

DARGUES ACQUISITION COMPLETED

HIGHLIGHTS

- Acquisition of Dargues Gold Mine and tenements from Diversified Minerals completed
- Cash consideration reduced by approx. A\$7.0 million due to the hedge risk mitigation mechanism working in Aurelia's favour
- Dargues diversifies Aurelia's production base by adding a third strategic asset in NSW, reweights portfolio further towards gold and lowers group All-In-Sustaining-Cost (AISC) profile
- Operational control of the Dargues mine has occurred
- Aurelia now set to drive operational ramp-up of the underground mine over 2H FY21
- Dargues expected to produce an average of 45 - 55koz gold p.a. at an average AISC of A\$1,150 - 1,350/oz over the next five years¹
- Significant upside potential with attractive extensional drill targets presenting life extension opportunities
- Intensive surface and underground drill program set to commence, targeting significant mineralisation along strike and at depth

Aurelia Metals Limited (ASX: AMI) (**Aurelia** or the **Company**) is pleased to announce the completion of its acquisition of the Dargues Gold Mine (**Dargues**)² and regional exploration tenements by way of an acquisition of all of the shares in Dargues Gold Mine Pty Ltd from privately held company Diversified Minerals Pty Ltd (**Diversified Minerals**) (the **Acquisition**) (see Aurelia ASX release dated 13 November 2020, *Strategic Gold Acquisition and Equity Raising*, for further details in relation to Dargues and the Acquisition).

The completion of the Acquisition follows the satisfaction of all requisite conditions precedent, including NSW Ministerial consent. Workforce transfer and integration is underway, and control of the Dargues operation now assumed by Aurelia.

Commenting on completion of the Dargues acquisition, Aurelia Managing Director, Dan Clifford, said:

"We are pleased to have settled the Dargues transaction and assumed control of the asset so quickly. Aurelia has immediately commenced implementing our operating and management systems at Dargues."

¹ See footnote 2. The forecast Dargues Life of Mine (LOM) schedule (with an effective start date of 1 July 2020) is based on the Production Target included in the Dargues Ore Reserves estimate report (see Appendix A of Aurelia's Investor Presentation released on 13 November 2020), adjusted for a further approx. 10% tonnage/grade dilution based on due diligence conducted by Aurelia and its independent technical advisors. The Production Target includes 17% Inferred Mineral Resources (by contained ounces). There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target itself will be realised. The LOM information including LOM average statistics has been prepared based on information that has been sourced from publicly available information about Dargues and in reliance on financial, operational and other information which has been sourced from Diversified Minerals or its representatives or associates. While steps have been taken to review that information, Aurelia has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it. No representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. The LOM information includes average estimated calculations for various metrics over the five year LOM. The actual performance in any particular year may differ from the average estimates.

² Information about Dargues is presented on a 100% managed basis before deduction of the LOM royalty held by Triple Flag Precious Metals. For accounting purposes the current owner of Dargues treats that royalty as a partial (6.9%) disposal of an interest in Dargues. The Triple Flag royalty obligation has been incorporated by Aurelia into all forecast estimates presented for AISC and AIC for Dargues.

We believe this offers significant opportunity to accelerate mine performance, drive efficiencies and ensure safe, sustainable operations. The Aurelia team is now focussed intently on delivering the targeted ramp-up schedule for the Dargues underground mine over the second half of FY21.

Importantly, the Dargues mineral deposit offers substantial potential upside. Aurelia's demonstrated exploration capabilities are expected to be a key value driver in this regard. An intensive drilling program is set to commence shortly, with a strong focus on extending mineralisation along strike and at depth.

It is an exciting asset for Aurelia as it bolts straight into the Company's operational base and is a key contributor to the execution of our clear strategy aimed at shareholder returns."

Transaction completion

Requisite upfront cash consideration of approximately A\$166.2 million has been paid to Diversified Minerals and approximately 55.8 million Aurelia shares (A\$24.0 million) (**Consideration Shares**) have been issued to Diversified Minerals. The cash consideration was funded by drawdown of approximately A\$45.0m million in newly established debt facilities, and existing cash holdings (following receipt of funds from the recently completed share placement and entitlement offer).

The upfront cash consideration was reduced by approximately A\$7.0 million from the originally announced A\$176 million due to realised gain on an interim gold hedge position (zero cost collar) put in place as part of the risk management mechanism under the Acquisition agreement for the period between agreement signing and transaction completion. In addition, there was a further A\$2.8 million purchase price adjustment to the upfront cash consideration in favour of Aurelia.

The final upfront cash consideration remains subject to audited working capital adjustments, with any further revision expected to be minimal. Future consideration is limited to contingent resource-linked scrip payments up to a maximum total value of A\$5 million.

An Appendix 2A has been lodged with ASX today with respect to the Consideration Shares issued to Diversified Minerals, which now owns approximately 4.5% of Aurelia³. This shareholding is subject to escrow until at least the release of Aurelia's FY21 Appendix 4E and Financial Reports.

