MEDIA RELEASE
Austral Gold Limited
28 February 2019

Austral Gold Announces Filing of Appendix 4E Preliminary Final Report for the Financial Year Ended 31 December 2018

Austral Gold Limited (the "Company") (ASX: AGD; TSX-V: AGLD) is pleased to announce that it has filed its Appendix 4E Preliminary Final Report for the Financial Year Ended 31 December 2018. The Report is available under the Company's profile at www.asx.com.au and www.sedar.com and on the Company's website at www.australgold.com.

About Austral Gold
Austral Gold Limited is a growing precious metals mining, development and exploration company building a portfolio of quality assets in Chile and Argentina. The Company's flagship Guanaco 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.

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.

On behalf of Austral Gold Limited:

"Stabro Kasaneva" CEO

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Results for year ended 31 December 2018

Results for announcement to the market

Appendix 4E, previous corresponding period, 6 months ended 31 December 2017.

Revenue and net profit				$'000
Revenue from ordinary activities	Up	151%	to	122,767
Loss from ordinary activities after tax	Down	(171%)	to	(36,235)
Net loss attributable to members	Down	96%	to	(26,064)
Dividend information				

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

Net tangible assets per security	December 2018 per share	December 2017 per share
Net tangible assets per security	$ (4.88)	$ (2.56)
Common shares on issue at balance sheet date	534,173,010	534,173,010

The above results should be read in conjunction with the notes and commentary contained in this report. The report is based on accounts which are in the process of being audited.

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Appendix 4E

Preliminary Financial Report

For the Financial Year Ended

31 December 2018

Austral Gold Limited and its Subsidiaries

Review of Results

For the 12 Months Ended 31 December 2018

The following report on the review of results for the 12-month period ended 31 December 2018 together with the consolidated financial report of Austral Gold Limited (the Company) and its subsidiaries, (referred to hereafter as the Group). The comparative numbers are for the 6-month period ended 31 December 2017 as the Company changed its year end to align the Company's financial year with that of its operating subsidiaries in 2017.

Review and Results of Operations

Operating Results and Dividends

The Group's net loss attributable to shareholders for the 12-month period ended 31 December 2018 (FY18) was US$26.1m (6 months ended 31 December 2017: net loss US$13.4m) (FYD17). The net loss during FY18 was mainly due to a US$29.2m impairment loss related to the Casposo mine as explained below.

The Group earned sales revenue of US$122.8m in FY18 (FYD17: US$48.9m) as production (100% basis) was 88,115 AuEq oz (FYD17: 35,335 AuEq oz). The increase in revenue was due to (i) 12-month period as compared to a 6-month period, and (ii) an increase of production at Guanaco/Amancaya, which was partially offset by a decrease in production at Casposo. The increase in production at Guanaco/Amancaya occurred due to completion of the construction of the new agitation leaching plant during the latter part of 2017, higher gold and silver grades, higher recovery rates and higher throughput. Production at Casposo decreased due to lower head grades, lower tonnage of ore extraction from the mine due to operational delays, changes in exploitation sequence, poor rock quality conditions that required further fortification work, amongst others.

Operations	Guanaco/ Amancaya Mines		Casposo Mine (100% basis)		Net to Austral Gold*	
	YTD 2018 Actual	Calendar 2018 Forecasted	YTD 2018 Actual	Calendar 2018 Forecasted	YTD 2018 Actual	Calendar 2018 Forecasted
Gold produced (Oz)	54,075	56,000	11,564	10,000-12,000	62,170	63,000-64,000
Silver produced (Oz)	585,201	520,000	1,231,316	1,400,000	1,447,122	1,500,000
Gold-Equivalent (Oz) ***	61,271	62,000	26,836	26,000-28,000	80,056	80,000-82,000
C1 Cash Cost (US$/AuEq Oz) **	792	820-850	1,362	1,270-1,300	957	950-990
All-in Sustaining Cost (US$/Au Oz) #	943	950-1,000	1,710	1,600-1,650	1,175	1,150-1,200
Sustaining Capital ($000's)	6,646	10,000	8,273	9,000	14,919	16,300
Realized gold price (US$/Au Oz)	1,227	1,214	1,227	1,215	1,227	1,282
Realized silver price (US$/Ag Oz)	15	17	15	17	15	17

* Austral Gold owned 70% of Casposo since March 2017
** The cash cost (C1) includes: Mine, Plant, On-Site G&A, Smelting, Refining, and Royalties (excludes Corporate G&A)
# The All-in Sustaining Cost (AISC) includes: C1, Sustaining Capex, Brownfield Exploration, and Mine Closure Amortisation
*** AuEq ratio is calculated at 84:1 Ag:Au for the twelve months ended 31 December 2018
(1) "Cash cost" and All-in Sustaining-Cost (AISC) are non-IFRS financial information and are not subjected to audit

Overall operating cash costs decreased to US$957/AuEq oz during FY18 compared to US$994/AuEq oz during FYD17. The overall decrease in operating costs was mainly driven by the Guanaco/Amancaya operation that offset the weaker performance of the Casposo operation. The cash costs of production at the Guanaco/Amancaya mine decreased to US$792/AuEq oz in FY18 from US$1,103/AuEq oz in FYD17 while the operating cash costs at Casposo increased to US$ 1,362/AuEq oz in FY18 from US$924/AuEq oz in FYD17. Cash costs were impacted by cost saving initiatives, depreciation of local currencies against the US dollar, higher gold and silver grades and higher recovery rates at the Guanaco/Amancaya operation.

The Group achieved a gross profit of US$6.0m or 5% (including US$18.4m of depreciation and amortization) during FY18 (FYD17: negative gross profit of US$4.0m or -8% including US$13.9m of depreciation and amortization. Excluding depreciation and amortisation, the

Group earned a gross profit in FY18 of US$24.4m or 20% (FYD17: US$10.0m or 20.4%).

The Group recorded an impairment loss of US$29.2m related to its Casposo property during FY18 as the Group valued the property at US$7.8m. The low valuation is based on a change in the Group's mine plan for Casposo which anticipates the current remaining life of the mine to end during the first half of FY19. The Company is currently evaluating alternatives for Casposo.

FY18 administration expenses were US$12.4m (FYD17: US$8.6m). Administration expenses were lower in FYD18 on a pro-rata basis in comparison to FYD17 mainly due to lower administration costs, lower staff costs as FYD17 included a performance bonus paid in shares to the CEO and the effect of the depreciation of the Chilean peso and Argentine peso against the US dollar.

Other income increased to US$1.9m in FYD18 from US$0.1m in FYD17 primarily from the realization of Argentine silver tax credits in FYD18.

A loss on movements in financial assets of US$1.2m was realised in FY18 compared to a gain of US$0.6m in FYD17. The loss realised in FY18 was primarily due to the decrease in the valuation of the option to acquire the remaining 30% interest in Casposo.

Net finance costs were US$2.1m in FY18 compared to US$3.0m in FYD17. The decrease was mainly due to lower losses on foreign exchange due to the devaluation of the Argentine Peso and Chilean Peso against the USD and the net monetary position of the Group. This was partially offset by an increase in interest expense which was mainly due to new short-term financing and the renewal of certain borrowings.

