Aurelia Metals Limited ABN 37 108 476 384

And Controlled Entities

Financial Report for the half-year ended 31 December 2018

ASX Code: AMI

Results	31-Dec-18 $'000	31-Dec-17 $'000	Percentage Increase
Revenue from ordinary activities	165,463	68,963	140%
EBITDA (i)	72,306	31,320	131%
Net Profit before income tax	**43,455**	**18,327**	137%
Net Profit after income tax	**26,409**	**18,327**	44%

Dividends

The Directors have declared no dividend for the half-year ended 31 December 2018.

Net Tangible Assets per Share	31-Dec-18	31-Dec-17
Net Tangible Assets per Share (cents/share)	24.2	6.6

Earnings per share	31-Dec-18	31-Dec-17
Basic Profit per Share (cents per share)	3.1	4.1
Diluted Profit per Share (cents per share)	3.0	3.9

This financial report has been subject to review by the Company's external auditors.
The above Statement should be read in conjunction with the accompanying financial statements and notes.

(i) EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is a non-IFRS measure

Financial Report

For the Half-Year Ended 31 December 2018

COMPANY INFORMATION

ABN 37 108 476 384

Directors
Colin Johnstone – Chairman
James Simpson – Managing Director & Chief Executive Officer
Lawrence Conway
Susan Corlett
Paul Espie
Paul Harris
Michael Menzies

Company Secretary
Timothy Churcher

Registered Office and Principal Place of Business

Aurelia Metals Limited	Telephone:	(02) 6363 5200
Level 2 60-62 McNamara St	Facsimile:	(02) 6361 4711
ORANGE NSW 2800	Email:	office@aureliametals.com.au

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Stock Exchange Listing
Aurelia Metals Limited shares are listed on the Australian Stock Exchange (ASX Code: AMI).

Auditor
Ernst and Young
200 George Street
Sydney NSW 2000

Website
www.aureliametals.com.au

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DIRECTORS' REPORT

The names of the Company's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Colin Johnstone – Chairman
James Simpson – Managing Director and Chief Executive Officer
Lawrence Conway
Susan Corlett (appointed 3 October 2018)
Paul Espie
Paul Harris (appointed 18 December 2018)
Michael Menzies
Clifford Tuck (resigned 30 September 2018)

Company Secretary: Timothy Churcher

OPERATIONS AND FINANCIAL REVIEW

1. OVERVIEW

Aurelia Metals Limited is an Australian gold, silver, lead and zinc and copper mining and exploration company. The Company operates the wholly-owned Hera and Peak gold and base metal mines, in central west New South Wales.

Key points for the half include the following:

- Steady production and strong cash-flow from the operations
- Group gold production of 71,333 oz at all-in sustaining cost (AISC) of $794/oz.
  - Peak produced 41,363 oz at AISC of $857/oz
  - Hera produced 29,970 oz at AISC of $607/oz
- Group base metal production of :
  - Copper: 2,406 tonnes metal in concentrate
  - Lead: 10,034 tonnes metal in concentrate
  - Zinc: 7,034 tonnes metal in concentrate
- Significant focus and effort at Peak with the move to contract mining (implemented on 1 February 2019)
- Continued progress on growth projects with the Peak plant upgrade, Great Cobar exploration decline and Nymagee drilling test work towards the PFS
- Renewed focus on exploration; success at Dominion (discovery of near surface copper mineralisation)
- Revenue increased by 140% to $165.463 million (2017: $68.963 million)
- Profit before tax increased by 137% to $43.455 million, due to the contribution of profit from Peak Mines in the current period
- Included in profit before tax is an unrealised loss on gold forwards of $7.075 million, driven by the significant increase in the A$gold price at period end
- With the utilisation of available tax losses in the prior year, the Company incurred a tax expense of $17.046 million relating to taxable profit generated in the current period together with a $2.640 million under provision of tax in FY18. No tax expense was recorded in the prior period.
- Profit after income tax was $26.409 million for the period (2017: $18.327 million)
- At balance date the Group had available cash of $107.999 million (30 June 2018: $66.925 million) and nil debt (30 June 2018: $0.878 million)

The improvement in Company performance relative to the prior year was significant, largely due to the contribution from Peak Mines (acquired on 10 April 2018 and not included in the prior corresponding period to 31 December 2017).

At 31 December 2018, the Company's gold forward position totalled 77,000 ounces of gold at an average deliverable price of A$1,746/oz, with deliveries scheduled late into the 2019 calendar year.

2. OPERATING AND FINANCIAL PERFORMANCE

Key Group performance metrics for the period are tabulated below.

