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A1 CONSOLIDATED GOLD LIMITED

ACN 149 308 921

**Interim Financial Report
31 December 2015**

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DIRECTORS' REPORT

Your Directors submit the financial report of A1 Consolidated Gold Ltd (**A1 Gold** or the **Company**) for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors & Company Secretary

The names of the Directors and Company Secretary who held office during or since the end of the interim period and until the date of this report are noted below. The Directors and Company Secretary were in office for the entire period unless otherwise stated.

Dale Rogers	Chairman (non-executive)
Dennis Clark	Managing Director
Jamie Cullen	Director (non-executive)
Anthony Gray	Director (non-executive)
Dennis Wilkins	Company Secretary

Safety & Environment

There were no lost time injuries (LTI's) during the period and no reportable environmental incidents.

The Company has achieved in excess of 270,000 hours LTI free as of 31 December 2015.

Review of Operations

The Company's primary focus during the first half of the 2015-2016 financial year was continuing the development of its 100% owned A1 Gold Mine in north eastern Victoria.

Highlights achieved during the half-year are set out below

- **A1 Gold Mine Underground Mining Contract Awarded to PYBAR**

A two year underground mining contract was awarded to PYBAR, a highly experienced underground mining contractor, with staged rapid development planned.

Phase 1. Labour hire of operating and management personnel, including supply of underground mining equipment. A1 Gold's existing workforce integrated into PYBAR's team with 24/7 mining operations commenced 11 January 2016.

Phase 2. Supply of mining services, including labour and equipment on a contract basis for the ongoing development and future mining at the A1 Gold Mine.

- **\$1.0 million Equity for Services Investment**

PYBAR has agreed to invest \$1,000,000 in A1 Gold via an equity drawdown facility, with payment to be in A1 Gold shares at \$0.024 per share.

PYBAR has a strategy of selectively aligning its interests with its clients by acquiring direct equity in high quality mining operations and companies where it is to provide contract underground mining services.

Contract mining works under the equity for services agreement will fund decline development and ore access drives to allow production mining from the 1400 Stockwork Zone to commence.

- **Annual General Meeting**

At the Company's Annual General Meeting on 11 November, all resolutions detailed in the Notice of Meeting were passed on a show of hands. Resolution 4, Approval of 10% Placement Facility and Resolution 5, Approval of Financial Assistance, were Special Resolutions, and were passed with the requisite 75% majority.

- **Share Purchase Plan**

On 8 January 2016 (post-reporting period), the Company completed a Share Purchase Plan (**SPP**) which commenced in November 2015. The SPP provided eligible shareholders the opportunity to purchase up to \$15,000 worth of fully paid shares in the Company with no associated brokerage at an issue price of \$0.024 per share (capped at \$1,000,000) and was partially underwritten by Patersons Securities Limited (**Underwriter**).

The SPP raised a total of \$650,000, (\$198,500 of which was received prior to 31 December 2015) with applications from eligible shareholders for 14,666,648 shares totalling \$352,000, and 12,416,686 shortfall shares placed by the Underwriter.

Total number of SPP shares offered:	41,666,667
Number of SPP shares underwritten:	27,083,334
Number of SPP shares applied for:	14,666,648
Shortfall placed by the Underwriter:	12,416,686

9,027,778 listed options (AYCO) were issued to the Underwriter and its nominees as part consideration for the underwriting of the SPP.

A \$350,000 placement to sophisticated investors and Directors was also finalised (\$290,000 raised on 23 November 2015 and \$60,000 raised from Directors on 18 January 2016, as approved by shareholders at the Company's Annual General Meeting), bringing the total amount raised from capital raising activities to \$1,000,000.

These capital raising activities, together with the \$1,000,000 PYBAR equity for services agreement, place the Company in an excellent position to bring the A1 Gold Mine into full time production by the end of the first quarter of 2016.