FY18 negative EBITDA was US$(16.5m) (FYD17: US$2.0m). Excluding the gain/(loss) on movements in financial assets and the impairment loss, FY18 resulted in adjusted EBITDA of US$13.9m (FYD17: US$1.4m).

	12 months ended 31 December 2018 $US000	6 months ended 31 December 2017 $US000
Revenue	122,767	48,867
Gross (loss) profit	5,958	(3,958)
Gross (loss) profit %	4.9%	(8.1%)
Adjusted gross profit (excluding depreciation and amortization)	24,380	9,952
Adjusted gross profit %	19.86%	20.37%
EBITDA	(16,506)	2,032
EBITDA per share (basic)	(0.031)	0.004
Adjusted EBITDA*	13,886	1,407
Adjusted EBITDA per share (basic)	0.026	0.003
(Loss)/profit attributed to shareholders	(26,064)	(13,299)
(Loss)/profit attributed to non-controlling interests	(10,171)	(81)
(Loss)/earnings per share (Basic)	(4.88)c	(2.56)c
(Loss) /earnings per share (Diluted)	(4.88)c	(2.56)c
Comprehensive loss/(income)	(36,262)	(13,357)

*excluding gain/(loss) on financial assets and impairment loss
Note: Readers are cautioned that adjusted gross profit and net/(loss) profit before finance costs, income tax expense and depreciation ('Adjusted EBITDA') do not have standardised meanings as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Further, readers are cautioned that Adjusted EBITDA should not replace profit or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance. are cautioned that Adjusted EBITDA should not replace profit or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance.

Financial Position

The net assets of the Group decreased by US$36.5m since 31 December 2017 to US$54.9m at 31 December 2017 (31 December 2017: US$91.4m). Working capital was negative US$5.2m at 31 December 2018, a decrease of US$6.6m compared to working capital of US$1.4m at 31 December 2017. The decrease in working capital arose mainly due to the operational performance at Casposo and related other issues as described above.

Trade and other receivables decreased by US$3.6m to US$9.2m mainly due to a decrease in trade receivables and prepaid income tax which was partially offset by an increase in VAT credits receivable.

Inventories decreased by US$9.0m to US$13.8m and is mainly due to a decrease in ore stockpiles and a decrease in gold and silver bullion in process. The ore stockpiles were higher at 31 December 2017 mainly due to the start up of the open pit operation at Amancaya.

The allowance for inventory obsolescence increased by US$0.1m to US$1.1m as at 31 December 2018.

Non-current assets decreased by US$29.3m in FY18 compared to FYD17 primarily due to the impairment on the Group's Casposo property.

Trade and other payables decreased by US$8.4m in FYD18 compared to FYD17 and is mainly due to a decrease in trade payables.

Cash flow

Net cash provided from operating activities before and after changes in assets and liabilities was US$13.0m and US$21.3m during FY18 compared to US$2.0m and US$9.2m during FYD17 respectively. In addition to the FY18 being for 12 months compared to 6 months for FYD17, the increase is mainly due to higher cash generated at Guanaco/Amancaya as described above.

Cash used in investing activities totaled US$17.7m during FY18 compared to US$8.1m during FYD17. Cash was used primarily for additions to property, plant and equipment and mine properties.

Cash flows from financing activities were US$(8.5m) during FY18 compared to US$(0.6m) during FYD17 mainly due to the repayment of borrowings.

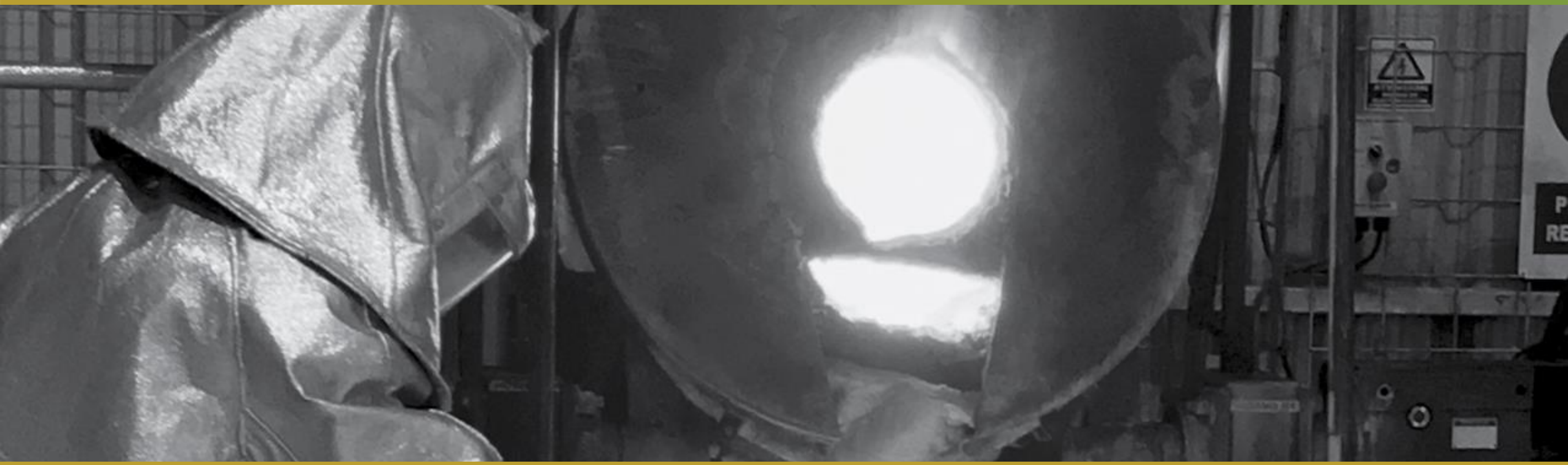
Liquidity

As at 31 December 2018, the Group had a current ratio equal to 0.83 (FYD17 1.03) along with US$1.7m cash and cash equivalents (FYD17 $6.6m). In addition, the Group forecasts 2019 production of 82,000-91,000 gold equivalent ounces (100% basis*) and 79,000-86,000 gold equivalent ounces (net basis).

	12 months ended 31 December 2018 $US000	6 months ended 31 December 2017 $US000
Cash & Cash equivalents	1,716	6,612
Current Assets	25,264	43,519
Non-Current Assets	81,970	111,242
Current-Liabilities	30,487	42,104
Non-Current Liabilities	21,875	21,241
Net Assets	54,872	91,416
Net Current (Liabilities) Assets	(5,223)	1,415
Total Borrowings	18,471	22,592
Current ratio *	0.83	1.03
Total Liabilities to Net Assets	0.95	0.69

