2019

aurelia METALS Ltd.

AURELIA METALS LTD
ANNUAL REPORT

COMPANY INFORMATION

COMPANY INFORMATION

ABN 37 108 476 384

Directors

Colin Johnstone, Executive Chairman & Interim Chief Executive Officer

Lawrence Conway

Susan Corlett

Paul Espie AO

Paul Harris

Michael Menzies

Company Secretary

Timothy Churcher

Gillian Nairn

Registered office and principal place of business

Aurelia Metals Limited

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Share register

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Australian Securities Exchange

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

Auditors

Ernst and Young

200 George Street

SYDNEY NSW 2000

Website

www.aureliametals.com.au

Corporate Governance

A copy of the Company's Corporate Governance Statement is located on the Company's website:

http://aureliametals.com/about/corporate-governance

CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Aurelia Metals, I am pleased to present the 2019 Annual Report for the Company.

The past year has been one of significant consolidation for Aurelia, following the highly successful acquisition of Peak Mines in 2018. The focus this year has been firmly on optimising our operations and delivering a sound footing for long-term success.

Safe production is a core value of everything we do. Whilst we have made significant progress in the year, I believe that we can do better. We will continue to focus on this value and will always seek ongoing improvement.

Aurelia delivered another strong set of operating and financial results in 2019, with gold production increasing 21% to 117,521 ounces from a full year contribution of Peak Mines. This was delivered at a robust group All-In-Sustaining-Cost (AISC) of A$1,045 per ounce. It was also the second consecutive year for Aurelia in which both EBITDA and Net Operating Cashflow exceeded A$100 million.

The result of this was that our cash balance increased by 56% to over A$104 million at balance date, and the business remained debt free. I am proud to say that this financial performance and balance sheet strength enabled us to declare a maiden, fully-franked dividend of 2.0c per share. This dividend payment reflected a significant payout ratio of approximately 50% of net profit and net cash generation in 2019.

We are also focussed on investing in the future. To enhance our ability to treat high-grade base metal ores we are investing approximately A$53 million in a major upgrade of the processing circuit at Peak Mines. Completion and commissioning of this plant upgrade in the first half of calendar 2020 is expected to unlock a step-jump in lead-zinc production capacity going forward. We are also investing heavily in underground development to make up for historical underspend in this regard and allow us to access additional high margin ore sources, including the decision to accelerate access to the high-grade Kairos deposit (previously known as Peak Deeps) over the coming year.

Exploration success has been another important driver over the last year. Our drilling efforts have yielded significant new discoveries including the Federation and Athena systems in the Hera region, and the Kairos and Upper Chronos extensions in the Peak near-mine area. These results indicate the prospectivity of our landholdings and the capability of our geological team. In recognition of the substantial value that can be added through judicious investment in exploration, we have approved a A$15 million near-mine and regional exploration budget for the coming year.

As part of a senior leadership transition undertaken at Aurelia, Mr Jim Simpson stepped down from his role as Aurelia's Managing Director and CEO in May 2019. I would like to express my gratitude to Jim for the significant contribution he made to Aurelia and its shareholders over the past three years.

It was with great pleasure that we recently announced the appointment of Mr Dan Clifford as our new Managing Director and CEO. Following a global search process that yielded a high calibre pool of candidates, Dan was the clear standout. His professional background and career achievements to date leave him well placed to deliver for Aurelia and its shareholders over the coming years. I would also like to welcome Mr Peter Trout to the Company. Peter was recently appointed to the role of Chief Operating Officer and brings a wealth of underground mining and base metal experience to our business.

I would like to take this opportunity to thank the entire team of talented and dedicated people at Aurelia. I have had the pleasure of observing close hand your commitment to our business and all its stakeholders – it is second to none. Our thanks also go to the Cobar community for their support during the year, we look forward to a long and mutually beneficial relationship over the coming years. To our contract partners and consultants also, thank you for your significant contribution to the ongoing success of Aurelia. Finally, a special thanks to Paul Espie who retires at this year's AGM after 6 years as a Director. Paul, as a representative of Pacific Road Capital, played a significant role in the formation of Aurelia and their support was crucial to our ongoing success. I wish him well in his future endeavours.

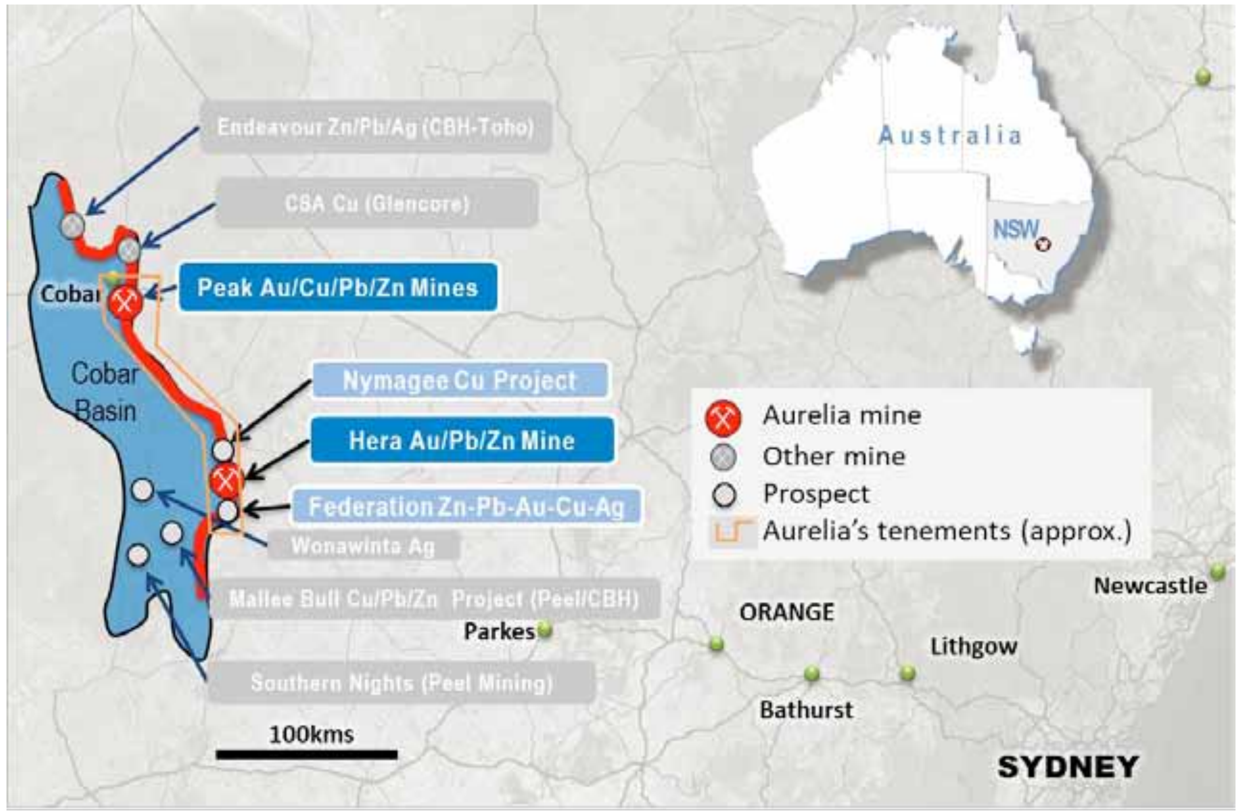
Finally, to our shareholders, thank you for your continued support and trust in Aurelia, its assets and its people.

Cobb Johnstone

Executive Chairman and Interim Chief Executive Officer

OPERATIONS REVIEW

Aurelia operates two gold, silver, lead, zinc and copper mines at Peak and Hera. The Company also holds a dominant land position along the eastern margin of the highly prospective Cobar Basin of central New South Wales.



The Company's strategic focus is a mining-for-value approach and can be summarised as:

1) Optimise existing operations

- Increase underground development rates and complete the Pb/Zn circuit upgrade at Peak
- Focus on mine life extensions and operational efficiencies at Hera

2) Focus on returns

- Focus on operating margin over volume or commodity preference
- Accelerate access to higher margin material in FY21

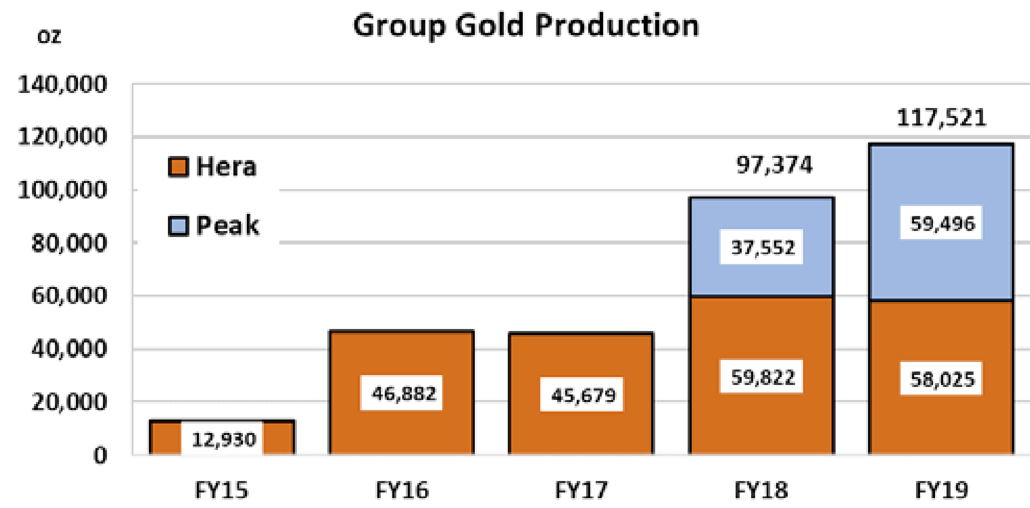
3) Leverage extensive UG and surface infrastructure

- Focus on targeted near-mine exploration
- Identify new high-NSR material; and
- Extend asset operating lives

4) Unlock exceptional prospectivity

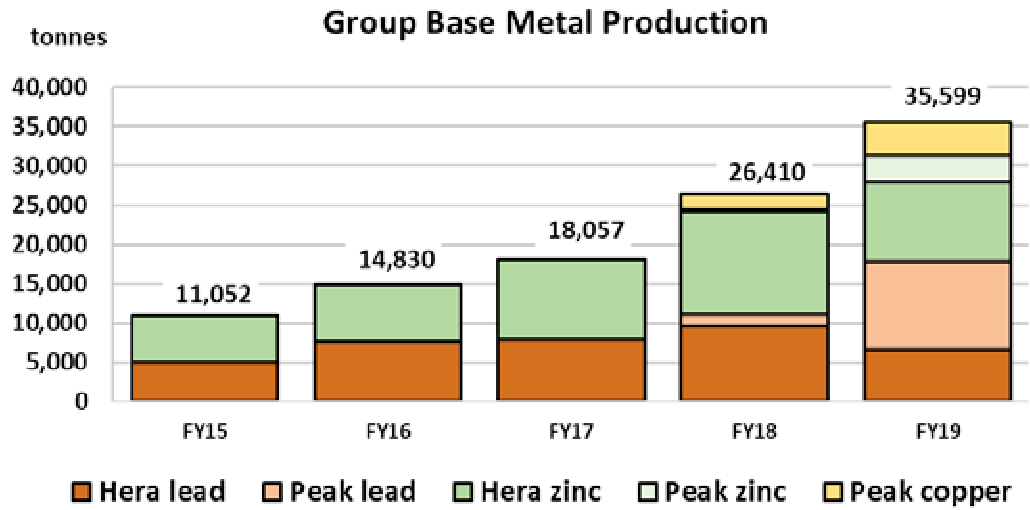
- regional exploration to deliver the next major mine

During the year, the Group produced 117,521 oz of gold at an AISC/oz of $1,045/oz, representing a 21% increase in production on the prior year but at a higher unit cost (FY18 gold production of 97,374 oz at $509/oz). Hera contributed 58,025 oz at an AISC/oz of $809/oz and Peak was 59,496 oz at an AISC/oz of $1,143/oz.



Copper production was 4,267 tonnes (a 117% increase on the prior year), Lead production was 17,847 t (a 60% increase on the prior year) and Zinc production was 13,485 t (a 2% increase on the prior year).

Revenue increased by 19% to $295.0 million with approximately 70% from precious metals and 30% base metals. EBITDA was $103.1 million (2018: $136.7 million) and Net profit after tax was $36.0 million (2018: $99.1 million).



Hera Mine

Hera had a strong year despite reduced metal grades. Countering reduced grade, the operation achieved a 15% increase in throughput levels, relative to the prior year, and an increase in gold recovery to 90.9%. The AISC increased largely due to the reduced gold head grade but also due to reduced by-product credits, from lower base metal production and lower base metal prices.

Mining at Hera has shifted focus from lateral mine development to ore stoping, with the primary challenge being to closely manage operating costs during this transition.

Hera's future is a declining gold grade (subject to further exploration success) countered by increased lead and zinc grades. Operating costs are planned to reduce along with a reduction in the amount of sustaining capital required.

The key performance metrics for the Hera Mine are tabulated below:

Hera Mine	FY19	FY18	Variance
Ore processed (kt)	468,358	407,131	15%
Gold grade g/t	4.2	5.1	(17)%
Silver grade g/t	10.9	13.4	(19)%
Lead grade %	1.6%	2.6%	(38)%
Zinc grade %	2.4%	3.6%	(33)%
Gold Recovery %	90.9%	89.4%	2%
Silver Recovery %	83.6%	88.2%	(5)%
Lead Recovery %	85.5%	89.5%	(4)%
Zinc Recovery %	89.0%	89.8%	(1)%
Gold production (oz)	**58,025**	**59,822**	**(3)%**
Silver production (oz)	145,554	154,645	(6)%
Lead production (t)	6,599	9,609	(31)%
Zinc production (t)	10,129	13,031	(22)%
AISC $/oz (All in sustaining cost)	**809**	**430**	**(88%)**

Peak Mine

Peak delivered 59,496 oz of gold at an AISC of $1,143/oz. The significant increase in AISC was largely the result of a 52% decrease in gold head grades, with the transition during the year from the very high gold grade Chronos zone into lower gold, higher base metal Chronos mineralisation.

Process throughout rates during the year were restricted due to the processing of high-grade gold and lead Chronos mineralisation, but also due to limitation on available ore sources during the year.

To resolve ore availability and to provide access to higher grade stoping areas, there is a significant focus on increasing underground development rates. To assist with increased mine development, the operational focus was on successfully transitioning the mine to contractor-operated strategy from 1 February 2019.

The site also commenced a large-scale upgrade of the processing circuit to enable the production of separate lead and zinc concentrates from the processing of high grade lead zinc ores at throughput rates of up to 800,000 tpa. This major upgrade, forecast to cost $53 million, with $38 million to be invested during the next financial year, is planned for completion in the March 2020 quarter.

The key performance metrics for the Peak Mine are tabulated below. Note that FY18 includes performance from the date of acquisition only (10 April 2018 to 30 June 2018).

Peak Mine	FY19	FY18	Variance
Ore Processed (kt)	452,501	135,345	234%
Gold grade g/t	4.2	8.8	(52)%
Silver grade g/t	23.1	25.7	(10)%
Copper grade %	1.0%	1.6%	(38)%
Lead grade %	3.1%	1.5%	107%
Zinc grade %	1.7%	0.6%	183%
Silver Recovery %	79.8%	75.9%	5%
Copper Recovery %	92.5%	93.1%	(1)%
Lead Recovery %	81.1%	76.2%	6%
Zinc Recovery %	44.8%	29.6%	51%
Gold production (oz)	**59,496**	**37,552**	**58%**
Silver production (oz)	268,224	84,815	216%
Copper production (t)	4,267	1,968	117%
Lead production (t)	11,248	1,551	625%
Zinc production (t)	3,356	251	1,237%
AISC $/oz (All In Sustaining Cost)	**1,143**	**517**	**(121%)**

Nymagee Project

During the year, the Nymagee Pre-feasibility Study was deferred based on metallurgical testwork which indicated a reduction in economically recoverable resource tonnes (ASX release 4 June 2019). The Company may rescope the project on the basis of the reduction in tonnes and the potential impact of any future exploration success. Should future exploration increase resources significantly, the development potential of Nymagee may be revisited.

DISCOVERY

1 Exploration

The Company accelerated exploration activity during the year with a total investment of $6.8 million. Exploration included underground drilling at the Peak and Hera mines and significant near mine and regional surface exploration in the broader Hera region.

This work has delivered new high grade discoveries at the Kairos lode immediately below the existing Peak workings, and at the Federation Prospect 10 kilometres south of the Hera mine.

1.1 Kairos Discovery (Peak Mine)

A zone of high grade gold and base metal mineralisation was discovered below the existing Peak Mine workings (ASX release on 16 April 2019, Peak Mine Exploration Update). The association of strong lead and zinc mineralisation with high grade gold suggests a similarity with the high grade Chronos lode. Drilling returned a number of exceptional intercepts, including:

- **16 metres at 71.6g/t Au, 8.5% Pb+Zn, 14g/t Ag & 0.6% Cu** (UD18PP1523)
- **23 metres at 25.9g/t Au, 33.2% Pb+Zn, 40g/t Ag & 1.8% Cu** (UD18PP1528)
- **14 metres at 42.9g/t Au, 13.4% Pb+Zn, 15g/t Ag & 0.5% Cu** (UD18PP1532)

Mineralisation is currently open in multiple directions (see Figure 1), as evidenced by the recent discovery of high grade copper mineralisation 150 metres below the currently defined Kairos lode. Underground mine development to Kairos is planned to allow mine access and to provide addition drill platforms.

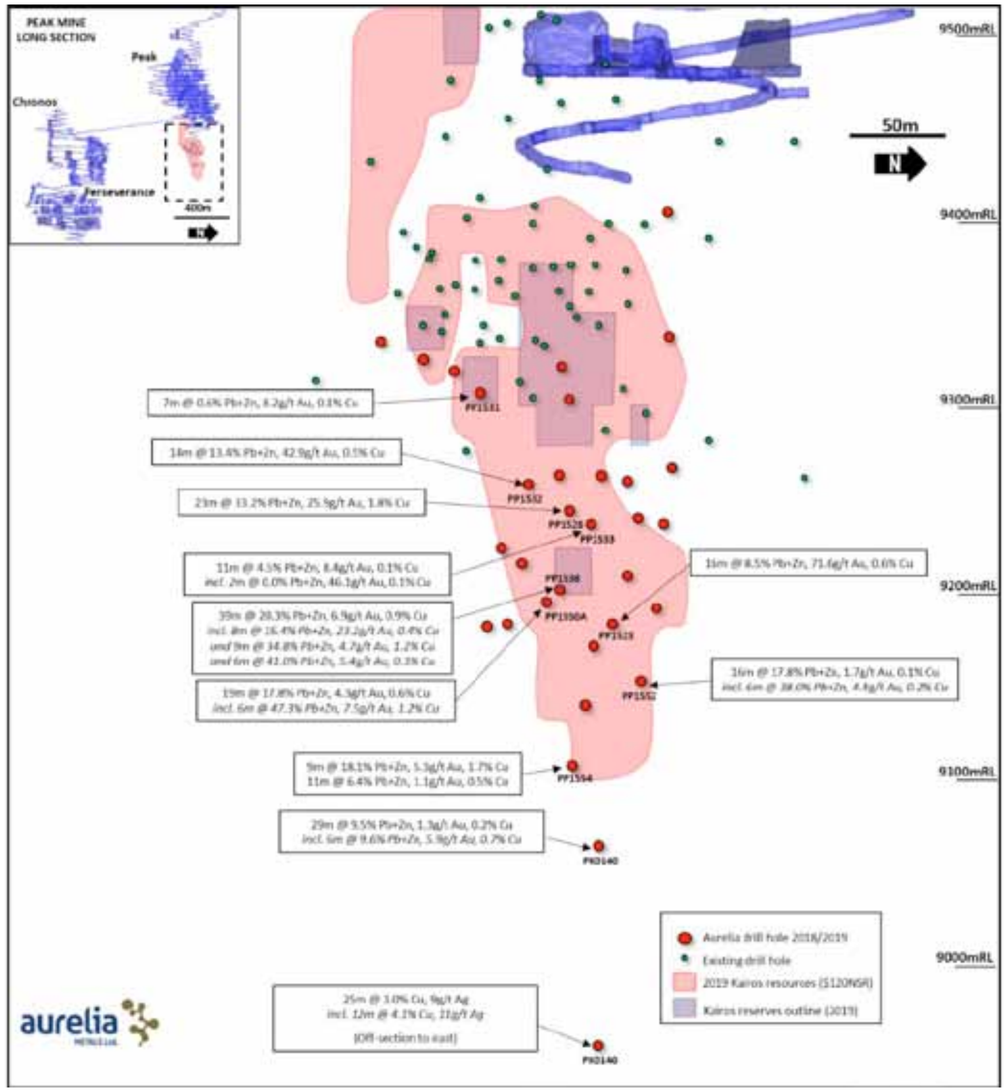


Figure 1. Long section showing selected intercepts from drilling at the Kairos lode.

1.2 Federation Discovery (10 km south of the Hera mine)

In early May 2019, the Company announced the discovery of high-grade base metal mineralisation at the Federation prospect, 10 kilometres south-southwest of the Hera Mine (ASX release 6 May 2019). The discovery followed the identification of coincident induced polarisation (IP) chargeability and conductivity anomalies at the site, which also hosted strong gold and lead soil anomalism. Six of the initial eight initial RC holes drilled at Federation returned high grade lead and zinc (±gold) intercepts, with the best including:

- **5 metres at 22.6% Pb+Zn, 3.07g/t Au & 13g/t Ag** (FRC010)
- **6 metres at 21.1% Pb+Zn, 0.33g/t Au & 7g/t Ag** (FRC012)
- **4 metres at 23.4% Pb+Zn, 0.28g/t Au & 15g/t Ag** (FRC008)

The initial drilling at Federation was followed up with deeper diamond drilling program (ASX release 26 June 2019). Drill hole FRCD019 returned extensive mineralisation and included an intercept of **26 metre at 16.4% Pb+Zn & 0.3% Cu**, including **11.5 metres at 31.1% Pb+Zn & 0.2% Cu** (Figure 2). The drilling extended the high grade mineralisation at least 500 metres below the surface. Further high grade mineralisation at depth has also been reported since the end of the financial year.

