/decrease in trade and other receivables | | (144) | 1,317 |
| Increase/(decrease) in trade and other payables | | 2,402 | (20) |
| Decrease in employee entitlements | | (855) | (1,685) |
| Net cash provided through operating activities | | 4,580 | 2,655 |
| Cash flows from investing activities | | | |
| Additions to plant, property and equipment | | (3,166) | (3,333) |
| Proceeds from sale of inventory and equipment | | 148 | 507 |
| Payment for investment in exploration and evaluation | 16 | (2,432) | (4,924) |
| Payment for investment in mine properties | 14 | (27) | (320) |
| Payment for equity investments, net of costs | 17 | (124) | (2,174) |
| Cash paid to acquire Revelo | | - | (920) |
| Cash acquired in Revelo acquisition | | - | 14 |
| Proceeds from sale of other financial assets | | - | 287 |
| Net cash used in investing activities | | (5,601) | (10,863) |
| Cash flows from financing activities | | | |
| Proceeds from loans and borrowings | | 6,000 | 3,500 |
| Repayment of loans and borrowings | | (3,885) | (400) |
| Interest paid on loans and borrowings | | (126) | (71) |
| Repayment of lease liabilities | | (1,664) | (1,471) |
| Interest paid on leases | | (100) | (151) |
| Proceeds from exercise of options net of costs | | - | (3) |
| Transaction costs related to issuance of shares | | - | (17) |
| Dividends paid | | - | (3,790) |
| Net cash provided/ (used in) financing activities | | 225 | (2,403) |
| Net decrease in cash and cash equivalents | | (796) | (10,611) |

The notes on pages (19) to (30) 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 interim financial statements ("financial statements") as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group") are presented in United States dollars (US\$), which is the presentation and functional currency of the Group. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated annual financial statements of the Group as at and for the year ended 31 December 2021 are available upon request from the Company's registered office at Level 5, 126 Phillip Street, Sydney NSW 2000, Australia 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 (AASB) 134 Interim Financial Reporting and Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The half-year financial report does not include full note disclosures of the type normally included in an annual financial report. As a result, the half-year financial report should be read in conjunction with the 31 December 2021 Annual Financial Report and any public announcement by Austral Gold Limited during the half-year in accordance with continuous disclosure obligations under the Corporations Act 2001.

These interim financial statements were authorised for issue by the Company's Board of Directors on 26 August 2022.

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

Change in classification

During the period ended 30 June 2022, the Group updated the classification of certain expenses and cash flow items to better reflect the nature of the items. The reclassified amounts are disclosed in Note 22 to the financial statements.

3. GOING CONCERN

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

For the 6 months ended 30 June 2022, market fundamentals of gold and silver remained strong and the Group produced 13,868 gold equivalent ounces with sales revenue totalling US\$25.848 million from sales of 13,831 gold equivalent ounces at an average selling price per ounce of US\$1,869 (6 months period ended 30 June 2021: production of 13,035 gold equivalent ounces and sales revenue of US\$30.698 million from sales of 17,047 gold equivalent ounces at an average selling price per ounce of US\$1,801 including the sale of 4,010 gold equivalent ounces produced in the previous year).

For the 6-month period ended 30 June 2022, the Group incurred a net loss after tax of US\$4.355 million (2021: US\$0.375 million net loss after income tax) with net operating cash flows of US\$4.580 million (2021: US\$2.655 million). At 30 June 2022, the Group has net assets of US\$52.744 million, net current liabilities of US\$6.473 million and loans and borrowings of US\$7,868 million (31 December 2021: US\$57.098 million, US\$2.753 million, and US\$5.753 respectively).

The loss after income tax reflects the decrease in gross profit compared to the prior 6-month period, which was primarily due to higher costs of production resulting from lower grades, an increase in the tonnes of ore extracted, and higher depreciation and amortisation charges for the Amancaya mine based on the new technical report issued during the 6 months ended 30 June 2022(1).