*Current Assets divided by Current Liabilities

Financial Statements



Austral Gold Limited Financial Report 2018

Consolidated statement of profit or loss and other comprehensive income

in thousands of US$	Note	12 months ended 31 December 2018	6 months ended 31 December 2017
Continuing operations			
Sales revenue		122,767	48,867
Cost of sales	6	(98,387)	(38,915)
Gross (loss) profit before depreciation and amortisation expense		**24,380**	**9,952**
Depreciation and amortisation expense		(18,422)	(13,910)
Gross (loss) profit		**5,958**	**(3,958)**
Other income		1,868	100
Administration expenses	7	(12,362)	(8,645)
Impairment of assets	17/18	(29,190)	-
Net finance costs	8	(2,126)	(3,027)
Gain/(loss) on financial assets		(1,202)	625
(Loss)/Profit before income tax		**(37,054)**	**(14,905)**
Income tax benefit	10	819	1,525
(Loss)/Profit after income tax expense		**(36,235)**	**(13,380)**
(Loss)/Profit attributable to			
Owners of the Company		(26,064)	(13,299)
Non-controlling interests		(10,171)	(81)
		(36,235)	**(13,380)**
Items that may not be classified subsequently to profit or loss			
Foreign currency translation		(27)	23
Total comprehensive (loss)/income for the year		**(36,262)**	**(13,357)**
Comprehensive (loss)/income attributable to:			
Owners of the Company		**(26,091)**	(13,276)
Non-controlling interests		**(10,171)**	(81)
		(36,262)	**(13,357)**
Earnings per share (cents per share):			
Basic earnings per share	11	(4.88)	(2.56)
Diluted earnings per share	11	(4.88)	(2.56)

The notes on pages (6) to (34) are an integral part of these consolidated financial statements.

Austral Gold Limited Financial Report 2018

Consolidated statement of financial position

In thousands of US$	Note	As at 31 December 2018	As at 31 December 2017
Assets			
Current assets			
Cash and cash equivalents	13	1,716	6,612
Trade and other receivables	15	9,168	12,722
Other financial assets	16	561	1,354
Inventories	14	13,819	22,831
Total current assets		**25,264**	**43,519**
Non-current assets			
Other receivables	15	139	371
Mine properties	17	6,723	12,336
Property, plant and equipment	18	54,020	78,839
Exploration and evaluation expenditure	19	16,270	15,891
Goodwill	17	926	926
Deferred tax assets	10	3,892	2,879
Total non-current assets		81,970	111,242
Total assets		107,234	154,761
Liabilities			
Current liabilities			
Trade and other payables	20	17,541	25,966
Deferred revenue	5	2,140	-
Employee entitlements	21	1,860	2,049
Borrowings	23	8,946	14,089
Total current liabilities		**30,487**	**42,104**
Non-current liabilities			
Trade and other payables	20	5	6
Provisions	22	10,664	11,729
Borrowings	23	9,525	8,503
Employee entitlements	21	793	1,003
Deferred tax liability	10	888	-
Total non-current liabilities		**21,875**	**21,241**
Total liabilities		**52,362**	**63,345**
Net assets		**54,872**	**91,416**
Equity			
Issued capital	24	100,569	100,569
Accumulated losses	25	(49,473)	(23,210)
Reserves	26	35	62
Non-controlling interest	27	3,741	13,995
Total equity		**54,872**	**91,416**

The notes on pages (6) to (34) are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the 12 months ended 31 December 2018 and 6 months ended 31 December 2017

in thousands of US$	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	24	1,519	–	–	–	1,519
Dividends declared	29	–	–	–	(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		–	(26,064)	–	(10,171)	**(36,235)**
Foreign exchange movements from translation of financial statements to US$	26	–	–	(27)	–	(27)
Total comprehensive income / (loss)		**–**	**(26,064)**	**(27)**	**(10,171)**	**(36,262)**
Dividends declared	29	–	–	–	(83)	(83)
Balance at 31 December 2018		**100,569**	**(49,473)**	**35**	**3,741**	**54,872**

The notes on pages (6) to (34) are an integral part of these consolidated financial statements

Austral Gold Limited Financial Report 2018

Consolidated statement of cash flows

in thousands of US$	Note	12 months ended 31 December 2018	6 months ended 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		1,716	6,612
Net (decrease) / increase in cash and cash equivalents		**(4,896)**	**518**
Causes of change in cash and cash equivalents			
Operating activities			
(Loss) / profit after income tax		(36,235)	(13,380)
Non-cash items			
Income tax benefit recognised in profit or loss		(819)	(1,525)
Impairment of assets		29,190	-
Depreciation and amortisation		18,422	13,910
Interest received		(84)	-
Gain on sale of plant, property and equipment		(141)	-
Non-cash net finance charges		1,680	1,763
Inventory write-down		133	-
Allowance for doubtful accounts		(97)	-
Performance bonus paid through issuance of ordinary shares		–	547
Non-cash employee entitlements		(210)	1,318
(Gain)/loss in fair value of other financial assets		1,202	(625)
Net cash from operating activities before change in assets and liabilities		**13,041**	**2,008**
Changes in working capital:			
Decrease / (increase) in inventory		8,680	(3,484)
Decrease / (increase) in trade and other receivables		3,883	2,314
Increase / (decrease) in trade and other payables		(6,219)	8,343
Increase / (decrease) in deferred revenue		2,140	–
Increase / (decrease) in employee entitlements		(189)	–
Net cash provided through operating activities		**21,335**	**9,181**
Cash flows from investing activities			
Net additions to plant and equipment	18	(15,854)	(7,469)
Proceeds from sale of bonds and securities		894	333
Proceeds from sale of property, plant and equipment		203	–
Payment for investment in bonds and securities		(1,303)	(87)
Payment for investment in exploration and evaluation	19	(553)	(744)
Payment for investment in mine properties	17	(1,214)	(105)
Interest received		84	–
Net cash used in investing activities		**(17,743)**	**(8,072)**
Cash flows from financing activities			
Proceeds from borrowings		5,746	5,333
Repayment of borrowings		(11,421)	(2,047)
Financial lease payments		(2,813)	(3,877)
Net cash used in financing activities		**(8,488)**	**(591)**
Net (decrease) / increase in cash and cash equivalents		(4,896)	**518**

The notes on pages (6) to (34) are an integral part of these consolidated financial statements

1. Reporting entity

Austral Gold Limited ("the Company") is a company limited by shares that is incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange under the symbol AGD and on the TSX Venture Exchange under the symbol AGLD.

These consolidated financial statements ("financial statements") as at and for the 12 months ended 31 December 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.

These financial statements are available upon request from the Company's registered office at Level 5, 126 Phillip Street, Sydney NSW 2000 or at www.australgold.com.

2. Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

This is the first set of the Group's audited 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.

Details of the Group's accounting policies are included in Note 36.

2.1 Presentation and functional currency

These consolidated financial statements are presented in United States dollars (US$), which is the presentation and functional currency of the Group.

2.2 Rounding off

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 audited financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

2.3 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

2.4 Change in year-end

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. Accordingly, the financial statements are prepared for the 12 months from 1 January 2018 to 31 December 2018 and the comparative figures stated in the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the related notes and relate to the period 1 July 2017 to 31 December 2017.

3. Going concern

For the 12 months ended 31 December 2018, the Group incurred a loss after income tax of $36.235 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 $21.335 million (6 months ended 31 December 2017: net cash flow from operating activities of $9.181 million). At 31 December 2018, the group has net current liabilities of $5.223 million.

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

i. At 31 December 2018, the Group had a cash balance of $1.716 million

ii. The Group's cash flow forecasts following the most likely mine plan and 2019 production guidance that forecast production of;

- 82,000-91,000 gold equivalent ounces (100% basis*) and 79,000-86,000 gold equivalent ounces (net basis*), and average 2019 gold and silver selling price of US$1,300 and US$15.9 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.