To date mineralisation at Federation has been established over a strike length exceeding 300 metres and extends to at least 550 metres below surface. The mineralisation is open in multiple directions, including at depth, with significant drilling and evaluation continuing.

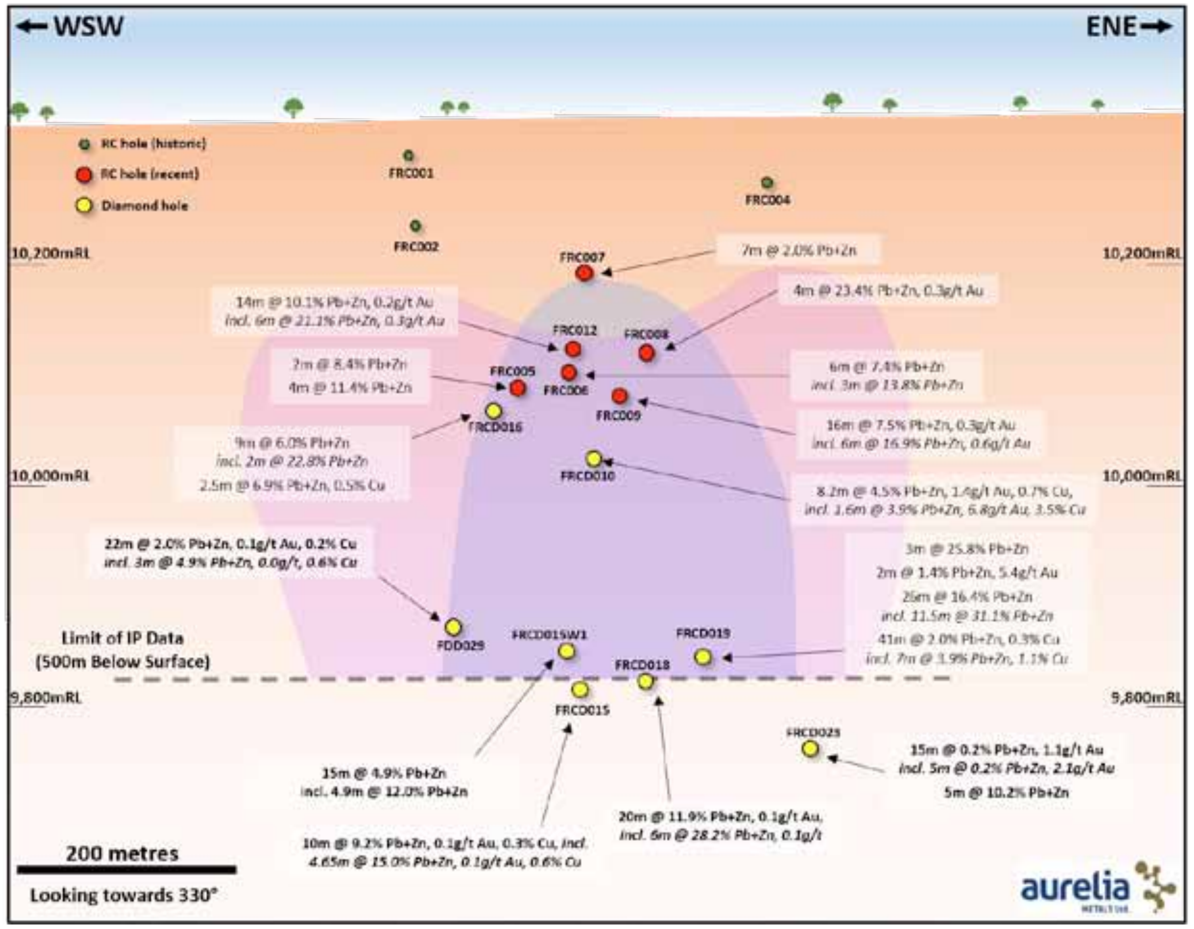


Figure 2. Long section looking towards 330° (NNW) showing the modelled 3D IP chargeability and conductivity anomalies at Federation with drilling to date.

1.3 Dominion Discovery (south of the Hera mine)

In October 2019, the Company announced the discovery of broad zones of oxide and transitional base metal mineralisation at the Dominion prospect, one kilometre southeast of the Federation discovery (ASX release 22 October 2018). After visible gold was identified in gossanous outcrop at Dominion, an initial program of 15 relatively shallow RC drill holes were completed with best intercepts including:

- ***17 metres at 3.9% Cu, 5.5% Pb+Zn, 26g/t Ag & 0.46g/t Au*** (DRC017)
- ***6 metres at 7.5% Cu, 5.2% Pb+Zn, 47 g/t Ag & 0.52g/t Au*** (DRC015)

A follow-up diamond and RC program was completed in early 2019 and returned the first significant sulphide mineralisation at Dominion (ASX release 6 May 2019), including **5 metres at 2.8% Cu** (DRC029), **5 metres at 2.2% Cu** (DRC030). The mineralisation at Dominion is open in multiple directions, including at depth, with additional exploration planned for the coming year.

1.4 Extension drilling

- Chronos lode at the Peak Mine

Underground drilling above the Chronos lode successfully extended the lode at least 100 metres above the current resource (ASX release on 27 May 2019). Many of the holes drilled in the upper Chronos program intercepted high to very high grade lead and zinc mineralisation with lower gold, including:

- **24 metres at 29.6% Pb+Zn, 0.4g/t Au & 44g/t Ag** (UD19PV1712)
- **23 metres at 27.3% Pb+Zn, 0.2g/t Au & 46g/t Ag** (UD19PV1715)

The upper Chronos area remains open up-dip with further underground drilling planned during the coming year.

- North Pod at the Hera mine

In February 2019 the Company announced the results of underground drilling in the upper portions of the North Pod at Hera, confirming that high grade mineralisation extended beyond the existing resources (ASX release 28 February 2019). Significant intercepts from this drilling included:

- **7 metres at 45.1% Pb+Zn, 229g/t Ag & 0.3g/t Au** (HRUD642)
- **17 metres at 4.5% Pb+Zn, 19g/t Ag & 5.3g/t Au** (HRUD632)
- **12 metres at 23.1% Pb+Zn, 106g/t Ag & 0.6g/t Au** (HRUD627)

The North Pod mineralisation remains open up-dip. Additional development has been planned to allow access to the newly defined mineralisation, including additional drill platforms to test for further extensions.

1.5 Other targets

- Main Southeast (Hera mine)

Surface drilling immediately to the south of the Hera Mine in the Main Southeast area intercepted encouraging base metal intercepts (ASX release 12 June 2019), with the best 23 metres at 7.3% Pb+Zn, including 8 metres at 14.5% Pb+Zn in HRD065W1. The Company is currently reviewing the results from the Main Southeast area for the potential to add to Hera's existing resource base.

- Athena (southeast of the Hera mine)

Shallow gold mineralisation has been intercepted during reconnaissance RC drilling at the Athena prospect 2.5 kilometres southeast of the Hera Mine (ASX release 12 June 2019). Hole ATR006 returned 6 metres at 1.7g/t Au from 86 metres and 5 metres at 6.2g/t Au from 112 metres down hole. Follow-up work at the prospect will continue into the coming year.

MINERAL RESOURCE AND ORE RESERVE STATEMENT

On the 19 July 2019, Aurelia provided an update via ASX Market Announcement for the Mineral Resources Estimate and Ore Reserves Estimate for its 100 % owned Hera, Nymagee and Peak Gold base metals mines, in Central West NSW.

Group Resource Estimate

Table 1*. Aurelia Group Mineral Resource Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Measured	2,896	215	1.8	0.9	1.3	1.9	15
Indicated	9,769	217	1.3	1.3	1.3	1.6	15
Inferred	5,055	207	1.3	1.6	0.6	0.9	8
Total Resources	**17,720**	**214**	**1.4**	**1.3**	**1.1**	**1.5**	**13**

Note: The Aurelia Group Mineral Resource Estimate utilises A$120/tonne NSR cut-off mineable shapes that include internal dilution. Net smelter return (NSR) is an estimate of the net recoverable value per tonne including offsite costs, payables, royalties and metal recoveries. Tonnage estimates have been rounded to nearest 1,000 tonnes.

Group Reserve Estimate

Table 2*. Aurelia Group Ore Reserve Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Proved	376	181	1.2	1.7	0.3	0.6	11
Probable	4,034	227	2.0	0.6	2.4	3.0	23
Total Reserves	**4,410**	**223**	**1.9**	**0.7**	**2.2**	**2.8**	**22**

Note: When comparing Mineral Resources to Ore Reserves, it should be noted that Ore Reserves are estimated using lower metals price assumptions and higher NSR cut-off values. The Ore Reserve Estimate utilises an A$150/tonne NSR cut-off for Peak, Perseverance, Great Cobar and an A$130/tonne NSR for Chesney, New Cobar, Jubilee and the Hera Mine. Metal price assumptions are contained in the body of this report. Tonnage estimates have been rounded to nearest 1,000 tonnes.

MINERAL RESOURCE ESTIMATES

Table 3. *Peak Gold Mines Mineral Resource Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Measured	1,919	204	1.7	1.3	0.6	0.7	11
Indicated	7,402	219	1.6	1.3	1.1	1.3	10
Inferred	4,889	207	1.3	1.6	0.5	0.8	7
Total	**14,210**	**213**	**1.5**	**1.4**	**0.9**	**1.1**	**9**

Note: The Peak Gold Mines Mineral Resource Estimate utilises A$120/tonne NSR cut-off mineable shapes that include internal dilution. Tonnage estimates have been rounded to nearest 1,000 tonnes.

Table 4. *Hera Mine Mineral Resource Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (g/t)
Measured	977	238	2.2	2.8	4.2	23
Indicated	957	216	1.4	2.9	4.4	44
Inferred	126	215	2.3	1.6	2.8	39
Total	**2,061**	**227**	**1.8**	**2.8**	**4.2**	**34**

Note: The Hera Mine Mineral Resource Estimate utilises A$120/tonne NSR cut-off mineable shapes that include internal dilution. Tonnage estimates have been rounded to nearest 1,000 tonnes.

Table 5. *Nymagee Project Mineral Resource Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Indicated	1,410	207	2.3	0.8	1.5	18
Inferred	40	131	1.6	0.2	0.5	10
Total	**1,450**	**205**	**2.2**	**0.8**	**1.4**	**18**

Note: The Nymagee Project Mineral Resource Estimate utilises A$120/tonne NSR cut-off mineable shapes that include internal dilution. Tonnage estimates have been rounded to nearest 1,000 tonnes.

ORE RESERVE ESTIMATES

The Ore Reserve Estimate is derived from only the Measured and Indicated categories within the Mineral Resource Estimate.

Table 6*. Peak Gold Mines Ore Reserve Estimate as at 30 June 2019*

Class	Tonnes (kt)	NSR (A$/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Proved	376	181	1.2	1.7	0.3	0.6	11
Probable	2,458	232	2.1	1.0	2.0	2.1	16
Total	**2,834**	**225**	**2.0**	**1.1**	**1.8**	**1.9**	**15**

Note: The Peak Gold Mines Ore Reserve Estimate utilises an A$150/tonne NSR cut-off for Peak, Perseverance, Great Cobar and an A$130/tonne NSR for Chesney, New Cobar and Jubilee. Tonnage estimates have been rounded to the nearest 1,000 tonnes.

Table 7. *Hera Mine Ore Reserve Estimate as at 30 June 2019*

Class	Tonnes (Kt)	NSR (A$/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (g/t)
Proved	0	0	0	0	0	0
Probable	1,577	218	1.9	3.0	4.5	34
Total	**1,577**	**218**	**1.9**	**3.0**	**4.5**	**34**

Note: The Hera Mine Ore Reserve Estimate utilises an A$130/tonne NSR cut-off. Tonnage estimates have been rounded to the nearest 1,000 tonnes.

COMPETENT PERSONS STATEMENT

Hera Mineral Resource Estimate

Compilation of the drilling database, assay validation and geological interpretations for the Mineral Resource update were completed by Adam McKinnon, BSc (Hons), PhD, MAusIMM, who is a full time employee of Aurelia Metals Limited. The Mineral Resource estimate has been prepared by Rupert Osborn, BSc, MSc, MAIG, who is an employee of H&S Consultants Pty Ltd. Both Dr McKinnon and Mr Osborn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr McKinnon and Mr Osborn consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Hera Ore Reserve Estimate

The Ore Reserve Estimate was compiled by Givemore Kamupita, Senior Mining Engineer at Hera Mine. Mr Kamupita has worked at polymetallic mines including Olympic Dam. He has also worked at KCGM and several mines in Africa. Mr Kamupita is a mining engineer with a BE Mining Eng. obtained at the University of Newcastle Upon Tyne (UK), MSc Mining Engineering (UNSW), Master of Business Administration (UNISA) and is completing a Masters in Geostatistics with Adelaide University. Mr Kamupita has worked in underground hard rock mines since 1984 with 35 years' experience.

Mr Kamupita has sufficient experience which is relevant to the style of mineralisation, type of deposit and mining method under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kamupita is a member of the AusIMM with whom he recently completed a Professional Certificate JORC Code Reporting course and also holds both NSW and WA Underground Mining Engineering Manager Certificates.

Anthony Allman, from ANTCIA Consulting Pty Ltd, has assisted Hera Mine in the preparation of the stope designs, mine designs, sensitivity analysis and scheduling of the 2019 Hera Mine Ore Reserve Estimate. Mr Allman is a mining engineer with a BE Min Eng. obtained at the University of NSW and has worked in underground hard rock mines for nearly 30 years. Mr Allman is a Chartered Professional and member of the AusIMM. The Ore Reserve Estimate was produced by Mr Kamupita, who is site based, with assistance from Mr Allman.

Peak Mineral Resource Estimate

Compilation of the drilling database, assay validation and geological interpretations for the Mineral Resource update were completed by Chris Powell, BSc, MAusIMM, who is a full time employee of Aurelia Metals Limited. The Mineral Resource estimate has been prepared by Chris Powell and Arnold van der Heyden, who is the Director of H & S Consultants Pty Ltd. Both Mr Powell and Mr van der Heyden have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Powell and Mr Van der Heyden consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Peak Ore Reserve Estimate

The Ore Reserves were compiled by Brett Fowler, who is a full time employee of Peak Gold Mines Pty Ltd. Mr Fowler has over +30 years' experience in both underground hard rock and surface mines since 1983 and has worked at underground operations including Nifty Copper Mine, Otter Juan, Coronet, Miitel and Mariners Nickel mines and Higginsville Gold Mine and Kalgoorlie Consolidated Gold Mine in Western Australia. Mr Fowler is a dual qualified mining engineer and mining geologist with a Graduate Diploma (Mining) and a Bachelor of Applied Science (Mining Geology) obtained at Curtin University (WA School of Mines) and also holds a Graduate Diploma in Computing (Murdoch University) and Masters of Business Administration (Curtin University).

Mr Fowler has sufficient experience which is relevant to the style of mineralisation, type of deposit and mining method under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fowler is a member of the AusIMM and also holds a WA First Class Mine Managers Certificate of Competency and a NSW Practising Certificate Engineering Manager Underground Mines.

Anthony Allman, from ANTCIA Consulting Pty Ltd, has assisted Peak Gold Mines in the preparation of the stope designs, mine designs, sensitivity analysis and scheduling of the 2019 Peak Gold Mines Ore Reserve Estimate. Mr Allman is a mining engineer with a BE Min Eng. obtained at the University of NSW and has worked in underground hard rock mines for nearly 30 years. Mr Allman is a Chartered Professional and member of the AusIMM. The Ore Reserve Estimate was produced by Mr Fowler, who is site based, with assistance from Mr Allman.

Nymagee Mineral Resource Estimate

Compilation of the drilling database, assay validation and geological interpretations for the Mineral Resource update were completed by Adam McKinnon, BSc (Hons), PhD, MAusIMM, who is a full time employee of Aurelia Metals Limited. The Mineral Resource estimate has been prepared by Arnold van der Heyden, BSc, MAusIMM (CPGeo), MAIG, who is an employee of H&S Consultants Pty Ltd. Both Dr McKinnon and Mr van der Heyden have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr McKinnon and Mr van der Heyden consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

SAFETY, ENVIRONMENT AND COMMUNITY

The Company prioritises health and safety, being environmentally responsible and supporting our communities. Operating responsibly protects our employees, the communities in which we operate and supports the long-term success of our Company.

1. Health and Safety

The health, safety and wellbeing of our employees and contractors is of paramount importance to us and we believe that every injury is preventable and that no task is so important that it cannot be done safely.

Over the reporting period, significant improvement in safety has been achieved at Hera through working with the mining contractor to improve the focus on safe systems of work, improved controls and increased reporting of lead safety indicators.

The recorded safety performance at Peak reduced in the year largely due to initial training and competency issues associated with the introduction of contract mining workforce. To improve performance, there has been a renewed focus on workplace hazard reporting and action plans, fatigue management, increased visible safety leadership, improved communication channels between the contractor and site management and root cause analysis of all reportable incidents.

TRIFR (Total Recordable Injury Frequency Rate)	FY18	FY19
Hera	16.5	5.4
Peak	8.9	14.9
Group	**11.4**	**11.5**

TRIFR - Total Recordable Injury Frequency Rate is the number of injuries per million hrs worked. Injuries are defined as all incidents requiring professional medical treatment (restricted duties and lost time injuries).

The Company provides all employees with free and anonymous access to an Employee Assistance Program which provides the services of trained counsellors and is also a proud sponsor of the Cobar Men's Shed, which supports mental health in the Cobar district.

Emergency Response

As part of our preparedness for Emergency Response, specific processes and procedures have been reviewed and established and our management teams and emergency responders are provided with training. The Company tested the adequacy of these procedures during the reporting period.

Training extends to collaborating with industry through competition. Subsequent to the end of the reporting period, the Company participated in the Underground Mine Emergency Response Competition in West Wyalong. The Company's Emergency Response Team received a number of awards including overall scenario winner for Fire and Rescue, Road Crash Rescue, Best Captain, Best Medic and Best Squad Person. Continual effort is applied in ensuring the Company's emergency response procedures and preparedness are appropriate.

2. Environment

The Company seeks to minimise the environmental impacts of our operating activities. Efficient and responsible use of water has been a critical management issue during the past year.

Efficient Water Management

As a direct result of the ongoing drought affecting large parts of NSW, in particular our local communities at Nymagee and Cobar, water management remains a key issue. The Company has been actively working with local councils and water authorities to implement water saving initiatives at its operations. The Company has successfully reduced its water consumption and continues to work with the community on potential solutions for town water supplies.

In order to support responsible water use, the following modifications to development consent have been submitted to the Department of Planning, Industry and Environment have been applied for:

(i) proposals to harvest groundwater from historic mines at Hera (Nymagee) and Peak (Great Cobar), with the benefit of lower reliance on bore water (Hera) and reliance on water allocations from WaterNSW (Peak); and

(ii) A proposal at Hera to construct a water dam adjacent to the tailing's storage facility, to improve water recycling from the tailing's storage facility.

Review of Environmental Factors

A Review of Environmental Factors was submitted to the Resources Regulator to allow for further exploration of Great Cobar, an undeveloped project at the Peak Mine. The application includes:

(i) a proposed exploration decline from New Cobar to Great Cobar to allow for further exploration drilling and extraction of a bulk ore sample for metallurgical test work. The application has been approved by the Resources Regulator. An outstanding water licencing approval is required from the Natural Resources Access Regulator prior to works commencing.
(ii) The Company has identified several zones of mineralisation near the New Cobar mine which may be economically viable (Gladstone and Great Cobar). The Company has commenced the development consent process to allow access to these areas. Development consent, which will involve the production of an Environmental Impact Statement, which details the environmental impacts and mitigation measures, is likely to take several years. Community feedback, from the consultation phase of the consent process, has been incorporated into the proposed plans.

Environmental Compliance

The Company is subject to environmental regulations through various licences and approvals issued by several regulatory bodies including: Department of Planning, Industry and Environment; NSW Environmental Protection Authority; Cobar Shire Council; and the Resources Regulator. The Company strives to maintain compliance to all regulatory licences and approvals through regular environmental monitoring. Environmental incidents are reported to the various regulatory bodies without delay. There were two cases of significant non-compliances to these licences during the reporting period:

- The Hera Mine process water dam polyurethane liner was breached resulting in a loss of process water from the dam. The process water was contained within the disturbance footprint and did not discharge to the external environment. The liner has since been repaired and the dam reinstated;
- The Peak Mine discharged mine water outside of compliance with licence conditions. This was an administrative issue with the environmental licence and Peak Mine has provided all information requested by the NSW Environmental Protection Authority. The mine water was being discharged to a licenced facility designed to capture water and did not discharge to the environment.

3. Community

The Company recognises the importance of supporting local communities. Over the past year, active engagement with the Cobar and Nymagee communities has increased based on a relationship of transparency. Local issues and concerns are actively considered in the management of the business. Features of the approach include:

- Building sustaining relationships through local employment, engagement in community activities and supporting local community organisations, clubs and events;
- Being transparent with the communities and government authorities through prompt and transparent reporting of environmental issues;
- The establishment of the community liaison committee at Peak and the ongoing operation of the community committee at Hera; and
- Engaging the local community in the decision-making process associated with ongoing and proposed operations.

In this reporting period, donations of approximately $200,000 were made to various local events and clubs including:

- The Nymagee Christmas Tree celebration; The Cobar Grey Mardi Gras; The Nymagee Gymkhana; The Nymagee Cricket Club; A Night for our Farmers; The Bill Brennen Centre; The Cobar Public School P & C for purchase of new play equipment; the Hermidale Primary School's new Yarning Circle (outdoor learning classroom) and Cobar Men's Shed.

Community events that were supported included:

- The Annual Nymagee Flower Show; The Nymagee Progress Association meetings; The Cobar Tourism Committee; The Cobar Peaks of Colour Fun Run; The Great Cobar Business Awards; Cobar Festival of the Miners Ghost and The Science and Engineering Outback Challenge.

DIRECTORS' REPORT

The following report is submitted in respect of the results of Aurelia Metals Limited ('Aurelia' or 'the Company') and its subsidiaries, together the consolidated group ('Group'), for the financial year ended 30 June 2019, together with the state of affairs of the Group as at that date.

