MEDIA RELEASE
Austral Gold Limited
28 August 2018

Austral Gold Announces Filing of 2018 Half Year Report

Austral Gold Limited (the "**Company**") (ASX: AGD; TSX-V: AGLD) is pleased to announce that it has filed its half year report for the 6 months ended 30 June 2018. The report is available at http://www.asx.com.au, www.sedar.com and the Company's website www.australgold.com.

About Austral Gold
Austral Gold Limited is a growing precious metals mining, development and exploration company building a portfolio of quality assets in Chile and Argentina. The Company's flagship Guanaco project in Chile is a gold and silver producing mine with further exploration upside. The Company is also operator of the underground silver-gold Casposo mine in San Juan, Argentina. With an experienced local technical team and highly regarded major shareholder, Austral's goal is to continue to strengthen its asset base through acquisition and discovery. Austral Gold Limited is listed on the TSX Venture Exchange (TSXV: AGLD), and the Australian Securities Exchange. (ASX: AGD). For more information, please consult the company's website www.australgold.com.

On behalf of Austral Gold Limited:

"Stabro Kasaneva" CEO

For additional information please contact:

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Results for half-year ended 30 June 2018

Appendix 4D, previous corresponding period, half-year ended 31 December 2017.

Revenue and net profit				$'000
Revenue from ordinary activities	Up	37%	to	66,733
Loss from ordinary activities after tax	Down	(51%)	to	(6,551)
Net loss attributable to members	Up	(57%)	to	(5,716)
Dividend information				

No interim dividend for the financial half year 2018 has been declared.

Net tangible assets per security	June 2018 per share	Dec 2017 per share
Net tangible assets per security	$(1.07)	$ (2.56)
Common shares on issue at balance sheet date	534,173,010	534,173,010

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 30 June 2018 half-year financial statements.

This report is based on the condensed consolidated half-year financial statements for the period to 30 June 2018 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 2017 Annual Report. Austral Gold Limited changed its annual reporting period end to 31 December. This is the first half-year report subsequent to the 31 December 2017 Annual Report.

AUSTRALGOLD

HALF-YEAR FINANCIAL REPORT

30 June 2018

www.australgold.com

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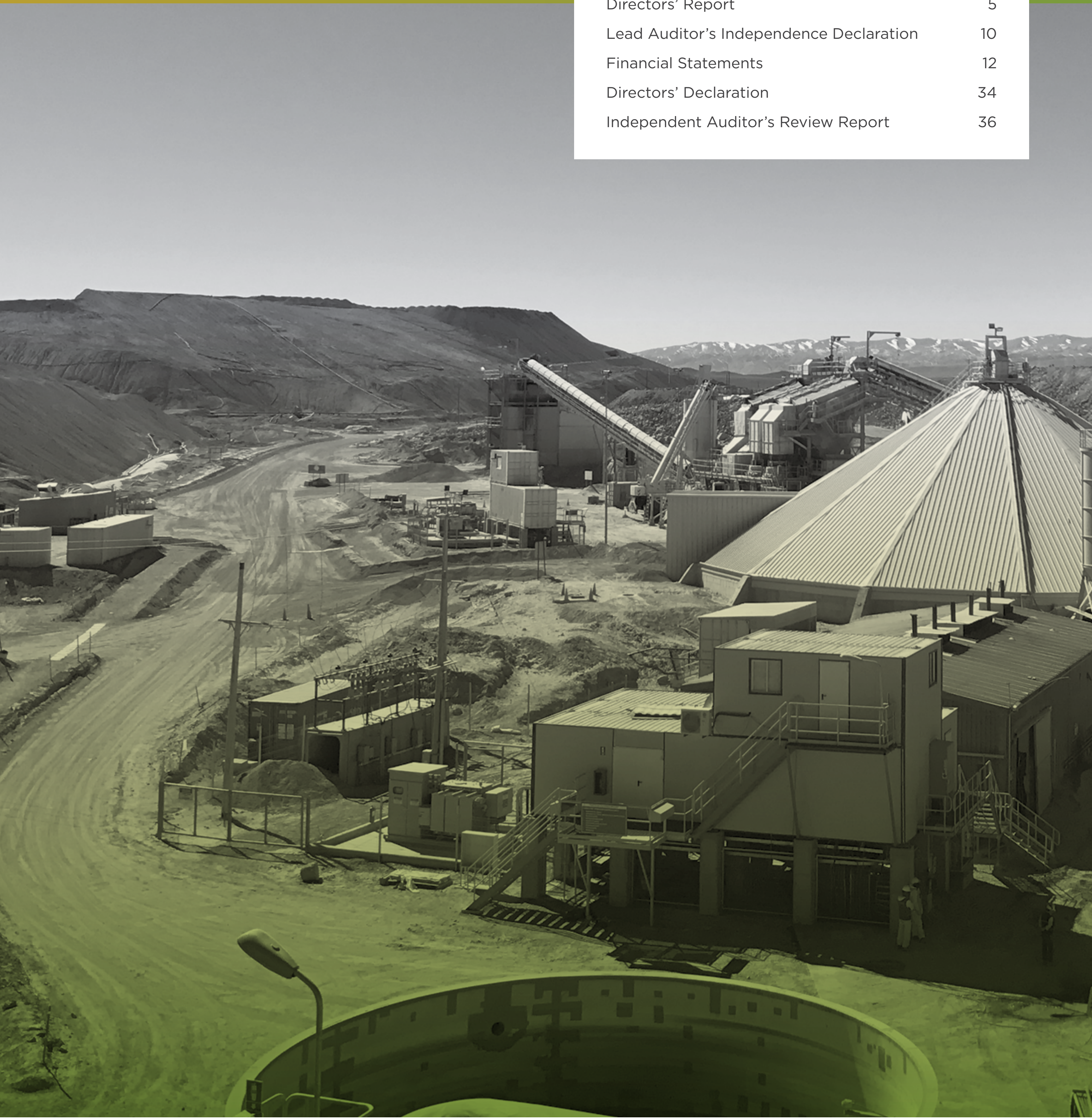

Directory

Directors

Eduardo Elsztain
Chairman & Non-Executive Director

Saul Zang
Non-Executive Director

Pablo Vergara del Carril
Non-Executive Director

Stabro Kasaneva
Executive Director

Wayne Hubert
Independent Non-Executive Director

Robert Trzebski
Independent Non-Executive Director

Ben Jarvis
Independent Non-Executive Director

Company Secretary

Andrew Bursill
Franks & Associates

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Auditors

KPMG
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Principal Bankers

National Australia Bank Limited
www.nab.com.au

Solicitors

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Listed

Australian Securities Exchange
ASX: AGD

TSX Venture Exchange
TSXV: AGLD

Place of Incorporation:

Western Australia

Directors' report

Your Directors present their report together with the condensed consolidated interim financial report for the half-year ended 30 June 2018 and the Independent Auditor's Review Report. All Directors were in office for the full reporting period, being 1 January 2018 to 30 June 2018 and up to the date of this report.