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realization of assets and settlement of liabilities in the normal course of business. Based on the factors set 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.

4. Use of estimates and judgements

In preparing these financial statements, Management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the 12 months ended 31 December 2018 is detailed below:

Carrying value of Mine Properties

The Group estimates its ore reserves and mineral resources annually at each year end and reports within the following three months, based on information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources (JORC code 2012). The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying amount of mine development (including mine properties, property, plant and equipment and exploration and evaluation assets), the provision for mine closure provisions, the recognition of deferred tax assets, as well as the amount of amortization charged to the statement of profit or loss.

Impairment

Significant judgements, estimates and assumptions are required in determining value in use or fair value less costs of disposal. This is particularly so in the assessment of long life assets. It should be noted that the CGU recoverable amounts are subject to variability in key assumptions including, but not limited to, gold and silver prices, currency exchange rates, discount rates, production profiles and operating and capital costs. A change in one or more of the assumptions used to determine value in use or fair value less costs of disposal could result in a change in a CGU's recoverable amount. Indications of impairment of the Group's Casposo mine property were identified in the current year as disclosed in note 17.

Carrying value of exploration and evaluation assets

The Group tests at each reporting date whether there are any indicators of impairment as identified by AASB 6 "Exploration for and Evaluation of Mineral Resources". Where indicators of impairment are identified, the recoverable amounts of the assets are determined.

Mine closure provisions

Obligations associated with exploration and mine properties are recognised when the Group has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The provision is measured at the present value of the future expenditure and a corresponding rehabilitation asset is also recognised. On an ongoing basis, the rehabilitation will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances (recognised as additions to a corresponding asset and rehabilitation liability).

*Austral owns 70% of Casposo

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 12 months ended 31 December 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 16 – Other financial assets and Note 28 – Financial instruments.

5. Changes in significant accounting policies and adoption of new/amended AASB and AASB interpretations

The Group has initially applied AASB 15 (see (i)) and AASB 9 (see (ii)) and AASB Interpretation 22 (see iii) from 1 January 2018. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(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. Under AASB 15, the sale of minerals is recognised at the transfer of control or point of sale, which is when the customer has taken delivery of the goods, the risks and rewards have been transferred to the customer and there is a valid contract. Determining the timing of the transfer of control-at a point in time or over time requires judgement.

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.

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 Group'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 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 Group'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 consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income ("OCI") for the year 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 year ended 31 December 2018.

Impact on the consolidated statement of financial position

In thousands of US$ As at 31 December 2018	Amount without adoption of AASB 15	Adjustment	As reported
Assets			
Non-current assets	81,970	–	81,970
Cash and cash equivalents	1,716	–	1,716
Trade and other receivables	10,614	(1,446)	9,168
Other financial assets	561	–	561
Inventories	12,989	830	13,819
Current assets	**25,880**	**(616)**	**25,264**
Total assets	**107,850**	**(616)**	**107,234**
Equity			
Issued capital	100,569	–	100,569
Accumulated losses	(49,084)	(389)	(49,473)
Reserves	35	–	35
Equity attributable to owners of the Group	**51,220**	**(389)**	**51,131**
Non-controlling interest	3,741	–	3,741
Total equity	**55,261**	**(389)**	**54,872**
Liabilities			
Non-current liabilities	22,019	(144)	21,875
Trade and other payables	19,764	(2,223)	17,541
Deferred revenue	–	2,140	2,140
Employee entitlements	1,860	–	1,860
Borrowings	8,946	–	8,946
Current liabilities	30,570	(83)	30,487
Total liabilities	**52,589**	**(227)**	**52,362**
Total equity and liabilities	**107,850**	**(616)**	**107,234**

The Group had several sales to a customer who held back approximately 5% of the sale until the price and quantity of gold and silver are verified. In addition, the Group controls when these amounts are sold. These amounts are not considered a sale transaction at 31 December 2018 under AASB 15. Had the revenue been recognised without the adoption of AASB 15, an adjustment to receivables and inventory would have been recorded.

Impact on the consolidated statement of profit or loss and OCI

For the 12 months ended 31 December 2018 (in thousands of US$)	Amount without adoption of AASB 15	Adjustment	As reported
Sales revenue	115,755	7,012	122,767
Cost of sales	(91,109)	(7,278)	(98,387)
Gross (loss) profit before depreciation and amortisation expense	24,646	(266)	24,380
Depreciation and amortisation expense	(18,422)	–	(18,422)
Gross (loss) profit	**6,224**	**(266)**	**5,958**
(Loss)/Profit before income tax	**(36,788)**	**(266)**	**(37,054)**
Income tax benefit	743	76	819
(Loss)/Profit after income tax benefit	**(36,045)**	**(190)**	**(36,235)**

The revenue and cost of sales adjustment above reflects the change in accounting policy of applying AASB 15 as referred to on page 9.

ii. AASB 9 Financial Instruments ("AASB9")

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 Consolidated 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 Consolidated Interim Financial Statements.

6. Cost of sales

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Profit before income tax includes the following specific expenses:		
Production	63,631	21,312
Staff costs	30,161	15,664
Royalties	4,050	1,934
Mining Fees	545	5
Total cost of sales before depreciation and amortisation expense	**98,387**	**38,915**
Depreciation of plant and equipment	16,430	9,184
Depreciation of mine properties	1,992	4,726
Total depreciation and amortisation expense	**18,422**	**13,910**
Severance included in staff costs	**2,728**	**319**

7. Administration expenses

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Consulting and professional services	2,110	1,098
Administration	1,635	1,693
Staff costs	6,794	4,559
Director fees	358	141
Other	1,465	1,154
Total administration expenses	**12,362**	**8,645**
Severance included in staff costs	**330**	**322**

8. Net finance costs

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Interest (income)	(84)	(1)
Interest expense	1,642	666
Loss from foreign exchange	826	1,881
Present value adjustment to mine closure provision	(381)	508
Other	123	(27)
Net finance costs	**2,126**	**3,027**

9. Auditor's remuneration

in US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Remuneration of the auditors (KPMG) of the parent entity for:		
Auditing or reviewing the financial reports	95,830	47,200
Total auditors' remuneration – parent entity	**95,830**	**47,200**
Remuneration of auditors (KPMG) of subsidiaries for:		
Auditing or reviewing the financial reports	207,030	185,848
Other services/taxation	–	14,888
Total auditors' remuneration – subsidiaries	**207,030**	**200,736**

10. Income tax expense

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
(A) Income tax expense comprises:		
Current tax payable	591	694
Deferred tax expense	(1,410)	(2,219)
Income tax (benefit)	**(819)**	**(1,525)**
(B) Reconciliation of effective income tax rate		
Profit/ (Loss) before tax	(37,054)	(14,905)
Prima facie income tax (benefit)/expense calculated at 30%	(11,116)	(4,471)
Difference due to blended overseas tax rate *	(114)	513
Difference due to change in tax rate	(88)	(311)
Non-deductible expenses	4,295	2,259
Temporary differences not brought into account	682	485
Allowance for doubtful carryforward losses	5,522	–
Income tax (benefit)	**(819)**	**(1,525)**