1. DIRECTORS AND OFFICERS

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Colin Johnstone
Executive Chairman and Acting Chief Executive Officer

Mr Johnstone is a mining engineer with extensive experience operating mines in Australia, Asia, Africa and Canada. He held the position of Chief Operating Officer for African copper miner Equinox Minerals until its acquisition by Barrick Gold in mid-2011, and Chief Operating Officer for China-focussed gold miner Sino Gold Mining until its acquisition by Eldorado in late 2009

Mr Johnstone's career spans more than 30 years and he has served as General Manager of some of Australia's largest mines including the Kalgoorlie Super Pit in Western Australia, Olympic Dam in South Australia and Northparkes in New South Wales. He is currently a Non-Executive Director of Evolution Mining (ASX: EVN), Australia's second largest gold mining company.

Mr Johnstone was appointed as a Director and Chairman of the Company on 28 November 2016.

Due to the departure of the Company's former Managing Director and CEO, Mr Johnstone assumed an interim role in an executive capacity as Executive Chairman and Acting CEO from 1 May 2019.

Lawrence Conway
Independent Non-Executive Director

Mr Conway has more than 29 years' experience in the resources sector across a diverse range of commercial, financial and operational activities. He has held a mix of corporate and operational commercial roles within Australia, Papua New Guinea and Chile with Evolution Mining, Newcrest and BHP Billiton.

Mr Conway is currently Evolution Mining's Finance Director and Chief Financial Officer (ASX: EVN). Mr Conway was appointed as a Director of the Company on 1 June 2017.

Susan Corlett
Independent Non-Executive Director

Ms Corlett is a geologist with 25 years' experience in all facets of exploration and mine production. She was most recently an Investment Director for global mining private equity fund, Pacific Road Capital Ltd and worked in mining credit risk management and project finance for Standard Bank Limited, Deustche Bank and Macquarie Bank. Ms Corlett has a Bachelor of Science (Hons. Geology) from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and a member of the AusIMM.

Ms Corlett has served on ASX and TSX listed mining company boards and is currently a Trustee of the Australian Institute of Mining and Metallurgy (AusIMM) Education Endowment Fund, a Director of The Foundation for National Parks and Wildlife (Chair of Risk and Audit), a Director of The David Burgess Foundation and a Non-executive Director of Iluka Resources Ltd (ASX: ILU).

Ms Corlett was appointed as a Director of the Company on 3 October 2018.

Paul Espie
Independent Non-Executive Director

Mr Espie was the founding principal of Pacific Road Capital, a private equity fund manager in the resources sector. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003); prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Previously manager of Bank of America operations in Australia and Chairman of the Australian Infrastructure Fund. Mr Espie is a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund, a Director of the Menzies Research Centre and Chairman of Empire Energy Limited (ASX:EEG).

Mr Espie was appointed as a Director of the Company on 10 December 2013.

1. DIRECTORS AND OFFICERS (CONTINUED)

Paul Harris
Independent Non-Executive Director and Lead Independent Director

Mr Harris has more than 26 years' experience in financial markets and investment banking, including advising mining corporates on strategy, mergers and acquisitions, and capital markets, including as Managing Director - Head of Metals and Mining at Citi. Mr Harris has a Master of Engineering (Mining) and a Bachelor of Commerce (Finance) and is a graduate of the Australian Institute of Company Directors.

Mr Harris is the non-executive Chairman of Aeon Metals Limited (ASX: AML).

Mr Harris was appointed as a Director of the Company on 17 December 2018 and appointed, during the leadership transition phase associated with the departure of the former Managing Director & CEO, as Lead Independent Director from 1 May 2019.

Michael Menzies
Executive Director & Acting Chief Operating Officer

Mr Menzies is a law graduate who has over 35 years of experience in a variety of industrial, operational and managerial roles within the mining industry in Australia and off- shore, in base metals, gold, mineral sands and coal. He has worked with Renison Goldfields, CRA Limited and MIM Holdings where he was Executive General Manager Mining. Following a period employed in Private Equity in project evaluation and investment advice, in recent times Mr Menzies has been engaged in mining consultancy work primarily consulting to Glencore. Mr Menzies is a former Director of Australian Mines and Metals Association and former Vice-President of the Queensland Mining Council.

Mr Menzies was appointed as a Director of the Company on 15 December 2015. He was previously a Director of the Company from 26 March 2013 to 26 June 2015.

Due to the departure of the Company's former Managing Director and CEO, Mr Menzies assumed an interim role in an executive capacity as Executive Director and Acting Chief Operating Officer from 1 May 2019.

Timothy Churcher
Chief Financial Officer and Company Secretary

Mr Churcher is a senior finance professional with over 30 years' experience in the mining industry in a range of financial and technical disciplines.

His finance experience includes roles as Chief Financial Officer of Evolution Mining Limited and Chief Financial Officer & Company Secretary of Unity Mining Limited. Prior to this, Tim was employed in private equity investment with Renaissance Capital Limited and prior to that in stockbroking with Goldman Sachs (formerly JB Were & Son Limited). He is an Associate of CPA Australia and has a Masters degree from Imperial College London and an MBA from the Cranfield School of Management in the UK.

Mr Churcher was appointed as the Company's Chief Financial Officer on 30 September 2014 and was appointed as Company Secretary on 20 December 2016.

Gillian Nairn
Company Secretary

Ms Nairn has over 20 years legal and governance experience in various listed and public companies, as well as in private practice.

Ms Nairn is an employee of Company Matters Pty Ltd, a company secretarial service provider. Prior to joining Company Matters, Ms Nairn held various company secretarial roles, predominantly with listed entities, in a variety of sectors including manufacturing, oil and gas, professional services and education.

Ms Nairn holds a Bachelor of Laws and a Bachelor of Arts, a Graduate Diploma in Applied Corporate Governance and is an Associate of the Governance Institute of Australia and a member of the Law Society of NSW.

Ms Nairn was appointed as a Company Secretary on 3 June 2019.

1. DIRECTORS AND OFFICERS (CONTINUED)

Directors and Officers who no longer held office at the end of the year are as follows:

James Simpson (resigned)
Managing Director and Chief Executive Officer

Mr Simpson is a Mining Engineer with over 30 years' experience, specialising in underground metalliferous mining.

Mr Simpson was appointed as Managing Director of the Company on 1 August 2016 and appointed as Chief Executive Officer on 1 September 2016. Mr Simpson ceased as Chief Executive Officer on 1 May 2019 and resigned as a Director on 22 May 2019.

Clifford Tuck (resigned)
Non- Executive Director

Mr Tuck is a corporate and transactional lawyer, and governance professional, with more than fifteen years' experience in the resources sector.

Mr Tuck was appointed as a Director of the Company on 24 May 2018 and resigned on 30 September 2018.

2. DIRECTORS' INTERESTS

At 30 June 2019 the interests of the Directors in the shares and other equity securities of the Company were:

Directors	Ordinary Shares	Options	Performance Rights
Johnstone,Colin	1,000,001	-	-
Conway,Lawrence	171,429	-	-
Corlett, Susan	33,731	-	-
Espie, Paul	150,000	-	-
Harris, Paul	-	-	-
Menzies, Michael	633,929	-	-
Total	1,989,090	-	-

3. MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings		Committees of the Board: Audit		Committees of the Board: Remuneration & Nomination	
	(i)	(ii)	(i)	(ii)	(i)	(ii)
Colin Johnstone	12	12	4	4	3	3
James Simpson	7	10	-	-	-	-
Lawrence Conway	11	12	4	4	-	-
Susan Corlett	10	10	2	2	1	1
Paul Espie	12	12	-	-	4	4
Paul Harris	7	7	-	-	1	1
Michael Menzies	12	12	-	-	3	3
Clifford Tuck	2	2	2	2	-	-

(i) Attended - Number of Meetings attended

(ii) Eligible - Number of Meetings held which were eligible to be attended

The members of the Board's Committees at 30 June 2019 are:

Audit Committee: Lawrence Conway, Susan Corlett, Paul Harris
Remuneration & Nomination Committee: Paul Espie, Susan Corlett, Paul Harris

4. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In Summary, the Deed provides for access to corporate records for each Director for a period after ceasing to hold office in the Company; the provision of Directors and Officers Liability Insurance; and Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

Except for the above the Company has not otherwise, during or since the financial year, except to the amount permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

5. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditor as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the auditor during or since the financial year.

6. DIVIDENDS

Since year end, the Directors have recommended the payment of a maiden fully franked dividend of 2.0 cents per fully paid ordinary share (30 June 2018: Nil). The aggregate amount of the proposed dividend is expected to be paid on 2 October 2019.

7. CORPORATE STRUCTURE

Aurelia Metals Limited is a company limited by shares that is incorporated and domiciled in Australia. 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 31 October 1977) and Peak Gold Mines Pty Ltd (incorporated 26 February 2003).

8. SHARE OPTIONS

As at the date of this report, there are no issued share options. Unlisted options which were exercised during the year are set out below:

Grant Date	Expiry Date	Exercise Price/Share	Balance at start of year	Granted during the year	Exercised during the year	Expired during the year	Balance at year end
30-11-15	28-09-20	1.25 cents	10,000,000	-	(10,000,000)	-	-
Total			**10,000,000**	**-**	**(10,000,000)**	**-**	**-**
Weighted average exercise price			1.25 cents		1.25 cents		

9. PERFORMANCE RIGHTS

As at the date of this report, there were 9,197,171 unissued ordinary shares subject to Performance Rights. The Performance Rights are unlisted and have terms as set out below:

Grant Date	Expiry or Test Date	Exercise Price	Balance at start of year	Granted during the year	Vested during the year	Expired during the year	Balance at year end
28-11-16	30-06-18	nil	2,000,000	-	(2,000,000)	-	-
28-11-16	30-06-19	nil	2,250,000	-	-	-	2,250,000
28-11-16	30-06-20	nil	2,250,000	-	-	-	2,250,000
04-12-18	30-06-20	nil	-	2,041,875	-	-	2,041,875
04-12-18	30-06-21	nil	-	2,655,296	-	-	2,655,296
Total			**6,500,000**	**4,697,171**	**(2,000,000)**	**-**	**9,197,171**

9. PERFORMANCE RIGHTS (CONTINUED)

The performance rights have various share price and operational performance measures. Refer to the Remuneration Report for further details. No performance right holder has any right under the performance right to participate in any other share issue of the Company or any other entity.

A total of 2,250,000 Performance Rights listed above were tested at 30 June 2019 and 92% were vested after balance date. The vesting event will be recorded in the next reporting period.

Of the issued but untested Performance Rights, a total of 4,041,964 Performance Rights are held by the former Managing Director & CEO. As part of the termination agreement with the executive, the Board has agreed to exercise its discretion under the Performance Plan Rules and waive all performance conditions on these Performance Rights. The Performance Rights will vest into shares upon the resignation of the executive from the Company, on 31 August 2019. Of the shares issued, upon the vesting of the Performance Rights, a total of 2,541,964 shares will have an agreed 12 month holding lock from 31 August 2019 to prevent trading of these securities by the executive.

10. FUTURE DEVELOPMENTS

Refer to the Operations and Financial Review for information on future prospects of the Company.

11. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors are not aware of any environmental incident during the year which would have a material adverse impact on the Company. The Company was issued three notices by the NSW Environmental Protection Agency (EPA) and received an administrative Penalty Notice from the Resources Regulator during the year. The notices from the EPA relate to two separate incidents at the Hera Mine and the Peak Gold Mine. The Hera Mine was issued with a Clean Up Notice and a Show Cause Notice. The notices relate to an incident at the Hera Mine whereby the synthetic liner in the settling ponds was punctured and process water leaked from the settling ponds into the surrounding mine site. The process water was contained onsite and no water was released to the environment.

The Peak Gold Mine was issued with an S193 Notice Request for Additional Information. The notice related to an incident whereby mine dewatering water was discharged to a non-licence discharge point. The mine dewatering water bypassed a settling dam (the licenced discharge point) designed to settle out the solids prior to reporting to a series of dams. The mine dewatering water did not enter the environment and remained in the series of dams designed to contain mine dewatering water.

The Penalty Notice related to an administrative issue and was issued to Peak Gold Mines. The notice related to the late payment of an increase to the Environmental Bond.

There were a number of minor non-compliances to Project Approval and Environmental Protection Licence conditions during the year. The minor non-compliances predominately related to dust (elevated throughout the year due to the prolonged drought) and process water sampling regimes and elevated analytes. All minor non-compliances were reported to the relevant authorities (e.g. Environmental Protection Authority, Department of Planning and Environment) without delay and immediate actions were taken to return the operation to compliance. No regulator action or fines have been received by the Company in response to these minor incidents and due to the minor nature of the incidents, no such action is anticipated.

12. CURRENCY AND ROUNDING OF AMOUNTS

All references to dollars are a reference to Australian dollars ($A) unless otherwise stated. ($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.

DIRECTORS' REPORT (CONTINUED)

Signed in accordance with a resolution of the Directors.

Colin Johnstone
Executive Chairman & Acting Chief Executive Officer
23 August 2019

OPERATIONS AND FINANCIAL REVIEW

1. OVERVIEW

Aurelia Metals Limited (the Company) is an Australian gold, silver, lead, zinc and copper mining and exploration company. The Company operates two wholly-owned gold and base metal mines at Peak and Hera and holds a dominant land position in the highly prospective Cobar Basin of central New South Wales.

The Company aims to deliver an attractive high cash margin over long life assets and to achieve this requires a dual strategy of operational and exploration excellence.

The operating strategy is to increase efficiencies in underground mining and mineral processing, combined with a focus on selectively mining high margin ore. In support of this strategy, a $53 million investment in processing infrastructure is underway at Peak to increase its capacity to treat a variety of base metal ores at optimal throughput rates.

The Company has begun to unlock the exceptional prospectivity of its land in the Cobar Basin with the commencement of significant exploration this year. Results to date are promising and may yet deliver the Company's next mine. The Company is committed to accelerating this program with a major $15 million commitment to near-mine and regional exploration in the next financial year.

Key results for the year included:

- Group gold production of 117,521 oz at an AISC/oz of $1,045/oz, representing a 21% increase in production on the prior year but at a higher unit cost (FY18 gold production of 97,374 oz at $509/oz).
    - Hera contributed 58,025 oz at an AISC/oz of $809/oz.
    - Peak contributed 59,496 oz at an AISC/oz of $1,143/oz.
- Revenue increased by 19% to $295.0 million largely due to 13% increase in gold sales, a 152% increase in copper sales, a 39% increase in lead sales, offset by a 24% reduction in zinc sales (2018: $248.6 million). The commodity contribution to revenue was approximately 70% precious metals and 30% base metals.
- EBITDA reduced by 25% to $103.1 million (2018: $136.7 million).
- Net profit after tax decreased by 64% to $36.0 million (2018: $99.1 million).
- Operating cash flow reduced by 30% to $106.8 million (2018: $151.8 million).
- At balance date, the Company held available cash of $104.3 million (2018: $66.9 million) with no debt.

The A$ gold price increased by 19% over the year, comparing the average June 2018 price of A$1,694/oz to an average June 2019 price of $2,009/oz. However, with 60% of gold sales occurring in the first half of the year (at an average price of A$1,680/oz) and 40% occurring in the second half of the year (at an average price of A$1,847/oz), the average gold price received over the year was only 3% higher than the prior year at A$1,748/oz.

Base metal prices have been volatile, but in general have declined during the year with spot A$ lead down 15%, A$ zinc down 6% and A$ copper down 4% (comparing average June 2018 spot prices to average June 2019 spot prices). Actual prices received from base metal sales were similar, with A$ lead price received down 13% on the prior year, A$ zinc down 9% and A$ copper down 9%.

Reduced base metal prices, combined with historically high zinc treatment charges for the second half of the financial year, reduced base metal credits and increased the Company's reported AISC/oz.

Net profit for the year of $36.0 million, reduced by approximately $63.1 million relative to the prior year largely due to the following key variances:

- A $63.6 million increase in site costs and a $15.3 million increase in D&A from the inclusion of a full year of costs from the Peak Mine (prior year having only 2.7 months of costs included due to the acquisition date of Peak being 10 April 2018).
- A $21.8 million increase in Income Tax expense, with the position changing from a $6.8 million tax benefit in the prior year to a tax expense of $15.0 million in the current year.

1. OVERVIEW (CONTINUED)

- A $16.5 million increase in loss from commodity derivatives with the position changing from a $0.6 million gain in the prior year to a $15.9 million loss in the current year, being loss on gold forward contracts of $16.9 million offset by a gain on foreign exchange transactions of $1.0 million.
- A$3.0 million increase in exploration costs expensed and other expenses.

Offset by:

- A $46.4 million increase in revenue associated with increased production and sales.
- A $7.7 million reduction in finance costs, with the prior year recording a $3.2 million finance cost associated with the expensing of debt arrangement fees associated with the Peak acquisition debt facility.
- A $3.1 million reduction in corporate and acquisition & integration costs, with the prior year including $6.8 million expense associated with the purchase of Peak Mines.

Peak saw significant fluctuation in gold grades during the year from the high-grade Chronos orebody. The operational focus was on successfully transitioning the mine to contractor-operated strategy from 1 February 2019. The move to contract mining is aimed at increasing underground productivity and reducing operating costs. The site also commenced a large-scale upgrade of the processing circuit to enable the production of separate lead and zinc concentrates from the processing of high grade lead zinc ores at throughput rates of up to 800,000 tpa. This major upgrade, forecast to cost $53 million, with $38 million to be invested during the next financial year, is planned for completion in the March 2020 quarter. These activities are planned to set the mine up for long term consistent production.

Hera had a strong year but was impacted by reduced metal grades. Countering reduced grades, was a 15% increase in throughput levels, relative to the prior year, and an increase in gold recovery to 90.9%.

The commencement of significant exploration during the year has delivered results, with the discovery of high grade lead-zinc mineralisation 10 km south of Hera (Federation discovery) and a new zone of high grade gold, lead, zinc mineralisation at Peak (Kairos discovery).

2. OPERATING AND FINANCIAL PERFORMANCE

2.1 Key Results

Group net profit after tax for the year ended 30 June 2019 was $36.0 million (30 June 2018: $99.1 million).

Group revenue of $295.0 million represented a 19% increase on the prior year and reflects the full year of ownership of the Peak operation (prior year reflected financial results from the 10 April 2018). Of the total Group revenue, Hera contributed $133.9 million and Peak contributed $161.1 million.

Gold sold for the year was 113,142oz (dore and payable gold in concentrate) generating revenue of $197.9 million. Hera contributed $97.0 million of gold revenue (49% of total gold revenue) and Peak contributed $100.9 million of gold revenue (51% of total gold revenue). The Company had approximately 4,400 oz of gold in dore and concentrate unsold at year end due to the timing of production versus sales. At year end prices, this reflects approximately $8-9 million of revenue deferred to the following year.

Base metal revenue of $92.3 million was derived from the sale of 3,832 t of copper, 15,801 t of lead and 8,321 t of zinc. Hera contributed $35.8 million of base metal revenue (40% of total base metal revenue) and Peak contributed $56.5 million (60% of total base metal revenue).

Total cost of sales for the year increased to $215.0 million (30 June 2018: $136.1 million), largely due to the inclusion of 12 months of operating costs and depreciation and amortisation from Peak Mines.

Total operating costs (before depreciation and amortisation) at Hera increased by around 4% during the year, largely associated with increased variable costs from a 15% increase in ore throughput during the year. With increased costs and reduced base metal revenue, Hera's EBITDA reduced by 29% during the year to $61.6 million (30 June 2018: $86.4 million).

Total operating costs (before depreciation and amortisation) at Peak increased by 208% during the year, largely associated with the inclusion of 12 months of costs (whereas in the year to 30 June 2018, around 2.7 months of costs were included). With the depletion of the extremely high gold grade Chronos ore last financial year, together with reduced base metal prices, Peak's EBITDA, which included 12 months of performance, increased by 9% during the year to $68.1 million (30 June 2018: $62.6M).

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.1 Key Results (continued)

Key Group performance metrics for the year are tabulated below.

Performance indicators			**2019 $000**	**2018 $000**	**Variance**
Sales revenue			295,002	248,599	19%
Profit/(Loss) for the period			36,017	99,105	(64)%
EBITDA	(b)		103,061	136,717	(25)%
Cash and cash equivalents			104,152	66,925	56%
Net operating cash flow	(a)		106,781	151,758	(30)%
Gold production		**oz**	**117,521**	**97,374**	**21%**
Silver production - contained metal		oz	413,778	239,460	73%
Copper production - contained metal		t	4,267	1,968	117%
Lead production - contained metal		t	17,847	11,160	60%
Zinc production - contained metal		t	13,485	13,282	2%
Sales					
Gold dore & gold in Conc sold		oz	113,142	103,456	9%
Silver dore & Silver in Conc sold		oz	237,613	123,057	93%
Payable Copper sold		t	3,832	1,462	162%
Payable Lead sold		t	15,801	10,356	53%
Payable Zinc sold		t	8,321	9,757	(15)%
Prices					
Gold price achieved		A$/oz	1,748	1,698	3%
Silver price achieved		A$/oz	21	22	(5)%
Copper price achieved		A$/t	8,495	9,308	(9)%
Lead price achieved		A$/t	2,712	3,133	(13)%
Zinc price achieved		A$/t	3,679	4,052	(9)%
All in sustaining cost ($/oz)		**$/oz**	**1,045**	**509**	**105%**

All-in Sustaining Cost (AISC) is a non-IFRS measure and is not audited. Group AISC includes Site Costs (mining, processing, administration, changes in inventory), royalty, transport and smelter expenses, by-product credits (silver, copper, lead & zinc sales), sustaining capital, corporate costs, divided by gold sold during the year.

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

(b) EBITDA is a non-IFRS measure. The table below reconciles EBITDA to reported Profit for the year:

	2019 $000	**2018 $000**
Profit/(loss) for the year	36,017	99,105
Net interest cost	72	7,804
Tax (benefit)/expense	15,001	(6,799)
Depreciation and amortisation	51,972	36,607
EBITDA	**103,062**	**136,717**

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.2 Hera Mine

The key performance metrics for the Hera Mine are tabulated below:

	FY19	FY18	Variance
Hera Mine			
Sales revenue ($'000's)	133,893	155,767	(14)%
Site EBITDA	61,636	86,448	(29)%
Sustaining capital ($000's)	7,610	16,519	(54)%
Growth capital ($000's)	6,776	386	1,655%
Ore processed (kt)	468,358	407,131	15%
Gold grade g/t	4.2	5.1	(17)%
Silver grade g/t	10.9	13.4	(19)%
Lead grade %	1.6%	2.6%	(38)%
Zinc grade %	2.4%	3.6%	(33)%
Gold Recovery %	90.9%	89.4%	2%
Silver Recovery %	83.6%	88.2%	(5)%
Lead Recovery %	85.5%	89.5%	(4)%
Zinc Recovery %	89.0%	89.8%	(1)%
Gold production (oz)	**58,025**	**59,822**	**(3)%**
Silver production (oz)	145,554	154,645	(6)%
Lead production (t)	6,599	9,609	(31)%
Zinc production (t)	10,129	13,031	(22)%
AISC $/oz (All in sustaining cost)	**809**	**430**	**88%**

AISC is a non-IFRS measure

(a) Operations

The Hera mine performed strongly during the year despite a decrease in gold and base metal grades. Gold production was maintained with a reduced gold head grade, through increased rates of ore throughput and increased gold recovery of 90.9%. Gold production was 58,025 oz at AISC of $809/oz, compared to the prior year of 59,822 oz at ASIC of $430/oz. The AISC increased largely due to the reduced gold head grade but also as a consequence of reduced by-product credits, from lower base metal production and lower base metal prices.