Management have prepared a cash flow forecast that supports the ability of the Group to continue as a going concern. The underlying assumptions of the forecast include acknowledgement of the intrinsic operational risks of the business, the existing cash position of the Group, the ongoing loan repayment requirements and the strategy to further support capital investment at the Amancaya/Guanaco mine and other exploration and investment activities. During the first 6 months of the year, production was lower than initially forecasted for the Amancaya/Guanaco mine. However, management, with support of the Directors, have taken steps to ensure the Group remains a going concern, noting the key assumptions in the forecast address the key risks and uncertainties to the cash flow as follows:

NOTES TO THE FINANCIAL STATEMENTS

1. Execution of the mine plan which is based on the following:
 - a. Increase in gold grades from grades obtained during the first 6 months of 2022;
 - b. Projected gold price of US\$1,780;
 - c. More balanced approach to ore extraction;
 - d. Improve dilution control of drilling;
2. Implementation of the Heap processing project to achieve production by mid-2023;
3. Deferral of certain exploration expenditures.
4. Source new short-term financing and continued support from existing financiers for the renewal of short term borrowings, noting a 12 month term US\$1 million pre-export facility was obtained in July 2022. In addition, the Group has received indications that its financiers will provide a US\$2M financial lease to acquire key equipment for the Heap reprocessing project.

The Directors remain confident in the continued support of their financiers. In addition, the Group's major shareholder group has previously provided financial support for the Group when required.

The going concern basis presumes a combination of the above operational and funding solutions, as deemed appropriate by the Directors, will be achieved, and that the realisation of assets and settlement of liabilities will occur in the normal course of business. Notwithstanding the confidence of the Directors, the above factors create a material uncertainty with respect to the ability of the Group to realise its assets and extinguish its liabilities in the ordinary course of operations.

The Directors consider that there is a basis to expect the Group will be able to meet its commitments and accordingly, the financial report has been prepared on a going concern basis.

(1) Technical Report on the Guanaco-Amancaya Operation, Antofagasta Region, Chile Report for NI 43-101 dated 25 March 2022 and filed on 19 April 22 on SEDAR under the Company's profile at www.sedar.com and available on the Company's website at www.australgold.com.

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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as at and for the year ended 31 December 2021. Information about judgements related to going concern are disclosed in Note 3.

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 6 months ended 30 June 2022 are detailed below:

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- i. Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities
- ii. Level 2 — inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- iii. Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The Group holds listed equity securities on the Australian and Canadian stock exchanges and listed Argentine sovereign bonds at fair value, which are measured at the closing bid price at the end of the reporting period. These financial assets are 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.

NOTES TO THE FINANCIAL STATEMENTS

Further information about the assumptions made in measuring fair values is included in Note 19 — Financial instruments.

5. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the 12 months ended 31 December 2021.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2022.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements as the impact of adoption was not significant to the Group's Consolidated Financial Statements.

6. COST OF SALES

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June | |
|---|--------------------------------|---------------|
| | 2022 | 2021 |
| Production | 13,975 | 10,004 |
| Staff costs | 4,510 | 5,087 |
| Royalty | 588 | 715 |
| Mining Fees | 236 | 567 |
| Inventory movements | 78 | 2,960 |
| Total cost of sales before depreciation and amortisation expense | 19,387 | 19,333 |
| Depreciation of plant and equipment | 5,864 | 4,093 |
| Amortisation of mine properties | 900 | 670 |
| Total depreciation and amortisation expense | 6,764 | 4,763 |
| Severance included in staff costs | 290 | 112 |

7. OTHER EXPENSES/(INCOME)

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June | |
|--|--------------------------------|------------|
| | 2022 | 2021 |
| Severance of mining employees due to outsource of operations | - | 440 |
| Care and maintenance | 650 | 694 |
| Exploration expenses | 417 | 585 |
| Loss /(gain) on financial assets | 671 | (1,112) |
| Gain on sale of equipment | (143) | (276) |
| Other | (217) | (65) |
| Total other expenses/(income) | 1,378 | 266 |