* Chile tax rate: 27.0% (31 December 2017: 25.5%). Argentina tax rate: Effective June 2018-30% (31 December 2017: 35%)

in thousands of US$	31 December 2018				31 December 2017			
	Chile	Argentina	Other	Total	Chile	Argentina	Other	Total
(C) Deferred tax assets and liabilities								
Deferred tax assets								
Other receivable	102	–	–	102	26	–	–	26
Inventory	69	83	–	152	367	477	–	844
Mining Concessions	–	307	–	307	–	886	–	886
Accrual for mine closure	967	55	–	1,022	920	112	–	1,032
Tax losses carried forward	3,258	518	9,144	12,920	2,583	463	10,307	13,353
Property, plant and equipment	–	8,255	–	2,732	–	585	–	585
Payroll accrual	385	–	–	385	381	–	–	381
Other	–	303	–	303	–	3	–	3
Temporary differences not brought into account	–	(5,522)	(9,144)	(14,666)	–	–	(10,307)	(10,307)
Deferred tax assets	**4,781**	**3,999**	–	**8,780**	**4,277**	**2,526**	–	**6,803**
Deferred tax liabilities								
Other provisions	–	(102)	–	(102)	–	(220)	–	(220)
Mining concessions	(4,625)	–	–	(4,625)	(2,139)	–	–	(2,139)
Financial assets	–	(5)	–	(5)	–	(110)	–	(110)
Leasing assets	(1,044)	–	–	(1,044)	(1,455)	–	–	(1,455)
Deferred tax liabilities	**(5,669)**	**(107)**	–	**(5,776)**	**(3,594)**	**(330)**	–	**(3,924)**
Net deferred tax assets (liabilities)	**(888)**	**3,892**	–	**3,004**	**683**	**2,196**	–	**2,879**
Movement in deferred tax balances								
Opening balance	683	2,196	–	2,879	(1,516)	2,873	–	1,357
Exchange rate difference	12	(1,297)	–	(1,285)	–	(697)	–	(697)
Charged to profit or loss	(1,583)	2,993	–	1,410	2,199	20	–	2,219
Closing balance	**(888)**	**3,892**	–	**3,004**	**683**	**2,196**	–	**2,879**

11. Earnings per share

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Net profit attributable to owners	(26,064)	(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)	(4.88)	(2.56)
Diluted earnings per ordinary share (cents)	(4.88)	(2.56)

12. 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$	12 months ended 31 December 2018				6 months ended 31 December 2017			
	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated	Guanaco/ Amancaya	Casposo	Group and unallocated items	Consolidated
Revenue								
Gold	76,032	15,384		91,416	20,077	12,307	–	32,384
Silver	9,058	22,293		31,351	1,910	14,573	–	16,483
Cost of sales	(59,882)	(38,505)		(98,387)	(20,131)	(18,784)	–	(38,915)
Depreciation and amortisation expense	(13,638)	(4,738)	(46)	(18,422)	(8,469)	(5,424)	(17)	(13,910)
Other income	8	1,860		1,868	16	84	–	100
Administration expenses	(7,278)	(2,164)	(2,920)	(12,362)	(3,324)	(3,706)	(1,615)	(8,645)
Finance gain (costs)	460	(1,931)	(655)	(2,126)	(2,182)	(831)	(14)	(3,027)
Gain (loss) on movement in financial assets	8	(903)	(307)	(1,202)	–	625	–	625
Impairment of assets	–	(29,190)	–	(29,190)	–	–	–	–
Income tax benefit (expense)	(1,789)	3,072	(464)	819	1,505	20	–	1,525
Segment profit/(loss)	**2,979**	**(34,822)**	**(4,392)**	**(36,235)**	**(10,598)**	**(1,136)**	**(1,646)**	**(13,380)**
Segment assets	68,394	27,350	11,490	107,234	83,623	61,801	9,337	154,761
Segment liabilities	38,264	12,994	1,104	52,362	48,095	14,037	1,213	63,345
Capital expenditure	8,824	8,455	342	17,621	5,131	4,900	227	10,258

Geographical information:

in thousands of US$	12 months ended 31 December 2018	6 months ended 31 December 2017
Revenue by geographic location		
Chile	85,090	21,987
Argentina	37,677	26,880
Australia	–	–
Canada	–	–
Total revenue	**122,767**	**48,867**
Non-current assets by geographic location		
Chile	58,171	64,849
Argentina	23,697	46,299
Australia	–	–
British Virgin Islands	92	81
Canada	10	13
Total non-current assets	**81,970**	**111,242**

13. Cash and cash equivalents

in thousands of US$	31 December 2018	31 December 2017
Cash at call and in hand	1,716	6,612
Total cash and cash equivalents	1,716	6,612
Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows, is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,716	6,612

Risk Exposure

The Group’s exposure to interest rate risk is discussed in note 28. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above

14. Inventories

in thousands of US$	31 December 2018	31 December 2017
Materials and supplies	10,453	9,178
Ore stocks	354	5,730
Gold bullion and gold in process	3,012	7,923
Total inventories	**13,819**	**22,831**

*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$1,082k (31 December 2017:US$949k).

15. Trade and other receivables

in thousands of US$	31 December 2018	31 December 2017
Current		
Trade receivables	–	2,036
Other current receivables	272	1,435
Prepaid income tax	2,827	4,402
GST/VAT receivable	6,069	4,849
Total current receivables	**9,168**	**12,722**
Non-current		
GST/VAT receivable	12	226
Other	121	145
Prepaid income tax	6	–
Total non-current receivables	**139**	**371**
Trade debtors		
The ageing of trade receivables is 0 – 30 days	–	2,036

15.1 Past due but not impaired

There were no receivables past due at 31 December 2018 (31 December 2017: nil).

15.2 Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 28 for more information on the risk management policy of the Group and the credit quality of the receivables.

15.3 Key customers

The Group is not reliant on any one customer to sell gold and silver produced from the Guanaco/Amancaya and Casposo mines.

16. Other Financial Assets

in thousands of US$	31 December 2018	31 December 2017
Current		
Call option to buy a further 10% of Casposo - level 3	–	903
Options (warrants) — level 2	–	364
Listed bonds — level 1	341	69
Listed equity securities — level 1	220	18
Total current other financial assets at fair value	**561**	**1,354**

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 31 December 2018.

Listed equity securities as at 31 December 2018 are shares of 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. 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.

Fair value hierarchy

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

Transfers

During the year ended 31 December 2018 there were no transfers between the financial instrument levels of hierarchy.