Mining at Hera has shifted focus from lateral mine development to ore stoping, with a continued reduction in unit operating costs. As a consequence of the changing mine plan, sustaining capital reduced by 54% in the period to $7.6 million, with the majority of this spend on mine development and the remainder on processing infrastructure.

With reduced costs, the mine has scheduled future ore sources using a lower cut-off grade. This strategy is planned to maintain the existing high margin at Hera and deliver increased mine life.

Hera's future is a declining gold grade (subject to further exploration success) countered by increased lead and zinc grades. Operating costs are expected to continue to reduce along with a reduction in the amount of sustaining capital required.

Growth capital in the period of $6.8 million relates to exploration growth capital (see Discovery for further discussion on exploration targets).

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.3 Peak Mine

The key performance metrics for the Peak Mine are tabulated below. Note that FY18 includes performance from the date of acquisition only (10 April 2018 to 30 June 2018).

	FY19	FY18	Variance
Peak Mine			
Sales Revenue ($000's)	161,109	92,832	73%
Site EBITDA	68,095	62,623	9%
Sustaining capital ($000's)	33,806	13,619	148%
Growth capital ($000's)	17,844	414	4,210%
Ore Processed (kt)	452,501	135,345	234%
Gold grade g/t	4.2	8.8	(52)%
Silver grade g/t	23.1	25.7	(10)%
Copper grade %	1.0%	1.6%	(38)%
Lead grade %	3.1%	1.5%	107%
Zinc grade %	1.7%	0.6%	183%
Gold Recovery %	96.9%	97.7%	(1)%
Silver Recovery %	79.8%	75.9%	5%
Copper Recovery %	92.5%	93.1%	(1)%
Lead Recovery %	81.1%	76.2%	6%
Zinc Recovery %	44.8%	29.6%	51%
Gold production (oz)	**59,496**	**37,552**	**58%**
Silver production (oz)	268,224	84,815	216%
Copper production (t)	4,267	1,968	117%
Lead production (t)	11,248	1,551	625%
Zinc production (t)	3,356	251	1,237%
AISC $/oz (All In Sustaining Cost)	**1,143**	**517**	**121%**

(a) Operations

Peak delivered 59,496 oz of gold at an AISC of $1,143/oz. The significant increase in AISC was largely the result of a 52% decrease in gold head grades, with the transition during the year from the very high gold grade Chronos zone into lower gold, higher base metal Chronos mineralisation.

Process throughout rates during the year were restricted due to the processing of high grade gold and lead Chronos mineralisation, but also due to limitation on available ore sources during the year.

To resolve issues associated with ore availability and to provide access to higher grade stoping areas, there is a significant focus on increasing underground development rates. During the first quarter of the year, lateral mine development of 821 m was achieved, whilst in the last quarter of the year, 1,363 m was achieved. Sustaining capital increased to $33.8 million and was largely related to increased mine development, with minor processing and administration capital.

To improve underground productivities, the mine shifted to a contractor-operated mining strategy on 1 February 2019. The contractor, Pybar Pty Ltd, has successfully delivered mining services at the Company's Hera Mine for the past six years. The Company is working with Pybar to achieve the required mine physicals to build flexibility into the Peak mine plan.

To capture the value of increased base metals now and into the future, the Company is investing $53 million in a major upgrade of the lead and zinc capacity of the processing plant to enable the processing of high grade base metals at throughput rates of up to 800,000 tpa. Commissioning of the new circuit is planned for the March 2020 quarter. Once complete, a shift to increased lead and zinc production is planned for the second half of next financial year.

The $17.8 million of growth capital in the period is largely related to the lead zinc upgrade project.

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.3 Peak Mine (continued)

The lead zinc upgrade was originally justified on the high grade Chronos lead zinc mineralisation and the Great Cobar base metal mineralisation. However, the discovery this year of the high grade gold-lead-zinc zone at Kairos (see Discovery section for further details) provides further support for the major upgrade of the Peak processing plant.

The other major project at Peak is the exploration decline to access further drilling programs at Great Cobar. The Great Cobar zone (gold/copper and lead/zinc lodes) comprises a total Indicated and Inferred Mineral Resource of 5.3 million tonnes at 0.7 g/t Au, 2.1% Cu, 0.1 % Pb, 0.4% Zn and 6 g/t Ag (for further details please refer to Mineral Resource and Ore Reserve Statement - June 2019, released to ASX on 19 July 2019).

The primary regulatory approval (Review of Environmental Factors) for the exploration decline has been received during the year, with ancillary approvals pending, the most significant being a groundwater work approval to enable dewatering.

In the year ahead, a continued investment in underground development is planned, with a particular focus on accelerating development to the bottom of the currently defined Kairos zone.

Once the mill upgrade is complete, increased ore throughput should reduce unit operating costs, but this will be countered by the impact of a significant increase in operating mine development (to build flexibility in the mine plan). The AISC/oz is expected to be somewhat higher next financial year, before reducing with the expected delivery of high margin Kairos mineralisation.

2.4 Discovery

With enhanced financial capacity and growing geological understanding, the Company commenced significant exploration programs this financial year. Exploration capital in the year was $6.8 million with the majority of this invested at Hera in regional and near mine targets.

The results have been significant, with the discovery of a large-scale polymetallic zone of mineralisation at Federation, only 10 km south of the Hera Mine and the discovery of high-grade gold-lead-zinc mineralisation at Kairos (at depth below the existing Peak Mine).

The planned exploration spend for the next financial year has increased to $15 million to support the testing of multiple near-mine and regional targets.

(a) Federation

In early May 2019, the Company announced the discovery of high-grade base metal mineralisation at the Federation prospect, 10 kilometres south-southwest of the Hera Mine (ASX release 6 May 2019). Initial exploration focused on the upper parts of the prospect and returned encouraging lead and zinc mineralisation. However, the results of a deeper test of the system (ASX release 26 June 2019) highlight the significant potential of this prospect. Drilling more than 500 m below the surface, returned semimassive to massive zinc-lead sulphide breccias with a best intercept of 26 metres at 16.4% Pb+Zn & 0.3% Cu, including 11.5 metres at 31.1% Pb+Zn, 0.2% Cu. Work is ongoing to understand the controls of mineralisation and to assess the resource potential of this prospect.

(b) Kairos (formerly Peak Deeps)

The Company announced in February 2019 the discovery of high grade gold and base metals below the existing Peak Mine workings, further supported by another round of results announced on 16 April 2019 (ASX release Peak Mine Exploration Update). Drill intercepts included 16 metres at 71.6 g/t gold and 8.5% Pb+Zn, 14 metres at 42.9 g/t gold and 13.4% Pb+Zn and 23 metres at 25.9 g/t gold and 33.2% Pb+Zn. The results highlight the high grade potential of the Kairos system, with mineralisation open at depth.

The setting of Kairos has a strong geological association with the high-grade Chronos zone (within the Perseverance Mine workings). The Kairos zone is at a similar depth to the currently mined Chronos Zone, but is around 700 metres to the north, below the Peak Mine workings. A decline from the Perseverance Mine workings is planned to access the bottom of the Kairos Zone to enable infill drilling and ore development, towards the end of the financial year.

2.4 Discovery (continued)

(c) Chronos

Drilling during the year to extend the Chronos zone upwards successfully returned high grade base metal results, with a best intercept of 24 metres at 29.6% Pb+Zn, 0.4g/t Au & 44g/t Ag (ASX release 27 May 2019). High grade mineralisation was extended more than 100 metres above current resource limits, but with lower gold and higher base metals prevalent. The upper Chronos area remains open up-dip with further underground drilling planned during the following year.

2.5 Nymagee

During the year, the Nymagee Pre-feasibility Study was deferred based on metallurgical testwork which indicated a reduction in economically recoverable resource tonnes (ASX release 4 June 2019). The Company may rescope the project on the basis of the reduction in tonnes and the potential impact of any future exploration success. Should future exploration increase resources significantly, the development potential of Nymagee may be revisited.

2.6 Corporate

Corporate costs for the period were $6.9 million and include an accrual of costs associated with the departure of the former CEO & Managing Director of $1 million. Corporate general and administration costs are forecast to be in the order of $6-7 million in the following financial year, excluding costs associated with corporate exploration costs (Discovery).

(a) Balance sheet

Total assets increased during the year to $321.1 million (30 June 2018: $266.5 million), representing a 20% increase. This increase is primarily due to increased cash (increase of $37.4 million in the year to a total position of $104.3 million at 30 June 2019) and inventory, together with increased mine assets (net of depreciation) and the capitalisation of exploration costs (due to successful results received to date).

Group capital expenditure in the period was $66 million, consisting of $37 million of mine development (Peak: $31 million; Hera: $6 million), $22 million of PP&E (Peak: $21 million; Hera: $1 million) and $7 million of exploration capital.

Depreciation and amortisation expense during the year was $51.9 million and the depreciation and amortisation on a like-for-like basis in the next financial year is expected to range some 10-20% higher. Additional depreciation in the order of $5-6 million is estimated to be associated with the Right-of-Use assets under the new lease accounting standard AASB 16 (see detail below). As discussed in detail below, the increased depreciation associated with the Right-of-Use assets will be largely offset by a reduction in operating costs.

Total liabilities for the Group increased to $99.6 million at 30 June 2019, a 19% increase on the prior year (30 June 2018: $83.5 million). The increase was largely the result of the recognition of a $12 million liability at 30 June 2019 (nil at 30 June 2018) associated with gold hedging. This liability is the marked-to-market position of 56,000 oz of gold forwards at an average close out price at 30 June 2019 of A$1,797/oz and the spot price at 30 June 2019 of A$2,012/oz. It should be noted that as the gold forwards were not closed out on 30 June 2019, the average delivery price to June 2020 is expected to average A$1,809/oz.

The other significant increase is the $11.1 million increase in non-current provisions to $47.7 million, which largely reflects an increase in the fair value estimate of future mine rehabilitation obligations.

- ***Impact of new AASB16 - Leases***

The revised accounting standard on leases (AASB 16) becomes effective for the Company from 1 July 2019. This standard requires the Company to review each supply contract that it holds to determine if there is a right to control the use of an 'identified asset' within supply contracts. For each 'identified asset' the Company must recognise a "Right of Use Asset" which is in simple terms is the present value of future lease payments implicit in the lease associated with the identified asset, and a "Lease Liability" which is essentially the present value of future lease payments. The Right of Use Asset is amortised over the term of the lease (increasing reported depreciation) and the lease payment is removed from operating costs and is applied against the lease liability (reducing reported Cost of Goods Sold). The 'unwinding' of the present value of the lease liability is taken as a finance charge, increasing reported finance costs. This treatment is similar to the current accounting for finance leases.

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.6 Corporate (continued)

The Company has completed an extensive assessment of contracts with suppliers to determine whether they may contain 'leases' for assets within the scope of AASB 16, based on the definitions outlined in the new standard.

The determined lease amount to be recognised on the balance sheet, as a long-term 'lease liability' and corresponding 'Right Of Use' lease asset ("ROUA"), is $18 million. More than 60% of the ROUA balance comprises underground mining equipment and some 30% relates to power generation and mine refrigeration equipment.

The estimated financial impacts of adopting AASB16 in FY20 is as follows:

- Reduced operating costs Yrs 1-2 $6-7 million/y, then $1-4 million/y over following 3yrs
- Increased D&A on ROUA Yrs 1-2 $5-6 million/y, then $1-3 million/y over following 3yrs
- Increased finance charge Yrs 1-5 $0.3-0.6 million/y

These numbers will change with any change in underlying contracts or changes in identified assets or changes in estimates of implied interest rates associated with existing or new supply contracts.

(b) Cash flow

Net cash inflows for the year amounted to $37.4 million (30 June 2018: $32.1 million).

	FY19	FY18	Variance
Group summary of cash flows	**$000**	**$000**	
Net cash flows from operating activities	106,783	151,759	(30)%
Investing activities	(68,653)	(89,749)	24%
Financing activities	(753)	(29,948)	97%
Net movement in cash	**37,377**	**32,062**	**17%**
Cash at the beginning of the year	66,925	34,863	92%
Cash at the end of the year	**104,302**	**66,925**	**56%**

Net cash inflow from operating activities was $106.8 million, a decrease of $45 million from prior year. The reduction in operating cash flows was largely a result of the transition from extremely high margin Chronos production at Peak into more normalised production activities in the current year.

Included in the operating cash inflow are income tax payments totalling $17.3 million (30 June 2018: $8.9 million).

Net cash outflow from investing activities was $68.6 million, a $21.1 million decrease on the prior year which included cash outflows associated with the Peak Mine acquisition. The key investing activities this year comprised $37 million of sustaining mine and processing capital and $22 million of processing and discovery growth capital ($6.8 million was invested in exploration capital).

Net cash outflow from financing activities was $0.8 million outflow, an decrease of $29 million from prior year. The prior year cash outflows reflected the net proceeds of equity raisings associated with the Peak acquisition and the repayment of all debt facilities.

(c) Equity

Pacific Road Capital, a former significant shareholder, exercised 10 million options at $0.0125/share in September 2018 and subsequently sold the 10 million shares to institutional investors.

In February 2019, former substantial shareholder, Glencore sold its entire 5.4% interest in the Company to a range of institutional investors.

(d) Taxation

The tax expense for the year, which is the aggregate of current tax and deferred tax, is $15.0 million. This is a $21.8 million negative variance relative to the prior year as the business moved into a tax payable position. The tax expense reflects a 29% effective tax rate on pre-tax profit, with the utilisation of prior year tax losses netted off against the reduction in the deferred tax asset at 30 June 2019.

2. OPERATING AND FINANCIAL PERFORMANCE (CONTINUED)

2.6 Corporate (continued)

A review of allowable tax-deductible expenses was conducted during the year. This work has resulted in a restatement of the FY18 tax return, with change being the restatement of carry forward losses of approximately $8 million at 30 June 2018, as opposed to the prior position of full utilisation of all available losses. At 30 June 2019, the Group had utilised all tax losses against the current year taxable profit.

(e) Hedging

At 30 June 2019, the total gold forward sales position was 56,000 oz gold at an average delivery price of A$1,809/oz. This level of gold hedging protects some 59-66% of gold revenue next year (based on FY20 outlook production of 85-95,000 oz), but due to the contribution from base metals, represents 30%-40% of group revenue.

The A$ gold price averaged A$1,668/oz during the first five months of the year, a price not dissimilar to the prior financial year. However, a sustained increase in the US$ gold price in December 2018 combined with continued low A$/US$ exchange rate has caused a continued rise in A$ gold prices, culminating in a June 2019 average price of A$2,008/oz. The increased gold price has benefited revenue, particularly during the second half of the year, but the impact has been reduced by losses recorded on the Company's gold hedge book.

The Company's commodity derivative position, which is substantially related to gold hedging, moved from a gain in the prior year to a net loss of $15.9 million in the current year. Approximately $12.0 million of this recorded loss is unrealised and the actual gain or loss will depend on the price of gold when the gold forwards are actually closed out according to the delivery schedule over the next 12 months to 30 June 2020.

The profile of this hedge position is:

- For the first five months of the year (to November 2019), a total of 35,000 oz gold is deliverable at an average price of A$1,748/oz; and

- From December 2019 to June 2020, a total of 21,000 oz gold is deliverable at an average price of A$1,911/oz.

The Company continues to monitor its hedge position and will manage the position based on the future financial and operating risk profile of the business and the prevailing spot gold price.

3. MATERIAL BUSINESS RISKS

Aurelia Metals prepares its business plan using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these assumptions and forecasts, and risk that variation from them could result in actual performance being different to expected outcomes. The uncertainties arise from a range of factors, including the nature of the mining industry, and general economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group at period end include:

3.1 Fluctuations in commodity prices

The Group's revenues are exposed to fluctuations in the US$ price of gold, silver, lead, zinc and copper. Volatility in metal prices creates revenue uncertainty, and requires careful management of business performance to ensure that operating cash margins are maintained despite volatile metal prices.

Metal prices are denominated in US$, hence the Company has a foreign exchange price risk when the US$ price of a particular commodity is translated back to A$ amounts.

During the financial year, gold sales were 113,142 ounces. The effect on the income statement with an A$50/oz increase/decrease in gold price would have been an increase/decrease in gold revenue of $5.7 million.

The Company has hedged approximately 60-65% of its forecast gold production in FY20. A minimum effective price for hedged production is approximately A$1,809/oz, regardless of the future spot price of gold.

During the financial year, the company sold base metal concentrates containing payable lead of 15,801 tonnes, payable zinc of 8,321 tonnes, and payable copper of 3,832 tonnes. An increase/decrease of US$50/t in the price of lead, zinc and copper would increase/decrease revenue by $2.1 million.

3. MATERIAL BUSINESS RISKS (CONTINUED)

3.1 Fluctuations in commodity prices (continued)

Declining metal prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause substantial delays and/or may interrupt operations, which may have a material adverse effect on our results of operations and financial position.

3.2 Ore reserves and resources

Company ore reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of metal or other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any part or all of the Company's mineral resources constitute or will be converted into reserves.

Market price fluctuations of metal prices as well as increased production and capital costs may render some of the Company's ore reserves unprofitable to develop for periods of time or may render some low margin ore reserves uneconomic. Reserves may have to be re-estimated based on actual production and cost experience. Any of these factors may require the Company to modify its ore reserves, which could have either a positive or negative impact on the Company's financial results.

3.3 Replacement of depleted reserves

The Company must continually replace reserves depleted by production to maintain production levels over the long-term. Reserves can be replaced by expanding known ore bodies, locating new deposits, acquiring new assets or achieving higher levels of conversion from resource to reserve with improvements in production costs and or metal prices. Exploration is highly speculative in nature and as such, the Company's exploration projects involve many risks and can often be unsuccessful. Once a prospect with mineralisation is discovered, it may take several years from the initial discovery phase until production is possible.

As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions, or that divestures of assets will lead to a lower reserve base. The mineral base of the Company may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine life, based on current production rates.

3.4 Management skills and depth

The mining industry in general is subject to a shortage of suitably experienced and qualified personnel in key technical roles. Attracting and retaining key persons with specific knowledge and skills are critical to the viability and growth of the Company. The Company maintains a suitably structured remuneration strategy to assist with the attraction and retention of key employees. However, the risk of loss of key employees is always prevalent and typically is out of the control of the Company. This risk is managed through having active and broad recruitment channels and the ability to rely upon suitably qualified external contractors when required to backfill vacancies.

3.5 Water scarcity

Water is a scarce commodity in western NSW. Water is a significant input into processing activities and access to sufficient water to support current and future activities is critical. The impact of drought conditions serves to increase this risk.

Hera currently relies on ground water accessed by bores for its water needs. The mine is assessing a range of options to mitigate the long term risk of water shortages, including the installation of a water pipeline from the historic Nymagee workings, improving water efficiency within existing operations, assessing ground water availability from current mine workings and assessing nearby ground water resources.

Peak currently utilises a range of water sources which include a water allocation from the Cobar Water Board. To mitigate the risk of reduced water allocations, the mine has implemented a water recycling program to improve the efficiency of its water use and it is currently progressing through a permitting process to allow utilisation of significant volumes of ground water in old mine workings within the Company's mining lease.

3. MATERIAL BUSINESS RISKS (CONTINUED)

3.6 Community relations

The Company has operations near established communities. The Company recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfaction with the Company, which has the potential to disrupt production and exploration activities and delay the approval timelines for key development activities. The Company has an active community engagement program to understand stakeholders needs to help mitigate this risk.

3.7 Environmental, health and safety regulations, permits

The Company's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, including: waste disposal, worker safety, mine development and protection of endangered and other special status species. The Company's ability to obtain permits and approvals and to successfully operate may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety or the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Company's operations, including its ability to continue operations.

While the Company has implemented health, safety and community initiatives at its operations to ensure the health and safety of its employees, contractors and members of the community affected by its operations, there is no guarantee that such measures will eliminate the occurrence of accidents or other incidents which may result in personal injuries, damage to property, and in certain instances such occurrences could give rise to regulatory fines and/or civil liability.

3.8 Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and equipment, rock failures, cave-ins, and weather conditions (including flooding and bushfires), most of which are beyond the Company's control. These risks and hazards could result in significant costs or delays that could have a material adverse effect on the Company's financial performance, liquidity and operations results.

The Company maintains insurance to cover some of these risks and hazards. The insurance is maintained in amounts that are believed to be reasonable depending on the circumstances surrounding each identified risk. However, property, liability and other insurance may not provide sufficient coverage for losses related to these or other risks or hazards.

3.9 Production and cost estimates

The Company, from time to time, prepares internal estimates of future production, cash costs and capital costs of production. The Company has developed business plans which forecast metal recoveries, ore throughput and operating costs at the Hera and Peak operation. While these assumptions are considered reasonable, there can be no guarantee that forecast rates will be achieved. Failure to achieve production or cost estimates could have an adverse impact on the Company's future cash flow, profitability and financial solvency.

The Company's actual production and costs may vary from estimates for a variety of reasons, including:

- actual ore processed varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics;
- short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades;
- revisions to mine plans;
- risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods; and unexpected labour shortages or strikes.

Costs of production may also be affected by a variety of factors, including: ore grade, metallurgy, labour costs, consumable costs, commodity costs, general inflationary pressures and currency exchange rates.

OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

3. MATERIAL BUSINESS RISKS (CONTINUED)

3.10 Financial solvency

The Company has eliminated all bank debt at balance date and maintains a significant cash balance. Maintaining sufficient liquidity to operate the business is impacted by the operational and financial risk factors identified in this section "Material Business Risks".