Performance Indicators		**31-Dec-18 $'000**	**31-Dec-17 $'000**	**Variance**
Sales Revenue		165,463	68,963	140%
Profit before Income Tax		43,455	18,327	137%
Profit after Income Tax		26,409	18,327	44%
EBITDA	(a)	72,306	31,320	131%
Net Debt		-	32,190	-100%
Net Operating Cash Flow	(b)	62,480	33,968	84%
Gold production	oz	71,333	25,637	178%
Silver production	oz	246,579	84,124	193%
Copper production	t	2,406	-	100%
Lead production	t	10,034	5,303	89%
Zinc production	t	7,034	6,681	5%
Sales				
Gold dore & gold in Conc sold	oz	66,273	24,682	169%
Silver dore & Silver in Conc sold	oz	129,304	24,693	424%
Payable Copper sold	t	2,200	-	100%
Payable Lead sold	t	8,391	4,620	82%
Payable Zinc sold	t	5,223	4,580	14%
Prices				
Gold price achieved	A$/oz	1,678	1,643	2%
Silver price achieved	A$/oz	20	22	-9%
Copper price achieved	A$/t	8,305	-	-
Lead price achieved	A$/t	2,667	3,128	-15%
Zinc price achieved	A$/t	3,637	4,209	-14%
All in sustaining cost ($/oz)	$/oz	794	503	58%

(a) EBITDA (earnings before interest, tax, depreciation and amortisation) and All in sustaining cost (AISC) are non-IFRS measures and are not subject to audit.
The table below reconciles EBITDA to net profit for the period:

Profit after Income Tax	26,409	18,327
Net interest	(267)	3,214
Depreciation & Amortisation	29,119	9,779
Tax expense	17,046	-
EBITDA	72,306	31,320

(b) Net operating cashflow excludes sustaining and growth capital costs.

2.1. Peak Operations

Production at Peak Mines during the period was from three primary ore sources, Jubilee, Chronos and Peak.

A total of 253,183 tonnes of ore was mined during the period at an average grade of 4.98 g/t gold, 1.05% copper, 2.95% lead and 1.56% zinc. Mining rates were restricted by limited headings with all focus on capital development.

Throughput of 260,591 tonnes achieved gold production for the period of 41,363 oz at AISC $857/oz. Gold recovery was 97.2% with an average grade of 5.08 g/t. Base metal production for the period was 2,406 tonnes copper in concentrate and 6,078 tonnes lead in concentrate.

The site generated $92.4 million sales revenue, being 56% of the total sales revenue for the Group. Gold and silver sales accounted for approximately 60% of the sales and base metal sales accounted for 40% of the sales.

The Company has committed to an upgrade of the Peak processing plant that will allow the plant to operate up to 800,000 tonnes per annum on high-grade base metal feed unlocking the value of the Chronos lead/zinc resource. Procurement of long lead items and preparatory works pending final design parameters has been approved.

As at 1 February 2019, the Company moved to contract mining at Peak, with the appointed contractor (PYBAR) undertaking all underground development and production activity under a schedule of rates. Increasing rates of mine development and mine production are key objectives for the mining contractor.

Peak Mine	**31-Dec-18**	**31-Dec-17**
Sales Revenue ($000's)	92,405	-
Site EBITDA	46,395	-
Sustaining capital ($000's)	15,392	-
Growth capital ($000's)	2,210	-
Gold production (oz)	**41,363**	-
Silver production (oz)	165,148	
Copper production (t)	2,406	-
Lead production (t)	6,078	-
Zinc production (t)	922	-
AISC $/oz (All in sustaining cost)	**857**	-
AIC $/oz (All in cost)	**917**	

AISC & AIC are non-IFRS measures.

2.2. Hera Operations

A total of 254,915 tonnes of ore was mined during the period, at an average grade of 4.25g/t gold, 1.79% lead and 2.66% zinc. Underground mine development at Hera is being reduced in accordance with the plan and is based on achieving sufficient levels of underground mine inventories.

Hera produced 29,970 oz of gold for the period at an AISC of $607/oz and achieved an average grade of 4.08g/t and recovery of 90.7%. Throughput increased by 27% from prior year, partly due to a screen upgrade in the processing plant, and 251,725 tonnes were processed. Base metal production for the period was 3,956 tonnes lead in concentrate and 6,112 tonnes lead in concentrate.

The site generated $73.058 million sales revenue, being 44% of the total sales revenue for the Group. Total sales consisted of 67% gold and silver sales, and 33% base metals sales.

Hera Mine	**31-Dec-18**	**31-Dec-17**	**Variance**
Sales Revenue ($000's)	73,058	68,963	6%
Site EBITDA	36,815	31,320	18%
Sustaining capital ($000's)	4,301	5,813	-26%
Growth capital ($000's)	2,398	846	183%
Gold production (oz)	**29,970**	**25,637**	**17%**
Silver production (oz)	81,431	84,124	-3%
Lead production (t)	3,956	5,303	-25%
Zinc production (t)	6,112	6,681	-9%
AISC $/oz (All in sustaining cost)	**607**	**503**	**21%**
AIC $/oz (All in cost)	**690**	**537**	**28%**

AISC & AIC are non-IFRS measures.

