

ASX ANNOUNCEMENT

24 February 2022 | ASX: AMI



RESULTS FOR ANNOUNCEMENT TO THE MARKET

AURELIA METALS LIMITED | ABN 37 108 476 384

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Results	31 December 2021 \$'000	31 December 2020 \$'000	Increase/(Decrease) %
Revenue	235,059	207,706	13%
EBITDA (i)	79,540	72,347	10%
Net profit before income tax	13,788	41,436	(67)%
Net profit after income tax	7,503	19,767	(62)%

Dividends

The Directors have not declared an interim dividend for the year ending 30 June 2022 (31 December 2020: Nil).

Net tangible assets per share	31 December 2021 Cents	31 December 2020 Cents
Net tangible assets per share	26.0	23.4

Earnings per share	31 December 2021 Cents	31 December 2020 Cents
Basic profit per share	0.61	2.12
Diluted profit per share	0.60	2.11

(i) EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is a non-IFRS measure. The EBITDA for the half-year ended 31 December 2020 includes expenditure incurred totalling \$19.2 million related to the acquisition of Dargues Gold Mine on 17 December 2020.

The above Statement should be read in conjunction with the accompanying interim financial statements and notes.

This financial report has been subject to review by the Company's external auditors.

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COMPANY INFORMATION

AURELIA METALS LIMITED ABN 37 108 476 384

Directors

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

Peter Botten	Non-Executive Chairman	appointed 4 November 2021
	Non-Executive Director	appointed 13 September 2021
Susan Corlett	Non-Executive Director	
	Interim Non-Executive Chairman	for the period 2 March 2021 to 4 November 2021
Daniel Clifford	Managing Director & CEO	
Lawrence Conway	Non-Executive Director	
Helen Gillies	Non-Executive Director	
Paul Harris	Non-Executive Director	
Robert Vassie	Non-Executive Director	

Company Secretaries

Ian Poole
Gillian Nairn

Registered office and principal place of business

Aurelia Metals Limited
Level 17, 144 Edward Street, Brisbane QLD 4000
GPO Box 7, Brisbane QLD 4001

Telephone: (07) 3180 5000
Email: office@aureliametals.com.au

Stock exchange listing

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

Share register

Automic Group
Level 5, 126 Phillip Street, Sydney NSW 2000
Investor services: 1300 288 664
General enquiries: (02) 8072 1400
Email: hello@automic.com.au
www.automicgroup.com.au

Auditors

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

Website

www.aureliametals.com.au

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW

DIRECTORS REPORT

The following report is submitted in respect of Aurelia Metals Limited ('Aurelia' or 'the Company') and its subsidiaries, together the consolidated group ('Group'), for the half-year ended 31 December 2021, together with the state of affairs of the Group as at that date.

The Board of Directors submit their report for the half-year ended 31 December 2021.

OPERATIONS AND FINANCIAL REVIEW

1. About Aurelia Metals Limited

Aurelia Metals Limited is an Australian gold and base metals mining and exploration company. Aurelia owns and operates three underground mines and processing facilities in New South Wales:

- Peak Mine – gold, lead, zinc, copper and silver
- Hera Mine – gold, lead, zinc and silver
- Dargues Mine – gold

Aurelia's highly prospective tenement holdings enable the Company to advance targeted exploration and evaluation activities. Our preeminent near-term development projects, include:

- Federation Project, located in the vicinity of the Hera Mine – zinc, lead, gold, copper and silver
- Great Cobar, located in the vicinity of the Peak Mine – copper and gold

Aurelia's objective is to maximise returns from its producing assets while advancing its' exploration and development projects with the potential to sustain and grow the business in the long-term. Fundamental to these activities is the Company's contribution as a trusted, valued and sustainable mine operator.

Aurelia's core values guide the way our employees work to ensure the safety and wellbeing of our people and communities, and how we work to the benefit of our shareholders and the communities in which we operate.

Our Values



Integrity



Certainty



Courage



Performance

We do what's right

We plan and execute well

We step up

We own the result

During the half-year ended, we have built upon the significant achievements of FY21 and have continued to deliver our set objectives across health, safety, environment and community, people and organisation, operations, growth and financial outcomes.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2. Operating and financial performance

Our operating and financial performance outcomes during the half-year ended have continued to provide a solid foundation for the Company to pursue its strategic growth objectives.