With two operating assets and the production of multiple commodities (gold, lead, zinc and copper), the Company has a reduced risk exposure relative to prior years, where it owned one producing asset. Asset diversification can help with reducing financial risk, but it cannot be guaranteed that events or circumstances may cause financial solvency risk to increase. The Board monitors solvency at all times and aims to manage the business with an acceptable level of working capital to mitigate solvency risk.

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the items as noted elsewhere in this report, there were no significant changes in the state of affairs of the Company during the financial year.

5. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following significant events occurred after 30 June 2019:

- 17 July 2019: ASX release of 2019 Mineral Resource and Ore Reserve Statement
- 26 July 2019: ASX release of FY20 Operating Outlook

6. FUTURE DEVELOPMENTS

Other likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

7. ENVIRONMENTAL REGULATIONS

The Company is subject to significant environmental regulation in respect to its exploration, mining and processing activities. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so it is aware of, and is in compliance, with all environmental legislation. The Directors of the Company are not aware of any material breach of environmental legislation for the year under review.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the remuneration arrangements for the Group's key management personnel in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1. KEY MANAGEMENT PERSONNEL (KMP)

Non-Executive Directors	**Position**	**Term**
Colin Johnstone	Independent Non-Executive Chairman	From 1 Jul 2018 to 1 May 2019
Lawrence Conway	Independent Non-Executive Director	Full year
Susan Corlett	Independent Non-Executive Director	From 3 Oct 2018
Paul Espie	Non-Executive Director	Full year
Paul Harris	Non-Executive Director Lead Independent Director	From 17 Dec 2018 From 1 May 2019
Michael Menzies	Non-Executive Director	From 1 Jul 2018 to 1 May 2019
Clifford Tuck	Non-Executive Director	1 Jul 2018 to 30 Sep 2018
Executive Directors Colin Johnstone	Interim Executive Chairman & CEO	From 1 May 2019
Michael Menzies	Interim Executive Director & Chief Operating Officer	From 1 May 2019
James Simpson	Managing Director & CEO	From 1 Jul 2018 to 22 May 2019 (Managing Director) and from 1 July 2018 to 1 May 2019 (CEO)
Other Key Management Personnel Timothy Churcher	Chief Financial Officer & Company Secretary	Full year

2. REMUNERATION POLICY AND STRATEGY

As part of its Corporate Governance framework, the Board has established a Remuneration & Nomination Committee to assist the Board in discharging its responsibilities in relation to the Company's remuneration and selection and appointment policies and practices. The Remuneration & Nomination Committee is responsible for reviewing the compensation arrangements, and development and succession plans for the KMP, and reporting its findings and recommendations to the Board. The Committee assesses the appropriateness of the nature and amount of emoluments of the KMP on a periodic basis by reference to relevant employment market conditions and the Company's best interests with the overall objective of fairly and responsibly compensating Directors and other KMPs for the contribution they make to the Company and attracting and retaining talented and experienced personnel.

2.1 Executive Remuneration

The principles underlying the Company's Executive remuneration strategy are:

(i) Total Remuneration is to be appropriate, market competitive and structured to retain talented and experienced employees;
(ii) Total Remuneration is to comprise an appropriate mix of fixed and performance linked at risk variable remuneration;
(iii) Variable remuneration is to consist of short-term incentives and long-term incentives which align Board and management performance with the interests of shareholders by aligning performance targets under the variable incentive plans with the Company's short and long term objectives;
(iv) Total Fixed Remuneration (base salary + superannuation) (TFR) is targeted at the median (P50) range compared to the industry benchmark McDonald Gold & General Mining Industries Remuneration Report. Exceptions may exist depending on the supply and demand of particular roles or skills or for individuals who are recognised as high achievers within the Company;
(v) Total Remuneration for strong business and personal performance is targeted within the P50-P75 range compared to the industry benchmark. For exceptional business and personal performance, Total Remuneration may exceed the P75 level.
(vi) Performance linked at risk remuneration is to encourage and reward high performance aligned with corporate objectives that create strategic or economic value; and
(vii) The remuneration review process is to deliver fair and equitable results.

2. REMUNERATION POLICY AND STRATEGY (CONTINUED)

2.1 Executive Remuneration (continued)

The remuneration strategy is designed to align the Executive's Total Remuneration with shareholder and business objectives by providing a TFR component and variable short and long term at risk components. The awarding of variable remuneration is based on the Company's and individual's achievement of certain performance indicators which are judged to most affect the Company's overall performance and long term value creation.

2.2 Non-Executive Directors

The Company's remuneration strategy for Non-Executive Directors is to remunerate at market rates for comparable companies, for the time, commitment and responsibilities involved in being a Director. The Remuneration & Nomination Committee is responsible for reviewing and advising the Board on Director remuneration.

Guidance is obtained as required from independent industry surveys and other sources to ensure that Directors' fees are appropriate and in line with the market. The Chairman's fees reflect the additional responsibilities of the role and are based on comparative positions in the industry.

The annual fee for Non-Executive Directors, inclusive of statutory superannuation contributions, is $100,000 and for the Chairman $160,000. No fees are paid for membership of a Board Committee. The total aggregate amount of directors' fees which may be paid to the Company's non-executive directors, approved by shareholders at the Company's 2018 Annual General Meeting, is $750,000 per year.

2.3 Directors Acting in an Interim Executive Capacity

Due to the interim executive roles performed by Messrs Johnstone and Menzies, the Board's Remuneration Committee was reconstituted on 1 May 2019 to be comprised solely of three independent Non-Executive Directors - Paul Espie (Committee Chair), Susan Corlett and Paul Harris. The Board of Directors, with the assistance of the reconstituted Remuneration Committee, finalised the remuneration arrangements for the interim executive appointments of Messrs Johnstone and Menzies.

For the period of their interim executive appointments, Colin Johnstone will receive a monthly salary of $59,167 (inclusive of compulsory superannuation payments) in addition to his usual Director fees and Michael Menzies will receive a monthly salary of $40,000 (inclusive of compulsory superannuation payments) in addition to his usual Director fees. Messrs Johnstone and Menzies will not participate in the Company's variable incentive arrangements.

2.4 Remuneration Consultants

Remuneration consultant, Guerdon Associates, was engaged during the period to benchmark remuneration for the interim roles, during the Company's leadership transition, of Executive Chairman/Chief Executive Officer and Executive Director/Chief Operating Officer and special exertion fees in respect of work performed by non-executive directors. No remuneration recommendations, as defined in section 9B of the Corporations Act 2001, were made by Guerdon Associates.

3. FINANCIAL PERFORMANCE

The following table displays the key financial performance metrics for the Group. The prior year (financial year 2018) reflects the successful acquisition of Peak Mines and the short-term impact of high gold grades delivered from the Chronos orebody at Peak. The performance in the current year reflects a return to more normalised gold grades at Peak and transitional issues related to a change in mining strategy adopted by the Company (move from owner-mining to contract-mining). The Company's Hera operation delivered a consistent result relative to the prior year, with increased throughput offsetting reduced gold grades during the year. Refer to the Operations and Finance Review for further details.

Performance Indicators	2019 $000	2018 $000	2017 $000	2016 $000	2015 $000
Sales revenue	295,002	248,599	109,298	91,945	13,220
Profit/(loss) for the year	36,017	99,105	19,333	10,943	(118,158)
EBITDA	103,061	136,717	48,507	41,139	(109,123)
Net Debt (nominal value) (i)	104,302	66,925	(74,750)	(91,759)	(109,804)
Profit/(Loss) Per Share (cents)	4.16	15.50	4.80	2.80	(33.00)
Share Price (cents)	49.5	57.0	18.5	13.5	21.5

(i) Net Debt is available cash less Nominal (undiscounted) debt

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. FINANCIAL PERFORMANCE (CONTINUED)

EBITDA is a non-IFRS measure. Reconciliation to Profit/(loss) for the year is:

Performance Indicators	2019 $000	2018 $000	2017 $000	2016 $000	2015 $000
EBITDA	103,061	136,717	48,507	41,139	(109,123)
Net interest cost	(71)	(7,805)	(7,712)	(6,526)	(2,376)
Tax benefit/(expense)	(15,001)	6,799	-	-	-
Depreciation & Amortisation	(51,972)	(36,607)	(21,462)	(23,669)	(6,659)
Profit/(Loss) for the year	36,017	99,105	19,333	10,944	(118,158)

4. VARIABLE INCENTIVE PLANS

The primary objective of the Company's variable incentive plans is to deliver superior shareholder returns by aligning the Company's short and long term objectives with the performance targets for the Company's Executives under the variable incentive plans.

The Board retains absolute discretion in relation to payments under the Company's Short Term Incentive and Long Term Incentive Plans, regardless of the achievement of targets. The Board considers the achievement of targets together with overall business performance and individual performance when deciding on the actual payment or allocation of variable remuneration.

4.1 Short Term Incentive Plan ("STIP")

The Board has adopted an STIP whereby if the Company exceeds its targets, taking into consideration a range of financial and non-financial metrics, the Board may consider the payment of a STI cash bonus to selected employees. The maximum STI payment for the Managing Director & CEO is 50% of TFR and for the Chief Financial Officer and Company Secretary is 30% of TFR.

Entitlement to an STI payment is assessed at the end of the financial year and, if applicable, paid after the Remuneration & Nomination Committee has reviewed the businesses performance and individual performance and made recommendations to the Board.

4.1(a) FY19 STIP Outcomes

For FY19, the corporate measures for the STIP related to:

(i) *Safety* - Group TRIFR (Total Recordable Injury Frequency Rate) to be less than FY18 TRIFR
(ii) *Human Resources* - Approved Site Management Teams implemented and assessed to Board's satisfaction
(iii) *Unit Costs* - Meet budgeted Hera unit cost ($/t) and Peak unit costs to show significant reduction
(iv) *Mine Inventories* - Develop optimal underground mining inventories to ensure production flexibility
(v) *Peak Pb/Zn upgrade* - Deliver the Peak Pb/Zn upgrade on time and budget
(vi) *Resource Inventory* - Focus on replacing high value inventory to the Peak mine plan

The total FY19 STIP award was weighted against the above measures, with 40% of the weighting attached to the Human Resources Measure, 20% to Unit Costs and the rest each weighted at 10%.

The Board noted that performance has not exceeded all targeted levels and was the result of a difficult transition to contract mining at Peak offset somewhat by steady performance of the Hera operation. Countering this performance was the enhanced exploration upside achieved during the year at Hera (Federation discovery) and Peak (Kairos discovery).

The Board determined that for FY19, taking into consideration the performance in financial and operating metrics, below target STIP payments were justified to senior executives.

The Board determined that the former Managing Director and CEO would receive, as part of his severance package, a STIP payment equal to 50% of FY19 TFR (100% of the maximum opportunity) and the Chief Financial Officer & Company Secretary would receive a STIP payment equal to 15% of FY19 TFR (50% of the maximum opportunity). The STIP amounts payable for FY19 are disclosed in this remuneration report, however these amounts will be paid in FY20.

The total remuneration mix for FY19 for the Managing Director & CEO was 34% fixed, 66% variable; and for the Chief Financial Officer & Company Secretary the total remuneration mix was 70% fixed and 30% variable.

4. VARIABLE INCENTIVE PLANS (CONTINUED)

4.2 Long Term Incentive Plan ("LTIP")

The LTIP is provided by way of allocation of Performance Rights which carry an entitlement to a share subject to satisfaction of performance criteria and/or vesting conditions (if any). To the extent performance criteria and/or vesting conditions are satisfied, the Performance Rights are taken to have vested and been exercised at nil exercise price and the number of ordinary shares equal to the number of vested Performance Rights is issued.

Performance Rights under the LTIP are generally granted each year. The LTIP hurdles are agreed prior to the commencement of a new financial year, or as close to the end of the year as practical. The LTIP hurdles are determined at the discretion of the Board. The test date for each issue of Performance Rights is typically three years from Grant Date, but may be two years in exceptional circumstances.

In accordance with the Company's Remuneration Strategy and standard industry practice, the number of Performance Rights granted to the KMP is based on a multiple of the KMP's Total Fixed Remuneration divided by the 30-day VWAP of shares in the Company at a date determined by the Remuneration and Nomination Committee.

The quantum of Performance Rights granted in FY18 was based on 100% of the Managing Director & CEO's TFR and 65% of the CFO & Company Secretary's TFR.

Subject to the Rules of the Performance Rights Plan, Performance Rights will only vest on a relevant date if the participant remains an employee of the Company, up to and including the relevant date.

4.2(a) FY19 LTIP Performance Rights Issues

On 4 December 2018, 4,697,171 Performance Rights were granted to KMP, with Class 2018A (2,041,875 Performance Rights) being subject to testing in two years and Class 2018B (2,655,296 Performance Rights) subject to testing in three years.

The first grant in 2018 (Class 2018A) was made in recognition of the outstanding completion of the Peak acquisition. The grant was primarily designed to incentivise management to drive Company aligned goals at the Peak Mine given that there is an urgency to drive further improvement at this operation over the next two years, and to drive long term value to the shareholders. The LTIP targets reflect this objective. These grants should be viewed as a maximum with an expectation that testing would normally result in a lower amount.

The vesting conditions for the 2018A and 2018B Performance Rights will be based on the factors outlined below:

- 2018 Issue Class 18A the Performance Measures are Absolute TSR (Target 35%), Relative TSR (Target 100%ile), Peak Unit Costs (Target <$150/t), Peak Process Rates (Target 800ktpa) and Ore Reserves (Target Peak Reserves of 2.5Mt at cash operating margin of at least $100/t).
- 2018 Issue Class 18B the Performance Measures are Absolute TSR (Target 35%), Relative TSR (Target 100%ile), Ore Reserves (5 year reserve life at each operation) and Growth (Target is at board discretion but will include the Board's consideration of exploration success, replacement of high value reserves or a value adding transaction).

4.2(b) Performance Rights on Issue at year end

The total number of Performance Rights on issue at the date of this report in each Class, and the number of Performance Rights in each Class held by the former Managing Director & CEO, are listed in the table below.

Performance Rights Tranches	Total Number Issued	Total Number held by former MD & CEO	Relevant Date or Testing Date (1)
2016 Issue - Class 16B	2,250,000	1,500,000	30-Jun-19
2016 Issue - Class 16C	2,250,000	1,500,000	30-Jun-20
2018 Issue - Class 18A	2,041,875	1,270,982	30-Jun-20
2018 Issue - Class 18B	2,655,296	1,270,982	30-Jun-21
Maximum number of Rights	**9,197,171**	**5,541,964**	

The effective testing date for the Performance Rights is the Relevant date, with the testing to occur within 90 days after that date. Performance Rights will lapse after testing if they do not vest. There is no re-testing.
(1) the Class 16C, Class 18A and Class 18B Performance Rights held by the former Managing Director & CEO will 100% vest on 31 August 2019 (see 4.2(c) below).

4. VARIABLE INCENTIVE PLANS (CONTINUED)

4.2 Long Term Incentive Plan ("LTIP") (continued)

4.2(c) FY19 LTIP Outcomes

The 2,250,000 Class 16B Performance Rights were tested against the applicable vesting conditions at 30 June 2019. The vesting conditions were determined by the Board in its discretion based on the factors outlined below, with the testing horizon being a three-year period from 30 June 2016 to 30 June 2019:

- Relative TSR: Absolute TSR of 267% for the period. Relative TSR 100%ile.
- Process Throughput: A 52% increase in Hera process throughput delivered.
- Mine Inventory: A 25% decrease in Hera mine inventory recorded.
- Balance Sheet Restructure: Balance sheet restructure completed (Net Cash up 213%)

Based on a review of the measures and outcomes achieved, the Board decided to vest 100% of the former Managing Director and CEO's performance rights (1,500,000 performance rights), and 75% of the remaining Class16B performance rights held by the Chief Financial Officer & Company Secretary (562,500 performance rights). In total 2,062,500 Performance Rights associated with the Class 16B Performance Rights will vest into ordinary shares after balance date.

In relation to the former Managing Director & CEO, the Board exercised its discretion under the Performance Rights Plan Rules to deliver the following outcomes to the former Managing Director & CEO:

- A total of 5,541,964 Performance rights will vest 100% into ordinary shares, consisting of:
  a. 1,500,000 Class 16B Performance Rights (as discussed above)
  b. 1,500,000 Class 16C Performance Rights
  c. 1,270,982 Class 18A Performance Rights
  d. 1,270,982 Class 18B Performance Rights

- The shares issued on conversion of the Class 18A and Class 18B Performance Rights (2,541,964 Performance Rights in total) will be subject to an agreed 12 month holding lock from 31 August 2019 to prevent trading of these securities by the former Managing Director & CEO.

- The Board has deemed that the primary service condition associated with the issue of the Performance Rights was met at balance date, accordingly, the cost of these performance rights have been fully expensed in the current period and included in the former executive's remuneration (Section 8.0).

5. DETAILS OF PERFORMANCE RIGHTS WHICH REMAIN UNTESTED

Excluding the Performance Rights held by the former Managing Director & CEO (which will be dealt with subject to the terms described in 4.2.(c) above), the total number of Performance Rights that will undergo normal vesting rules and testing dates, are tabulated below:

Performance Rights Tranches	Total Number Issued (excluding former MD & CEO)	Relevant Date or Testing Date
2016 Issue - Class 16C	750,000	30-Jun-20
2018 Issue - Class 18A	770,893	30-Jun-20
2018 Issue - Class 18B	1,384,313	30-Jun-21
Maximum number of Rights	**2,905,206**	

The terms and conditions of each grant of performance rights affecting remuneration in a future reporting period are as follows:

5.1 Class 16C Performance Rights

On 28 November 2016, the Company granted 2,250,000 Performance Rights to Key Management Personnel. Of the total, 750,000 Performance Rights are held by the Chief Financial Officer & Company Secretary, these are structured to vest based on a variety of performance measures as outlined below and remain untested at balance date. Post balance date, as discussed in 4.2.(c), the Board determined that 75% of the Performance Rights held by the Chief Financial Officer & Company Secretary would vest into shares. This movement will be displayed in the next reporting period, however the expense has been reported at balance date.

5. DETAILS OF PERFORMANCE RIGHTS WHICH REMAIN UNTESTED (CONTINUED)

5.1 Class 16C Performance Rights (continued)

- 2016 Issue Class 16C Performance Measures are: Relative TSR (Total Shareholder Return); Hera Process Throughput; Hera Mine Inventory; and Balance Sheet Restructure.

5.2 Class 18A Performance Rights

On 4 December 2018, the Company granted 2,041,875 Performance Rights to the Key Management Personnel. Of the total, 770,893 Performance Rights are held by KMP other than the former Managing Director & CEO, these are structured to vest based on a variety of performance measures (refer section 4.2(a)) and remain untested at balance date.

5.3 Class 18B Performance Rights

On 4 December 2018, the Company granted 2,655,296 Performance Rights to the Key Management Personnel. Of the total, 1,384,313 Performance Rights are held by senior management and KMP other than the former Managing Director & CEO, these are structured to vest based on a variety of performance measures (refer section 4.2(a)) and remain untested at balance date.

6. SUMMARY OF MOVEMENTS IN PERFORMANCE RIGHTS DURING THE YEAR

A summary of movements of Performance Rights within the various plans are tabulated below.

FY 19	Grant date	Test Date	Exercise Price	Balance at start of the year	Granted during the year	Vested during the year	Expired during the year	Balance at year end
2016 Class16A	28-11-16	30-06-18	nil	2,000,000	-	(2,000,000)	-	-
2016 Class16B	28-11-16	30-06-19	nil	2,250,000	-	-	-	2,250,000
2016 Class16C	28-11-16	30-06-20	nil	2,250,000	-	-	-	2,250,000
2018 Class18A	04-12-18	30-06-20	nil	-	2,041,875	-	-	2,041,875
2018 Class18B	04-12-18	30-06-21	nil	-	2,655,296	-	-	2,655,296
Total				**6,500,000**	**4,697,171**	**(2,000,000)**	**-**	**9,197,171**

Note: Post balance date, the Board determined that 6,104,464 of the Performance Rights on Issue at year end, will vest into ordinary shares. The movement will be displayed in the next reporting period.

7. DETAILS OF SHARE BASED COMPENSATION TO KMP

Details on Rights over ordinary shares in the Company that were granted as compensation to members of the Key Management Personnel and details on Rights that vested during the reporting period are as follows:

FY19	Class (i)	Test Date	Number Granted	Grant Date	Fair Value at Grant Date $/Right	Fair Value at Vesting Date $/Right	Number of Rights Vested	Balance at year end
Executives								
Simpson, James								
	Class 16A	30-06-18	1,500,000	28-11-16	0.145	0.715	(1,500,000)	-
(ii)	Class 16B	30-06-19	1,500,000	28-11-16	0.145	-	-	1,500,000
(ii)	Class 16C	30-06-20	1,500,000	28-11-16	0.145	-	-	1,500,000
(ii)	Class 18A	30-06-20	1,270,982	04-12-18	0.210	-	-	1,270,982
(ii)	Class 18B	30-06-21	1,270,982	04-12-18	0.300	-	-	1,270,982
			7,041,964		**0.180**		**(1,500,000)**	**5,541,964**
Churcher, Timothy								
	Class 16A	30-06-18	500,000	20-12-16	0.150	0.715	(500,000)	-
	Class 16B	30-06-19	750,000	20-12-16	0.150	-	-	750,000
	Class 16C	30-06-20	750,000	20-12-16	0.150	-	-	750,000
	Class 18A	30-06-20	508,393	04-12-18	0.210	-	-	508,393
	Class 18B	30-06-21	508,393	04-12-18	0.300	-	-	508,393
			3,016,786		**0.190**		**(500,000)**	**2,516,786**

(i) All classes of Performance Rights that Vest into Ordinary Shares, vest at a nil exercise price.
(ii) As part of the former Managing Director & CEO's termination conditions, the performance rights issued will vest on 31 August 2019.

7. DETAILS OF SHARE BASED COMPENSATION TO KMP (CONTINUED)

The Performance Rights have been measured at Fair Value (refer to Note 19. (d) of the Financial Report). The fair value adjustment expensed during the period for Mr Simpson was $2,183,322 and for Mr Churcher was $129,645.

As noted previously, based on the testing of the Class 16B Performance Rights at 30 June 2019, the Board decided to vest 92% of the Class16B performance rights after balance date. The vesting event will be recorded in the next reporting period.

8. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following tables show details of the remuneration received by Directors and KMP of the Company for the current and previous financial year.