2.3. Financial Performance

Income Statement

Revenue for the period increased by 140%, primarily due to the inclusion of Peak Mines (not owned in the prior comparative period to 31 December 2017).

Operating costs (excluding depreciation, amortisation and fair value adjustments) increased by 163% largely due to the inclusion of Peak Mines operations which accounted for $46.2 million, or 56% of the total operating costs of $82.6 million.

The Group recorded a net profit after tax of $26.409 million for the half-year ended 31 December 2018 (2017: $18.327 million).

At report date, the Company had 77,000oz gold forwards at an average price of $1,746/oz.

The Group recorded a net loss on derivatives for the period of $6.226 million comprising unrealised loss on gold forwards arising from the mark-market valuation of $7.075 million, partly offset by a gain on gold forwards and foreign currency of $0.849 million.

Taxation

The Group's current tax expense of $17.046 million comprises of prior year under provision of tax payable ($2.640 million), current period estimated tax ($14.209 million) and a decrease in the deferred tax asset ($0.197 million). All carried forward tax losses were fully utilised at 30 June 2018 and the Group, which is in a tax payable position, will commence tax payments from February 2019.

Balance Sheet

Total assets increased by $38.522 million to $305.061 million at 31 December 2018 (30 June 2018: $266.539 million). The significant increase (15%) is the result of an increase in cash of $41.074 million, and an increase in receivables and inventory of $7.343 million (combined) offset by a decrease in fixed assets of $5.513 million and financial assets of $4.742 million (refund of secured term deposit).

Mobile equipment with a written down value of $4.344 million has been reclassified at reporting date, from fixed assets to current assets held for sale. The newly appointed mining contractor has selected this equipment for purchase, and agreed a sales price. The sales price resulted in an impairment loss of $0.419 million recognised in the period.

Trade receivables has increased since 30 June 2018, as a result of two copper sales shipped late in December 2018.

Inventories increased due to high levels of metal in circuit and high lead concentrate stockpiles at Peak.

Cash flow

Net cash inflow for the period was $41.074 million and, at 31 December 2018, the Group held cash in bank of $107.999 million (30 June 2018: $66.925 million).

Operating cash inflow for the period was $62.480 million (31 December 2017: $33.968 million).

Investment cash outflows were $25.527 million relating to payments for mine development, exploration and plant capital.

A cash-backed security deposit of $4.742 million held for the environmental rehabilitation obligations was refunded to the Company during the period, and the security moved to bank guarantees.

3. SUBSEQUENT EVENTS

During late January and February 2019, there were redundancy payments of approximately $2 million arising from the restructuring at Peak with the move to contractor mining. These costs will be recorded in the second half of the current financial year to 30 June 2019.

4. CURRENCY AND ROUNDING OF AMOUNTS

All references to dollars are a reference to A$ unless otherwise stated. A$ is occasionally used for clarity.

Aurelia Metals Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial/Directors' Reports are rounded to the nearest thousand dollars, except where indicated otherwise. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

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Auditor's Independence Declaration to the Directors of Aurelia Metals Limited

As lead auditor for the review of Aurelia Metals Limited for the half year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

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

This declaration is in respect of Aurelia Metals Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
19 February 2019

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	31-Dec-18 $'000	31-Dec-17 $'000
Operating sales revenue	3(a)	165,463	68,963
Cost of sales	3(b)	(111,716)	(41,204)
Gross profit		**53,747**	**27,759**
Corporate administration expenses		(2,531)	(1,750)
Transaction costs		-	(611)
Share based expenses		(760)	(194)
Exploration and evaluation costs written off	8	(83)	(69)
Gain/(Loss) on commodity derivatives	3(c)	(6,226)	(2,809)
Other income/(expense)		(960)	(784)
Profit before interest and income tax		43,187	21,541
Finance income		647	242
Finance costs		(379)	(3,456)
Profit before income tax		43,455	18,327
Income tax expense	4(a)	(17,046)	-
Profit after income tax		**26,409**	**18,327**
Other comprehensive income		-	-
Total Comprehensive Profit for the period		26,409	18,327

<u>Earnings per share for Profit attributable to the ordinary equity holders of the parent</u>

Basic Earnings per share (cents per share)		3.1	4.1
Diluted Earnings per share (cents per share)		3.0	3.9

The above Statement should be read in conjunction with the accompanying notes.