8. NET FINANCE INCOME

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June | |
|--|--------------------------------|--------------|
| | 2022 | 2021 |
| Gain from foreign exchange | 1,817 | 630 |
| Total finance income | 1,817 | 630 |
| Interest expense | (177) | (86) |
| Interest expense on leases | (104) | (157) |
| Other | - | (1) |
| Total finance costs | (281) | (244) |
| Present value adjustment to mine closure provision | (623) | (44) |
| Net finance income | 913 | 342 |

NOTES TO THE FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June | |
|---|--------------------------------|-------------|
| | 2022 | 2021 |
| Net profit/(loss) attributable to owners | (4,350) | (375) |
| Weighted average number of shares used as the denominator | | |
| Number for basic earnings per share | 612,311,353 | 580,221,819 |
| Number for diluted earnings per share | 612,311,353 | 590,353,702 |
| Basic earnings per ordinary share (cents) | (0.71) | (0.06) |
| Diluted earnings per ordinary share (cents) | (0.71) | (0.06) |

10. 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 6 months ended 30 June 2022, the Group earned 90% of its consolidated revenue from sales made to one customer (2021-70% of its consolidated revenue from sales made to two customers).

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June 2022 | | | | For the 6 months ended 30 June 2021 | | | |
|---|-------------------------------------|---------------|-----------------------------|----------------|-------------------------------------|---------------|-----------------------------|----------------|
| | Guanaco/Amancaya | Casposo | Group and unallocated items | Consolidated | Guanaco/Amancaya | Casposo | Group and unallocated items | Consolidated |
| Revenue: | | | | | | | | |
| Gold | 24,960 | - | - | 24,960 | 29,769 | - | - | 29,769 |
| Silver | 888 | - | - | 888 | 929 | - | - | 929 |
| Cost of sales | (19,387) | - | - | (19,387) | (19,333) | - | - | (19,333) |
| Depreciation and amortisation expense | (6,764) | - | - | (6,764) | (4,763) | - | - | (4,763) |
| Other expense | (281) | (399) | (698) | (1,378) | (157) | (796) | 687 | (266) |
| Administration expenses | (2,465) | (315) | (1,706) | (4,486) | (2,011) | (323) | (2,608) | (4,942) |
| Finance income (costs) | 553 | (47) | 407 | 913 | (129) | 816 | (345) | 342 |
| Share of loss of associates | - | - | (332) | (332) | - | - | (460) | (460) |
| Income tax (expense)/ benefit | 1,242 | 2 | (13) | 1,231 | (1,423) | (236) | 8 | (1,651) |
| Segment (loss)/profit | (1,254) | (759) | (2,342) | (4,355) | 2,882 | (539) | (2,718) | (375) |
| Segment assets | 65,675 | 13,787 | 16,152 | 95,614 | 66,251 | 12,703 | 25,354 | 104,308 |
| Segment liabilities | 37,035 | 4,939 | 896 | 42,870 | 35,772 | 4,261 | 1,088 | 41,121 |
| Capital expenditure | 5,050 | 917 | 191 | 6,158 | 7,910 | 639 | 28 | 8,577 |

Geographic information:

| All figures are reported in thousands of US\$ | For the 6 months ended 30 June | |
|---|--------------------------------|---------------|
| | 2022 | 2021 |
| Revenue by geographic location | | |
| Chile | 25,848 | 30,698 |
| Argentina | - | - |
| Australia | - | - |
| Canada | - | - |
| United States | - | - |
| Total revenue | 25,848 | 30,698 |

NOTES TO THE FINANCIAL STATEMENTS

| All figures are reported in thousands of US\$ | As at | |
|--|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Non-current assets by geographic location | | |
| Chile | 58,163 | 58,650 |
| Argentina | 19,399 | 18,610 |
| United States | 420 | 628 |
| Canada | - | - |
| British Virgin Islands | 110 | 110 |
| Australia | - | - |
| Total non-current assets | 78,092 | 77,998 |