FY19	Base salary/ Directors fees	Fees for executive services	Non - Monetary Benefits	Termi nation (viii)	STIP (vii)	Superan- nuation	LTIP Amor - tisation	Total
2019 - Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Johnstone,Colin (i)	134,750	118,333	-	-	-	-	-	253,083
Conway,Lawrence	78,163	-	-	-	-	7,425	-	85,588
Corlett,Susan (ii)	61,912	-	-	-	-	5,882	-	67,794
Espie,Paul	79,706	-	-	-	-	5,882	-	85,588
Harris,Paul (iii)	52,966	48,000	-	-	-	-	-	100,966
Menzies,Michael (iv)	85,588	80,000	-	-	-	-	-	165,588
Simpson,James (v)	686,750	-	20,393	533,957	355,875	45,833	2,183,322	3,826,130
Tuck,Clifford (vi)	17,794		-	-	-	-	-	17,794
2019 - Executives								
Churcher,Timothy	413,000	-	13,951	-	65,700	25,000	129,645	647,296
Total	**1,610,629**	**246,333**	**34,344**	**533,957**	**421,575**	**90,022**	**2,312,967**	**5,249,827**

(i) Appointed as Interim Executive Chairman & CEO from 1 May 19
(ii) Appointed 3 Oct 18
(iii) Appointed as Director 17 Dec 18 & as Lead Independent from 1 May 19
(iv) Appointed as Interim Executive Director & COO from 1 May 19
(v) Resigned 22 May 19
(vi) Resigned 30 Sep 18, provided executive advisory services from 1 Oct 18
(vii) The FY19 STIP amounts relate to the performance in the current financial year, but will actually be paid in FY20
(viii) The termination payment has been provided in the current financial year and will be paid 31 Aug 19.

FY18	Base salary/ Directors fees	Fees for executive services	Non - Monetary Benefits	Term - ination	STIP (xii)	Superan- nuation	LTIP Amor - tisation	Total
2018 - Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Johnstone,Colin	109,500	-	-	-	-	-	-	109,500
Conway,Lawrence	65,000	-	-	-	-	6,175	-	71,175
Espie,Paul (ix)	71,175	-	-	-	-	-	-	71,175
Menzies,Michael	71,175	-	-	-	-	-	-	71,175
Symann, Rune (x)	59,313	-	-	-	-	-	-	59,313
Simpson,James	438,948	-	20,393	-	344,247	20,052	1,702,200	2,525,840
Tuck,Clifford (xi)	7,491	-	-	-	-	-	-	7,491
2018 - Executives								
Churcher,Timothy	353,024	-	13,951	-	189,012	25,000	720,156	1,301,143
Total	**1,175,626**	**-**	**34,344**	**-**	**533,259**	**51,227**	**2,422,356**	**4,216,812**

(ix) Paul Espie was a Pacific Road board nominee and his fees were paid to the account of Pacific Road Resources Fund II until the sale of their shares
(x) Resigned 30 Apr 18
(xi) Appointed 24 May 18
(xii) The FY18 STIP amounts relate to the performance in FY18 but were paid in FY19

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

Executives are employed under executive employment agreements with the Company. James Simpson, former Managing Director (until 22 May 2019) & CEO (until 1 May 2019), was paid a TFR (Total Fixed Remuneration which is base salary plus superannuation) of $711,750, with a 3 month notice period for either party. The former Managing Director and CEO was contractually entitled, in most circumstances, to a termination benefit of 12 months TFR plus accrued entitlements.

Timothy Churcher, Chief Financial Officer & Company Secretary, is paid a TFR (Total Fixed Remuneration which is base salary plus superannuation) of $438,000, with a 3 month notice period for either party. The Chief Financial Officer & Company Secretary is contractually entitled, in most circumstances, to a termination benefit of 12 months TFR plus accrued entitlements. The former Managing Director and CEO and Chief Financial Officer & Company Secretary are entitled to the private use of a company vehicle as part of their remuneration package.

9. SHAREHOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The shareholdings of Directors and KMPs presented below include shares held directly, indirectly, and beneficially by the Directors and other KMPs.

FY19	Balance at the start of the year	Vesting of Performance Rights	On Exercise of share options	Other changes during the year	Balance at year end
2019 - Directors					
Johnstone,Colin	1,000,001	-	-	-	1,000,001
Simpson,James (i)	602,429	1,500,000	-	(2,102,429)	-
Conway,Lawrence	171,429	-	-	-	171,429
Corlett,Susan (ii)	-	-	-	33,731	33,731
Espie,Paul	-	-	-	150,000	150,000
Harris,Paul (iii)	-	-	-	-	-
Menzies,Michael	533,929	-	-	100,000	633,929
Tuck,Clifford (iv)	-	-	-	-	-
2019 - Executives					
Churcher,Timothy	371,429	500,000	-	(871,429)	-
Total	**2,679,217**	**2,000,000**	**-**	**(2,690,127)**	**1,989,090**

(i) Resigned 22 May 19
(ii) Appointed 3 Oct 18
(iii) Appointed 17 Dec18
(iv) Resigned 30 Sep 18

FY18	Balance at the start of the year	Vesting of Performance Rights	On Exercise of share options	Other changes during the year	Balance at year end
Directors					
Johnstone,Colin	800,000	-	-	200,001	1,000,001
Simpson,James	331,000	-	-	271,429	602,429
Conway,Lawrence	100,000	-	-	71,429	171,429
Espie,Paul (v)	-	-	-	-	-
Menzies,Michael	462,500	-	-	71,429	533,929
Symann, Rune (vi)	-	-	-	-	-
Tuck,Clifford (vii)	-	-	-	-	-
2018 - Executives					
Churcher,Timothy	300,000	-	-	71,429	371,429
Total	**1,993,500**	**-**	**-**	**685,717**	**2,679,217**

(v) Paul Espie was a Pacific Road board nominee and as such was restricted from purchasing shares on his own account.
(vi) Resigned 30 Apr 18
(vii) Appointed 24 May 18

REMUNERATION REPORT (AUDITED) (CONTINUED)

9. SHAREHOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

All equity transactions with KMPs other than those arising from exercise of remuneration options and performance rights have been entered into under terms and agreements no more favourable than those the Company would have adopted if dealing at arm's length.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year the Company's auditor, Ernst & Young Australia provided non-audit services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The amounts received or due to be received by Ernst & Young Australia for non-audit services are contained in Note 24.

The Company has obtained an independence declaration from its auditor, Ernst and Young, which forms part of this report. A copy of that declaration is included on the following page.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Mr Colin Johnstone

Executive Chairman & Acting Chief Executive Officer
23 August 2019

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Building a better working world

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

As lead auditor for the audit of the financial report of Aurelia Metals Limited for the financial year ended 30 June 2019, 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 audit; and

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

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

Ernst & Young

Scott Jarrett
Partner
23 August 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Revenue from contracts with customers	5.1	295,002	248,599
Cost of sales	5.2	(215,024)	(136,093)
Gross profit		**79,978**	**112,506**
Corporate administration expenses	5.3	(6,874)	(3,136)
Acquisition and integration expenses	5.4	-	(6,770)
Share based expense	19	(2,397)	(2,427)
Exploration and evaluation costs written off	10	(2,473)	(679)
Gain/(loss) on commodity derivatives	5.6	(15,887)	633
Other expenses	5.7	(1,257)	(16)
Profit before interest and income tax		**51,090**	**100,111**
Finance income		1,634	772
Finance costs	5.8	(1,706)	(8,577)
Profit before income tax		**51,018**	**92,306**
Income tax (expense)/benefit	6.1	(15,001)	6,799
Profit after income tax		**36,017**	**99,105**
Total comprehensive profit for the year		**36,017**	**99,105**
Earnings per share for Profit attributable to the ordinary equity holders of the parent			
Basic earnings per share (cents per share)	3	4.2	15.5
Diluted earnings per share (cents per share)	3	4.1	15.1

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 $000	2018 $000
Assets			
Current assets			
Cash and cash equivalents		104,302	66,925
Trade and other receivables	11	7,285	5,828
Inventories	12	23,316	18,345
Prepayments		1,444	1,378
Derivative financial instruments	13	-	1,650
Total current assets		136,347	94,126
Non-current assets			
Mine properties	8	87,748	68,310
Property, plant and equipment	9	85,351	91,504
Exploration and evaluation assets	10	5,878	289
Deferred tax assets	6.3	5,123	7,487
Financial assets	13	700	4,822
Total non-current assets		184,800	172,412
Total assets		**321,147**	**266,538**
Liabilities			
Current liabilities			
Trade and other payables	14	29,789	29,691
Current tax liabilities		-	1,053
Provisions	20	10,029	15,287
Borrowings	18	-	878
Derivative financial instruments	13	12,041	-
Total current liabilities		51,859	46,909
Non-current liabilities			
Provisions	20	47,710	36,589
Total non-current liabilities		47,710	36,589
Total liabilities		**99,569**	**83,498**
Net assets		**221,579**	**183,040**
Equity			
Contributed equity	15	185,878	185,753
Reserves	16	9,055	6,658
Retained earnings/(retained loss)	17	26,646	(9,370)
Total equity		**221,579**	**183,041**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note	Issued share capital $000	Share based payments reserve $000	Retained earnings/ Accumulated losses $000	Total $000
Balance at 1 July 2017		**100,466**	**4,231**	**(108,476)**	**(3,779)**
Total profit for the period		-	-	99,105	99,105
Transactions with owners in their capacity as owners					
Shares issued for the period	15	89,254	-	-	89,254
Cost of share issue	15	(3,967)	-	-	(3,967)
Share-based payments	19	-	2,427	-	2,427
Balance at 30 June 2018		**185,753**	**6,658**	**(9,371)**	**183,040**
Balance at 1 July 2018		**185,753**	**6,658**	**(9,371)**	**183,040**
Total profit for the period		-	-	36,017	36,017
Transactions with owners in their capacity as owners					
Shares issued for the period	15	125	-	-	125
Share-based payments	19	-	2,397	-	2,397
Balance at 30 June 2019		**185,878**	**9,055**	**26,646**	**221,579**

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

CASH FLOW STATEMENT

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		295,945	258,467
Payments to suppliers and employees		(172,367)	(97,660)
Interest received		1,634	762
Interest paid		(1,159)	(846)
Income tax paid		(17,270)	(8,964)
Net cash flows from operating activities	21	**106,783**	**151,759**
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,648)	(8,541)
Proceeds from the sale of property, plant and equipment		4,839	-
Mine capital		(37,101)	(17,942)
Purchase cost of acquisition of business combination/stamp duty		(5,387)	(94,554)
Cash acquired through business combination	4.2(a)	-	34,397
(Payments) Receipts from settlement of gold forwards		(3,648)	654
Release/(payments) of security deposits		4,742	(1,232)
Deferred acquisition (Hera royalty)		(3,592)	(2,885)
Profit/(loss) on foreign exchange		997	540
Proceeds from sale of investments		-	200
Exploration costs		(6,855)	(386)
Net cash flows used in investing activities		**(68,653)**	**(89,749)**
Cash flows from financing activities			
Proceeds from issue of shares	15	125	89,254
Cost of issuing shares	15	-	(3,967)
Repayment of Glencore borrowings		-	(109,614)
Drawdown of Investec syndicated facility		-	45,000
Repayment of Investec syndicated facility		-	(45,000)
Repayment of other borrowings		(878)	(343)
Debt arrangement and service costs		-	(3,173)
Other finance costs - withholding tax		-	(2,105)
Net cash flows used in financing activities		**(753)**	**(29,948)**
Net increase in cash and cash equivalents		37,377	32,062
Cash and cash equivalents at beginning of the year		66,925	34,863
Cash and cash equivalents at end of the year		**104,302**	**66,925**

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

NOTES TO FINANCIAL STATEMENTS

Business Performance

This section highlights the key indicators on how the Group performed during the year.

1. CORPORATE INFORMATION

The financial report of Aurelia Metals Limited and its subsidiaries for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 22 August 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.

2. OPERATING SEGMENTS

(a) Identification and description of segments

An operating segment is a component of an entity that engages in business activities from which it may earn income and incur expenses (including income and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers, to determine how resources are to be allocated to the segment, and assess its performance. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

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 reportable segments are split between the Hera, Peak Mines project and 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.

Corporate includes share-based expenses and other corporate expenditures supporting the business during the period.

Segment performance is evaluated based on earnings before interest, tax, depreciation and amortisation (EBITDA).

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. OPERATING SEGMENTS (CONTINUED)

(b) Segment information

The segment information for the reportable segments is as follows:

Year ended 30 June 2019	Peak Mines $000	Hera $000	Total $000
Revenue	161,109	133,893	295,002
Site EBITDA	68,095	61,636	129,731

Reconciliation of profit before income tax expense	
Depreciation and amortisation	(51,973)
Corporate costs	(6,753)
Interest (net)	(72)
Share based expenses	(2,397)
Exploration costs expensed	(2,473)
Other income/(expense)	843
Gain/(loss) on foreign exchange/gold forwards	(15,887)
Profit before income tax	**51,018**

Year ended 30 June 2018	Peak Mines $000	Hera $000	Total $000
Revenue	92,832	155,767	248,599
Site EBITDA	62,623	86,448	149,071

Reconciliation of profit before income tax expense	
Depreciation and amortisation	(36,605)
Corporate costs	(3,097)
Acquisition and integration costs from business combination	(6,770)
Interest (net)	(7,805)
Share based expenses	(2,427)
Exploration costs expensed	(679)
Other income/(expense)	(16)
Gain/(loss) on foreign exchange/gold forwards	633
Profit before income tax	**92,305**

3. EARNINGS PER SHARE (EPS)

	2019 000's	2018 000's
Profit used in calculating basic and diluted earnings per share	36,017	99,105
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	865,052	639,759
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	872,905	656,300
Basic earnings per share (cents per share)	4.16	15.5
Diluted earnings per share (cents per share)	4.13	15.1

3. EARNINGS PER SHARE (EPS) (CONTINUED)

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent company, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to equity holders of the parent company, by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4. SIGNIFICANT ITEMS

Significant items are those items where their nature or amount is considered material to the financial report.

4.1 Gold Forward Contracts

The Company's gold forward trading activity does not meet the definition of hedging under AASB 9: Financial Instruments, and is accounted for as a derivative financial instrument, with all realised and unrealised gains and losses on forwards taken to the profit and loss statement.

The Company's financial results for the year include a loss from gold forward trading of $16.9 million due to the significant gold price increase in the later part of the year. This comprises a realised loss on settled gold forward contracts over the year of $4.9 million, and an unrealised mark-to-market loss on future gold forward commitments of $12.0 million.

At 30 June 2019, the gold forward position was 56,000ozs at an average delivery price of A$1,809/oz, with delivery dates to 30 June 2020.

4.2 Acquisitions in 2018

Business combination - Acquisition of Peak Gold Asia Pacific

The Group acquired 100% of the shares in Peak Gold Asia Pacific Pty Ltd ('PGAP'), which through its wholly owned subsidiary Peak Gold Mines Pty Ltd ('Peak Mines'), owns and operates the Peak gold, copper, lead and zinc mine in Cobar, New South Wales.

The acquisition was completed on 10 April 2018, and consisted of a base acquisition price of $76.7 million and an agreed Net Cash and Working Capital Amount of $16.7 million, bringing the total acquisition consideration paid to $93.4 million (or $59.0 million netting off the cash acquired with the business).

(a) Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Peak at the date of acquisition were as follows:

	Fair value $000
Cash	34,397
Trade and other receivables	16,300
Property, plant & equip (PP&E)	55,611
Inventory	14,989
Mine properties	37,817
Trade and other payables	(18,640)
Income tax payable	(10,017)
Provisions	(37,037)
Net assets acquired	**93,420**

4. SIGNIFICANT ITEMS (CONTINUED)

4.2 Acquisitions in 2018 (continued)

Business combination - Acquisition of Peak Gold Asia Pacific (continued)

(b) Acquisition date fair value of consideration transferred

	$000
Cash paid	93,420
Consideration transferred	**93,420**
Direct costs relating to the acquisition	1,133
Stamp duty payable on the acquisition	5,637
Total acquisition costs	**6,770**

Management has not identified any material adjustments and the final Purchase Price Allocation at 30 June 2018 remains consistent at 30 June 2019.

4.3 Investec debt facility

During the prior financial year, the Group entered into a Senior Debt facility of $45 million and a $30 million guarantee facility, with Investec Group, which were used to settle the acquisition of Peak Gold Asia Pacific Ltd and provided flexibility to restructure its current debt obligations.

On 28 June 2018, following strong operational performance and significant increase in cash flow during the June 2018 quarter, Aurelia fully repaid the $45 million Senior Debt Facility.

At 30 June 2018, there had been no draw down on the $30 million guarantee facility with Investec.

During the current year, the Group drew down the full Guarantee facility of $30 million and Investec provided guarantees in favour of various government authorities with respect to site rehabilitation.

At 30 June 2019, the Facility is non-cash backed. The first cash-backing payment of $4.5 million is payable on 31 December 2019.

Interest and fees of $0.694 million have been incurred during the year on the Guarantee Facility.

5. REVENUE AND EXPENSES

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

5.1 Revenue from contracts with customers

	2019 $000	2018 $000
Gold	197,861	175,236
Copper	30,517	12,127
Lead	37,823	27,178
Zinc	23,925	31,430
Silver	4,876	2,628
Total revenue from contracts with customers	**295,002**	**248,599**

5. REVENUE AND EXPENSES (CONTINUED)

5.1 Revenue from contracts with customers (continued)

Recognition and measurement

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.

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, and selling prices are known or can be reasonably estimated.

Zinc, Lead, Copper 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 generally 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.

5.2 Cost of sales

	2019 $000	2018 $000
Site production costs	147,819	80,931
Transport and refining	12,567	8,206
Royalty	9,135	7,234
Inventory movement	(6,348)	3,156
	163,173	**99,527**
Depreciation and amortisation	51,851	36,566
Total cost of sales	**215,024**	**136,093**

5. REVENUE AND EXPENSES (CONTINUED)

5.3 Corporate administration expenses

	2019 $000	2018 $000
Corporate expenses	6,753	3,097
Corporate depreciation	121	39
Total corporate administration expenses	**6,874**	**3,136**

5.4 Acquisition and integration expenses

	2019 $000	2018 $000
Acquisition and integration expenses	-	1,133
Stamp duty	-	5,637
Total acquisition and integration expenses	**-**	**6,770**

FY18 acquisition and integration costs of $6.8 million relate to the acquisition of 100% of the shares in Peak Gold Asia Pacific Ltd, on 10 April 2018.

5.5 Share based expenses

	2019 $000	2018 $000
Share based expense	2,397	2,427
Total share based expenses	**2,397**	**2,427**

Being performance rights issued to Key Management Personnel. See Remuneration Report and note 19 for further details.

5.6 Gain/(Loss) on commodity derivatives

	2019 $000	2018 $000
Gain on foreign exchange	997	985
Loss on gold forward contracts (i)	(16,884)	(352)
Total (loss)/gain on commodity derivatives	**(15,887)**	**633**

(i) Refer to note 4.1 Significant Items for further details on gold forward contracts.

5.7 Other income/(expense)

	2019 $000	2018 $000
Loss on disposal/impairment of plant and equipment	(2,337)	(1,144)
Sundry income	460	987
Gain on disposal/revaluation of financial assets	620	141
Total other income/(expense)	**(1,257)**	**(16)**

5. REVENUE AND EXPENSES (CONTINUED)

5.8 Finance costs

	2019 $000	2018 $000
Interest expense	932	5,268
Debt arrangement and service fees	-	3,168
Unwinding of discount	774	141
Total finance costs	**1,706**	**8,577**

FY19 Interest paid includes fees for the Guarantee Facility ($30 million). FY18 debt arrangement and servicing fees of $3.168 million relate to the Investec Debt Facility used to settle the acquisition of Peak Gold Asia Pacific Ltd.

6. INCOME TAX

The Group is a tax consolidated group at balance date. Peak Gold Asia Pacific Pty Ltd joined the tax consolidated group on 10 April 2018.

6.1 Income tax expense

	2019 $000	2018 $000
Current tax on profits for the year	13,612	30,926
Adjustments in respect of current income tax of previous year	(1,053)	-
Deferred tax movements for the year	2,442	(37,725)
Income tax expense/(benefit) reported in the statement of comprehensive income	**15,001**	**(6,799)**

6.2 Numerical reconciliation of income tax expense to prima facie tax payable

	2019 $000	2018 $000
Accounting profit before income tax	51,018	92,305
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Tax at the Australian tax rate of 30%	15,305	27,692
Share based payments and other non-assessable items	749	3,663
Previously unrecognised tax benefit now recognised	-	(26,137)
Deferred tax assets recognised	-	(12,017)
Prior year over provisions	(1,053)	-
Income tax expense/(benefit)	**15,001**	**(6,799)**

6.3 Deferred tax balances

The net Deferred tax asset/liability of $5,123 million(2018: $7,565 million), classified as a non-current asset, is comprised of the following:

6. INCOME TAX (CONTINUED)

6.3 Deferred tax balances (continued)

Movement in deferred tax balances	Balance at 1 July 2018 $000	Recognised in profit or loss $000	Utilised to reduce tax liability $000	Balance at 30 June 19 $000
Inventories	(2,262)	656	-	(1,606)
Provisions	16,292	131	-	16,423
Property, plant & equipment	(1,389)	1,706	-	317
Mine properties	(6,715)	(7,177)	-	(13,892)
Exploration and evaluation expenditure	(125)	(1,464)	-	(1,589)
Tax losses carried forward	-	2,454	(2,454)	-
Other	1,764	3,706	-	5,470
Net Deferred Tax Asset/(Liability)	**7,565**	**12**	**(2,454)**	**5,123**

6.4 Tax losses

Tax losses of $8.1 million (tax effective $2.454 million) carried forward from 30 June 2018, have been utilised against the current taxable income.

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised. All available tax losses have been recognised at 30 June 2019.

Recognition and measurement

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

6. INCOME TAX (CONTINUED)

6.4 Tax losses (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

7. DIVIDENDS

Since year end, the Directors have recommended the payment of a fully franked dividend of 2.0 cents per fully paid ordinary share (30 June 2018: Nil). The aggregate amount of the proposed dividend is expected to be paid on 2 October 2019 out of current earnings at 30 June 2019, but not recognised as a liability at period end is $17.358 million

The final dividend recommended after 30 June 2019 will be fully franked out of franking credits balance at the end of the financial year. The franking account balance at the end of the financial year is $36 million (30 June 2018: $19 million)

Long Term Assets and Liabilities

This section provides information that is relevant to understanding the composition and management of the Group's assets and liabilities.