All amounts in this Financial Report are rounded to the nearest thousand dollars, except where indicated otherwise. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

Statement of Financial Position

As at 31 December 2018

	Note	31-Dec-18 $'000	30-Jun-18 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		107,999	66,925
Trade and other receivables		9,977	5,829
Inventories		22,525	18,345
Prepayments		2,600	1,378
Assets held for sale	6	4,344	-
Financial assets	5	-	1,650
Total current assets		**147,445**	**94,127**
Non-current Assets			
Mine Properties		69,238	68,310
Property, plant and equipment	7	77,980	91,504
Exploration and Evaluation Assets	8	3,028	289
Deferred tax assets		7,290	7,487
Financial Assets	5	80	4,822
Total non-current assets		**157,616**	**172,412**
Total assets		**305,061**	**266,539**
LIABILITIES			
Current liabilities			
Trade and other payables		19,607	29,693
Current tax liabilities		17,922	1,053
Financial liabilities	5	7,075	-
Provisions	9	14,472	15,287
Borrowings		132	878
Total current liabilities		**59,207**	**46,910**
Non-current Liabilities			
Provisions	9	35,521	36,589
Total non-current liabilities		**35,521**	**36,589**
Total liabilities		**94,728**	**83,500**
Net assets/(liabilities)		**210,333**	**183,039**
EQUITY			
Share capital	10	185,878	185,753
Reserves	11	7,417	6,658
Retained earnings/(losses)		17,038	(9,371)
Total equity		**210,333**	**183,039**

The above Statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2018

	Note	Issued Share Capital $000's	Share Based Payments Reserve $000's	Accumulated Profit/(Losses) $000's	Total $000's
Balance at 1 July 2017		100,465	4,231	(108,476)	(3,780)
Total Profit/(Loss) for the period		-	-	18,327	18,327
Transactions with owners in their capacity as owners					
Shares issued for the period		21,840	-	-	21,840
Cost of share issue		(1,095)	-	-	(1,095)
Share based payments		-	194	-	194
Balance at 31 December 2017		121,210	4,425	(90,149)	35,486
Balance at 1 July 2018		185,753	6,658	(9,371)	183,040
Total Profit/(Loss) for the period		-	-	26,409	26,409
Transactions with owners in their capacity as owners					
Shares issued for the period	10	125	-	-	125
Share based payments	11	-	760	-	760
Balance at 31 December 2018		185,878	7,417	17,038	210,333

The above Statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the half-year ended 31 December 2018

	Note	31-Dec-18 $000's	31-Dec-17 $000's
Cash flows from operating activities			
Receipts from customers		160,400	67,933
Payments to suppliers and employees		(98,287)	(34,137)
Interest received		647	237
Interest paid		(280)	(65)
Net cash flows from operating activities		62,480	33,968
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4,590)	(2,930)
Proceeds from sale of property, plant and equipment		33	-
Mine capital expenditure		(18,530)	(3,834)
Exploration and evaluation costs		(2,893)	(224)
Peak Acquisition deposit		-	(3,978)
Proceeds/(settlement) of foreign exchange		771	(450)
Receipts from settlement of gold forwards		1,330	1,462
Increase in security deposits		-	(1,232)
Proceeds from sale of investments		-	180
Deferred acquisition (Hera Royalty)		(1,648)	(1,012)
		(25,527)	(12,018)
Cash flows from financing activities			
Proceeds from issue of shares	10	125	21,840
Cost of issuing shares		-	(1,095)
Repayment of Glencore borrowings		-	(25,000)
Refund of Term Deposit		4,742	-
Repayment of other borrowings		(746)	(192)
Other finance costs - withholding tax		-	(204)
		4,121	(4,651)
Net increase in cash and cash equivalents		41,074	17,299
Cash and cash equivalents at the beginning of the period		66,925	34,863
Cash and cash equivalents at end of the period		107,999	52,162

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Aurelia Metals Limited and its subsidiaries for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 18 February 2019.

Aurelia Metals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Company is a for-profit entity.

Aurelia has five wholly-owned subsidiaries, Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009), Nymagee Resources Pty Ltd (incorporated 7 November 2011), Peak Gold Asia Pacific Ltd (incorporated 26 February 2003) and Peak Gold Mines Pty Ltd (incorporated 31 October 1977). Peak Gold Asia Pacific Ltd which owns 100% of Peak Gold Mines Pty Ltd, was acquired by Defiance Resources Pty Ltd on 10 April 2018.

The current nature of the operations and principal activities of the Group are gold, copper, lead and zinc production and mineral exploration.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted by Aurelia Metals Limited are as follows:

(a) Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2018 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements at 30 June 2018.

The financial report has been prepared on a historical cost basis, except for derivative instruments, rehabilitation provisions, investments, deferred acquisition costs and assets held for sale which are measured at fair value.

The financial report is presented in Australian dollars, which is the functional currency of the Company.

(b) Compliance with IFRS

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new and amended Australian Accounting Standards and AASB interpretations from 1 July 2018 as follows:

Reference	Title	Application date of standard	Application date for Group
AASB 15	*Revenue from Contracts with Customers (i)*	1 January 2018	1 July 2018
AASB 9	*Financial Instruments (ii)*	1 January 2018	1 July 2018
AASB 2016-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (iii)*	1 January 2018	1 July 2018
AASB 22	*Foreign Currency transactions and Advance Consideration (iii)*	1 January 2018	1 July 2018

(i) ***AASB 15: Revenue from Contracts with Customers***, establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under this new standard, the revenue recognition model has changed from one based on the transfer of risk and reward of ownership to the transfer of total control. The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The effective application date of the standard for the Group was 1 July 2018, and the Group has adopted the modified retrospective approach from that date. The Group has made no adjustment to opening retained earnings, as the adjustment resulting from the application of AASB 15 and relating to the identification of the separate performance obligation for provision of freight service, at 1 July 2018 was immaterial.