Principal Activities

The principal activities of the Group during the 6-month period were gold and silver production, stabilization of the new agitation leaching plant that was commissioned in 2017, and exploration at the Guanaco mine and areas surrounding Casposo. There were no significant changes in those activities during the period.

Review and Results of Operations

Key Operating Results	6 months ended					
	30 June 2018			31 December 2017		
	Guanaco/ Amancaya	Casposo (100% basis)	Casposo Net Basis*	Guanaco/ Amancaya	Casposo (100% basis)	Casposo Net Basis*
Mined Ore (t)	126,942	84,114	58,880	169,524	98,298	68,809
Processed (t)	136,645	95,606	66,924	201,148	125,423	87,796
Average Plant Grade (g/t Au)	4.2	1.8	1.8	3.6	2.7	2.7
Average Plant Grade (g/t Ag)	74.1	264.6	264.6	45.4	302.1	302.1
Gold Produced (Oz)	25,275	5,131	3,592	17,456	9,940	6,958
Silver Produced (Oz)	242,111	729,718	510,803	117,497	1,022,639	715,847
Gold Equivalent Ounces (Oz)	28,326	14,345	10,042	18,997	23,358	16,350
Operating Cash Cost (US$/ Oz) *	963	1,438	1,438	1,103	924	924
All-in Sustaining Cost (US$/ Oz) *	1,106	1,816	1,816	1,330	1,096	1,096
Average Selling Gold Price (US$/Oz)	1,313	1,316	1,316	1,276	1,278	1,278
Average Selling Silver Price (US$/Oz)	17	17	17	17	17	17
Sales Volume (AuEq Oz)	33,041	16,505	11,554	17,354	20,831	14,582

*Austral owns 70% of Casposo

Operating Results

The Group earned sales revenue of US$66.733m for the 6-month period ended 30 June 2018 (6-month period ended 31 December 2017: US$48.867m). The increase in revenue during the current period over the prior period was due to higher gold equivalent ounces sold, higher realised sales prices, the impact of IFRS 15 which resulted in an increase in sales of US$7.44m as set out in note 5 of the financial statements and the stabilisation of the new agitation leaching plant at the Guanaco/Amancaya mine complex.

The gross profit after depreciation and amortization improved slightly from a negative gross profit of US$4.0m for the 6-month period ended 31 December 2017 to a negative gross profit of US$0.4m for the 6-month period ended 30 June 2018. The gross profit before depreciation and amortization at Guanaco/Amancaya increased from 8.4% to 16.5% during the 6-month period ended 30 June 2018. This increase partially offset the decrease in gross profit at Casposo from 30.1% to 0.7% following lower production and other factors explained below.

Net gold equivalent ounces (GEO) produced during the 6-month period ended 2018 June 30 increased to 38,368 GEO from 35,347 GEO produced during the 6-month period ended 2017 December 31. During the current period, monthly production from the Guanaco/Amancaya mine complex increased to an average of 5.158 GEO (gold equivalent ounces) during the second quarter of 2018, an increase of 20.4% from an average of 4.284 GEO produced during the first quarter of 2018. The gross profit in the current period at Guanaco/Amancaya would have been higher if not for severance costs, the date from which the new agitation leaching plant was finally stabilized (second quarter) and the implementation of IFRS 15 as set out in note 5 of the financial statements.

The Operating cash costs* of production at the Guanaco/Amancaya mine decreased to US$963/AuEq oz for the 6-month period ended 30 June 2018 from US$1.103/AuEq oz during the 6-month period ended 31 December 2017. The decrease in costs was mainly due to stabilization of the new agitation leaching plant. Operating cash costs* at Casposo increased significantly during the 6-month period ended 30 June 2018 to US$ 1.438/AuEq oz compared to cash costs of US$924/AuEq oz during the 6-month period ended 31 December 2017. The higher costs in the current period at Casposo were due to production being behind schedule and due to lower head grades due to blending ore from the underground mine with low-grade ore stocks fed to the mill to compensate for the deficit of ore extraction from the mine.

During the 6-month period ended 2018 June 30 administration expenses decreased to US$7.317m (6-month period ended 2017 December 31-US$8.645m). The decrease is mainly due to corporate cost reductions and the impact of the decrease in the value of the Argentine Peso and Chilean Peso versus the US dollar.

A gain on financial assets of US$1.215m was realised during the 6-month period ended 30 June 2018 (6-month period ended 31 December 2017-gain of US$0.625). The gain realised in the current period and prior period were primarily due to the increase in the value of the option to acquire the remaining 30% interest in the Casposo mine.

Other income of US$1.442m was realised during the 6-month period ended 30 June 2018 (6-month period ended 31 December 2017- US$0.1m). Other income consisted of silver tax credits received from the Casposo mine.

EBITDA increased to US$2.924m (4.4%) during the 6-month ended 30 June 2018 from US$2.032m (4.2%) during the 6-month period ended 31 December 2017.

Finance costs were US$1.903m during the 6-month period ended 30 June 2018 (6-month period ended 31 December 2017-US$3.027). The decrease was mainly due to a decrease in the foreign exchange loss as a result of the devaluation of the Argentine Peso and Chilean Peso during the current period following the net monetary position of the Group in those countries.

The Group's net loss attributable to shareholders for the 6-month period ended 30 June 2018 was US$5.716m (6-month period ended 31 December 2017: net loss of US$13.299m).

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

Key Operating and Production Results

Key financial metrics Thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Revenue	66,733	48,867
Gross profit after D&A	(441)	(3,958)
Gross profit excluding D&A	7,584	9,952
Gross profit excluding D&A %	11.4%	20.4%
Gross profit excluding D&A % (Guanaco/Amancaya)	16.5%	8.4%
Gross profit excluding D&A % (Casposo)	0.7%	30.1%
Administration expenses	(7,317)	(8,645)
EBITDA **	2,924	2,032
EBITDA margin	4.4%	4.2%
Net Loss to shareholders	(5,716)	(13,299)
Net assets	84,603	91,416
Working Capital	(4,712)	1,415

**Note: Readers are cautioned that 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

Thousands of US$	Six months ended	
	30 June 2018	31 December 2017
(Loss)/Profit before tax	(7,004)	(14,905)
Depreciation and amortisation	8,025	13,910
Net finance costs	1,903	3,027
EBITDA	**2,924**	**2,032**

Financial Position

The net assets of the Group decreased by US$6.813m from 31 December 2017 to US$84.603m at 30 June 2018 (31 December 2017: US$91.416m). Working capital was negative (US$4.712m) at 30 June 2018, a decrease of US$6.127m compared to working capital of US$1.415m at 31 December 2017. The decrease in working capital arose mainly due to (i) the lower trade and other receivables following the devaluation of the Argentine Peso versus the US dollar, (ii) the lower gold and silver in process and ore stockpiles, (iii) the timing of the stabilisation of the new agitation leaching plant at the Guanaco/Amancaya mine complex (Q2 2018), (iv) the lower gross margins at Casposo and (v) funded net cash flow used in investing and financing activities from operations.