11. TRADE AND OTHER RECEIVABLES

| All figures are reported in thousands of US\$ | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Current | | |
| Trade Receivables | 169 | 86 |
| Other current receivables | 900 | 212 |
| GST/VAT receivable | 780 | 1,520 |
| Total current receivables | 1,849 | 1,818 |
| Non-current | | |
| GST/VAT receivable | 1,162 | 1,022 |
| Other | 319 | 346 |
| Total non-current receivables | 1,481 | 1,368 |
| Allowance for doubtful accounts | (533) | (314) |
| Net non-current receivables | 948 | 1,054 |
| Trade debtors | | |
| The ageing of trade receivables is 0-30 days | 169 | 86 |

12. OTHER FINANCIAL ASSETS

| All figures are reported in thousands of US\$ | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Current | | |
| Listed bonds — level 1 | 21 | 32 |
| Listed equity securities — level 1 | 966 | 1,543 |
| Ensign warrants — level 3 | 59 | 86 |
| Rawhide warrants — level 3 | - | 56 |
| Total current other financial assets at fair value | 1,046 | 1,717 |
| Non-current | | |
| Listed equity securities — level 1 | - | - |

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at the end of each reporting period with any movements recorded through the profit and loss statement.

Listed equity securities and bonds are shares of a Canadian listed mining company nominated in C\$ and sovereign bonds nominated in ARS as at 30 June 2022 and 31 December 2021, respectively.

Fair value hierarchy

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

Transfers

During the half year ended 30 June 2022 there were no transfers between the financial instrument levels of hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

| All figures are reported in thousands of US\$ | As at | |
|---|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Materials and supplies | 8,279 | 8,086 |
| Ore stocks | 202 | 132 |
| Gold bullion and gold in process | 2,235 | 2,383 |
| Total inventories | 10,716 | 10,601 |

*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\$1,572k (31 December 2021:US\$1,572k).

14. MINE PROPERTIES

| All figures are reported in thousands of US\$ | 6 months to 30 June 2022 | 12 months to 31 December 2021 |
|---|-----------------------------|----------------------------------|
| Costs carried forward in respect of areas of interest | | |
| Carrying amount at the beginning of the period | 1,217 | 3,876 |
| Additions | 27 | 363 |
| Transfers from exploration and evaluation expenditure | 3,585 | - |
| Increase (decrease) in provision for reclamation and rehabilitation | 533 | (898) |
| Amortization | (900) | (2,124) |
| Carrying amount at end of the period | 4,462 | 1,217 |

15. PROPERTY, PLANT AND EQUIPMENT

| All figures are reported in thousands of US\$ | As at | |
|---|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Property, plant and equipment owned | 32,824 | 34,334 |
| Right-of-use-assets | 7,623 | 7,673 |
| | 40,447 | 42,007 |
| Property, plant and equipment owned | | |
| Cost | 164,346 | 161,185 |
| Accumulated depreciation | (131,522) | (126,851) |
| Carrying amount at end of the period | 32,824 | 34,334 |
| Movements in carrying value | | |
| Carrying amount at beginning of the period | 34,334 | 34,725 |
| Additions | 3,166 | 6,897 |
| Depreciation | (4,676) | (7,288) |
| Disposals | (5) | (9) |
| Depreciation on disposals | 5 | 9 |
| Carrying amount at end of the period | 32,824 | 34,334 |

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.