- **Pre-production Mining and Processing**

Ore processed during the reporting period was sourced from the A1 Gold Mine 1460 level and Union Hill Mine 1080 level.

\$1,038,144 in revenue was received from the sale of 656.46 ounces of gold at an average price of AUD\$1,581 per ounce. Funds received were allocated to development works at the A1 Gold Mine. In accordance with accounting standards, this pre-production revenue has been offset against development expenditure.

- **A1 Gold Mine Decline Development**

Decline development at the A1 Gold Mine continued in order to gain access the 1400 Stockwork Zone. Progress was slowed early in the reporting period when several shallow dipping faults/shears were intercepted. A series of geotechnical diamond holes were drilled along the proposed path of the decline and a minor redesign completed to position the decline in the best available ground conditions.

The appointment of PYBAR as underground mining contractor, and commencement of 24/7 mining operations, will allow the Company to rapidly bring the A1 Gold Mine into full time gold production.

Under this accelerated mine plan the 1400 Stockwork Zone is expected to be intersected in the March quarter of 2016, with mining to commence shortly thereafter. Management will determine when the mine is considered to be in full production phase based upon internal criteria.

Mining is scheduled at a rate of 150,000 tpa to produce 30,000 ounces of gold per annum and resource definition drilling (funded from cash flow) is planned to extend the mine life from 3 years to beyond 6 years.

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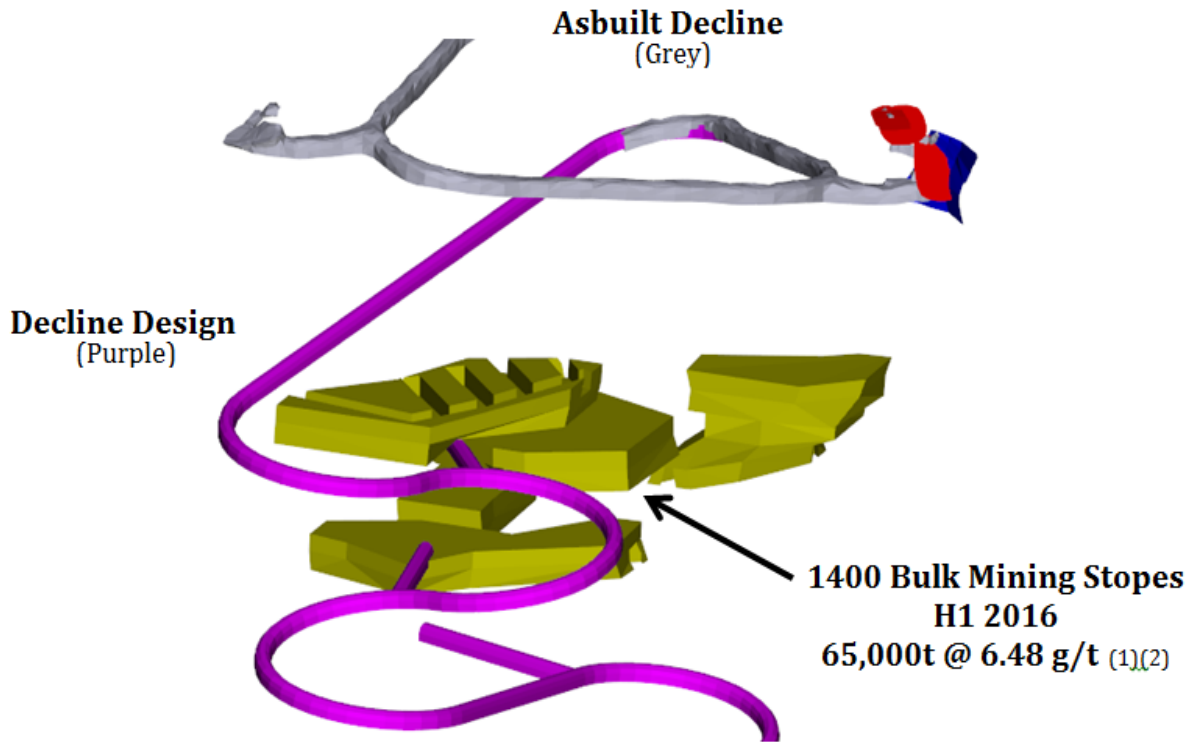