Cash flow

Net cash provided from operating activities before and after changes in assets and liabilities was US$1.349m and US$8.146m during the 6-months ended 2018 June 2018 compared to US$2.008m and US$9.181m during the 6-months ended 31 December 2017 respectively. The decrease is mainly due to lower cash generated at Casposo.

Cash used in investing activities totaled US$9.577m during the 6-months ended 30 June 2018 compared to US$8.072m during the 6-months ended 31 December 2017. During the 6-months ended 30 June 2018 US$7.455m (6-months ended 31 December 2017-US$7.469m) was used for capital expenditures, US$1.282m (6-months ended 31 December 2017–US$0.105m) for mining properties and US$0.389m (6-months ended 31 December 2017–US$0.744m) for exploration and evaluation.

Cash flows of US$2.291 was used from financing activities during the 6-months ended 2018 June 30 compared to US$0.591m during the 6-months ended 31 December 2017. This was due to a net repayment of borrowing during the respective periods.

Liquidity

As at 28 August 2018, the Group had US$ 2.0m of unutilised credit available under its credit facilities. As at 30 June 2018, the Group had a current ratio equal to 0.9x (FYD17 1.0x) along with US$2.890m (FYD17 $6.612m) cash and cash equivalents. Despite the Group's financial liquidity, the Directors are confident that the Group is in a position to meet its financial obligations following the stabilization of production at the Guanaco/Amancaya mine complex and the projected achievement of 2018 production guidance for the Group's Chilean and Argentine operations.

Significant Changes in the State of Affairs

Changes are disclosed in the Review and Results of Operations above.

Future Developments, Prospects and Business Strategies

In terms of organic growth, exploration is a key activity for the Group. The Group plans to focus primarily on Casposo and Amancaya.

During the second half of the year, the Group expects gross profits to increase at both Guanaco/ Amancaya and Casposo as it expects production to increase. As disclosed in the Company's June 2018 quarterly activity report, the Group provided revised guidance for the year which it estimated production of 100,000 to 105,000 gold equivalent ounces (100% basis*) and 88,000 to 92,000 gold equivalent ounces (net basis*).

The expertise and proven track record in precious metal underground mining, agitation leaching, exploration and strong local networks is a considerable competitive advantage for Austral Gold. The Company hopes to leverage these capabilities in identifying and securing new projects in Latin America to create value for shareholders and is very active in searching for and evaluating such opportunities.

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 2018 has been received and is included in this report.

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.

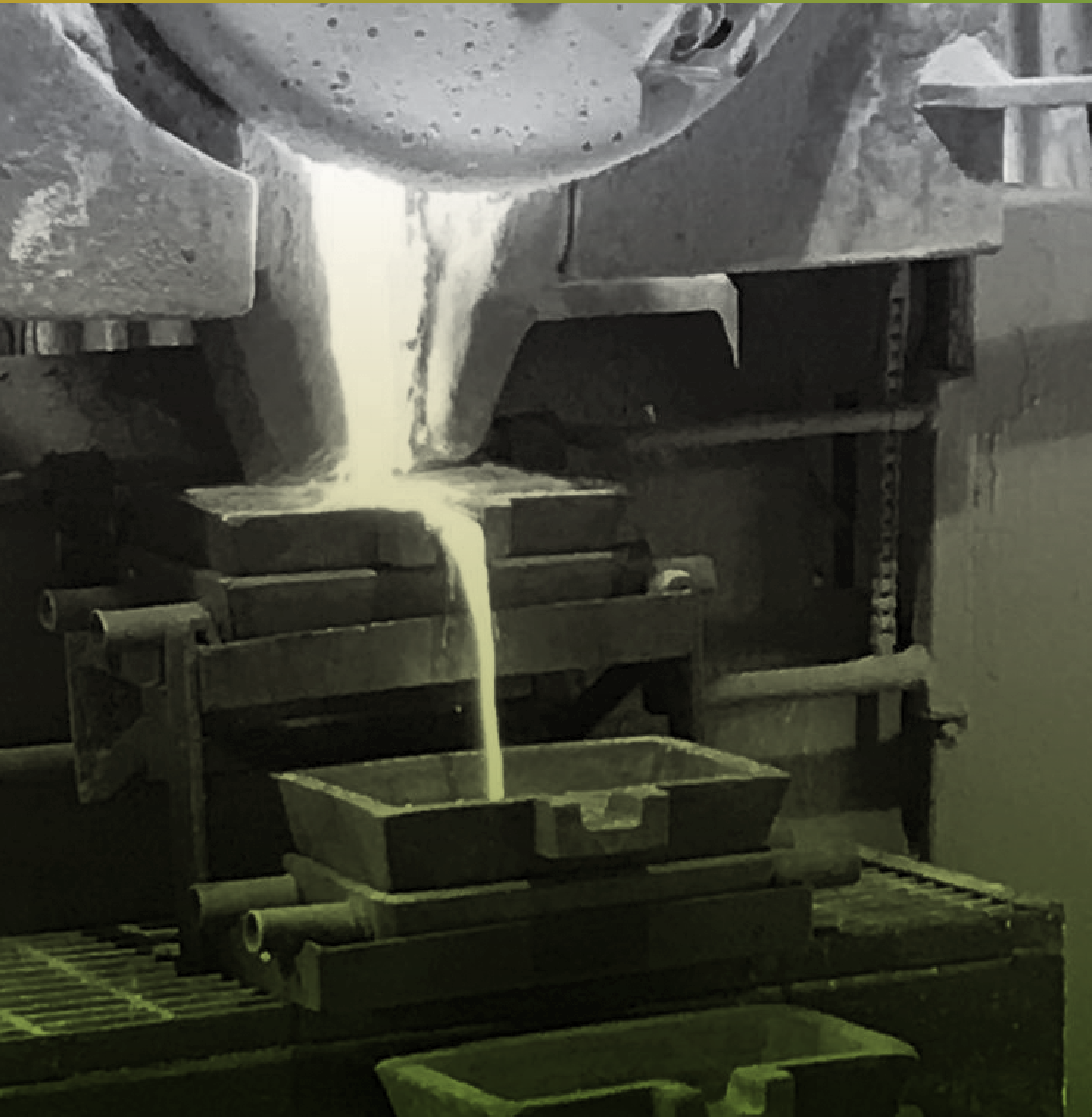
For and on behalf of the board

Robert Trzebski
Director

28 August 2018

*Austral owns 70% of Casposo

Lead Auditor's Independence Declaration



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 2018 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