17. Mine properties

in thousands of US$	Guanaco/Amancaya	Casposo	Total
Mine Properties – 31 December 2018			
Cost	61,129	8,889	70,018
Accumulated amortisation	(54,406)	(8,889)	(63,295)
Carrying value — Mine Properties	**6,723**	**–**	**6,723**
Movements in carrying value			
Carrying amount at 1 January 2018	6,608	5,728	12,336
Additions	1,214	–	1,214
Transfers from Exploration and Evaluation expenditure	–	174	174
Amortisation	(1,099)	(893)	(1,992)
Impairment		(5,009)	(5,009)
Carrying amount at 31 December 2018	**6,723**	**–**	**6,723**
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 18) with a total book value of $51.861m are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

Management have assessed the fair value to be above book value of the Guanaco project and therefore no impairment charge has been applied to the assets for the current year. The fair value is based on an independent valuation using a discounted cash flow model and the following key assumptions:

- Gold price: US$1,268/oz – US$1,325/oz (31 December 2017 US$1,277/oz – US$1,301/oz)
- Silver price: US$15.90/oz – US$17.5/oz (31 December 2017 US$17.30/oz – US$18.10/oz)
- Life of Mine: 2.5 years (Life of mine based on most recent financial model used for impairment testing)
- Discount Rate (post-tax): 5.2% (31 December 2017: 6.4%)

Goodwill

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

Carrying value — Casposo

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 17) with a total book value of US$7.834m are included in determining the carrying value of the CGU for the purposes of assessing for impairment.

There has been a decrease in production at Casposo throughout 2018 due to lower tonnage of ore extraction from the mine due to operational delays, changes in exploitation sequence, poor rock quality conditions that required further fortification work, amongst others. As a result of the decrease in production, management performed a comprehensive review of the Casposo operational and business model which facilitated a short-term mine plan for only the first-half of 2019 with production guidance of 12,000-16,000 GEOs. As such, the Group anticipates that with the current level of reserves, the remaining life of the mine will end during the first half of FY19. This has resulted in a low valuation for Casposo which facilitated the impairment loss to write down the book value of the mine and property, plant and equipment to its estimated fair value.

Management have assessed the fair value of Casposo to be lower than the book value. As a result, management has recorded an impairment charge of $29.190m against the carrying value of the Casposo Mine of which US$5.009m has been charged against Mine Properties and US$24.181m against Property, Plant and Equipment. The fair value is based on an independent valuation using a discounted cash flow model and the following assumptions:

- Gold price: US$1,268/oz US (31 December 2017 US$1,277/oz –US$1,301/oz)
- Silver price: US$15.90/oz US/oz (31 December 2017 US$17.30/oz – US$18.10/oz)
- Life of Mine: 0.5 years (Life of mine based on most recent financial model used for impairment testing)
- Discount Rate (post-tax): 10.5% (31 December 2017: 8.4%)

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 year ended December 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.

Amortisation of the Casposo mine will be over the remaining 6 month expected production life.

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

In thousands of US$	2018	2019	2020	2021	Net
(Decrease) increase in deprecation and amortisation expense	(199)	(288)	(292)	779	0

18. Property, plant and equipment

in thousands of US$	31 December 2018	31 December 2017
Property, plant and equipment — at cost	155,436	139,644
Accumulated depreciation	(101,416)	(60,805)
Carrying amount at end of the period	**54,020**	**78,839**
Movements in carrying value		
Carrying amount at beginning of the period	78,839	80,554
Additions	15,854	7,469
Depreciation	(16,430)	(9,184)
Disposals	(62)	–
Impairment of Casposo	(24,181)	–
Carrying amount at end of the period	**54,020**	**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 17 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 31 December 2018, the net carrying amount of lease equipment was US$12.2m (31 December 2017: US$16.4m).

in thousands of US$	31 December 2018	31 December 2017
Stripping costs in production phase included in Property, Plant and Equipment	244	2,241
Movements in carrying value		
Carrying amount at beginning of the period	2,241	2,314
Amortisation	(1,997)	(73)
Carrying amount at end of the period	**244**	**2,241**

19. Exploration and evaluation expenditure

in thousands of US$	31 December 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	553	1,723
Transfers to Mining Properties	(174)	
Write-off for the period	-	(7)
Carrying amount at end of the period	**16,270**	**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 expenditures at the Guanaco, Casposo and Pingüino exploration projects.

Additions for the 12 months ended 31 December 2018 relate mainly to exploration on the Casposo and Pingüino projects.

Additions for the 6 months ended 31 December 2017 relate mainly to the acquisition of the San Guillermo and Reprado projects from Revelo Resources Corporation (‘Revelo’, TSX-V: RVL) for consideration of ten million Austral Gold ordinary shares and subject to existing Net Smelter Royalties (‘NSR’) and an additional NSR of up to 1%. At the time of acquisition, the San Guillermo and Reprado projects were not in production and there was no mine plan to place them into production. For these reasons, among others, the acquisition was accounted for as an asset acquisition. The value of the shares issued was US$972,006.

20. Trade and other payables

in thousands of US$	31 December 2018	31 December 2017
Current		
Trade payables	8,582	14,655
Accrued expenses	3,868	4,331
Royalty payable	1,656	2,259
Salaries and bonuses	2,975	4,105
Income tax payable	15	241
Other taxes payable	148	277
Director fees payable	297	92
Other payables	–	6
Total trade and other payables	**17,541**	**25,966**
Non-Current		
Other payables	5	6

21. Employee entitlements

in thousands of US$	31 December 2018	31 December 2017
Current		
Employee entitlements	1,860	2,049

The current provision for employee entitlements includes all unconditional entitlements in accordance with the applicable legislation. The entire amount is presented as current, since the Group does not have an unconditional right to defer payment. The entire balance of employee benefits is expected to be settled within the next 12 months.

Non-current		
Employee entitlements	793	1,003

Indemnification for years of service

Retirement benefits are to be paid upon the death of workers and for disability and retirement.

The methodology followed to determine the provision for all employees adhering to the agreements has considered turnover rates and the RV-2014 mortality table established by the Superintendency of Securities and Insurance to calculate the reserves of life insurance in Chile according to the valuation method called Accumulated Benefit Valuation Method or Accrued Benefit Cost. This methodology is established in the International Accounting Standard No. 19 on Retirement Benefits Costs. The parameters of turnover rates, rates of increase of remunerations and discount rate have been determined by the Group.

22. Provisions

in thousands of US$	31 December 2018	31 December 2017
NON CURRENT		
Mine closure	10,628	11,718
Others	36	11
Closing balance	10,664	**11,729**
Movement in non current provisions		
Opening balance	11,729	10,195
Additions	25	961
Reclassifications from payables	5	11
Exchange difference	(714)	–
Present Value Adjustment	(381)	562
Closing balance	10,664	**11,729**

The mine closure (restoration) provision relates to the estimated costs of dismantling and restoring mining sites and exploration tenements to their original condition at the end of the life of the mine or exploration drilling program. The provision at period end represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required for meeting environmental obligations for existing tenements after activities have been completed. The provision is reviewed annually by the Directors.

Concurrent reclamation, along with mining operations, is ongoing throughout the facility and continues to be a vital part of the Group's reclamation practices. The plans are developed taking into consideration all legal, regulatory, governmental, and community requirements and compromises. Thus, the plan incorporates a number of assumptions used to estimate closure and post-closure objectives.

As at 31 December 2018, the total restoration provision amounts to US$7.3m for Guanaco/Amancaya mine. The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: US$8.8m; and
- Remaining life of Mine: 2.5 years (Life of mine based on most recent financial model used for impairment testing).
- Discount rate: 2.50% (2017-2.25%)

As at 31 December 2018, the total restoration provision amounts US$3.365m 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
- Remaining life of Mine: 0.5 years (Life of mine based on most recent financial model used for impairment testing).
- Discount rate: 9.63% (2017-2.49%)

There are no current plans for rehabilitation and restoration as the Group plans to operate the mine at Casposo until the forecasted life of mine in June 2019 and an exploration program is expected to continue along with a regular review of market conditions for the potential future restart of operations.