The Groups revenue is derived from bullion and base metal sales:

Bullion sales: For the sale of bullion, ownership and control are passed onto the customer at delivery. The sales for the period are not impacted by the new standard.

Base metal sales: For base metal sales, the point of revenue recognition is dependent on the sales contract which is on Cost, Insurance and Freight (CIF) incoterms at the Hera mine, and on Carriage and Insurance Paid (CIP) Incoterms for the Peak mine. As the transfer of title passes to the Buyer upon date of the Holding and Title Certificate and risk passes onto the Buyer once the material has been loaded into the carrying vessel at the Load port, the timing and amount of revenue recognised for the sale of concentrate is not impacted.

AASB 15 introduces the concept of performance obligations that are defined as "distinct" promised goods or services. For current freight arrangements, the seller must contract for, and pay the costs and freight necessary to deliver the goods to the port of destination. Consequently, the freight service on export concentrate shipments represents a separate performance obligation as defined under the new standard. This means a portion of the revenue earned under these contracts, proportionate to the cost of the freight services, has been deferred and will be recognised at the time the obligation is fulfilled, that is, when the concentrate reaches its final destination. For the six months ended 31 December 2018, the amount of revenue not recognised is $0.7 million.

Management have assessed that Aurelia is acting as a principle with regards to the provision of freight services in all contracts with customers, and therefore revenue is presented gross of costs. There is no material net impact on the Group's consolidated profit for the current period, as the revenue deferred in respect of the freight performance obligation is not materially different from the cost.

New Accounting Policy – AASB 15

Revenue is recognised when control has passed to the customer, at an amount that reflects the consideration which the Group expects to be entitled in exchange for transferring goods and services to a customer. The Group is principally engaged in the business of producing gold bullion and base metal concentrate and in some instances, provides freight/shipping services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Gold and Silver Bullion Sales

Revenue from gold and silver bullion sales is recognised when control has transferred to the customer at delivery of the product, being at the respective sites' gold room.

Lead, Copper, Zinc and Silver in Concentrate Sales

Recognition of revenue from metal in concentrate sales contracts with customers is dependent upon the individual contracts for each site. Contracts with customers are on the basis of Cost, Insurance and Freight (CIF) Incoterms for the Hera mine, and on Carriage and Insurance Paid (CIP) Incoterms for the Peak mine.

The Group generates concentrate sales revenue primarily from the obligation to transfer concentrate to the customer. As the Group sells concentrate on CIF and CIP Incoterms, the freight/shipping services provided (as principal) under these contracts with customers to facilitate the sale of concentrate represent a secondary performance obligation.

Revenue is allocated between the performance obligations and recognised as each performance obligation is met, which for the primary obligation occurs when the concentrate is delivered to a vessel or location, and for the secondary obligation, if applicable, when the concentrate is delivered to the location specified by the customer. Revenue arising from the secondary obligation, if assessed as immaterial to the Group, is aggregated with the primary performance obligation for disclosure purposes.

As is industry practice, the terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is determined based on the market price prevailing at a future date (quotation period). Revenue for the primary performance obligation is measured based on the fair value of the consideration specified in a contract with the customer at the time of settling the performance obligation, and is determined by reference to forward market prices. Provisional pricing adjustments, which occur between the fair value at the time of settling the primary performance obligation and the final price, have been assessed as immaterial, and as such are recorded within revenue from concentrate sales rather than other income as would be required under AASB 9.

(ii) ***AASB 9: Financial Instruments*** replaces *AASB 139: Financial Instruments: Recognition and Measurement* for the Group from 1 July 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of AASB 9 impacts the measurement of equity instruments in respect of the Aurelia's 25% investment in Big Sky Metals Pty Ltd. This investment was recorded at cost upon initial recognition, however under AASB 9, equity instruments are required to be measured at fair value through profit or loss (FVTPL), or fair value through other comprehensive income. The Company has elected to measure the investment at fair value through profit and loss. At 31 December 2018, there is no material change in the fair value of the investment in Big Sky Metals Pty Ltd.

The Group has also changed its approach to consideration of impairment losses for financial assets, as the adoption of AASB 9 introduces a forward-looking expected credit loss (ECL) approach, replacing AASB 139's incurred loss approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. For 'Trade and other receivables', the Group has adopted the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Aurelia has not booked a provision on trade receivables as it is not considered material, based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Aurelia's trade receivables are generated from a small number of key contracts with customers, all with minimal credit risk.

The hedging element of the new Financial Instruments standard does not affect the Group, as the Group does not apply hedge accounting. However this may be subject to change as new transactions arise, so the Group will continue to monitor any further developments that may be captured by AASB 9.