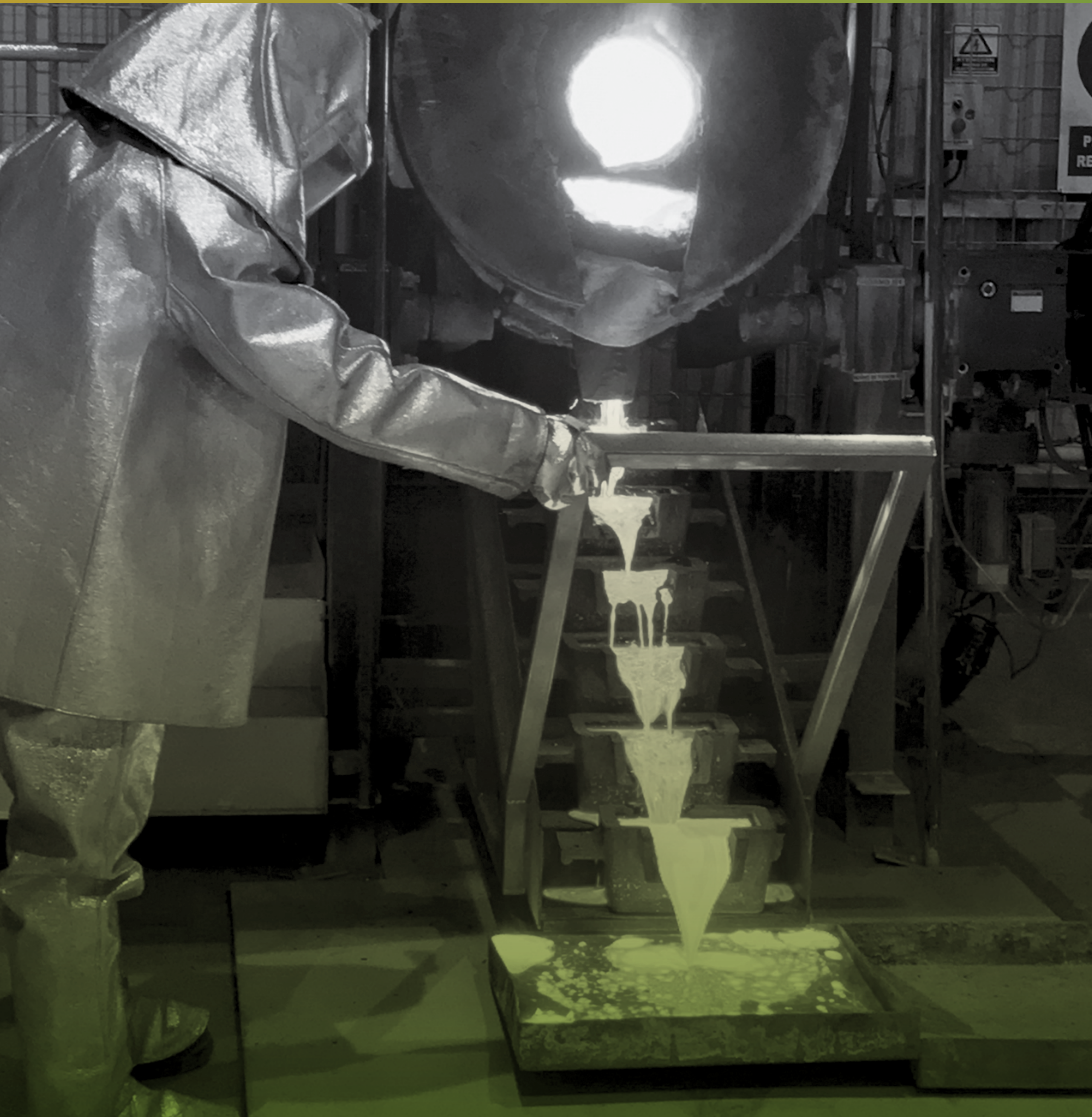
ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Daniel Camilleri
Partner

Sydney
28 August 2018

Financial Statements



Austral Gold Limited Interim Financial Report 2018

Condensed consolidated statement of profit or loss and other comprehensive income

in thousands of US$	For the 6 months ended		
	Note	30 June 2018	31 December 2017
Continuing operations			
Sales revenue		66,733	48,867
Cost of sales	7	(59,149)	(38,915)
Gross (loss) profit before depreciation and amortisation expense		**7,584**	**9,952**
Depreciation and amortisation expense		(8,025)	(13,910)
Gross (loss) profit		**(441)**	**(3,958)**
Other income		1,442	100
Administration expenses		(7,317)	(8,645)
Net finance costs	8	(1,903)	(3,027)
Gain/(loss) on financial assets		1,215	625
(Loss)/Profit before income tax		**(7,004)**	**(14,905)**
Income tax benefit	9	453	1,525
(Loss)/Profit after income tax expense		**(6,551)**	**(13,380)**
(Loss)/Profit attributable to:			
Owners of the Company		(5,716)	(13,299)
Non-controlling interests		(835)	(81)
		(6,551)	**(13,380)**
Items that may not be classified subsequently to profit or loss			
Foreign currency translation		(1)	23
Total comprehensive (loss)/income for the year		**(6,552)**	**(13,357)**
Comprehensive (loss)/income attributable to:			
Owners of the Company		(5,717)	13,276)
Non-controlling interests		(835)	(81)
		(6,552)	**(13,357)**
Earnings per share (cents per share):			
Basic earnings per share	10	(1.07)c	(2.56)c
Diluted earnings per share	10	(1.07)c	(2.56)c

The condensed notes on pages (17) to (33) are an integral part of these condensed consolidated interim financial statements.

Austral Gold Limited Interim Financial Report 2018

Condensed consolidated statement of financial position

In thousands of US$	Consolidated		
	Notes	As at 30 June 2018	As at 31 December 2017
Assets			
Current assets			
Cash and cash equivalents		2,890	6,612
Trade and other receivables		10,813	12,722
Other financial assets	12	3,020	1,354
Inventories		16,504	22,831
Total current assets		**33,227**	**43,519**
Non-current assets			
Other receivables		213	371
Mine properties	13	12,994	12,336
Property, plant and equipment	14	78,893	78,839
Exploration and evaluation expenditure	15	16,280	15,891
Goodwill		926	926
Deferred tax assets		2,775	2,879
Total non-current assets		**112,081**	**111,242**
Total assets		**145,308**	**154,761**
Liabilities			
Current liabilities			
Trade and other payables	16	22,764	25,966
Deferred revenue	5	900	-
Employee entitlements		1,773	2,049
Borrowings	17	12,502	14,089
Total current liabilities		**37,939**	**42,104**
Non-current liabilities			
Trade and other payables	16	3	6
Provisions		11,407	11,729
Borrowings	17	10,285	8,503
Employee entitlements		1,006	1,003
Deferred tax liability		65	-
Total non-current liabilities		**22,766**	**21,241**
Total liabilities		**60,705**	**63,345**
Net assets		**84,603**	**91,416**
Equity			
Issued capital	18	100,569	100,569
Accumulated losses		(29,125)	(23,210)
Reserves		61	62
Non-controlling interest		13,098	13,995
Total equity		**84,603**	**91,416**

The condensed notes on pages (17) to (33) are an integral part of these condensed consolidated interim financial statements.