23. Borrowings

in thousands of US$	31 December 2018	31 December 2017
Current		
Lease liability	2,086	5,640
Credit facilities	6,860	8,449
Total current borrowings	8,946	14,089
Non-Current		
Lease liability	6,617	5,503
Credit facilities	2,908	3,000
Total non-current borrowings	9,525	8,503

The Group's owes US$10.9m to Santander Bank (Chile) which is to be repaid over 60 months at an annual interest rate of 5.5%. The amount is classified as follows: US$0.5m as a current lease, US$1.2m as a current credit facility, non-current lease of US$5.9m and non-current credit facility of US$2.9m.

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

- US$2.5m pre-export facility for Casposo mine operation with Banco San Juan (180 days) at an annual interest rate of 6.25%;

  US$0.5m credit facility for Casposo mine operation with Banco Comafi (6 months) at an annual interest rate of 4.75%; and the current portion of a US$3.0m 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 Group 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 6 months.

24. Issued capital

in thousands of US$	31 December 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 31 December 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.

25. Accumulated losses

in thousands of US$		31 December 2018	31 December 2017
Accumulated losses at beginning of year		(23,210)	(9,911)
Adjustment on initial application of AASB15 (net of tax)	5	(199)	-
Adjusted balance at 1 January 2018		(23,409)	(9,911)
Net profit/(loss) for the year		**(26,064)**	(13,299)
Accumulated losses at end of year		**(49,473)**	**(23,210)**

26. Reserves

in thousands of US$	31 December 2018	31 December 2017
Foreign currency translation reserve		
Balance at beginning of year	**383**	**360**
Foreign exchange movements from translation of financial statements to US dollars	(27)	23
Balance at end of year	**356**	**383**
Share option reserve		
Balance at beginning of year	**(321)**	**(321)**
Balance at end of year	**(321)**	**(321)**
Total reserves	**35**	**62**

Nature and purpose of reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the non-US$ denominated non-monetary balances of Group Companies are recognised in the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

Share Option Reserve

Options granted/issued as share-based payments are recognised in the share option reserve.

27. Non-controlling interest

in thousands of US$	31 December 2018	31 December 2017
Non controlling interest in subsidiaries comprise		
Acquired as part of subsidiary	**3,741**	**13,995**

28. 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$	31 December 2018	31 December 2017
Financial Assets		
Cash and cash equivalents	1,716	6,612
Trade and other receivables	3,226	8,018
Other financial assets	561	1,354
Financial liabilities		
Trade and other payables	17,546	25,972
Borrowings	18,471	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 31 December 2018, the Group was exposed to foreign exchange risk though the following financial assets and liabilities denominated in currencies other than the Group's functional currency (thousands of $US).

	Argentinian Peso (ARS)	Chilean Peso (CLP)	Australian Dollar	Canadian Dollar
Financial assets				
Cash and cash equivalents	81	21	8	8
Trade and other receivables	5,310	3,915	22	23
Other financial assets	54	–	–	–
Financial liabilities				
Trade and other payables	6,236	8,554	118	43
Borrowings	128	191	–	–

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)		Effect on equity	
	12 months ended 31 December 2018	6 months ended 31 December 2017	31 December 2018	31 December 2017
10% increase in gold and silver prices	12,277	4,887	12,277	4,887
10% decrease in gold and silver prices	(12,277)	(4,887)	(12,277)	(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 16). These are classified as level 1 within the fair value hierarchy as per AASB 7 "Financial Instruments. The call option to buy a further 10% interest in Casposo (note 16) 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$	Consolidated				
	< 6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2018					
Financial liabilities					
Trade and other payables	17,544	–	2	–	17,546
Borrowings	7,374	1,572	9,525	–	18,471
Total 31 December 2018 liabilities	**24,918**	**1,572**	**9,527**	–	**36,017**
Year ended 31 December 2017					
Financial liabilities					
Trade and other payables	25,966	–	6	–	25,972
Borrowings	3,150	3,149	5,526	–	11,825
Total 31 December 2017 liabilities	**29,116**	**3,149**	**5,532**	–	**37,797**

29. Dividends

in thousands of US$	31 December 2018	31 December 2017

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

During the year ended 31 December a dividend was declared to the shareholders of Ingenieria y Minera Cachinalito Limitada. US$83k (6 months ended 31 December 2017— US$125k) corresponds to the minority interest shareholder.

30. Commitments

in thousands of US$	31 December 2018	31 December 2017
Lease commitments		
Finance lease commitments at the reporting date and recognised as liabilities, payable:		
Within one year	**2,536**	6,083
Two to five years	**7,264**	5,743
Total commitment	**9,800**	11,826
Less: Future finance charges	**(1,097)**	(683)
Net commitment recognised as liabilities	**8,703**	11,143
Representing:		
Lease liability—current	**2,036**	5,640
Lease liability—non-current	**6,617**	5,503
Operating leases not recognised as liabilities	**122**	326

To maintain legal rights to its properties, the Group pays fees for mining concessions and exploration. It anticipates that it will need to pay approximately US$0.488m during the next year to maintain legal rights to all of its properties.

31. Subsidiaries

	Country of Incorporation	31 December 2018 % owned	31 December 2017 % owned
Parent entity			
Austral Gold Limited	Australia		
Subsidiaries			
Guanaco Mining Company Limited	British Virgin Islands	**100.000**	100.000
Guanaco Compañía Minera SpA	Chile	**99.998**	99.998
Austral Gold Argentina S.A.	Argentina	**99.970**	99.970
Ingenieria y Mineria Cachinalito Limitada	Chile	**51.000**	51.000
Argentex Mining Corporation*	Canada	**100.000**	100.000
SCRN Properties Ltd.	Canada	**100.000**	100.000
Casposo Project [1]	Argentina	**70.000**	70.000

[1] The Group has power over the key operating and strategic decisions of the Casposo project and accordingly consolidates the project.

32. Parent Entity Information

in thousands of US$	31 December 2018	31 December 2017
Current assets	**39**	**1,022**
Total assets	**66,933**	**67,916**
Current liabilities	**12,552**	12,530
Total liabilities	**12,552**	12,530
Net assets	**54,381**	**55,386**
Issued capital	100,569	100,569
Accumulated losses	(45,878)	(44,900)
Reserves	(310)	(283)
Total shareholders' equity	**54,381**	**55,386**
Gain/(Loss) of the parent entity	**(978)**	**(1,056)**
Total comprehensive income/(loss) of the parent entity	**(1,005)**	**(1,033)**

Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	A*	A*
Details of any contingent liabilities of the parent entity	None	None
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	None	None

A* Austral Gold Limited is guarantor for the credit facility of US$3m between BAF and Guanaco Compañía Minera SpA.