NOTES TO THE FINANCIAL STATEMENTS

16. EXPLORATION AND EVALUATION EXPENDITURE

| All figures are reported in thousands of US\$ | 6 months to 30 June 2022 | 12 months to 31 December 2021 |
|--|-----------------------------|----------------------------------|
| Costs carried forward in respect of areas of interest | | |
| Carrying amount at the beginning of the period | 32,322 | 18,941 |
| Additions | 2,432 | 14,703 |
| Transfers to mining properties | (3,585) | - |
| Impairment for the period | - | (1,322) |
| Carrying amount at end of the period | 31,169 | 32,322 |

During February 2022, the Group signed a binding offer letter with Mexplort Perforaciones Mineras S.A. ("Mexplort") where the parties agreed to enter into a Joint Venture Agreement to identify and develop new precious metal projects located in the Indio belt in the Province of San Juan, Argentina and Mexplort is to grant Austral Gold Argentina S.A., a subsidiary company in Argentina, an earn-in option whereby it may acquire a 50% interest in the Jaguelito project ("50% interest") held by Mexplort through a concession granted by the Instituto Provincial de Exploraciones y Explotaciones Mineras de la Provincia de San Juan (IPEEM) in October 2011. The consideration to acquire the 50% interest is as follows"

- US\$2 million in exploration expenditures on Jaguelito within two years from the approval of the Option by IPEEM (the "First Stage"), including drilling a minimum of 5,000 meters. On 10 August 2022, the Instituto Provincial de Exploraciones y Explotaciones Mineras de las Provincia de San Juan ("IPEEM" approved the Option agreement.
- US\$2 million in exploration expenditures on Jaguelito within two years after completing the First Stage (the "Second Stage"), and
- US\$3 million payment to Mexplort if the Board of the JV Company approves the construction of the project based on a bankable feasibility study ("BFS"). The Group committed to the first US\$2 million and must comply with the conditions in (a-c) above to acquire a 50% interest in the Jaguelito project.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's interests in equity-accounted investees comprise an interest in a Rawhide Acquisition Holding LLC. ("Rawhide") that owns Rawhide Mining LLC, a gold and silver operating mine in Nevada, USA and an interest in Ensign Gold Limited ("Ensign") that is engaged in the acquisition, exploration, and development of precious metal mineral properties primarily in the state of Utah, United States through its subsidiary, Ensign Gold (US) Corp. Subsequent to acquiring the interest, Ensign changed its name to Ensign Minerals Inc.

| All figures are reported in thousands of US\$ | As at | |
|--|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Carrying amount of interest in associates | | |
| Carrying amount of interest in Ensign | 420 | 628 |
| Group's total carrying amount of interest in associates | 420 | 628 |

17.1 Investment in Rawhide

During the year ended 31 December 2021, the Group recorded an impairment on its investment in Rawhide to reduce its carrying value to nil. During the six month period ended 30 June 2022, the Group advanced Rawhide US\$123,686. As the Group does not expect to recover this amount, the Group has recognised this amount in share of loss of associates in the consolidated statement of profit or loss and other comprehensive income.

17.2 Investment in Ensign

| All figures are reported in thousands of US\$ | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Percentage ownership interest | 11.93% | 11.93% |
| Non-current assets | 4,332 | 3,557 |
| Current assets | 3,470 | 5,428 |
| Non-current liabilities | - | (6) |
| Current liabilities | (42) | (170) |
| Net assets (liabilities) (100%) | 7,760 | 8,809 |
| Group's share of net liabilities | 926 | 1,051 |
| Carrying amount of interest in associate | 420 | 628 |

NOTES TO THE FINANCIAL STATEMENTS

| All figures are reported in thousands of US\$ | 6 months ended 30 June 2022 | 12 months ended 31 December 2021 |
|---|--------------------------------|-------------------------------------|
| Revenue | | - |
| (Loss) from continuing operations (100%) | (1,742) | (1,312) |
| Other comprehensive income (100%) | - | - |
| Total comprehensive income (100%) | (1,742) | (1,312) |
| Group's share of total (loss) and comprehensive income (11.93%)* | (208) | (250) |

*Weighted average of 11.93% and 19.06% ownership in Ensign Minerals during the six month period ended 30 June 2022 and 30 June 2021, prorated for the period 19 February 2021 to 30 June 2021, respectively.