Austral Gold Limited Interim Financial Report June 2018

Condensed consolidated statement of changes in equity

For the 6 months ended 30 June 2018 and 31 December 2017

in thousands of US$	Consolidated					
	Note	Issued capital	Accumulated losses	Reserves	Non-controlling interest	Total
Balance at 30 June 2017		**99,050**	**(9,911)**	**39**	**14,201**	**103,379**
Profit (loss) for the period		–	(13,299)	–	(81)	(13,380)
Foreign exchange movements from translation of financial statements to US$		–	–	23	–	23
Total comprehensive income/(loss)		**-**	**(13,299)**	**23**	**(81)**	**(13,357)**
Shares issued	18	1,519	–	–	–	1,519
Dividend declared	20	–	–	–	(125)	(125)
Balance at 31 December 2017		**100,569**	**(23,210)**	**62**	**13,995**	**91,416**
Adjustment on initial application of AASB15 (net of tax)	5	–	(199)	–	–	(199)
Adjusted balance at 1 January 2018		**100,569**	**(23,409)**	**62**	**13,995**	**91,217**
Profit (loss) for the period		–	(5,716)	–	(835)	(6,551)
Foreign exchange movements from translation of financial statements to US$		–	–	(1)	–	(1)
Total comprehensive income / (loss)		**-**	**(5,716)**	**(1)**	**(835)**	**(6,552)**
Dividends declared	20	–	–	–	(62)	(62)
Balance at 30 June 2018		**100,569**	**(29,125)**	**61**	**13,098**	**84,603**

The condensed notes on pages (17) to (33) are an integral part of these condensed consolidated interim financial statements

Austral Gold Limited Interim Financial Report June 2018

Condensed consolidated statement of cash flows

in thousands of US$	Consolidated		
	Notes	30 June 2018	31 December 2017
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		6,612	6,094
Cash and cash equivalents, at the end of the period		2,890	6,612
Net (decrease) / increase in cash and cash equivalents		**(3,722)**	**518**
Causes of change in cash and cash equivalents			
Operating activities			
(Loss) / profit after income tax		(6,551)	(13,380)
Non-cash items			
Income tax benefit recognised in profit or loss		(453)	(1,525)
Depreciation and amortisation		8,025	13,910
Non-cash net finance charges		1,540	1,763
Performance bonus paid through issuance of ordinary shares		–	547
Non-cash employee entitlements		3	1,318
(Gain)/loss in fair value of other financial assets		(1,215)	(625)
Net cash from operating activities before change in assets and liabilities		**1,349**	**2,008**
Changes in working capital:			
Decrease / (increase) in inventory		6,128	(3,484)
Decrease / (increase) in trade and other receivables		2,067	2,314
Increase / (decrease) in trade and other payables		(2,022)	8,343
Increase / (decrease) in deferred revenue		900	–
Increase / (decrease) in employee entitlements		(276)	–
Net cash provided through operating activities		**8,146**	**9,181**
Cash flows from investing activities			
Net additions to plant and equipment	14	(7,455)	(7,469)
Proceeds from sale of bonds and securities		303	333
Payment for investment in bonds and securities		(754)	(87)
Payment for investment in exploration and evaluation	15	(389)	(744)
Payment for investment in mine properties	13	(1,282)	(105)
Net cash used in investing activities		**(9,577)**	**(8,072)**
Cash flows from financing activities			
Proceeds from borrowings	17	5,747	5,333
Repayment of borrowings		(5,030)	(2,047)
Financial lease payments		(3,008)	(3,877)
Net cash used in financing activities		**(2,291)**	**(591)**
Net (decrease) / increase in cash and cash equivalents		**(3,722)**	**518**

The condensed notes on pages (17) to (33) are an integral part of these condensed consolidated interim financial statements

Notes to the condensed consolidated interim 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 condensed consolidated interim financial statements ("interim financial statements") as at and for the 6 months ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated annual financial statements of the Group as at and for the 6 months ended 31 December 2017 are available upon request from the Company's registered office at Suite 2, Level 10, 70 Phillip Street, Sydney NSW 2000 or at www.australgold.com. In November 2017, the financial year end of the Company was changed from 30 June to 31 December to be coterminous with the year end of its operating companies.

2. Basis of preparation

These interim financial statements are general purpose financial statements prepared in accordance with Accounting Standards Board (AASB) 134 Interim Financial Reporting and the 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 2017 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.

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

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 August 2018.

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.

3. Going concern

For the 6 months ended 30 June 2018, the Group incurred a loss after income tax of $6.551 million (6 months ended 31 December 2017: loss after income tax of $13.380 million) from continuing operations and generated net cash flows from operating activities of $8.146 million (6 months ended 31 December 2017: net cash flow from operating activities of $9.181 million). At 30 June 2018, the group has net current liabilities of $4.712m.

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

i. At 30 June 2018, the Group had a cash balance of $2.890m

ii. The Group's cash flow forecasts following the most likely mine plan and 2018 production guidance that forecast production of;
   - 100,000 to 105,000 gold equivalent ounces (100% basis*) and 88,000 to 92,000 gold equivalent ounces (net basis*),
   - operating cash cost of US$800-900 per gold equivalent ounce, and
   - average gold and silver selling price of US$1,250 and US$17 per ounce respectively,

   indicate that the Group forecasts that it will have free cash flow from operations to meet its current and non-current borrowing obligations and to meet the required capital expenditures.

iii. The Group has US$1m of unutilised credit available under its current credit facilities at 30 June 2018 (US$2.0m at 28 August 2018). Discussions are being undertaken for the renewal of certain current revolving facilities (borrowings). If required additional financing will be sought.

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

*Austral owns 70% of Casposo

4. Use of estimates and judgements

In preparing these interim 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 2017. With the exception of the consolidated financial statements as at and for the 6 months ended 31 December 2017 financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 15 and AASB 9, which are described in note 5 and the mineral resource base used for certain accounting estimates as described in note 13.

a. 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 2018 is detailed below:

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

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

i. Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities

ii. Level 2 — inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices)

iii. Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The Group holds listed equity securities on the Australian and Canadian stock exchanges and listed Argentine sovereign bonds at fair value, which are measured at the closing bid price at the end of the reporting period. These financial assets held at fair value fall within Level 1 of the fair value hierarchy. The Group also holds options (warrants) which rely on estimates and judgements to calculate a fair value for these financial instruments using the Black Scholes model. These financial assets held at fair value fall within Level 2 of the fair value hierarchy. The option to buy a further 10% in the Casposo mine is within Level 3 of the fair value hierarchy.

Further information about the assumptions made in measuring fair values is included in Note 12 – Other financial assets and Note 19 – Financial instruments.

5. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the 6 months ended 31 December 2017.

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 2018.

The Group has initially adopted AASB 15 Revenue from Contracts with Customers (see Note 5i) and AASB 9 Financial Instruments (see Note 5ii) from 1 January 2018.

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

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

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

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control-at a point in time or over time-requires judgement.

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

Type of product or service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Gold and silver	When the customer is the refinery, the control of the metals is transferred at the metal availability date. The metal availability date is when the metals are available for pricing by the refinery. If the customer is not the refinery, revenue is recognized when the metals are transferred to the customer upon receipt and the customer obtains control of the metals. Invoices are payable two business days after the metal availability date.	Under AASB 118, revenue was recognised at the Company's mines as follows: a) at the Casposo mine when the refinery confirmed the number of ounces b) at the Guanaco/Amancaya mine revenue was recognized when silver/gold doré bars were shipped to the refinery which was taken to to be the point in time at which the customer accepted the material and related risk and rewards of ownership transferred. Under AASB 15, at the Company's Guanaco/Amancaya and Casposo mines, revenue is recognized when the customer obtains control of the gold and silver sold. When the customer is a refinery, control occurs when material is received and when the customer is not a refinery, control occurs when the ounces of metals are received.