New Accounting Policy – AASB 9

Financial assets and liabilities at fair value through profit or loss (FVPL) comprise derivative instruments and unquoted equity instruments.

Investments are classified as financial assets and comprise of unquoted equity instruments which the Group intends to hold for the foreseeable future. The Group elects to measure investments at either fair value through the profit and loss of fair value through other comprehensive income on an investment by investment basis.

Trade receivables comprising base metal concentrates and gold bullion awaiting settlement are initially recorded at the fair value of contracted sale proceeds expected to be received only when there has been a passing of control to the customer. Collectability of debtors is reviewed in line with a forward-looking expected credit loss (ECL) approach. The Group has adopted AASB 9's simplified approach and calculates ECL's based on lifetime expected credit losses, and takes into consideration any historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

Trade receivables (subject to provisional pricing) are exposed to future commodity price movements over the quotational period (QP) and are measured at fair value up until the date of settlement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. The QPs can range between one and three months post-shipment, and final payment is due within 30 days from the end of the QP.

(iii) *AASB 2016-5 Classification and Measurement of Share-based Payment Transactions* does not have a material impact on the Company.
AASB 22 Foreign Currency transactions and Advance Consideration does not have a material impact on the Company.

(d) Accounting standards and interpretations issued but not yet effective

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet mandatory and which have not been early adopted by the Company for the half-yearly reporting period ending 31 December 2018. The Company is the process of assessing the impact of the new standards.

Reference	**Title**	**Application date of standard**	**Application date for Group**
AASB 16	*Leases (i)*	1 January 2019	1 July 2019
AASB Interpretation 23	*Uncertainty Over Income Tax Treatments (ii)*	1 January 2019	1 July 2019

(i) ***AASB 16: Leases*** requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under current *AASB 117: Leases*. Management are currently undertaking extensive analysis of contracts, including mining, crushing, reagent and power supply contracts, which may fall within the provisions of AASB 16. In particular, the arrangements between the Company and the mining contractor, for both Peak and Hera mines, are complex and require significant judgement in assessing the implications of the new standard.

Where supplier contracts (or elements thereof) are deemed to be classified as 'leases' under AASB 16, the value of those elements will be brought onto the Balance Sheet, and the profit or loss recognition pattern will change with certain operating costs associated with current lease contracts being replaced with an interest and depreciation charge in the statement of profit or loss.

The current assessment indicates there will be a number of supplier agreements (or elements thereof) that will be brought onto the Group balance sheet as leases, and therefore the impact is expected to be material. Appropriate systems and procedures are being established to capture the necessary information from contracts within the scope of AASB 16 to enable compliance with the new standard before it becomes effective.

All other new Australian Accounting Standards that have been issued but are not yet effective are not expected to have a material impact on the group.

(ii) AASB Interpretation 23: Uncertainty over Income Tax Treatments provides new guidance on the application of AASB 112 Income Taxes in situations where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions. The Group is still in the process of assessing the impact of the standard.

3. REVENUE AND EXPENSES

Profit before income tax includes the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Group:

	31-Dec-18 $'000	31-Dec-17 $'000
(a) Operating sales revenue		
Gold	111,489	40,587
Copper	17,031	-
Lead	25,538	14,598
Zinc	8,913	13,244
Silver	2,492	535
Total operating sales revenue	165,463	68,964

Note: Copper, lead and zinc concentrate sales are stated net of smelter treatment charges

	31-Dec-18 $'000	31-Dec-17 $'000
(b) Cost of sales		
Site production costs	75,365	28,326
Transport and refining	5,958	3,231
Royalties	5,397	1,855
Inventory movement	(4,123)	(1,966)
	82,598	31,446
Depreciation and amortisation	29,119	9,758
Total cost of sales	111,716	41,204
(c) Gain/(Loss) on commodity derivatives		
Gain/(Loss) on foreign exchange	771	(2,238)
Realised and unrealised loss on gold forward contracts	(6,935)	(364)
Other	(62)	(207)
Total Gain/(loss) on commodity derivatives	(6,226)	(2,809)

4. INCOME TAX

a) Income Tax Expense	31-Dec-18 $'000	31-Dec-17 $'000
Current tax on profits for the period	14,209	5,498
Under provision of previous year tax	2,640	-
Deferred tax movement for the period	197	-
Utilisation of previously unrecognised tax losses	-	(5,498)
Income tax expense reported in the income statement	17,046	-
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax	43,455	18,327
Tax at the Australian tax rate of 30%	13,036	5,498
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments and other non-assessable items	228	194
Under provision of previous year tax	2,640	-
Utilisation of previously unrecognised tax losses	-	(5,692)
Other	1,142	-
Income tax expense	17,046	-

5. FINANCIAL ASSETS/(LIABILITIES)

	31-Dec-18	30-Jun-18
Current	**$'000**	**$'000**
Gold Forward Contracts	(7,075)	1,650
	(7,075)	1,650
Non-current		
Term Deposits	-	4,742
Investment in Blue Sky Metals (Pty) Ltd	80	80
	80	4,822

6. ASSETS HELD FOR SALE

	31-Dec-18	30-Jun-18
	$'000	**$'000**
Assets held for sale	4,344	-

As announced on 27 December 2018, Peak Mines will move to contractor mining. The Contractor has agreed to purchase selected mobile equipment, at an agreed sales price and the transaction will complete within twelve months. The assets have been classified as current assets held for sale. The proceeds of the sale are expected to be less than the net carrying amount of the relevant assets and, accordingly an impairment loss of $0.419 million has been recognised in other income and expenses.