33. Related party transactions

33.1 KMP holdings of shares and share options at 31 December 2018

- Mr Eduardo Elsztain holds 455,443,295 shares indirectly in Austral Gold Limited. (31 December 2017— 451,573,010)
- Mr Saul Zang holds 1,435,668 shares directly 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 January 2019. (31 December 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 January 2019. (31 December 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)
- Mr. Rodrigo Ramirez holds 279,514 shares directly in Austral Gold Limited. (31 December 2017—279,514)

33.2 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$	12 months ended 31 December 2018	6 months ended 31 December 2017
Short-term employment benefits	2,316	1,434
Directors fees paid	141	231
Share-based payment (note 24)	–	547
Post-employment benefits	–	322
Total	**2,457**	**2,534**

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 Group for the 12 months ended 31 December 2018 amounted to US$117,663 (6 months ended 31 December 2017: US$63,536).

33.3 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.

34. Unrecognised deferred tax assets

In certain entities of the Group, tax losses have not been recognised as deferred tax assets in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Australia	US$ '000	Expiry
Tax losses	14,096	No Expiry
Capital losses	2,277	No Expiry
Canada		
Tax losses	15,677	2019-2039

The ability of the Group to utilise Australian or Canadian tax losses will depend on the applicability and compliance with the respective Australian or Canadian tax laws regarding continuity of ownership or same or similar business tests.

35. Subsequent events

None

36. Significant accounting policies

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 5).

Set out below is an index of the significant accounting policies.

36.1	Basis of consolidation
36.2	Revenue recognition
36.3	Goods and services tax (GST)/ Value added tax (VAT)
36.4	Foreign currency translation
36.5	Mine properties
36.6	Exploration and evaluation expenditure
36.7	Property, plant and equipment
36.8	Cash and cash equivalents
36.9	Income tax
36.10	Inventories
36.11	Trade and other receivables
36.12	Trade and other payables
36.13	Interest bearing liabilities
36.14	Provisions
36.15	Leases
36.16	Impairment of non-financial assets
36.17	De-recognition of financial assets and financial liabilities
36.18	Contributed equity
36.19	Earnings per share
36.20	Borrowing costs
36.21	Employee leave benefits
36.22	Segment reporting
36.23	New, revised or amending Accounting Standards and Interpretations adopted

36.1 Basis of consolidation

A subsidiary is any entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

A list of subsidiaries is contained in note 31 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Non-controlling interests in the equity and results of the subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group.

Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Goodwill
Goodwill has arisen on the acquisition of a subsidiary, Ingenieria y Mineria Cachinalito Limitada. The recoverable amount of the goodwill arising from the Cachinalito business has been determined by including it as part of the combined Guanaco/Amancaya CGU described above.

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

36.2 Revenue Recognition
The Group has initially applied AASB 15 from 1 January 2018. Information about the Group's accounting policies related to contracts with customers is provided in Note 5. The effect of initially applying AASB 15 is also described in Note 5.

36.3 Goods and services tax (GST)/ Value added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/ VAT incurred is not recoverable from the tax authorities. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST/VAT. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

36.4 Foreign currency translation
The financial statements are presented in United States Dollars (US$), which is the Group's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into US$ using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

36.5 Mine Properties
Mines in production represent the aggregated exploration and evaluation expenditure and capitalised development costs in respect of areas of interest in which mining is ready to or has commenced. Mine development costs are deferred until commercial production commences, at which time they are depreciated on a units-of-production basis over the mineable reserves. Once production commences, further development expenditure is classified as part of the cost of production, unless substantial future economic benefits can be established.

Amortisation
Aggregated costs on productive areas are amortised over the life of the area of interest to which such costs relate on the units-of-production basis.

Deferred stripping costs
Deferred stripping costs represent certain mining costs, principally those that relate to the stripping of waste, which provides access so that future economically recoverable ore can be mined. Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the expected useful life of the identified component of the ore body.

Capitalised stripping costs are disclosed as a component of Mine Properties. Components of an ore body are determined with reference to life of mine plans and take account of factors such as the geographical separation of mining locations and/or the economic status of mine development decisions. Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs. The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected waste to ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the statement of profit or loss when the stripping ratio falls below the life of mine ratio. These are a function of the mine design and therefore any changes to the design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on reserves may also have an impact on the component ratio even though they may not impact the mine design. Changes to the life of mine plan, identified components of an ore body, stripping ratios, units of production and expected useful life are accounted for prospectively. Deferred stripping costs form part of the total investment in a cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

36.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and carried forward in the statement of financial position where rights to tenure of the area of interest are current; and one of the following conditions is met:

i. such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or

ii. exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in the area are continuing.

Expenditure relating to pre-exploration activities is written off to the profit or loss during the period in which the expenditure is incurred.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When the technical and commercial feasibility of an undeveloped mining project has been demonstrated, the project enters the construction phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into construction phase and include past exploration and evaluation costs, development drilling and other subsurface expenditure. When full commercial operation commences, the accumulated costs are transferred into Mine Properties or an appropriate class of property, plant and equipment.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the production output basis.

36.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciated amount of property, plant and equipment is recorded either on a straight-line basis or on the production output basis to the residual value of the asset over the lesser of mine life or estimated useful life of the asset.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed, except those that are included in the amount of exploration assets as an allocation of production overheads.

The depreciation rate used for fixed assets which are not used in mining production is between 10%-20%. The depreciation rate used in mining production is provided for over the life of the area of interest on a production output basis.

De-recognition and disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognised.

36.8 Cash and cash equivalents

Cash includes:

i. cash on hand and at call deposits with banks or financial institutions; and

ii. other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

36.9 Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

i. when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

ii. when the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

i. when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

ii. when the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of any deferred income tax assets recognised is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted at reporting date.

Income taxes relating to items recognised directly to equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

36.10 Inventories

Materials and supplies are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

If the ore stockpile is not expected to be processed in 12 months after reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified to periodic surveys.

Gold bullion and gold-in-process are valued at the lower of cost and net realisable value. Net realisable value is determined using the prevailing metal prices.

36.11 Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

36.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

36.13 Interest bearing liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

36.14 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

36.15 Leases

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Lease payments for operating leases, where all the risks and benefits remain with the lessor, are recognised as an expense in the profit or loss on a straight line basis over the lease term.

36.16 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell or value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or circumstances indicate that the carrying value may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

36.17 De-recognition of financial assets and financial liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

i. the rights to receive cash flows from the asset have expired; or

ii. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass- through' arrangement; or

iii. the Group has transferred its rights to receive cash flows from the asset and either;

   a. has transferred substantially all the risks and rewards of the asset; or

   b. has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Fair value through other comprehensive income
The Group's investments in equity securities are classified as 'fair value through Other Comprehensive Income'. Subsequent to initial recognition fair value through other comprehensive income investments are measured at fair value with gains or losses being recognised directly through Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

36.18 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

36.19 Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

36.20 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are attributable to qualifying assets, in which case they are then capitalised as part of the assets.

36.21 Employee leave benefits

Short-term employee benefits

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in the current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non- accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated cash outflows.

Superannuation

The Company contributes to employee superannuation funds. Contributions made by the Company are legally enforceable. Contributions are made in accordance with the requirements of the Superannuation Guarantee Legislation.

36.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

36.23 New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

37. New accounting standards and interpretations not yet mandatory or early adopted

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 consolidated 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.