8. MINE PROPERTIES

	2019 $000	2018 $000
Mine properties at cost	167,342	119,181
Accumulated depreciation and impairment	(79,594)	(50,872)
	87,748	68,309

	2019 $000	2018 $000
Carrying value at beginning of year	68,310	28,559
Addition from business combination	-	37,129
Transfer from exploration and evaluation assets	74	1,365
Development expenditure during the year	50,047	22,063
Transfer from property, plant and equipment	1,385	1,162
Amortisation for the year	(32,068)	(21,968)
	87,748	68,310

Recognition and Measurement

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves and the portion of mineral resources considered to be probable of economic extraction, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. The unit of account for run of mines (ROM) costs is Gold Metal Equivalent units mined (measured in ounces), whereas the unit of account for post-ROM costs is Gold Metal Equivalent units processed (measured in ounces). Rights and concessions are depleted on the unit-of-production (UOP) basis over the economically recoverable reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with planned future mine development expenditure.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

8. MINE PROPERTIES (CONTINUED)

Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Indicators reviewed include, but are not limited to, the operating performance of the Cash Generating Unit ("CGU"), future business plans, assumptions around future commodity prices, exchange rates, production rates and production costs. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and the impairment loss recognised in the Statement of Profit or Loss.

The recoverable amount is the greater of fair value less costs to sell (FVLCD) and value in use (VIU). It is determined for an individual asset, unless the asset's VIU cannot be estimated to be close to its FVLCD and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Group considers each of it's mine sites to be a separate CGU.

The FVLCD for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs, using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including expansion projects, based on the latest life of mine plans. These cash flows are discounted using a real post-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the CGU.

The determination of FVLCD for each CGU are considered to be Level 3 fair value measurements, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

The impairment review conducted at 30 June 2019 concluded that there were no indicators for impairment.

Accounting estimates and assumptions

Units of production method of depreciation/amortisation

The Company uses the unit-of-production basis where depreciating/amortising specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

Impairment

The Company assesses each Cash-Generating Unit (GGU), at each reporting period to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value costs of disposal and value in use. These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, gold multiple values, future operating development and sustaining capital requirements and operating performance. A change in one or more of these assumptions used to determine the fair value in use or fair value less costs of disposal could result in a change in a CGU's recoverable amount.

The Group has considered whether past impairment losses recorded at the Hera mine should be reversed. Management's assessment included consideration of Hera's CGU's grade variability, short remaining life, sensitivity to prices and risk of increased mine costs, and concluded a reversal of past impairment losses is not required.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

		2019 $000	2018 $000
Plant and equipment at cost		137,645	128,670
Property at cost		764	764
Accumulated depreciation		(53,058)	(37,931)
		85,351	91,503
Movement in property, plant & equipment			
Carrying value at the beginning of the year		91,504	44,796
Additions acquired from business combination	4.2	-	55,611
Additions/expenditure during the year		23,325	8,076
Assets scrapped/written off		(2,342)	(1,132)
Disposals of assets		(5,170)	(44)
Reclassifications		(2,062)	(1,163)
Depreciation for the year		(19,904)	(14,640)
Closing balance		**85,351**	**91,504**

Recognition and Measurement

Items of property, plant and equipment and producing mines are stated at cost, less accumulated depreciation, amortisation and accumulated impairment losses.The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Derecognition

Items of property, plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss from derecognising the asset is included in the statement of profit or loss in the period the item is derecognised.

Depreciation

Depreciation of plant and equipment is calculated using either the straight-line basis or units of production method to allocate their cost, net of residual values, over their estimated useful lives. The rates for the straight line method vary between 10% and 33% per annum. Land is not depreciated.

Refer to note 8 for further details regarding accounting policies and significant estimates and assumptions.

10. EXPLORATION AND EVALUATION ASSETS

	2019 $000	2018 $000
At cost	33,288	25,298
Accumulated write offs	(27,410)	(24,961)
Disposal of assets	-	(48)
	5,878	289

10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	2019 $000	2018 $000
Opening balance	289	1,581
Expenditure during the year	7,459	800
Expenditure written off during the year	(2,473)	(679)
Exploration capital transferred to mine development	-	(1,365)
Disposal of assets (i)	-	(48)
Reclassification	603	-
	5,878	289

(i) Security deposits on EL 6699 and EL 6258 relinquished as a result of the sale of Stannum Pty Ltd.

Recognition and measurement

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- It is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- Exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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.

If facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the entity must perform impairment tests on those assets in accordance with AASB 136 'Impairment of Assets'. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

An impairment charge of $2.5 million was recognised in 2019 (2018: $0.7 million).

Mines under construction

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties under construction'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Producing mines

Upon completion of the mine construction phase, assets are transferred into 'Property, Plant and Equipment' or 'Mine Properties'.

Working Capital and other Financial Assets/Liabilities

This section provides information on the Group's capital and financial management activities.

11. TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000
Trade debtors	1,445	3,880
Other receivables	5,840	1,948
Closing balance	**7,285**	**5,828**

Recognition and measurement

All of the above are non-interest bearing and generally receivable on 30-90 day terms. At balance date, no material amount of trade receivables were past due or impaired.

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.

12. INVENTORIES

	2019 $000	2018 $000
Stores inventory (materials on hand)	6,491	7,867
Ore stockpiles	4,599	2,133
Metal in circuit	3,907	2,011
Finished concentrate	4,063	4,831
Finished gold dore	4,256	1,503
Total current inventory	**23,316**	**18,345**

Recognition and measurement

Inventory is held at lower of cost or net realisable value. Adjustments to inventory are recognised through cost of sales.

Gold bullion, metal in concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted. Until mine properties are in production, any differences in cost and net realisable value are capitalised to the respective asset in development.

12. INVENTORIES (CONTINUED)

If the ore stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis.

Materials and supplies on hand are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

13. FINANCIAL ASSETS/(LIABILITIES)

	2019 $000	2018 $000
Current		
Gold Forwards - Financial Liability	(12,041)	-
Gold Forwards - Financial Asset	-	1,650
	(12,041)	**1,650**

	2019 $000	2018 $000
Non-current		
Investments (i)	700	80
Term deposits	-	4,742
	700	**4,822**

	2019 $000	2018 $000
Movement in carrying value		
Opening balance	80	115
Investment in Big Sky Metals	-	80
Investment in Sky Metals Limited (i)	700	-
Sale of investments (i)	(80)	(115)
Closing balance	**700**	**80**

(i) On 20 June 2019, the Company's equity investment, Big Sky Metals ('BSM'), was acquired by a listed entity subsequently renamed Sky Metals Limited ('Sky'). The transaction resulted in the Company being allotted 17.5M shares in Sky, valued at $0.7 million based on the IPO share price, and representing approximately 7% of the equity in the company. At 30 June 2019 there is no material change in the fair value of the investment in Sky. The company was also allotted 5 million options in Sky at $0.08.

For accounting purposes, the transactions trigger a disposal of AMI's investment in BSM, and recognition of the initial investment in Sky. The net impact on the profit and loss for the year ending 30 June 2019 is $0.62 million, being the difference between the non-cash consideration received on disposal of BSM (representing the fair value of the investment in Sky), and the recognised value of the investment in BSM.

These shares are classified as a non-current asset in the Company's balance sheet as they are restricted for an escrow period of two years from the date of listing (1 July 2019).

13. FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

Recognition and measurement

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 or fair value through other comprehensive income on an investment by investment basis.

14. TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Trade payables and accruals	28,396	24,467
Other payables	1,393	5,224
	29,789	29,691

Recognition and measurement

Trade payables and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables are unsecured, non-interest bearing and generally payable on 7 to 30 day terms. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Debt, Equity and Risk Management

This section discusses the Group's exposure to various risks and provides information on the Group's equity and debt.

15. CONTRIBUTED EQUITY

15.1 Movements in ordinary shares on issue

2019		Date	Number	$000
Opening balance			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	-
Closing balance		**30-Jun-19**	**867,879,333**	**185,878**

2018		Date	Number	$000
Opening balance		01-Jul-17	430,858,188	100,465
Issue of shares	(iii)	27-Nov-17	104,000,000	21,840
Issue of shares	(iv)	12-Jan-18	58,077,506	12,196
Issue of shares	(v)	15-Jan-18	262,943,639	55,218
Cost of share issue			-	(3,967)
Closing balance		**30-Jun-18**	**855,879,333**	**185,752**

(i) Exercise of 10,000,000 options, exercisable at 1.25c/share by Pacific Road Management Pty Ltd. There are no remaining options on issue.
(ii) Vesting of employee Performance Rights (Class 16A)
(iii) Issue relates to Tranche 1 of the Share Placement agreement dated 27 November 2017
(iv) Issue relates to Tranche 2 of the Share placement agreement (27 Nov 17) and is for the issue of shares to Glencore (18.2 million shares) and SPP issues (40 million shares)
(v) Issue relates to Tranche 2 of the Share Placement agreement (27 Nov 17) and is for the issue of shares to Pacific Road (168.7 million shares) and institutional placements (94.2 million shares).

Recognition and measurement

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

Ordinary shares which have no par value have the right to receive dividends as declared and, in the event of a winding up of the Parent, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

15.2 Capital management

The entity does not have a defined share buy-back plan or a dividend reinvestment plan. No dividends were paid in the year ending 30 June 2019.

16. RESERVES

	2019 $000	2018 $000
Share based payment reserve		
Opening balance	6,658	4,231
Share based payment expense	2,397	2,427
Closing balance	**9,055**	**6,658**

16. RESERVES (CONTINUED)

16.1 Movement in reserves

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). Refer to the Remuneration Report for further information.

17. RETAINED EARNINGS/(LOSSES)

Movements in retained earnings/(losses) were as follows:

	2019 $000	2018 $000
Retained earnings/(losses)	(9,371)	(108,476)
Profit/(loss)	36,017	99,106
Closing balance	**26,646**	**(9,370)**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's management of financial risk aims to ensure cash flows are sufficient to:

- Withstand significant changes in cash flow at risk scenarios and still meet all financial commitments as and when they fall due; and
- Maintain the capacity to fund project development, exploration and acquisition strategies.

The Group continually monitors and tests its forecast financial position against these criteria. The key financial risk exposures are liquidity risk, credit risk, and market risk (including foreign exchange risk, commodity price risk and interest rate risk).

The Directors are responsible for monitoring and managing financial risk exposures of the Group. The Group's financial instruments consist mainly of borrowings, deposits with banks, derivatives, payables and receivables.

The Group holds the following financial instruments:

	2019 $000	2018 $000
Financial assets		
Cash at bank	104,302	66,925
Term deposits	-	4,742
Receivables	7,285	5,829
Derivative financial instruments	-	1,650
Investments	700	80
Balance at year end	112,287	79,226
Financial liabilities		
Trade and other payables	29,789	29,693
Borrowings (i)	-	878
Deferred acquisition royalty	5,534	7,860
Derivative financial instruments	12,041	-
Balance at year end	47,364	38,431

(i) Prior year borrowings consisted of finance leases ($0.285 million) and Insurance funding ($0.593 million) which have been settled in the current year.

Financial assets/liabilities

The Group enters into derivative financial instruments (commodity contracts) with financial institutions with investment-grade credit ratings. It measures financial instruments, such as derivatives and provisionally priced trade receivables, at fair value at each reporting date.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Group's principal financial assets, other than derivatives and provisionally priced trade receivables, comprise other receivables, cash and short-term deposits that arise directly from its operations, as well as investments.

The Group's principal financial liabilities other than derivatives, comprise trade and other payables, and deferred acquisition royalty.

Accounting policies in respect of these financial assets and liabilities are documented within the relevant notes to the financial statements, being receivables (Note 11), derivatives and investments (Note 13), trade and other payables (Note 14), and deferred acquisition costs (Note 20).

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

18.1 Derivatives

The Group has entered into the following derivative commodity contracts for the forward sale of gold that have not been designated as hedges:

	2019	2018
Gold forwards contracts at 30 June - oz	56,000	76,000
Gold forward contracts at fair value - $000's	12,041	1,650

The resulting fair value financial liability of $12.041 million (2018: financial asset of $1.650 million) of these contracts has been recognised in the statement of financial position as financial assets/(liabilities). The delivery dates differ per contract and range from 25 July 2019 to 30 June 2020.

The change in the fair value of these contracts ($12.041 million) has been recognised in the statement of profit of loss as unrealised loss on commodities (2018: unrealised gain on commodities $1.650 million).

18.2 Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. At 30 June 2019, the Company had no debt (2018: nil) and held $104.3 million (2018: $66.9 million) of available cash.

18.3 Maturities of financial liabilities

The table below shows the Group's financial liabilities at 30 June 2019 in their relevant contractual maturity groupings. There is no debt. Trade and other payables are expected to be settled within 12 months.

Maturity profile of financial liabilities

2019	<1 Yr $000	1-2 Yrs $000	2-3 Yrs $000	3-4 Yrs $000	>4 Yrs $000	Contracted cash flow of liability $000	Carrying value of liability $000
Equipment loans	-	-	-	-	-	-	-
Insurance loan	-	-	-	-	-	-	-
Deferred acquisition costs	2,467	1,496	1,252	386	-	5,601	5,534
Derivative financial instruments	12,041	-	-	-	-	12,041	12,041
Total	**14,508**	**1,496**	**1,252**	**386**	**-**	**17,642**	**17,575**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.3 Maturities of financial liabilities (continued)

2019

	<1 Yr $000	1-2 Yrs $000	2-3 Yrs $000	3-4 Yrs $000	>4 Yrs $000	Contracted cash flow of liability $000	Carrying value of liability $000
Equipment loans	285	-	-	-	-	285	285
Insurance loan	593	-	-	-	-	593	-
Deferred acquisition costs	4,068	2,407	1,314	274	-	8,063	7,860
Total	**4,946**	**2,407**	**1,314**	**274**	**-**	**8,941**	**8,145**

18.4 Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the entity which have been recognised in the Consolidated Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is managed through the maintenance of procedures which ensure, to the extent possible, that counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment.

No receivables are considered past due or impaired.

18.5 Market risk exposures

(a) Foreign currency risk

The Group undertakes transactions impacted by foreign currencies; hence exposures to exchange rate fluctuations arise. Although the majority of the Group costs, including development expenditure, are in Australian dollars many of these costs are affected either directly or indirectly by movements in exchange rates. Revenue during the year from the sale of commodities is largely affected by movements in the USD:AUD exchange rate.

Currently the Group does not hedge against this risk. The group considers the effects of foreign currency risk on its financial position and financial performance and assesses its option to hedge based on current economic conditions and available market data.

Generally the majority of US$ received from sales are converted to A$ soon after receipt, unless there are cash outflow commitments payable in US$. The foreign currency exposure to revenue not converted at time of sale in the period to a 5% change in US$ exchange rate was an approximately $0.3 million sensitivity in profit/loss and equity.

The cash balance at year end includes US$4.4 million (2018: US$9.9 million) held in US$ bank accounts. An increase/decrease in AUD:USD foreign exchange rates of 5% will result in $0.3 million increase/decrease in US$ currency bank account balances.

(b) Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, particularly gold, lead and zinc prices. Price risk relates to the risk that the fair value of future cash flows of commodity sales will fluctuate because of changes in market prices largely due to supply and demand factors for commodities. The Group is exposed to commodity price risk due to the sale of gold, lead, zinc and copper on physical prices determined by the market at the time of sale.

Gold price risk is managed, from time to time and as required and deemed appropriate by the Board, with the use of hedging strategies through the purchase of forward sale contracts. These contracts can establish a minimum commodity price denominated in either US$ or A$ over part of the group's future metal production.

Gold forward sales were implemented during the year. At balance date, the Company's gold forward position was 56,000 oz of gold at an average price of A$1,809/oz with deliveries to June 2020.

During the financial year, gold and gold in concentrate sales were 113,142 ounces. The effect on the income statement with an A$50/oz increase/decrease in gold price would have been an increase/decrease in profit/loss and equity of $5.7 million.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.5 Market risk exposures (continued)

During the financial year, the company sold bulk concentrate containing payable lead of 10,356 tonnes, payable zinc of 9,757 tonnes and payable copper of 1,462 tonnes. An increase/decrease of US$50/t in the price of lead, zinc and copper would increase/decrease profit/loss and equity by $2 million.

(c) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. During the year, the group incurred interest and fees of $0.679 million of the Guarantee Facility. The group also holds cash and short term deposits on which it receives interest.

The Group's interest rate risk arises from variable interest rates on interest bearing liabilities. As at 30 June 2019, the Group held no variable interest rate debt (2018: nil).

The Group continually analyses its exposure to interest rate risk. Consideration is given to alternative financing options, potential renewal of existing positions, alternative investments and the mix of fixed and variable interest rates.

18.6 Capital risk management

The capital management strategy is to maximise shareholder value through having an appropriate balance of debt and equity in recognition of the maturity and operational risk of the business. As at 30 June 2019, the Group had no debt and available cash balance of $104 million (30 June 2018: $66.9 million).

The Group continues to monitor the capital by assessing the financial risks and adjusting the capital structure in response to changes in those risks. The Group is continually evaluating its sources and uses of capital. The Group is not subject to any externally imposed capital requirements.

The Directors consider the carrying values of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

(a) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's financial 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.

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
2019	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**
Assets			
Investments in Sky Metals	700	-	-
Liabilities			
Deferred acquisition costs	-	-	(5,534)
Derivative financial instruments	(12,041)	-	-
2018	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**
Assets	-	-	-
Derivative financial instruments	1,650	-	-
Investment in Big Sky Metals	-	80	-
Term deposits	4,742	-	-
Liabilities			
Deferred acquisition costs	-	-	(7,860)

The techniques and inputs used to value the financial assets and liabilities are as follows:

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.6 Capital risk management (continued)

- Gold Forward Contracts - marked-to-market value based on spot gold prices at balance date and future delivery prices and volumes, as provided by trade 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 68,000 ounces. Future royalty revenue is estimated using an assumed future average gold price of A$1,650/oz. The discount rate used was the five year government bond rate of 0.893%.

19. SHARE BASED PAYMENT ARRANGEMENTS

Recognised share based payments expenses for employee services received in the reporting period is shown in the table below.

19.1 Type of share based payment plan

Share based payments

	2019 $000	2018 $000
Expense from share based payments to employees	2,397	2,427
Total	**2,397**	**2,427**

(a) Employee share option plan and performance rights plan

The Company has established a Performance Rights Plan, as detailed in the Remuneration Report to these Financial Statements. The objective of these is to assist in the recruitment, reward, retention and motivation of employees of Aurelia Metals. The plan is open to Directors and eligible employees of Aurelia Metals.

(b) Summary of movements of options on issue

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the year.

	30 June 2019		30 June 2018	
Options on issue	**Number**	**WAEP (c)**	**Number**	**WAEP (c)**
Opening balance issued	10,000,000	1.25	10,000,000	1.25
Exercised in the year	(10,000,000)	(1.25)	-	-
Closing balance issued	**-**	**-**	**10,000,000**	**1.25**
Exercisable at 30 June	-	-	10,000,000	1.25

Exercise of 10,000,000 options at 1.25c/share by Pacific Road Capital Management Pty Ltd.

(c) Summary of movements of performance rights on issue

The following table illustrates the number of, and movements in Performance Rights during the year. All Performance Rights have a zero weighted average exercise price.

Refer to the Remuneration Report (section 4.2(a) for the vesting conditions of the performance rights issued during the year.

Performance rights on issue	**30 June 2019**	**30 June 2018**
	Number	**Number**
Opening balance issued	6,500,000	6,570,000
Granted during the year	4,697,171	-
Vested during the year	(2,000,000)	-
Lapsed during the year	-	(70,000)
Closing balance issued	9,197,171	6,500,000

19. SHARE BASED PAYMENT ARRANGEMENTS (CONTINUED)

19.1 Type of share based payment plan (continued)

Closing Balance

2016 Class 16B Perf Rights (i)	2,250,000	Un-vested
2016 Class 16C Perf Rights (iii)	2,250,000	Un-vested
2018 Class 18A Perf Rights (iii)	2,041,875	Un-vested
2018 Class 18B Perf Rights (iv)	2,655,296	Un-vested
	9,197,171	

Note: Subsequent to balance date, the Board determined that 2,062,500 of the 2,250,000 2016 Class 16B Performance Rights (92%) would vest into shares (see Remuneration Report). The movement will be displayed in the next reporting period.

(d) Fair value determination

The assessed value of the 2016 Class B & Class C Performance Rights is $2,027,953 (4,500,000 rights at a weighted average price of $0.495 each with vesting probabilities applied). These Performance Rights are valued at the spot price at reporting date (intrinsic method), consistent with prior periods.

An independent expert provider estimated fair value using the Monte Carlo simulation and the assessed value for the 2018A and 2018B Rights is $2,091,090 (4,697,171 rights at a weighted average cost of $0.58/each with vesting probabilities applied).

Recognition and measurement

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external independent valuation using the Monte Carlo simulation.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other

This section covers additional financial information and mandatory disclosures.

20. PROVISIONS

At 30 June 2019	2019 $000	2018 $000
Current		
Rehabilitation	-	761
Deferred acquisition costs	1,995	3,428
Employee	7,307	11,098
Other	727	-
Total current provisions	**10,029**	**15,287**
Non current		
Rehabilitation	43,701	31,904
Deferred acquisition costs	3,539	4,432
Employee	470	253
Total non-current provisions	**47,710**	**36,589**
Total provisions	**57,739**	**51,876**

At 30 June 2019

	Rehabilitation (i) $000	Deferred Acquisition Costs (ii) $000	Employee (iii) $000	Other (iv) $000	Total $000
Opening balance	32,665	7,860	11,352		51,877
Re-measurement of provision	10,357	1,196	3,097	727	15,377
Discount unwind charged to Income Statement	703	70	-	-	773
Paid/utilised during the year	(24)	(3,592)	(6,672)	-	(10,288)
Closing balance	**43,701**	**5,534**	**7,777**	**727**	**57,739**

At 30 June 2018

	Rehabilitation (i) $000	Deferred Acquisition Costs (ii) $000	Employee (iii) $000	Other (iv) $000	Total $000
Opening balance	4,152	9,386	583	2,115	16,236
Provision assumed from business combination (Note: 4.2)	24,948	-	12,088	-	37,036
Re-measurement of provision	3,706	1,097	(596)	(185)	4,022
Discount unwind charged to Income Statement	(141)	-	-	-	(141)
Paid/utilised during the year	-	(2,622)	(724)	(1,930)	(5,276)
Closing balance	**32,665**	**7,861**	**11,351**	**-**	**51,877**

20. PROVISIONS (CONTINUED)

(i) Site restoration costs include the dismantling and the removal of mining plant, equipment and building structures, waste removal and restoration, reclamation and revegetation of the affected areas of the sites in accordance with the mining permits. Rehabilitation provision represents the present value of the estimated future rehabilitation cost relating to the mine sites. Timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. The Peak estimate has increased during the year , mainly due to increased costs related to the demolition of plant and waste dump rehabilitation. The Hera provision has increased during the year, and is primarily as a result of increased costs related to the demolition and removal of infrastructure. At 30 June 2019, the Letter of Credit Facility available under the Investec Syndicated Facility (Facility C) has been fully utilised ($30 million), and an additional security of $0.05 million is held as a cash term deposit with Westpac.