Figure 1. Isometric view of the A1 Gold Mine Decline

- (1) September Quarterly ASX Announcement 30 Oct 2015
- (2) Refer to Updated Scoping Study ASX Announcement 13 Jan 2015.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Scoping Study information referred to in this letter is based on low level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic production mining case at this stage or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised. This production target equates to 67% of the JORC Code 2012 compliant Mineral Resource Estimate between the 1420 RL and the 1310 RL and is made up of approximately 37% Indicated Mineral Resource and 63% Inferred Mineral Resource. During the critical first 2 years, 42% of production is from Indicated Mineral Resources.

• **Union Hill Mine 1080-1100 Stope**

Mining at the Union Hill Mine was on hold for most of the reporting period as the Company focussed on development and pre-production mining at the A1 Gold Mine. Some stoping was completed, with drilling of the 1080 East longhole stope. This stope, which was developed on the Eaglehawk Reef between the 1080 and 1100 levels, produced 2,065 tonnes grading 4.75 g/t Au.

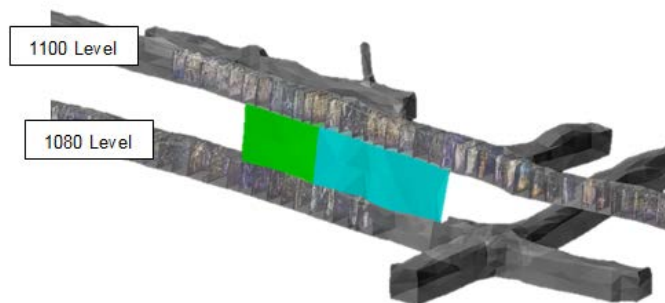


Figure 2. Eaglehawk Reef: 1080-1100 Level stoping shapes

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- **Purchase of Walhalla Mining Tenement**

Subsequent to the end of the reporting period, the Company completed the purchase of the Walhalla Mining Tenement through the issue to Orion Gold NL (**Orion**) of \$300,000 A1 Gold shares at \$0.03838 per share (see ASX Announcement dated 2 February 2016).

The Walhalla Mining Tenement overlies the Tubal Cain and Eureka gold deposits. A1 Gold views the Eureka Deposit as a medium-term mining opportunity and plans to develop and mine narrow-vein high-grade gold at this deposit to supplement ore from the A1 Gold Mine for processing at the Maldon gold processing plant.

Orion retains a 2% net smelter royalty on the sale of gold recovered from the tenement to a value of \$500,000 (with any unpaid amount becoming payable after 36 months).

The deposits have a combined Inferred Mineral Resource of **1,085,000 tonnes grading 4.93 g/t Au for 172,100 ounces** of gold¹ (Table 1).

Table 1.			
MIN 5487 - Mineral Resource Estimate (January 2014)¹			
Deposit	Inferred		
	Tonnes	Au g/t	Ounces Au
Tubal Cain	932,000	4.10	122,900
Eureka	153,000	9.90	49,200
Total	1,085,000	4.93	172,100

Note 1. Refer to Orion Gold NL (ASX: ORN) ASX Announcement dated 31 January 2014. The Company confirms that it is not aware of any new information or data that materially affects the information provided in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.