18. TRADE AND OTHER PAYABLES

| All figures are reported in thousands of US\$ | As at | |
|---|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Current | | |
| Trade payables | 5,240 | 4,346 |
| Trade payables-supply chain financing arrangement | 781 | - |
| Accrued expenses | 4,708 | 4,927 |
| Royalty payable | 271 | 485 |
| Director fees | 296 | 198 |
| Other | 487 | 307 |
| Total trade and other payables | 11,783 | 10,263 |

The Group participates in a supply chain financing arrangement (SCF) under which its supplier may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor the original liability was substantially modified on entering into the arrangement. From the Group's perspective, the arrangement extends payment terms to six months. The Group incurs interest ranging from 8%-9% per annum to the bank on the amounts due to suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain similar to those of other trade payables but discloses disaggregated amounts in the notes. All payables under SCF are classified as current as at 30 June 2022.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating-i.e. payments for services required to earn revenue. The payments to a supplier by the bank are considered non-cash transactions and amount to US\$758,073 plus accrued interest of US\$23,326 as at 30 June 2022. During July 2022, US\$271,864 was repaid to the bank and the balance is to be repaid in September 2022.

19. LOANS AND BORROWINGS

| All figures are reported in thousands of US\$ | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Current | | |
| Loan facilities | 6,021 | 5,338 |
| Total current loans and borrowings | 6,021 | 5,338 |
| Non-current | | |
| Loan facilities | 1,847 | 415 |
| Total non-current loans and borrowings | 1,847 | 415 |

Loan Facilities

In January 2022, US\$3.5m of the current loan payable to Santander bank was converted into a three year ESG loan with an interest rate of 4.2%. The loan is repayable in monthly installments and at 30 June 2022, US\$1.2m of the loan balance was classified as current.

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Loans | Leasing |
|---|--------------|--------------|
| Balance at 1 January 2022 | 5,753 | 4,763 |
| Change from financing cash flows | | |
| Proceeds from loans and borrowings | 6,000 | - |
| Repayments | (3,885) | (1,664) |
| Other changes | | |
| New leases | - | 1,217 |
| Interest expense | 126 | 100 |
| Interest paid | (126) | (100) |
| Balance at 30 June 2022 | 7,868 | 4,316 |
| Balance at 1 January 2021 | 2,077 | 6,321 |
| Change from financing cash flows | | |
| Proceeds from loans and borrowings | 4,513 | - |
| Repayments | (839) | (3,032) |
| Other changes | | |
| New leases | - | 1,474 |
| Interest expense | 143 | 244 |
| Interest paid | (141) | (244) |
| Balance at 31 December 2021 | 5,753 | 4,763 |

| Lender | Value (US\$) | Carrying value (US\$) | Interest rate (%) | Maturity date |
|----------------|-------------------|-----------------------|-------------------|-------------------|
| BCI | 1,000,000 | 1,008,800 | 3.30 | 19 September 2022 |
| Santander Bank | 2,000,000 | 2,011,722 | 4.22 | 7 November 2022 |
| BCI | 1,000,000 | 1,002,903 | 2.05 | 27 December 2022 |
| Santander Bank | 3,600,000 | 830,769 | 5.54 | 23 June 2023 |
| Santander Bank | 3,500,000 | 3,013,889 | 4.30 | 26 January 2025 |
| Total | 11,100,000 | 7,868,083 | | |

20. PROVISIONS

| All figures are reported in thousands of US\$ | As at | |
|---|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Non-current | | |
| Mine closure | 10,112 | 9,136 |
| Other | 3 | 97 |
| Closing balance | 10,115 | 9,233 |
| Movement in non-current provisions | | |
| Opening balance | 9,233 | 11,050 |
| Additions | 533 | 93 |
| Reductions | - | (898) |
| Exchange difference | (274) | (773) |
| Present value adjustment | 623 | (239) |
| Closing balance | 10,115 | 9,233 |

Mine closure provision

Provision for rehabilitation work has been recognised in relation to estimated future expenditures including rehabilitating mine sites, dismantling operating facilities and restoring affected areas. These future cost estimates are discounted to their present value. The calculation of this provision requires assumptions such as application of environmental legislation, mine closure dates, available technologies and engineering cost estimates.