7. PROPERTY, PLANT AND EQUIPMENT

	31-Dec-18	30-Jun-18
	$'000	**$'000**
Property, plant and equipment at cost	125,584	129,434
Accumulated depreciation and impairment	(47,604)	(37,931)
Total property, plant and equipment	77,980	91,504
<u>Movement in Property, Plant & Equipment</u>		
Carrying value at the beginning of the year	91,504	44,796
Additions acquired from business combination	-	55,611
Additions/expenditure during the year	3,500	8,076
Assets scrapped/written off	(877)	(1,132)
Disposals of assets	(164)	(44)
Reclassified as assets for sale	(4,763)	
Reclassified to mine properties	(911)	(1,163)
Depreciation for the year	(10,309)	(14,640)
Closing balance	77,980	91,504

8. EXPLORATION AND EVALUATION ASSETS

		31-Dec-18	30-Jun-18
		$'000	$'000
Opening balance		289	1,581
Expenditure during the year		2,735	800
Expenditure written off during the year		(83)	(679)
Reclassification of Security deposits	(i)	87	(1,365)
Disposal of assets		-	(48)
Closing balance		3,028	289

The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

(i) Security deposits on EL's included in financial assets at 30 June 18

9. PROVISIONS

		31-Dec-18	30-Jun-18
Current		**$'000**	**$'000**
Rehabilitation	(i)	607	761
Deferred acquisition costs	(ii)	2,805	3,428
Employee		9,872	11,098
Other		1,188	-
Total		14,472	15,287

		31-Dec-18	30-Jun-18
Non-current		**$'000**	**$'000**
Rehabilitation	(i)	31,581	31,904
Deferred acquisition costs	(ii)	3,367	4,432
Employee		572	253
Total		35,521	36,589

(i) Rehabilitation provision represents the present value of the estimated future rehabilitation cost relating to the mine sites. Timing of rehabilitation will depend on when the mine ceases to produce at economically viable rates. The Group has a Letter of Credit Facility with Investec, in an aggregate amount of $30 million, which covers the Group Rehabilitation provision ($25 million for Peak, and $5 million for Hera). Of the total available facility, Letters of Credit with an aggregate amount of $26.7M have been drawn. At 31 December 2018, there was no cash-backing requirement over the drawn Letters of Credit.

(ii) Deferred acquisition costs relate to Hera (CBH Royalty), and are valued at fair value by using the discounted cash flow methodology using a discount rate of 1.88%

10. SHARE CAPITAL

31-Dec-18		**Date**	**Number**	**$'000**
Opening balance		1-Jul-18	855,879,333	185,753
Issue of shares	(i)	18-Sep-18	10,000,000	125
Issue of shares	(ii)	30-Oct-18	2,000,000	-
Cost of share issue			-	-
Closing balance		31-Dec-18	867,879,333	185,878

30-Jun-18	Date	Number	$'000
Opening balance	1-Jul-17	430,858,188	100,465
Issue of shares	27-Nov-17	104,000,000	21,840
Issue of shares	12-Jan-18	58,077,506	12,196
Issue of shares	15-Jan-18	262,943,639	55,218
Cost of share issue			(3,967)
Closing balance	30-Jun-18	855,879,333	185,753

(i) Exercise of 10,000,000 options, exercisable at 1.25c/share by Pacific Road Capital Management Pty Ltd. There are no remaining options on issue.

(ii) Vesting of employee performance rights.

11. RESERVES

	31-Dec-18	**30-Jun-18**
	$'000	**$'000**
Opening balance	6,658	4,231
Share based payment expense	760	2,427
Closing balance	7,417	6,658

12. EXPENDITURE COMMITMENT

At 31 December 2018, the Group had commitments of $8.185 million from normal business operations (30 June 2018: $2.220 million), of which $2.996 million relates to annual exploration/mining lease minimum annual expenditures (30 June 2018: $1.213 million).

13. OPERATING SEGMENTS

13.1 Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates entirely in the industry of exploration for and development of minerals in Australia. The operating segments are identified by management based on the size of the exploration tenement. The reportable segments are split between the Hera – Nymagee project, Peak Mines project (acquired 10 April 18), and all other tenements (Corporate). Financial information about each of these segments is reported to the Managing Director and Board of Directors on a monthly basis.