Events Subsequent to the 31 December 2015

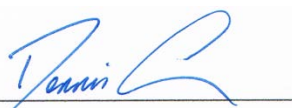
Events subsequent to the reporting period and already discussed in this report include:

- PYBAR commenced contract works at the A1 Gold Mine on 11 January 2016;
- \$650,000 was raised via a Share Purchase Plan commenced in November 2015 of which \$198,500 was received prior to the end of the reporting period and \$451,500 raised after 31 December 2015; and
- \$60,000 was raised via a share placement (the balance of \$290,000 was raised in November 2015); and
- Purchase of the Walhalla Mining Tenement was completed.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Dennis Clark
Managing Director

15 March 2016

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of A1 Consolidated Gold Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
15 March 2016

M R W Ohm
Partner

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Notes	Consolidated	
		31 December 2015	31 December 2014
		\$	\$
Revenue	2	162,923	9,951
Accounting and taxation services		(71,820)	(41,260)
Auditor's remuneration		(18,500)	(13,000)
Company secretary fees		(49,492)	(49,066)
Directors' fees		(81,300)	(59,954)
Due diligence – business acquisition		-	(109,009)
Finance costs		(15,288)	(4,523)
Impairment of development costs	5	-	(12,842,007)
Insurance expense		(109,270)	(57,865)
Loss on disposal of fixed assets		(28,074)	(80,414)
Maldon mill operating expense		(222,529)	-
Other expenses		(254,729)	(140,200)
Share based payment expense		(43,816)	-
Share registry and listing fees		(35,219)	(31,318)
Loss before income tax		(767,114)	(13,418,665)
Income tax expense		-	-
Loss for the period after income tax expense		(767,114)	(13,418,665)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(767,114)	(13,418,665)
Basic and diluted loss per share		(0.2) cents	(6.7) cents

The accompanying notes form part of these financial statements

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**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	Consolidated	
		31 December 2015	30 June 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	3	250,911	2,013,371
Trade and other receivables		81,410	131,455
Inventories		29,023	102,643
Other		79,342	165,913
Total current assets		440,686	2,413,382
Non-current assets			
Property, plant and equipment	4	7,871,896	8,254,291
Exploration, evaluation and development assets	5	24,840,388	22,018,618
Other		996,500	1,006,500
Total non-current assets		33,708,784	31,279,409
Total assets		34,149,470	33,692,791
Liabilities			
Current liabilities			
Trade and other payables		762,627	942,913
Borrowings		73,739	173,441
Provisions		179,345	159,732
Share application funds pending allotment		239,300	40,800
Total current liabilities		1,255,011	1,316,886
Non-current liabilities			
Borrowings		2,067,095	1,561,220
Provisions		1,235,358	1,050,554
Total non-current liabilities		3,302,453	2,611,774
Total liabilities		4,557,464	3,928,660
Net assets		29,592,006	29,764,131
Equity			
Issued capital	6 & 7	43,157,841	42,606,668
Reserves		5,497,421	5,453,605
Accumulated losses		(19,063,256)	(18,296,142)
Total equity		29,592,006	29,764,131

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

		Issued capital	Unissued shares	Option premium on convertible notes	Share based payment reserve	Accumulated Losses	Total equity
Notes		\$	\$	\$	\$	\$	\$
	Balance at 1 July 2014	35,279,194	-	-	2,213,682	(4,224,242)	33,268,634
	Total comprehensive loss for the period	-	-	-	-	(13,418,665)	(13,418,665)
	Shares issued during the half-year	2,200,001	-	-	-	-	2,200,001
	Share issue costs	(485,891)	-	-	-	-	(485,891)
	Share-based payment	(1,239,596)	-	-	1,239,596	-	-
	Balance at 31 December 2014	35,753,708	-	-	3,453,278	(17,642,907)	21,564,079
	Balance at 1 July 2015	42,606,668	-	66,853	5,386,752	(18,296,142)	29,764,131
	Total comprehensive loss for the period	-	-	-	-	(767,114)	(767,114)
	Shares issued during the half-year	6 290,000	-	-	-	-	290,000
	Share issue costs	6 (38,827)	-	-	-	-	(38,827)
	Shares to be issued re Walhalla acquisition	7 -	300,000	-	-	-	300,000
	Share-based payment	-	-	-	43,816	-	43,816
	Balance at 31 December 2015	42,857,841	300,000	66,853	5,430,568	(19,063,256)	29,592,006