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

Impact of adopting AASB 15 as of 1 January 2018	(in thousands of US$)
Accumulated losses	
Control of gold and silver sold (1)	(267)
Related tax	68
Impact at 1 January 2018	(199)
Non-controlling interests	–
Impact at 1 January 2018	(199)

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

The following tables summarise the impact of adopting AASB 15 on the Group's interim statement of financial position as at 30 June 2018 and its interim statement of profit or loss and other comprehensive income ("OCI") for the 6 months then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the 6 month period ended 30 June 2018.

Impact on the condensed interim consolidated statement of financial position

In thousands of US$ As at 30 June 2018	As reported	Adjustment	Amount without adoption of AASB 15
Assets			
Non-current assets	112,081	–	112,081
Cash and cash equivalents	2,890	–	2,890
Trade and other receivables	10,813	119	10,932
Other financial assets	3,020	–	3,020
Inventories	16,504	(1,018)	15,486
Current assets	**33,227**	**(899)**	**32,328**
Total assets	**145,308**	**(899)**	**144,409**
Equity			
Issued capital	100,569	–	100,569
Accumulated losses	(29,125)	1	(29,124)
Reserves	61	–	61
Equity attributable to owners of the Group	71,505	1	71,506
Non-controlling interest	13,098	–	13,098
Total equity	**84,603**	**1**	**84,604**
Liabilities			
Non-current liabilities	22,766	–	22,766
Trade and other payables	22,764	–	22,764
Deferred revenue	900	(900)	–
Employee entitlements	1,773	–	1,773
Borrowings	12,502	–	12,502
Total liabilities	**60,705**	**(900)**	**59,805**
Total equity and liabilities	**145,308**	**(899)**	**144,409**

At 30 June 2018, a customer provided a cash advance for a transaction which was not considered a sale transaction at 30 June 2018 under AASB 15. Accordingly, the cash receipted in advance has been reflected as deferred income. Had the revenue been recognised without the adoption of AASB 15, an adjustment to receivables and inventory would have been recorded.

Impact on the condensed interim consolidated statement of profit or loss and OCI

For the 6 months ended 30 June 2018	As reported	Adjustment	Amount without adoption of AASB 15 (in thousands of US$)
Sales revenue	66,733	(7,440)	59,293
Cost of sales	(59,149)	7,174	(51,975)
Gross (loss) profit before depreciation and amortisation expense	**7,584**	**(266)**	**7,318**
Depreciation and amortisation expense	(8,025)	–	(8,025)
Gross (loss) profit	**(441)**	**(266)**	**(707)**
(Loss)/Profit before income tax	**(7,004)**	**(266)**	**(7,270)**
Income tax benefit	453	68	521
(Loss)/Profit after income tax benefit	**(6,551)**	**(198)**	**(6,749)**

The revenue and cost of sales adjustment above reflects the change in accounting policy of applying AASB 15 as referred to on page 19.

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

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

6. Standards issued but not yet effective

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

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

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

7. Cost of sales and Administration expenses

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Profit before income tax includes the following specific expenses:		
Production	39,392	21,312
Staff costs	16,996	15,664
Royalties	2,235	1,934
Mining Fees	526	5
Total cost of sales before depreciation and amortisation expense	**59,149**	**38,915**
Depreciation of plant and equipment	7,401	9,184
Depreciation of mine properties	624	4,726
Total depreciation and amortisation expense	**8,025**	**13,910**
Payroll costs within administration expenses	3,396	4,700
Severance included in staff costs–cost of sales	1,213	319
Severance included in staff costs–administrative expenses	1,172	322

8. Net finance costs

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Interest (income)	(129)	(1)
Interest expense	976	666
Loss from foreign exchange	913	1,881
Present value adjustment to mine closure provision	20	508
Other	123	(27)
Net finance costs	1,903	3,027

9. Income tax expense

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
(A) Income tax expense comprises:		
Current tax payable	247	694
Deferred tax expense	(700)	(2,219)
Income tax (benefit)	**(453)**	**(1,525)**
(B) Reconciliation of effective income tax rate		
Profit/ (Loss) before tax	(7,004)	(14,905)
Prima facie income tax (benefit)/expense calculated at 30%	(2,101)	(4,471)
Difference due to blended overseas tax rate *	77	513
Difference due to change in tax rate	88	(311)
Non-deductible expenses	980	2,259
Temporary differences not brought into account	503	485
Income tax (benefit)	**(453)**	**(1,525)**

* Chile tax rate: 27.0% (31 December 2017: 25.5%). Argentina tax rate: 35% and 30% (31 December 2017: 35%)

10. Earnings per share

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Net profit attributable to owners	(5,716)	(13,299)
Weighted average number of shares used as the denominator		
Number for basic earnings per share	534,173,010	519,883,471
Number for diluted earnings per share	534,173,010	519,883,471
Basic earnings per ordinary share (cents)	(1.07)	(2.56)c
Diluted earnings per ordinary share (cents)	(1.07)	(2.56)c

11. Operating segments

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

in thousands of US$	6 months ended							
	30 June 2018				31 December 2017			
	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated
Revenue								
Gold	41,135	7,732	–	48,867	20,077	12,307	–	32,384
Silver	4,015	13,851	–	17,866	1,910	14,573	–	16,483
Cost of sales	(37,715)	(21,434)	–	(59,149)	(20,131)	(18,784)	–	(38,915)
Depreciation and amortization expense	(5,690)	(2,312)	(23)	(8,025)	(8,469)	(5,424)	(17)	(13,910)
Other income	–	1,442	–	1,442	16	84	–	100
Administration expenses	(4,519)	(1,498)	(1,300)	(7,317)	(3,324)	(1,871)	(3,450)	(8,645)
Finance costs (gain)	447	(1,848)	(502)	(1,903)	(2,182)	(831)	(14)	(3,027)
Gain/(loss) on movement in financial assets	7	1,208	–	1,215	–	625	–	625
Income tax benefit	271	605	(423)	453	1,505	20	–	1,525
Segment profit/(loss)	**(2,049)**	**(2,254)**	**(2,248)**	**(6,551)**	**(10,598)**	**699**	**(3,481)**	**(13,380)**
Segment assets	72,748	58,520	14,040	145,308	83,623	61,801	9,337	154,761
Segment liabilities	44,367	15,446	892	60,705	48,095	14,037	1,213	63,345
Capital expenditure	4,267	4,670	189	9,126	4,170	4,900	227	9,297

Geographical information:

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Revenue by geographic location		
Chile	45,150	21,987
Argentina	21,583	26,880
Australia	–	–
Canada	–	–
Total revenue	**66,733**	**48,867**
Non-current assets by geographic location		
Chile	62,391	64,849
Argentina	49,592	46,299
Australia	–	–
British Virgin Islands	87	81
Canada	11	13
Total non-current assets	**112,081**	**111,242**

12. Other financial assets

in thousands of US$	30 June 2018	31 December 2017
Current		
Call option to buy a further 10% of Casposo - level 3	2,094	903
Options (warrants) — level 2	312	364
Listed bonds — level 1	346	69
Listed equity securities — level 1	268	18
Total current other financial assets at fair value	3,020	1,354

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 30 June 2018. The options (warrants) are those attaching to the shares of Fortuna Silver (TSE: FVI) and the fair value is based on the Black Scholes method using the following assumptions:

- Spot Price: C$7.47 per share
- Strike Price: C$6.0105
- Volatility: 37.02%
- Maturity: October 2018

Listed equity securities as at 30 June 2018 are shares of Troy Resources Limited and Fortuna Silver Mines Inc. (31 December 2017; shares of Troy Resources Limited).