Corporate office activities are not allocated to operating segments and form part of the reconciliation to net loss after tax.

13.2 Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in Note 2A to the accounts. The following items are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- Interest and other income
- Share based payment expense
- Gain/ (Loss) recorded on the sale of financial assets, investment revaluations, debt restructuring, foreign exchange and commodity derivative transactions.

13.3 Profit/(Loss) of reportable segments

	Peak Mines $000's	Hera-Nymagee project $000's	Total $000's
Half- year to 31 December 2018			
Revenue	92,405	73,058	165,463
Site EBITDA	46,395	36,815	83,210
Reconciliation of Profit/(Loss) after income tax expense			
Depreciation and amortisation			(29,119)
Corporate costs			(2,539)
Interest, finance and other charges			(379)
Share based expenses			(760)
Exploration costs expensed			(83)
Interest received			647
Gain/(Loss) on foreign exchange, hedging and derivatives			(6,226)
Other expenses			(1,297)
Income tax expense			(17,046)
Profit after Tax			26,409

	Peak Mines $'000	Hera-Nymagee project $'000	Total $'000
Half- year to 31 December 2017			
Revenue	-	68,963	68,963
Site EBITDA	-	37,601	37,601
Reconciliation of Profit/(Loss) after income tax expense			
Depreciation and amortisation			(9,779)
Corporate costs			(2,424)
Interest, finance and other charges			(3,456)
Share based expenses			(194)
Exploration costs expensed			(69)
Interest received			242
Gain/(Loss) on foreign exchange, hedging and derivatives			(2,809)
Other expenses			(784)
Profit after Tax			18,327

13.4 Asset and Liability position of reportable segments

	Peak $000's	Hera-Nymagee project $000's	Corporate $000's	Total $000's
Segment assets at 31 December 2018				
Total assets	185,997	74,782	44,282	305,061
Total liabilities	(49,756)	(21,280)	(23,692)	(94,728)
Segment assets at 30 June 2018				
Total assets	147,197	84,075	35,267	266,538
Total liabilities	52,909	23,312	7,279	83,500

13.5 Fair Value

a) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. The following financial instruments are carried at fair value in the Statement of Financial Position, and measured at fair value through profit or loss.

31-Dec-18 Assets	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Assets held for sale	-	4,344	-
Investment in Blue Sky Metals	-	80	-
Liabilities			
Gold Forwards	7,075	-	
Deferred Acquisition Costs	-	-	6,171
30-Jun-18	**Level 1**	**Level 2**	**Level 3**
Assets	**$'000**	**$'000**	**$'000**
Gold Forwards	1,650	-	-
Investment in Blue Sky Metals	-	80	-
Term Deposits	4,742	-	-
Liabilities			
Deferred Acquisition Costs	-	-	7,860

During the current reporting period, there were no transfers between level 1 and level 2 fair value measurements. The techniques and inputs used to value the financial assets and liabilities are as follows:

- Assets held for sale – valued at fair value, which in this case is the agreed sales price.
- Gold Forward Contracts – marked-to-market value based on spot gold prices at balance date and future delivery prices and volumes, as provided by hedge counterparty.
- Term Deposits – Face value of cash deposits
- Deferred acquisition costs – revalued each period to fair value by using the discounted cash flow methodology. Inputs include forecast gravity gold production applicable to the royalty of 125,000 ounces. Future royalty revenue is estimated using an assumed future average gold price of A$1605/oz. The discount rate used was 1.88%.

14. RELATED PARTY TRANSACTIONS

Directors fees in the amount of $54,750 were paid to Lazy 7 Pty Ltd, a company of which Colin Johnstone is a Director, for services provided during the period (2017: $54,750).

Directors fees in the amount of $35,587 were paid to Kilorin Pty Ltd, a company of which Mike Menzies is a Director, for services provided during the period (2017: $35,587).

Directors fees in the amount of $17,794 were paid to Pacific Road Capital Management Pty Ltd, a company of which Paul Espie is a Director, for services provided during the period (2017: $35,587).

15. CONTINGENT LIABILITIES

At the date of this report the Group was unaware of any material claims, actual or contemplated.

- Guarantees

The Group has provided bank guarantees in favour of various government authorities with respect to site rehabilitation and at 31 December 2018, the total of these guarantees was $26.7 million (30 June 2018: $21.2 million).

16. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The balance of the Company's franking account is $19 million (30 June 2018: $19 million).

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The financial statements and accompanying notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  (i) Giving a true and fair view of the consolidated entity's financial position as at Balance Sheet date and of its performance for the period ended on that date; and
  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
(b) 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 made in accordance with a resolution of the Directors.

Colin Johnstone

Non-Executive Chairman

19 February 2019

Building a better
working world

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Independent Auditor's Review Report to the Members of Aurelia Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial 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*.

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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2018 and its consolidated financial 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 Group, 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*.

Ernst & Young

Scott Jarrett
Partner
Sydney
19 February 2019