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
	Inflow / (Outflows)	
Cash flows from operating activities		
Receipts from customers	122,750	-
Payments to suppliers and employees	(497,396)	(340,537)
Interest received	12,683	5,859
Finance costs	(8,307)	(2,461)
Net cash used in operating activities	(370,270)	(337,139)
Cash flows from investing activities		
Proceeds from sale of non-current assets	8,818	-
Purchase of non-current assets	(27,712)	(11,717)
Purchase of shares in subsidiary companies – additional costs	(55,498)	-
Exploration and evaluation expenditure	(173,322)	(135,413)
Development expenditure	(1,253,539)	(596,884)
Net cash used in investing activities	(1,501,253)	(744,014)
Cash flows from financing activities		
Proceeds from the issue of shares	290,000	1,697,295
Payment for share issue costs	(25,233)	(462,158)
Convertible note expenses	(254,502)	-
Loans from Directors and others	-	295,000
Repayment of borrowings	(99,702)	(84,937)
Share application monies received pending allotment	198,500	729
Net cash provided by financing activities	109,063	1,445,929
Net (decrease) increase in cash and cash equivalents	(1,762,460)	364,776
Cash and cash equivalents at the beginning of the period	2,013,371	232,027
Cash and cash equivalents at the end of the period	250,911	596,803

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by A1 Consolidated Gold Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year reporting period except for the reclassification of amounts described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Reclassification of comparative amounts

In preparing this half-year report, the Directors have decided to change the presentation of depreciation and employee benefits expenses in the Condensed Statement of Comprehensive Income. These items have previously been shown as separate items but are now included in the relative cost centres. This has required a change to the comparative figures.

In the comparative figures, depreciation expense of \$5,328 and employee benefits expense of \$55,018, have been reclassified to Other expenses.

The decision to reclassify both expenses was made in order to improve the information provided in the financial statements.

Going Concern

The half-year financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company incurred a loss from ordinary activities of \$767,114 for the half-year ended 31 December 2015 (2014: \$13,418,665) and net cash outflows from operating and investing activities of \$1,871,523 (2014: \$1,081,153). In addition, there is a working capital deficiency of \$814,325 as at 31 December, 2015.

The Directors are of the opinion that the Company is a going concern for the following reasons:

- The company has raised equity capital of \$451,500 through its share purchase plan and \$60,000 through its share placements since 31 December 2015
- The company has awarded a two year underground mining services contract for its A1 Gold Mine to experienced underground mining contractor PYBAR Mining Services Pty Limited (PYBAR) and mining works commenced on 11 January 2016. PYBAR is to invest \$1,000,000 in the Company via an equity for services agreement to be directed to the decline development and ore access drives to allow production from the 1400 stockworks to commence.
- These initiatives place the Company in a position to bring the A1 Gold Mine into full time production by the end of the first quarter of 2016.

The Directors anticipate that the Company will be cash flow positive from operations as a result of its gold mining activities and will enable the Company to continue as a going concern. In the event that additional funds are required, the Company will actively pursue further fundraising activities.

If the Company is unable to raise sufficient funds as noted above or from other sources, there exists a material uncertainty that may cast significant doubt whether the Company will be able to continue as a going concern and, therefore, whether it will realise its assets (especially its exploration, evaluation and development assets and its property, plant and equipment) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd****Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2015.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to accounting policies.

Significant accounting judgments and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2015 except for the following:

Treatment of pre-production revenues and expenditures

The Company is currently capitalising pre-production costs and revenues until production has reached a commercial level. Upon attainment of set operating criteria all future costs and revenues from production will be accounted for through profit or loss. The balance resulting from the pre-production phase will then be amortised on a units of production basis.