The Group has options to buy the remaining 30% of the Casposo mine with only the first 10% tranche option considered to be 'in the money' as at 30 June 2018. The call options were valued by comparing the discounted future cash flows related to each remaining 10% tranche and comparing against the contracted price for each 10% option. Only the first 10% tranche was "in the money" for US$2,094k.

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 2018 there were no transfers between the financial instrument levels of hierarchy.

13. Mine properties

in thousands of US$	Guanaco/Amancaya	Casposo	Total
Mine Properties – 30 June 2018			
Cost	61,197	8,715	69,912
Accumulated amortisation	(53,561)	(3,357)	(56,918)
Carrying value — Mine Properties	**7,636**	**5,358**	**12,994**
Movements in carrying value			
Carrying amount at 1 January 2018	6,608	5,728	12,336
Additions	1,282	_	1,282
Amortisation	(254)	(370)	(624)
Carrying amount at 30 June 2018	**7,636**	**5,358**	**12,994**
Mine Properties– 31 December 2017			
Cost	59,915	8,715	68,630
Accumulated amortisation	(53,307)	(2,987)	(56,294)
Carrying value — Mine Properties	**6,608**	**5,728**	**12,336**
Movements in carrying value			
Carrying amount at 1 July 2017	8,939	7,003	15,942
Additions	105	–	105
Increase in mine closure provision	961	–	961
Present value adjustment	–	54	54
Amortisation	(3,397)	(1,329)	(4,726)
Carrying amount at 31 December 2017	**6,608**	**5,728**	**12,336**

Carrying value — Guanaco/Amancaya

The Guanaco mine has been determined by Management, along with the Amancaya properties in the surrounding areas to be a single cash generating unit ("CGU"). The mine properties noted above and the property, plant and equipment that is an intrinsic part of the mine and its structure (included in note 14) with a total book value of US$55.254m are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Carrying value — Casposo

After the acquisition of and as part of the restart of full operations at the Casposo gold-silver mine ('Casposo') an update to the Mineral Resource and Ore Reserve estimate was made. The estimates were reviewed by independent consultants Roscoe Postle Associates ("RPA"), and are summarised in a National Instrument 43-101 ("NI 43-101") and JORC 2012 compliant Technical Report dated September 7, 2016. The mine properties noted above and the property, plant and equipment that is an intrinsic part of the mine and its structure (included in note 14) with a total book value of US$35.564m are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Change to amortisation

Changes to estimates of the recoverable ounces of the Company's mining projects are reviewed at least annually, or whenever facts and circumstances warrant that an assessment should be made. During the 6-month period ended June 2018, management assessed the estimated recoverable ounces that form the basis for the Company's Life of Mine (LOM) plans which are used for business purposes and accounting estimates, including: determination of the useful life of property, plant and equipment and measurement of the depreciation and amortisation expense, and impairment assessment for non-current assets.

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

The effect of these changes on actual and expected depreciation and amortisation expense included in "cost of sales" is as follows:

In thousands of US$	2018	2019	2020	2021	2022	2023	Net
(Decrease) increase in depreciation and amortisation expense	(10,969)	(11,067)	5,583	5,000	7,287	4,166	0

14. Property, plant and equipment

in thousands of US$	30 June 2018	31 December 2017
Property, plant and equipment — at cost	147,099	139,644
Accumulated depreciation	(68,206)	(60,805)
Carrying amount at end of the period	**78,893**	**78,839**
Movements in carrying value		
Carrying amount at beginning of the period	78,839	80,554
Additions	7,455	7,469
Depreciation	(7,401)	(9,184)
Carrying amount at end of the period	**78,893**	**78,839**

The majority of the property, plant and equipment is included in either the Guanaco/Amancaya Cash Generating Unit ("CGU") or the Casposo ("CGU"). Refer to note 13 for discussion on impairment. Property, plant and equipment that does not form part of the Guanaco or Casposo CGUs are being carried at the lower of their book value and recoverable amount.

The Group leases production equipment under a number of finance leases. At 30 June 2018, the net carrying amount of lease equipment was US$14.2m(31 December 2017: US$16.4m).

in thousands of US$	30 June 2018	31 December 2017
Stripping costs in production phase included in Property, Plant and Equipment	1,384	2,241
Movements in carrying value		
Carrying amount at beginning of the period	2,241	2,314
Amortisation	(856)	(73)
Carrying amount at end of the period	**1,384**	**2,241**

15. Exploration and evaluation expenditure

in thousands of US$	30 June 2018	31 December 2017
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the period	15,891	14,175
Additions	389	1,723
Write-off for the period	-	(7)
Carrying amount at end of the period	**16,280**	**15,891**

The recovery of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the areas of interest. This balance mainly relates to expenditure Guanaco, Casposo and Pingüino exploration projects.

Additions for the six months ended 30 June 2018 relate mainly to exploration on the Casposo and Pingüino projects.

16. Trade and other payables

in thousands of US$	30 June 2018	31 December 2017
Current		
Trade payables	11,345	14,655
Accrued expenses	4,710	4,331
Royalty payable	2,400	2,259
Salaries and bonuses	3,819	4,105
Income tax payable	68	241
Other taxes payable	201	277
Director fees payable	221	92
Other payables	_	6
Total trade and other payables	**22,764**	**25,966**
Non-Current		
Other payables	3	6

17. Borrowings

in thousands of US$	30 June 2018	31 December 2017
Current		
Lease liability	1,662	5,640
Credit facilities	10,840	8,449
Total current borrowings	**12,502**	**14,089**
Non-current		
Lease liability	6,962	5,503
Credit facilities	3,323	3,000
Total non-current borrowings	**10,285**	**8,503**

The Group's owes US$11m to Santander Bank (Chile) which is to be repaid over 60 months at an annual interest rate of 5.5%. No principal repayments are required until February 2019. The amount is classified as follows: US$0.5m as a current lease, US$0.3m as a current credit facility, non-current lease of US$6.7m and non-current credit facility of US$3.3m.