As at 30 June 2022, the total restoration provision amounts to US\$6.1m for Guanaco/Amancaya mine. The present value of the restoration provision was determined based on the following assumptions:

Undiscounted rehabilitation costs: US\$7.7m; and

Discount period: 5 years (Discount period based on expected timing of restoration activities). Discount rate: 1.9% (31 December 2021 - 4.00%)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022, the total restoration provision amounts to US\$4.0m 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: 2.85% (31 December 2021–11.49%)

21. 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 | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Financial Assets | | |
| Cash and cash equivalents | 1,550 | 2,346 |
| Trade and other receivables | 2,797 | 2,872 |
| Other financial assets | 1,046 | 1,717 |
| Financial liabilities | | |
| Trade and other payables | 11,783 | 10,263 |
| Borrowings | 7,868 | 5,753 |
| Financial leases | 4,316 | 4,763 |

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\$.

At 30 June 2022, the Group was exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the Group's functional currency (thousands of US\$).

The following significant exchange rates have been applied.

| US\$ | Average rate for the 6 months ended 30 June | | Spot rate | |
|------|---|--------|--------------|------------------|
| | 2022 | 2021 | 30 June 2022 | 31 December 2021 |
| ARS | 113.88 | 89.84 | 125.13 | 102.62 |
| CLP | 888.39 | 719.38 | 932.08 | 844.69 |
| AUD | 1.37 | 1.31 | 1.45 | 1.30 |
| CDN | 1.25 | 1.28 | 1.29 | 1.27 |

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Argentine peso, Chilean peso, Australian dollar, Canadian dollar and US dollar against all other currencies at 30 June 2022 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS

| Effect in thousands of US\$ 30 June 2022 | Profit or loss | | Equity, net of tax | |
|--|----------------|-----------|--------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| ARS (22% movement) | 232 | (232) | 232 | (232) |
| CLP (10% movement) | (323) | 323 | (323) | 323 |
| AUD (5% movement) | - | - | - | - |
| CDN (2% movement) | - | - | - | - |
| 31 December 2021 | Strengthening | Weakening | Strengthening | Weakening |
| ARS (22% movement) | 401 | (401) | 401 | (401) |
| CLP (19% movement) | 229 | (229) | 229 | (229) |
| AUD (6% movement) | (4) | 4 | (4) | 4 |
| CDN (1% movement) | 2 | (2) | 2 | (2) |

| | Argentinian Peso (ARS) | Chilean Peso (CLP) | Australian Dollar (AUD) | Canadian Dollar (CAD) |
|------------------------------|------------------------|--------------------|-------------------------|-----------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 152 | 1,012 | 7 | 5 |
| Trade and other receivables | 1,264 | 1,015 | 8 | 4 |
| Other financial assets | 21 | - | - | 966 |
| Financial liabilities | | | | |
| Trade and other payables | 372 | 5,149 | 92 | 22 |
| Borrowings | - | - | - | - |
| Financial leases | 8 | - | - | - |

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.

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 6 months ended 30 June | | Effect on equity | |
|---|---|---------|------------------|------------------|
| | 2022 | 2021 | 30 June 2022 | 31 December 2021 |
| 10 % increase in gold and silver prices | 2,585 | 3,070 | 2,585 | 6,439 |
| 10 % decrease in gold and silver prices | (2,585) | (3,070) | (2,585) | 6,439 |

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. Changes in interest rates are not expected to have a significant impact on the Group.

b. Financial Market Risk

The financial market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices, which occurs due to the Group's investment in listed securities where share prices can fluctuate over time. This risk however is not deemed to be significant as these investments are held for long term strategic purposes and therefore movement in the market prices do not impact the short-term profit or loss or cash flows of the Group.