Provision for rehabilitation costs

Upon cessation of production and exploration activities, the Group will have a statutory requirement to restore disturbed sites through rehabilitation. The Group has made an estimation of the rehabilitation provision as at 31 December 2015.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a large range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operation, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charged in the income statement may change where such charges are determined by the units of production basis or where the useful economic lives of assets change;
- Overburden removal costs recorded on the statement of financial position or charged in the income statement may change due to changes in stripping ratios or the units of production basis of depreciation; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 2: REVENUE AND EXPENSES

	31 December 2015	31 December 2014
	\$	\$
a) Revenue		
Ore processing income for third parties	122,750	-
Bank interest received	21,130	5,471
Fuel tax credits received	16,265	4,480
Profit on sale of fixed assets	2,778	-
	162,923	9,951
b) Expenses		
Depreciation		
Maldon mill	36,120	-
Other expenses	4,721	5,328
	40,841	5,328
Employee entitlements		
Maldon mill	66,088	-
Other expenses	122,955	55,018
	189,043	55,018

NOTE 3 – CASH AND CASH EQUIVALENTS

	31 December 2015	30 June 2015
	\$	\$
Cash at bank	52,411	2,013,371
Restricted cash (i)	198,500	-
	250,911	2,013,371

(i) Restricted cash is funds received as subscriptions under the Share Purchase Plan and held in trust by Securities Transfer Registrars Pty Limited on behalf of the Company. The Share Purchase Plan completed on 8 January 2016.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

	31 December 2015	30 June 2015
	\$	\$
Property, plant and equipment – at cost	11,010,491	11,099,490
Accumulated depreciation	(3,138,595)	(2,845,199)
Total property, plant and equipment net carrying amount	7,871,896	8,254,291

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 4: PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Six months to 31 December 2015	Year to 30 June 2015
	\$	\$
Reconciliation of property, plant and equipment		
Carrying amount at beginning of period	8,254,291	2,013,897
Additions	27,714	16,596
Additions on acquisition of subsidiary	-	6,668,722
Disposals	(34,114)	(91,293)
Depreciation	(375,995)	(353,631)
Carrying amount at end of period	7,871,896	8,254,291

NOTE 5: EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

	Six months to 31 December 2015	Year to 30 June 2015
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,717,461	1,348,658
Acquisition costs (Walhalla)	883,501	50,000
Exploration and evaluation costs incurred during the period	112,936	318,803
Balance at end of period	2,713,898	1,717,461
Development phase – at cost		
Balance at beginning of period	20,301,157	30,137,242
Additions on acquisition of subsidiary	-	1,472,559
Development costs incurred during the period	1,210,597	1,533,363
Pre-production costs (net) capitalised (refer note 1)	614,736	-
Impairment of development costs	-	(12,842,007)
Balance at end of period	22,126,490	20,301,157
Total exploration, evaluation and development assets	24,840,388	22,018,618

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 5: EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS (Cont'd)

During the half-year ended 31 December 2014 a total impairment loss of \$12,842,007 was recognised in the statement of comprehensive income separately presented as "Impairment of development costs". The impairment loss related to the development costs of the A1 Gold Mine where the recoverable amount had been determined using the value in use methodology.

During the 2014 half-year the Company completed a Stage 1 Scoping Study of the A1 Gold Mine based on a three year mine life which contains the area of indicated mineral resource with a balance of inferred mineral resource. The results of this study were announced on 13 January 2015. Based on the Stage 1 Scoping Study the Company considers that value in use is currently better estimated using a three year period rather than a six year period of mine life previously used.

Accordingly, value in use has been estimated on the basis of discounted future cash flows of the A1 Gold Mine over a three year period with a discount rate of 12%.