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

- US$2.7m pre-export facility for Casposo mine operation with Banco San Juan (180 days) at an annual interest rate of 2.5% – 4.5%;
- US$0.8m credit facility for Casposo mine operation with Banco Comafi (12 months) at an annual interest rate of 4.75%; and
- the current portion of a US$6.5m credit facility with the BAF Latam Credit Fund at an annual interest rate of 8.5%. The credit facility is secured by a guarantee from the Company and a corresponding proportion of the receipts of doré sales from the Guanaco mine in Chile. Amounts drawn against the credit facility are to be repaid within eighteen months.

18. Issued capital

in thousands of US$	30 June 2018	31 December 2017
Fully paid ordinary shares	100,569	100,569
Number of ordinary shares at year end	**534,173,010**	**534,173,010**

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

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares do not have any par value.

19. Financial instruments

Financial risk management objectives

The Group's principal financial instruments comprise borrowings, receivables, listed equity securities, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (interest rate risk and foreign currency risk), credit risk, price risk and liquidity risk.

The Group recognises the importance of risk management and has adopted a Risk Management and Internal Compliance and Control policy which describes the role and accountabilities of management and of the Board. The Directors manage the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to the main financial risks by being aware of market forecasts for interest rates, foreign exchange rates, commodity and market prices. The Group's exposure to credit risk and liquidity risk is monitored through general business budgets and forecasts.

The Group holds the following financial instruments:

in thousands of US$	30 June 2018	31 December 2017
Financial Assets		
Cash and cash equivalents	2,890	6,612
Trade and other receivables	6,058	8,018
Other financial assets	3,020	1,354
Financial liabilities		
Trade and other payables	22,767	25,972
Borrowings	22,787	22,592

a. Market Risk

i. Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations.

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the functional currency of the Group. The risk is measured using cash flow forecasting. Foreign currency risk is minimal as most of the transactions are settled in US$.

As at 30 June 2018, the Group was exposed to foreign exchange risk though the following financial assets and liabilities denominated in currencies other than the Company's functional currency (thousands of $US).

	Argentinian Peso (ARS)	Chilean Peso (CLP)	Australian Dollar	Canadian Dollar
Financial assets				
Cash and cash equivalents	395	872	–	23
Trade and other receivables	6,427	2,142	–	–
Other financial assets	61	–	–	–
Financial liabilities				
Trade and other payables	7,481	11,842	314	55
Borrowings	208	495	–	–

ii. Price Risk

The Group's revenues are exposed to fluctuations in the price of gold, silver and other prices. Gold and silver produced is sold at prevailing market prices in US$.

The Group has resolved that for the present time the production should remain unhedged. The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the business.

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

Sensitivity to Changes in Commodity Prices (Gold and Silver)

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

in thousands of US$	Effect on profit/(loss) 6 months ended		Effect on equity	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
10% increase in gold and silver prices	6,673	4,887	6,673	4,887
10% decrease in gold and silver prices	(6,673)	(4,887)	(6,673)	(4,887)

iii. Interest Rate Risk

The Group's main interest rate risk arises from finance leases. The Group's borrowings are at fixed rates and therefore do not carry any variable interest rate risk.

b. Financial Market Risk

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

The group holds listed government bonds and listed equity securities (note 12). These are classified as level 1 within the fair value hierarchy as per AASB 7 "Financial Instruments. Options to purchase shares of Fortuna Silver (note 12) are classified as level 2 and the call option to buy a further 10% interest in Casposo (note 12) are classified as level 3.

c. Credit Risk

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

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

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

d. Liquidity Risk

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

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

Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

in thousands of US$	Half-Year Consolidated				
	< 6 months	6-12 months	1-5 years	> 5 years	Total
Six months ended 30 June 2018					
Financial liabilities					
Trade and other payables	22,764	–	3	–	22,767
Borrowings	7,966	4,536	10,285	–	22,787
Total 30 June 2018 liabilities	**30,730**	**4,536**	**10,288**	**–**	**45,554**
Six months ended 31 December 2017					
Financial liabilities					
Trade and other payables	25,966	–	6	–	25,972
Borrowings	5,414	8,675	8,503	–	22,592
Total 31 December 2017 liabilities	**31,380**	**8,675**	**8,509**	**–**	**48,564**

20. Dividends

in thousands of US$	30 June 2018	31 December 2017

No dividends to shareholders were paid or proposed during the current and prior period.

During the half year ended 30 June 2018, a dividend in the amount of US$62k was declared to the minority interest shareholder of Ingenieria y Minera Cachinalito Limitada (half year ended 31 December 2017— US$125k).

21. Related party transactions

21.1 KMP holdings of shares and share options at 30 June 2018

- Mr Eduardo Elsztain holds 451,573,010 shares indirectly in Austral Gold Limited. (31 December 2017— 451,573,010)
- Mr Saul Zang holds 1,435,668 shares indirectly in Austral Gold Limited. (31 December 2017—1,435,668)
- Mr Pablo Vergara del Carril holds 68,119 shares directly in Austral Gold Limited. (31 December 2017—68,119)
- E Elsztain and S Zang are Directors of IFISA which holds 414,880,857 shares according to the last substantial holder notice lodged in April 2018. (November 2017—414,880,857)
- P Vergara del Carril, E Elsztain and S Zang are Directors of Guanaco Capital Holding Corp which holds 31,386,890 shares according to the last substantial holder notice lodged in April 2018. (November 2017—31,386,890)
- Mr Stabro Kasaneva holds 6,881,230 shares indirectly in Austral Gold Limited. (31 December 2017—6,881,230)
- Mr Wayne Hubert holds 1,750,000 shares indirectly in Austral Gold Limited. (31 December 2017—1,750,000)

21.2 Directors and Key Management Personnel Remuneration

The aggregate compensation made to Directors and other members of Key Management Personnel of the Group is set out below:

in thousands of US$	6 months ended	
	30 June 2018	31 December 2017
Short-term employment benefits	1,435	1,434
Share-based payment (note 18)	–	547
Post-employment benefits	333	322
Total	**1,768**	**2,303**

Other transactions with related parties

Zang, Bergel & Viñes Abogados is a related party since two Directors, Saul Zang and Pablo Vergara del Carril have significant influence over this law firm based in Buenos Aires, Argentina. Legal fees charged to the Company for the half year amounted to US$54,638 (31 December 2017: US$63,536).

21.3 Ultimate parent entity

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

The ultimate beneficial owner of IFISA is Eduardo Elsztain.

22. Subsequent events

There are no matters or circumstances that have arisen since 30 June 2018 that have significantly affected or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

1. the attached interim condensed 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 attached interim condensed 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 attached interim condensed consolidated financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2018 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.

Signed on behalf of the Directors by:

Robert Trzebski
Director

Sydney
28 August 2018

Independent Auditor's Review Report

KPMG

Independent Auditor's Review Report

To the shareholders of Austral Gold Limited

Report on the Half-year Financial Report

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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 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 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information; and
- 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.

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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2018 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*. As auditor of Austral Gold Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG	Daniel Camilleri
	Partner
	Sydney
	28 August 2018

Additional Information

Forward Looking Statements

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

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