The group holds listed government bonds, and listed equity securities (note 4). These are classified as level 1 within the fair value hierarchy as per AASB 7 "Financial Instruments".

NOTES TO THE FINANCIAL STATEMENTS

c. Credit Risk

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

d. Liquidity Risk

The liquidity of the Group is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost effective manner.

Management continuously reviews the Group's liquidity position through cash flow projections based upon the current life of mine plan to determine the forecast liquidity position and maintain appropriate liquidity levels.

e. 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 |
| 30 June 2022 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 11,783 | - | - | - | 11,783 |
| Borrowings | 5,157 | 1,053 | 1,914 | - | 8,124 |
| Leasing | 1,558 | 1,433 | 1,574 | - | 4,565 |
| Total 30 June 2022 liabilities | 18,498 | 2,486 | 3,488 | | 24,472 |
| 31 December 2021 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 10,263 | - | - | | 10,263 |
| Borrowings | 4,960 | 434 | 422 | | 5,816 |
| Leasing | 1,539 | 1,539 | 1,893 | | 4,971 |
| Total 31 December 2021 liabilities | 16,762 | 1,973 | 2,315 | | 21,050 |

22. CHANGE IN CLASSIFICATION

Comparative amounts in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows were re-stated as follows:

| Previous financial statement captions | 30 June 2021 (\$000's) | Re-stated financial statement captions | 30 June 2021 (\$000's) |
|--|---------------------------|--|---------------------------|
| Profit or loss and other comprehensive income | | | |
| Cost of sales | (19,333) | Cost of sales | (24,096) |
| Depreciation and amortisation expense | (4,763) | Depreciation and amortisation expense | |
| Administration expenses | (4,864) | Administration expenses | (4,942) |
| Depreciation and amortisation expense | (78) | Depreciation and amortisation expense | |
| | (29,038) | | (29,038) |
| Statement of cash flows | | | |
| Repayment of loans and borrowings | (471) | Repayment of loans and borrowings | (400) |
| Interest paid on loans and borrowings | | Interest paid on loans and borrowings | (71) |
| | (471) | | (471) |

23. SUBSEQUENT EVENTS

- On 10 August 2022, the Instituto Provincial de Exploraciones y Explotaciones Mineras de las Provincia de San Juan ("IPEEM") approved the Option agreement entered into between the Group (note 16).
- On 11 August 2022, gold precipitate equivalent to approximately 500 ounces of gold was stolen from the Group's Guanaco refinery.



IN THE DIRECTORS' OPINION:

1. the interim consolidated financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the interim consolidated financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the consolidated financial statements;
3. the interim consolidated financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the 6 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 303(5)(a) of the Corporations Act 2001. 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
26 August 2022



Independent Auditor's Review Report

To the shareholders of Austral Gold Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Austral Gold Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Austral Gold Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Austral Gold Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 3 "Going Concern" in the Half-year Financial Report. The events or conditions disclosed in Note 3, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Jessica Dillon

Partner

Sydney

26 August 2022

Forward Looking Statements

In this half year report are statements that are not historical facts are forward- looking statements. Forward-looking statements are statements that are not historical and consist primarily of projections or 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. Forward-looking statements in this half-year report include the full impact of the Q1 2022 operational initiatives (hiring a new contractor as mining operator and another contractor to maintain the mining fleet) and the Company’s plan to mine higher grade ore are expected to result in increased production during the second half of 2022 to achieve annual guidance of 30,000-35,000 gold equivalent ounces, annual C1 and AISC to decrease to US\$1,250-US\$1,350 and US\$1,500-US\$1,650 respectively per gold equivalent ounce, increase in the mine life (LOM) until year 2033 (30K-35K GEOs per year for four to five years and 10K GEO per year for the next eight years), the Group expects its net current liability position to improve with an increase in production during the second half of the year and the Group has strong banking relationships from which it expects it can obtain additional financing including capital expenditures for reprocessing of the Group’s heaps that is scheduled to commence production in 2023.

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 fore- going 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.