The Directors believe there is additional value in the remaining inferred mineral resource but this has not been valued until the Company is better able to quantify the resource. Stage 2 mining of the remaining inferred mineral resource will be dependent upon the results from an ongoing diamond drilling program aimed at increasing the level of confidence in a portion of the inferred resource. On completion of the diamond drilling program a Stage 2 Scoping Study will be completed with a view to continuing mining for a further 3 years.

NOTE 6: ISSUED CAPITAL

	31 December 2015		30 June 2015	
	\$		\$	
Ordinary shares				
Issued and fully paid	42,857,841		42,606,668	
	Six months to 31 December 2015		Year to 30 June 2015	
	No.	\$	No.	\$
Movement in ordinary shares on issue				
Balance at beginning of period	446,356,265	42,606,668	176,683,522	35,279,194
Shares issued during the period for cash				
November 2014 – renounceable rights issue	-	-	56,576,476	1,697,295
December 2014 – exercise of listed options	-	-	17	1
January 2015 – renounceable rights issue shortfall	-	-	16,666,666	500,000
February 2015 – share placement	-	-	10,000,000	300,000
November 2015 – share placement	12,083,336	290,000	-	-
Shares issued on acquisition of shares in subsidiary companies	-	-	169,672,726	6,108,218
Shares issued in lieu of shareholder liabilities	-	-	16,756,858	502,705
Share issue costs				
Expenses paid	-	(38,827)	-	(541,149)
Share base payments relating to share issue	-	-	-	(1,239,596)
Balance at end of period	458,439,601	42,857,841	446,356,265	42,606,668

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 6: ISSUED CAPITAL (Cont'd)

	Six months to 31 December 2015	Year to 30 June 2015
	No.	No.
<i>Movement in options over ordinary shares on issue</i>		
Balance at beginning of period	232,750,389	28,666,667 *
Granted		
Listed – exercisable at 3 cents	4,027,775	223,750,406
Unlisted – exercisable at 4.5 cents	24,000,000	-
Unlisted – exercisable at 5 cents	-	9,000,000
Exercised - listed at 3 cents	-	(17)
Expired – 31 December 2014	-	(28,666,667)
Balance at end of period	260,778,164	232,750,389

*Unlisted options which were exercisable on or before 31 December 2014 as follows:

- 26,667,666 at 40 cents and 2,000,000 at 42 cents

All remaining options are exercisable on or before 30 November 2019

NOTE 7: UNISSUED SHARES

The Company entered into a binding agreement with Orion Gold NL to acquire MIN5487(Walhalla project). Part of the consideration was \$300,000 through the issue of 7,816,285 fully paid ordinary shares of 3.838 cents per share. At the reporting date these shares had not been issued and so have been shown as unissued shares. The purchase agreement was completed and the shares issued on 1 February, 2016.

NOTE 8 – FINANCIAL INSTRUMENTS

The Directors consider that the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair value.

NOTE 9: SEGMENT REPORTING

AASB 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Company that are reviewed by the chief operating decision maker (considered to be the Board of Directors) in order to allocate resources to the segment and assess its performance. The chief operating decision maker of the Company reviews internal reports prepared as financial statements and strategic decisions of the Company are determined upon analysis of these internal reports. During the period, the Company operated predominantly in one segment being the mineral exploration sector in Victoria. Accordingly, under the “management approach”, only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

NOTE 10: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 11: RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of A1 Consolidated Gold Limited and the subsidiaries listed in the following table.

	% Equity interest		Investment	
	31 December 2015 %	30 June 2015 %	31 December 2015 \$	30 June 2015 \$
Maldon Resources Pty Limited	100%	100%	6,813,410	6,813,410
Highlake Resources Pty Limited	100%	100%	48	48
Matrix Gold Pty Limited	100%	100%	23	23

A1 Consolidated Gold Limited is the ultimate Australian parent entity and ultimate parent of the Group. All subsidiaries are incorporated in Australia.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

The following table provides the total amount of transactions that were entered into with related parties for the six months to 31 December 2015 and six months to 31 December 2014. For details of the relationship of the related parties refer to the annual report for the year ended 30 June 2015.