Strategic alignment

The Acquisition is consistent with Aurelia's strategic objectives and provides significant benefits including:

1. **Addition of a logical, attractive asset** that complements the Hera and Peak mines in NSW, diversifies Aurelia's asset base and enhances production scale.
2. **Firmly establishing Aurelia as a mid-cap gold producer** bringing group gold production in line with Aurelia's mid-cap ASX gold peers and offering significant re-rating potential.
3. **Creating operational leverage** from Aurelia's strategic NSW asset base, enabling flexibility for synergies of staff, resources and business systems across the three operating assets.
4. **Improving Aurelia's asset portfolio and reweighting further towards gold** by the addition of a low-cost gold asset with existing five-year operating life. Portfolio reweights from c. 60% gold revenue to c. 71% based on Aurelia's FY21 guidance plus Dargues' LOM annual average forecast production.⁴

³ Approximate Diversified Minerals shareholding excludes any shares that may be issued as part of the A\$5 million contingent payment.

⁴ See Aurelia's Investor Presentation released on 13 November 2020, specifically footnotes 1, 2 and 3 on page 17 for more detail regarding LOM average statistics for Dargues, and footnote 1 on page 11 for more detail regarding Aurelia's FY21 guidance including the basis of its preparation and cautionary statements, and page 14 for more detail regarding gold revenue percentage calculation. See also footnote 1 on page 1 of this announcement in relation to information about Dargues.

5. **Significant upside potential under Aurelia's ownership** with specific mine design and process circuit improvements, resource extension drilling and potential mine life increases.

Driving mine performance

Dargues produced its first gold concentrate in June 2020. The process plant reached its nameplate capacity of approximately 355ktpa in September 2020. Production of underground ore is expected to ramp up to full capacity towards late FY21.

Aurelia's immediate focus is driving the continued ramp-up of the Dargues underground mine to fully utilise process plant capacity, requiring 400 metres per month of underground development, ore production of approximately 30kt per month and matched and equivalent backfill placement rates.

Production and cost guidance for Dargues in 2H FY21 is expected to be provided with release of Aurelia's December Quarter Activities Report in January 2021.

Drilling set to commence

Aurelia has identified significant exploration upside potential at Dargues, with the existing Mineral Resources estimate constrained by lack of drilling. There is also strong potential for strike extensions to the west and north-west of the Dargues deposit.

The Aurelia Board has approved an intensive drill program at Dargues with drilling set to commence shortly. The program will target Mineral Resource growth along strike and at depth, as well as providing additional confidence to the existing Mineral Resource estimates. The high potential target areas will be accessed by drilling from both surface and underground, with program completion by late FY21 / early FY22.

Under current permitting limits for the operation, Dargues has an annual throughput limit of 355ktpa and a total LOM ore processing constraint of 1.6Mt (to 30 June 2025). Subject to targeted drilling success, Aurelia expects to apply to amend the existing regulatory approvals in pursuit of the future upside potential offered via mine life extensions.

Further information

Further details of the Acquisition are set out in the Investor Presentation released to the ASX on 13 December 2020. The Investor Presentation contains important information including disclaimers and key risks with respect to the Acquisition.

This announcement has been approved for release by the Board of Directors of Aurelia Metals.

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ABOUT AURELIA

Aurelia Metals Limited (ASX: AMI) is an Australian mining and exploration company with a highly strategic landholding and three operating gold mines in New South Wales. The Peak and Hera Mines are located in the Cobar Basin in western NSW, and the Dargues Mine is in south-eastern NSW.

In FY20, Aurelia produced 91,672 ounces of gold at a group all-in sustaining cost (AISC) of A\$1,520 per ounce. Both the Peak and Hera cost bases benefit from substantial by-product revenue credits from base metal production (including zinc, lead and copper).

IMPORTANT NOTICE AND DISCLAIMER

This announcement contains certain statements that constitute "forward-looking statements". These statements can be identified by the use of terminology such as "will", "anticipate", "believe", "expect", "project", "continue", "assume", "forecast", "estimate", "likely", "intend", "outlook", "should", "could", "may", "target", "plan" or comparable terminology. Indications of, and guidance on, future production (including FY21 gold production guidance and estimated cost outlook for Aurelia and estimated LOM average production capacity for Dargues), earnings, financial position, dividends and distributions and performance are also forward-looking statements, as are statements about the Acquisition, statements about the performance of the Aurelia group post-acquisition, statements about the plans, objectives and strategies of the management of the group (including statements regarding Aurelia's optimisation plan for Dargues operations), statements about the industry and markets in which Aurelia operates, statements about the future performance of Aurelia's business and its financial condition, and forecasted economic indicators.

Such forward-looking statements are provided as a general guide only, should not be relied on as an indication or guarantee of future performance, and involve known and unknown risks (including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19 and the risks set out in Appendix B of Aurelia's Investor Presentation released on 13 November 2020), uncertainties and other factors, many of which are beyond the control of Aurelia, its officers, employees, agents and advisors, that may cause Aurelia's actual results and performance to be materially different from any future results or performance expressed or implied in such statements. Forward-looking statements may also assume the success of Aurelia's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Aurelia's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements in this announcement. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecasted and their differences may be material. Refer to Appendix B of Aurelia's Investor Presentation released on 13 November 2020 a non-exhaustive summary of certain key risk factors.

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