(ii) Deferred acquisition costs are valued at fair value by using the discounted cash flow methodology based on the three year Australian government bond rate of 0.89%.

(iii) The provision for employee benefits represent annual leave and long service leave entitlements for current employees, and also includes the annual leave and long service leave balance due to ex-employees who transferred from Aurelia to PYBAR as a result of the transition to contract mining. Aurelia is liable for the benefits earned by these employees up to the date of transfer (1 Feb 19).

(iv) Other provisions represent electricity provisions (2019) and withholding tax paid on the full settlement of the Glencore debt (2018).

Recognition and measurement

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Rehabilitation

The Group makes a provision for the future cost of rehabilitating the respective mine sites and related production facilities at the time of developing the mine and installing and using those facilities. The rehabilitation provision represents the present value of the estimated future rehabilitation costs relating to mine sites. The discount rate used to determine the present value is a pre-tax rate reflecting the current market assessments.

The unwinding of discounting the provision is included in finance costs in the profit or loss.

When the liability is initially recorded, the present value of the estimated cost is capitalised as part of the carrying value of mine properties, which is amortised on a units of use basis. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

Deferred acquisition costs in relation to Hera

The Company measures the deferred acquisition costs by reference to the fair value of net present value of future cash outflows. The following assumptions have been taken into account: risk free bond rate, gold price, timing and possibility of payment.

Employee benefits

Annual leave liabilities are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave liabilities are measured at the present value of the estimated future cash outflows, discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss.

20. PROVISIONS (CONTINUED)

Other

The provision for electricity represents the total estimated liability at 30 June 2019. The liability is offset against electricity certificates bought in advance and included in current assets (prepayments).

Accounting estimates and assumptions

Rehabilitation

Significant estimates and assumptions are required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. These provisions have been created based on Aurelia's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions, including changes in regulations, price increases, timing of cash flows, and discount rates. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold, lead and zinc prices, which are inherently uncertain.

Deferred acquisition costs in relation to Hera

On 18 June 2009, the Company reached agreement to purchase a 100% interest in the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited (CBH). The total cost of the acquisition was an initial cash purchase price of $12,000,000 and a 5% gold royalty on gravity gold dore production from the Hera deposit, capped at 250,000 ounces gold. The royalty was commercially negotiated post acquisition down to 4.5%.

The Consolidated Entity has recorded deferred consideration of $5.5 million ($7.8 million at 30 June 2018) representing the net present value of projected royalty payments due under the revised terms of the acquisition, calculated based on information available as at 30 June 2019. The deferred consideration is revalued at each reporting date through the carrying value of the asset (mine properties) in accordance with the transitional requirements of AASB 3 Business combinations.

Assumptions based on the current economic environment and updated life of mine plans, have been made by management. These estimates are reviewed regularly and factors considered include gold price, discount rates, timing of cash flows and forecast gold production.

Employee benefits

Management judgement is required in determining the future probability of employee departures and period of service used in the calculation of long service leave.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

21. CASHFLOW STATEMENT

	2019 $000	2018 $000
Reconciliation of profit after tax to net cash flows used in operating activities		
Net profit after tax	36,017	99,105
Adjustments for:		
Share based payments	2,397	2,427
Acquisition and integration costs	-	1,133
Exploration and evaluation assets written off	2,473	679
Depreciation and amortisation	51,973	36,607
(Gain)/Loss on sale of investments	(620)	(141)
(Gain)/Loss on revaluation of commodity derivatives	15,886	352
(Gain)/Loss on scrapping of plant and equipment	2,368	1,144
Interest and amortisation of borrowing costs	774	5,409
Debt arrangement costs	-	3,168
Deferred tax recognised to income statement	(2,270)	(6,799)
Income tax payments - Peak liability	-	(8,964)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	549	(2,794)
(Increase)/decrease in prepayments	(66)	(1,092)
Increase/(decrease) in trade and other payables	5,120	21,761
Increase/(decrease) in provisions	(2,847)	10,769
Movement in inventory	(4,971)	(12,254)
Working capital inherited from business - other	-	35,646
Cash acquired from business combination	-	(34,397)
Net cash flows from operating activities	**106,783**	**151,759**

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

22. EXPENDITURE COMMITMENTS

22.1 Operating contract commitments

The Group has entered into commercial arrangements for certain services and items of plant and machinery. These contracts have an average life of between one and five years.

There are no restrictions placed upon the Group by entering into these arrangements.

Future minimum rentals payable under non-cancellable operating contracts as at 30 June 2019 are, as follows:

	2019 $000	2018 $000
Within one year	5,719	1,924
Between one and five years	10,788	345
	16,507	2,269

22.2 Finance lease and hire purchase commitments

As at 30 June 2019, all finance leases and hire purchase contracts for various items of plant and machinery had been fully paid by the Group.

22. EXPENDITURE COMMITMENTS (CONTINUED)

22.2 Finance lease and hire purchase commitments (continued)

	2019 $000 Minimum payments	2019 $000 PV of payments	2018 $000 Minimum payments	2018 $000 PV of payments
	$000	$000	$000	$000
Within one year	-	-	181	169
Between one and five years	-	-	293	285
More than five years	-	-	-	-
Total payments	-	-	474	454
Less: Finance charges	-	-	(21)	-
PV of lease payments	**-**	**-**	**453**	**454**

Leases accounting policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

22.3 Commitments

At 30 June 2019, the Group had commitments of $4.185 million (2018: $4.591 million), relating to annual exploration/mining lease minimum annual expenditures.

23. SUBSEQUENT EVENTS

The following significant events occurred after 30 June 2019:

• 17 July 2019: ASX release of 2019 Mineral Resource and Ore Reserve Statement
• 26 July 2019: ASX release of FY20 Operating Outlook

24. AUDITORS' REMUNERATION

The auditor of Aurelia Metals Limited is Ernst & Young, who, from Acquisition date have also been appointed as the auditors of Peak Gold Asia Pacific (previously Deloitte).

24. AUDITORS' REMUNERATION (CONTINUED)

	2019 $000	2018 $000
Audit Services		
Audit and review work	414	290
Non-Audit Services		
Tax compliance & out of scope work	81	23
Tax reviews of the business combination	-	42
Total Audit and Non-Audit Services	**495**	**355**

There were no other services provided by Ernst & Young other than as disclosed above.

25. PARENT COMPANY INFORMATION

Information relating to the parent entity of the Group, Aurelia Metals Limited:

	2019 $000	2018 $000
Current assets	94,775	43,531
Non-current assets	8,400	27,220
Total assets	103,175	70,751
Current liabilities	75,641	7,260
Non-current liabilities	68	-
Total liabilities	75,709	7,260
Net (liabilities)/assets	**27,466**	**63,491**
Issued capital	185,878	185,753
Reserves	9,055	6,658
Accumulated losses	(167,467)	(128,920)
Total shareholders' equity	**27,466**	**63,491**
Profit/(Loss) for the year	**(38,547)**	**(16,718)**

Commitments
Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	Parent 2019 $000	Parent 2018 $000
Within one year	48	54
After one year but not longer than five years	12	58
	60	112

Commitments include lease of head office premises and lease of office equipment.

26. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

27. RELATED PARTY TRANSACTIONS

Payments to Key Management Personnel during the year of $3.945 million (2018: $3.078 million) which is detailed in the remuneration report.

27.1 Transactions with other related parties

Directors fees in the amount of $134,750, and executive fees in the amount of $118,333, were paid to Lazy 7 Pty Ltd, a company of which Colin Johnstone is a Director, for services provided during the period (2018: Directors fees of $109,500).

27. RELATED PARTY TRANSACTIONS (CONTINUED)

27.1 Transactions with other related parties (continued)

Directors fees in the amount of $85,588 and executive fees in the amount of $80,000, were paid to Kilorin Pty Ltd, a company of which Mike Menzies is a Director, for services provided during the period (2018: Directors fees of $71,715).

Directors fees in the amount of $52,966 and executive fees in the amount of $48,000 were paid to Hollach Services Pty Ltd, a company of which Paul Harris is a Director, for services provided during the period (2018: $nil).

28. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report also complies with the International Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

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.

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

New accounting policies 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 Interpretation 22	*Foreign Currency transactions and Advance Consideration (iii)*	1 January 2018	1 July 2018

Several other amendments and interpretations apply for the first time in 2018/19, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) AASB 15: Revenue from Contracts with Customers, establishes a five-step model to account for revenue arising from contracts with customers and requires that 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, and requires extensive disclosures.

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 Group has not provided additional disclosure of financial statement line items as they would have been presented under the previous standard (AASB 118: Revenue), as these items would not be materially different to presentation in accordance with AASB 15.

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 destination. For the year ended 30 June 2019, the amount of revenue that would be deferred in respect of shipments not yet at disport is $0.6 million. This has not been adjusted in the financial statements as it is not considered material.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Aurelia's investment in Sky Metals Limited. 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 measures the investment at fair value through profit and loss. There is no material impact of adoption of the new standard in respect of the Company's investments.

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.

(iii) AASB 2016-5 Classification and Measurement of Share-based Payment Transactions does not have a material impact on the Company.

(iv) AASB 22 Foreign Currency transactions and Advance Consideration does not have a material impact on the Company.

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 annual reporting period ending 30 June 2019. 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 Interpretations 23	*Uncertainty Over Income Tax Treatments*	1 January 2019	1 July 2019

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) AASB 16: Leases set out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117: Leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Management have undertaken an 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 detailed impact assessment confirms a number of supplier agreements (or elements thereof) will be brought onto the Group balance sheet as leases, and therefore the impact is expected to be material. Appropriate systems and procedures have been established to capture the necessary information from contracts within the scope of AASB 16 to enable compliance with the new standard prior to its effective date.

The Group has elected to adopt AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, and as such shall not restate comparative information. On adoption, the Group will measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group will measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to any leases recognised in the statement of financial position immediately before the date of initial application.

The lease liability and offsetting right-of-use asset to be recognised on the balance sheet is approximately $18 million.

(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.

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.

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Aurelia Metals Limited and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Foreign Currency

Functional and Presentation Currency
Both the functional and presentation currency of Aurelia Metals Limited and its controlled entities is Australian Dollars ($ or A$).

Transactions and Balances
Transactions in foreign currency are initially recorded in the foreign currency at the exchange rates ruling at the date of transaction. The subsequent payment of receipt of funds related to a transaction is translated at the rate applicable on the date of payment or receipt. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date. All exchange differences in the consolidated financial statements are taken to the Income Statement as gain or loss on exchange.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Aurelia Metals Limited, I state that:

In the opinion of the Directors:

The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

The Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 28 and 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 has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2019.

On behalf of the Board,

Colin Johnstone
Executive Chairman & Acting Chief Executive Officer

23 August 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Carrying value of Mine Properties and Property, Plant and Equipment
Refer to Note 8 and Note 9 in the financial report

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group's consolidated statement of financial position included $173m of Mine Properties and Property, Plant and Equipment. The Group considered that no indicators of impairment existed at 30 June 2019, which would require an impairment test to be performed in accordance with Australian Accounting Standards. The Group also considered whether there were indicators that past impairment losses recorded at the Hera mine should be reversed and therefore performed a test for impairment reversal. The results of the assessment concluded no reversal of previously recognized impairment was required. The carrying value of Mine Properties and Property, Plant and Equipment was considered a key audit matter, given the significant judgement and inherent uncertainty involved in the assessment of whether impairment indicators existed or reversal of previously recognised impairment was required.	We assessed whether the methodology and principles applied by the Group met the requirements of Australian Accounting Standard. We considered the Group's assessment of whether there were indicators of impairment by reference to the relevant commodity prices, exchange rates and reserves and resources estimates. We involved our valuation specialists in performing the following procedures relating to the test for an impairment reversal for the Hera mine: ► We assessed the valuation methodology and the appropriateness of key assumptions such as the forecast commodity prices, exchanges rates, and discount rates to available external data; ► We compared future production forecasts to estimates of reserves and resources; and ► We assessed management's sensitivity analysis and evaluated reasonably possible change in assumptions. We assessed the adequacy of the financial report disclosures contained in Note 8 and Note 9 of the financial report.

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Mine rehabilitation and closure provisions
Refer to Note 20 in the financial report

Why significant	How our audit addressed the key audit matter
As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the environment. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. Estimating the costs associated with rehabilitation activities requires considerable judgement in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in economic assumptions including an appropriate rate to discount these future costs back to their net present value. This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.	Our audit procedures included the following: ► Assessment of the process applied in quantification, review and approval of the mine rehabilitation and closure provisions. ► Consideration of the reasonableness of cost rates applied and comparison to government specified cost rates. ► Consideration of the qualifications, competence and objectivity of experts, both internal and external to the Group, who were involved in the derivation and review of the mine rehabilitation and closure models. ► Testing the mathematical accuracy of the rehabilitation models to support the provision balance. ► Consideration of the discount rate applied by the Group. ► Evaluation of the appropriateness of accounting treatment applied to changes in the rehabilitation provision, including whether the impact is expensed or capitalized. We assessed the adequacy of the financial report disclosures contained in Note 20 and of the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 28 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Aurelia Metals Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Scott Jarrett
Partner
Sydney
23 August 2019

ADDITIONAL ASX INFORMATION AS AT 2 OCTOBER 2019

Number of holders of each class of security

There are 5,599 holders of ordinary shares in the Company (quoted) and 8 holders of performance rights (unquoted). These are the only classes of equity securities.

20 largest holders of ordinary shares

	Holder Name	Current Securities	%
1	J P MORGAN NOMINEES AUSTRALIA	218,145,551	24,98
2	HSBC CUSTODY NOMINEES	186,686,982	21.37
3	CITICORP NOMINEES PL	93,735,796	10.73
4	NATIONAL NOMINEES LTD	41,932,111	4.80
5	BRISPOT NOMINEES PL	27,646,047	3.17
6	UBS NOMINEES PL	25,605,290	2.93
7	BUTTONWOOD NOMINEES PL	15,970,726	1.83
8	CS THIRD NOMINEES PL	7,338,878	0.84
9	BNP PARIBAS NOMS PL	7,168,125	0.82
10	KERONGA DEVELOPMENTS PL*	7,041,964	0.81
11	BNP PARIBAS NOMS PL	4,500,000	0.68
12	KURRABA INV PL	3,984,412	0.46
13	WARBONT NOMINEES PL	3,750,091	0.43
14	BNP PARIBAS NOMINEES PL	2,919,623	0.33
15	HSBC CUSTODY NOMINEES	2,861,030	0.33
16	SANDHURST TRUSTEES LTD	2,541,964	0.28
17	HSBC CUSTODY NOM AUST LTD	2,480,764	0.27
18	BNP PARIBAS NOMS (NZ) LTD	2,365,396	0.27
19	NAVIGATOR AUSTRALIA LTD	2,349,797	0.27
20	CS FOURTH NOMINEES PL	2,049,398	0.23
	TOP 20 TOTAL	**662,328,797**	**75.83**
	OTHER SHAREHOLDERS	211,092,500	24.20
	TOTAL ON ISSUE	**873,421,297**	**100%**

***Denotes merged holders**

Distribution Schedule of Holders of Ordinary Shares

Size of holding	Number of holders	Number of shares	% of issued capital
1 - 1,000	511	243,171	0.03%
1,001 - 5,000	1,528	4,493,387	0.51%
5,001 - 10,000	929	7,641,477	0.87%
10,001 - 100,000	2,185	77,945,280	8.92%
Over 100,000	422	783,097,982	89.66%
TOTAL	**5,575**	**873,421,297**	**100%**

Unquoted Performance Rights

The only class of unquoted equity securities on issue is Performance Rights. All of the Performance Rights on issue have been issued under the Company's Performance Rights Plan. The number of Performance Rights on issue and the number of holders of Performance Rights is set out in the table below:

Class	Number of Holders	Number of Performance Rights	Testing Date
Class 16C	1	750,000	30 June 2020
Class 18A	2	770,893	30 June 2020
Class 18B	5	1,384,314	30 June 2021
Total	**8**	**2,905,207**	

All holders of Performance Rights hold more than 100,001 Performance Rights.

Substantial holders

Substantial holders as disclosed in substantial holding notices given to the Company were as follows:

Name of substantial holder	Number of shares	% of issued capital
Mitsubishi UFJ Financial Group	69,486,109	8.01
AustralianSuper Pty Ltd	52,970,645	6.06
Van Eck Associates Corporation	49,596,689	5.71

Note: Substantial holders are only required to notify the Company if there is a movement in their interests of at least 1%. As a result of movements of less than 1%, there may be a difference between the details in a substantial holding notice and other disclosures in this report.

Voting rights

Ordinary shares on issue carry voting rights on a one for one basis.

Performance Rights on issue do not carry voting rights.

Unmarketable parcels

There are 561 holders of less than a marketable parcel of ordinary shares based on the closing price of the Company's shares on 2 October 2019 of $0.45.

Restricted Securities

There are no restricted securities or securities subject to voluntary escrow on issue.

Schedule of Tenement Interests

Tenement	Name	Location	Holder	Expiry Date	Comments	Size (Km2)
EL4232	Nymagee	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd (Ausmindex Pty Limited 5%)	17/03/2019-new date pending	Renewal application submitted to Dept in Feb 2019, outcome pending	14.5
EL4458	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd (Ausmindex Pty Limited 5%)	26/11/2018-new date pending	Renewal application submitted to Dept in Nov 2018, outcome still pending. Another renewal due 2020.	11.6
EL6162	Hera	Nymagee; 90km south of Cobar; western NSW	Hera Resources Pty Ltd	26/11/2024		130
EL6226	Kadungle	70km north-west of Parkes, central-west NSW	Emmerson Resources 80% Defiance Resources Pty Ltd 20% (Waiting on transfer approval)	6/04/2020	Joint Venture arrangement with Emmerson Resources, in progress, with Emmerson resources 80% Defiance 20%. Emmerson responsible for all expenditure and reporting	43.5
EL7447	Box Creek	Nymagee; 90km south of Cobar; western NSW	Defiance Resources Pty Ltd	2/02/2020	Renewal due in 2020	145
EL7524	Barrow	25km WNW of Nymagee	Defiance Resources Pty Ltd	3/05/2020	Renewal due in 2020	60.9
EL7529	Lyell	20km west of Nymagee	Defiance Resources Pty Ltd	3/05/2020	Renewal due in 2020	8.7
ML53	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd	31/12/2021	Small leases over Historic Nymagee Mine.	0.04867
ML90	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd	31/12/2021	Small leases over Historic Nymagee Mine.	0.3391
ML5295	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd	31/12/2021	Small leases over Historic Nymagee Mine.	3.339
ML5828	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd	31/12/2021	Small leases over Historic Nymagee Mine.	0.01538
PLL847	Nymagee Mine	Nymagee; 90km south of Cobar; western NSW	Nymagee Resources Pty Ltd	31/12/2021	Small leases over Historic Nymagee Mine.	0.127
ML1686	Hera Mine	Nymagee; 90km south of Cobar; western NSW	Hera Resources Pty Ltd	16/05/2034	Active mine site-Hera.	13.079
ML1746	HERA Extension	Nymagee; 90km south of Cobar; western NSW. North extension of ML1686	Hera Resources Pty Ltd	7/12/2037	Active mine site-Hera. Depth Restriction - Underground access only. 100m surface exclusion	0.618

Schedule of Tenement Interests

Tenement	Name	Location	Holder	Expiry Date	Comments	Size (Km2)
EL8060	Nymagee North	15km N of Nymagee, western NSW	Peak Gold Mines	20/02/2024		37.89
EL8523	Margaret Vale	7km NE of Cobar, western NSW	Peak Gold Mines	1/03/2023		46.86
EL8548	Narri	25km SE of Cobar, western NSW	Peak Gold Mines	3/04/2023		125.7
EL6401	Rookery East	50km SE of Cobar western NSW	Peak Gold Mines	5/04/2024		17.51
EL5933	Peak	Cobar, western NSW	Peak Gold Mines	16/04/2020	Renewal due in 2020	277.47
EL8567	Kurrajong	15km N of Nymagee, western NSW	Peak Gold Mines	22/05/2023		61.21
EL7355	Nymagee East	15km E of Nymagee, western NSW	Peak Gold Mines	24/06/2021		72.75
EL6149	Mafeesh	55km S of Cobar, western NSW	Peak Gold Mines	16/11/2020	Renewal due in 2020	14.57
EL5982	Normavale	35km SW of Nymagee, western NSW	Peak Gold Mines & Zintoba P/L	29/08/2020	letter agreement with Zintoba P/L, renewal due 2020	52.32
EL6127	Rookery South	Cobar-Nymagee, western NSW	Peak Gold Mines & Lydail P/L	24/09/2023	letter agreement with Lydail P/L	286.01
CML6	Central Area	Cobar, western NSW	Peak Gold Mines	27/02/2034	Active mine site-New Cobar, Chesney. Some depth & surface restrictions	1.3
CML7	Coronation-Beechworth	Cobar, western NSW	Peak Gold Mines	28/06/2025	Some depth & surface restrictions	11.855
CML8	Peak-Occidental	Cobar, western NSW	Peak Gold Mines	16/09/2033	Active mine site-Peak, Peserverance. Some depth & surface restrictions	12.5
CML9	Queen Bee	Cobar, western NSW	Peak Gold Mines	26/09/2027	Some depth & surface restrictions	5.2731
MPL854	the Dam	Cobar, western NSW	Peak Gold Mines	29/09/2022		0.03946
ML1483		Cobar, western NSW	Peak Gold Mines	27/01/2029		0.476

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