Related party	31 December	Income from Related parties \$	Expenditure related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Director related parties					
Transactions with Directors for:					
- Salary and superannuation					
D J Clark	2015	-	144,991	-	144,654
	2014	-	144,391	-	24,486
- Directors' fees and superannuation					
Peregrine Enterprises Pty Limited (related to D Rogers – appointed 24/11/14)	2015	-	37,500	-	41,250
	2014	-	6,250	-	6,875
Kahala Holdings Pty Ltd (related to J Cullen – appointed 01/05/2015)	2015	-	25,025	-	32,120
	2014	-	-	-	-
Octagonal Resources Pty Ltd (employer of A Gray – appointed 25/06/2015)	2015	-	21,900	-	24,893
	2014	-	-	-	-
Other related parties					
A1 Consolidated Mining Pty Ltd	2015	-	6,000	-	6,000
	2014	-	15,068	-	8,183
Ashok Parekh & Co Pty Limited	2015	-	-	-	-
	2014	-	32,850	-	36,135
Goodz & Associates GMC Pty Ltd	2015	-	-	-	-
	2014	-	17,520	-	19,272
D W Corporate Pty Ltd	2015	-	63,088	-	23,587
	2014	-	228,710	-	65,536

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015****NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE**

Prior to the end of the reporting period \$198,500 was received as subscriptions for shares under the Share Purchase Plan as announced to the ASX on 20 November 2015. After the reporting period a further \$451,500 was raised making a total of \$650,000 equity capital raised from the Share Purchase Plan for which fully paid ordinary shares of \$0.024 per share have been issued. In addition, \$60,000 was raised by a share placement to the Directors. The funds raised will be used to provide additional working capital to continue development of the decline towards the 1400 Level Access Drive at the A1 Gold Mine.

The Company awarded a two year underground mining services contract for its A1 Gold Mine to experienced underground mining contractor PYBAR Mining Services (PYBAR) on 30 December 2015 and mining works commenced on 11 January 2016. Phase 1 is the rapid decline development to the stockwork zone and Phase 2 is for production mining of the A1 mine. PYBAR is to invest \$1.0 million in the Company via an equity drawdown facility whereby payment for services is to be made by the issue of fully paid ordinary shares in the Company at \$0.024 per share. For further information see ASX announcements on 30 December 2015 and 6 January 2016.

On 1 February 2016 the Company completed the agreement with Orion Gold NL for the purchase of the Walhalla Project mining tenement MIN5487 which is located in the Woods Point – Walhalla Goldfield, 150 kilometres east of Melbourne, and overlies both the Eureka and Tubal Cain goldfields. Under the agreement, staged terms included \$50,000 cash paid in August 2015 on execution of the Terms Sheet, \$300,000 paid through the issue of 7,816,285 fully paid ordinary shares on 1 February 2016 and a 2% net smelter royalty on the sale of gold recovered from the tenement to a value of \$500,000 with any unpaid amount becoming payable after 36 months. Upon the Victorian Government Department of Economic Development, Jobs, Transport and Resources (DEDJTR) issuing a recommendation in relation to the transfer of the Tenement the Company is required to replace the \$180,000 rehabilitation bond that Orion has with DEDJTR.

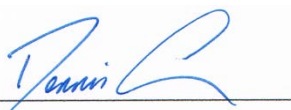
Apart from the above, no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of A1 Consolidated Gold Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Dennis Clark
Director

15 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of A1 Consolidated Gold Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of A1 Consolidated Gold Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of A1 Consolidated Gold Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the Company incurred a loss from ordinary activities of \$767,114 for the half-year ended 31 December 2015 and net cash outflows from operating and investing activities of \$1,871,523. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
15 March 2016**

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

**M R W Ohm
Partner**

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