Sustainability	<ul style="list-style-type: none"> • Continued reduction in workplace injuries. Group Total Recordable Injury Frequency Rate (TRIFR) decreased 51% to 7.6 (31 December 2020 15.5). • Continued reduction in group total reportable environmental incidents. • Climate change risk assessment and evaluation of low emission opportunities for Growth Projects undertaken. • Employee Engagement Survey conducted. • Diversity and Inclusion strategy and working group established. The working group consists of Aurelia employees, to identify and support workplace initiatives. • Extensive COVID-19 protocols refined to effectively manage the risk of COVID-19.
Production and Cost Performance	<ul style="list-style-type: none"> • Successful ramp up and optimisation of the Dargues Gold Mine following its acquisition in December 2020. • Group gold production of 54koz at an AISC of \$1,393/oz (HY21: 46koz at \$1,035/oz). <ul style="list-style-type: none"> – Dargues gold production of 22koz of gold at an AISC of \$1,799/oz as operational performance continued to improve during the mine's first year of full operations – Peak gold production of 23koz of gold at an AISC of \$1,136/oz (HY21: 30koz at AISC of \$638/oz) – Hera gold production of 8koz of gold at an AISC of \$391/oz (HY21: 15koz at AISC of \$1,187/oz) • Strong base-metal production from Peak and Hera provided substantial by-product credits, up 35% to \$100.4 million; which equates to 104koz equivalent gold ounces based on average realised metal prices. • Reduced workforce availability due to tight labour market and COVID-19 restrictions and protocols resulted in modest throughput and production impacts.
Growth	<ul style="list-style-type: none"> • Preeminent organic growth projects advanced as activities ramp up: <ul style="list-style-type: none"> Federation <ul style="list-style-type: none"> – Feasibility Study (FS) on track for completion mid-CY22 – Permitting and approval processes on track – Expansion of Hera Camp completed, and site enabling works expected to commence Q3 FY22 with civil and exploration decline contracts awarded. – Highly successful drill program, with high-grade base metal intercepts the continue to extend the deposit – Mineral Resource conversion and extensional drilling undertaken delivered outstanding high-grade gold and base metals results (refer to ASX Announcement dated 27 January 2022) Great Cobar <ul style="list-style-type: none"> – Pre-Feasibility Study completed, and maiden Great Cobar Ore Reserve released (refer to ASX releases dated 27 January 2022) – Exploration decline planned to commence Q1 FY23 • Phase Two of Dargues underground and surface drilling program commenced December 2021, following successful Phase 1 drill campaign.
Financial outcomes	<ul style="list-style-type: none"> • Strong Balance Sheet maintained, with \$95.2 million cash in bank at 31 December 2021. • Net profit before tax of \$13.8 million (HY21: \$41.4 million), includes increased depreciation and amortisation expense of \$63 million (largely due to addition of Dargues into the Group). • Record EBITDA result of \$79.5 million (HY21: \$72.3 million), EBITDA margin of 34% (HY21: 35%). • Operating cash flow improved by 23% to \$91.8 million (HY21: \$74.4 million). • The \$135 million secured Syndicated Facilities Agreement increased by \$20 million to support the Company's rehabilitation guarantees. • An undrawn \$20 million Working Capital Facility was extended for a further 12 months to 31 December 2022.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.1 Profit and financial performance

The Group has achieved a statutory net profit after tax of \$7.5 million for the half-year ended 31 December 2021. Included in the statutory net profit are some significant transactions which are not in the ordinary course of ongoing business activities. Such items are further disclosed in the underlying net profit. The underlying net profit is presented to improve the comparability of the net profit results between periods.

The net profit result for the half-year ended 31 December 2021 in comparison to the prior half-year is summarised below:

Net Profit	31-Dec-21	31-Dec-20	Change
	\$'000	\$'000	%
Sales revenue	235,059	207,706	13%
Cost of sales	(205,571)	(135,844)	(51)%
Gross profit	29,488	71,862	(59)%
Business Combinations - Dargues Gold Mine acquisition transaction costs and stamp duty	(115)	(19,182)	99%
Remeasurement of financial liabilities	(4,463)	-	(100)%
Other income and expenses, net	(8,401)	(9,894)	15%
Net profit before income tax and net finance expenses	16,509	42,786	(61)%
Net finance expenses	(2,721)	(1,350)	(102)%
Net profit before income tax expense	13,788	41,436	(67)%
Income tax expense	(6,285)	(21,669)	71%
Net profit after income tax expense	7,503	19,767	(62)%

Underlying net profit:	31-Dec-21	31-Dec-20	Change
	\$'000	\$'000	%
Net profit before income tax expense	13,788	41,436	(67)%
Add back:			
Business Combinations - Dargues Gold Mine acquisition costs and stamp duty	115	19,182	99%
Remeasurement of financial liabilities	4,463	-	(100)%
Underlying net profit before income tax expense (i)	18,366	60,618	(70)%
Current tax on profits for the year	(6,285)	(19,498)	68%
Underlying net profit after tax expense (i)	12,081	41,120	(71)%

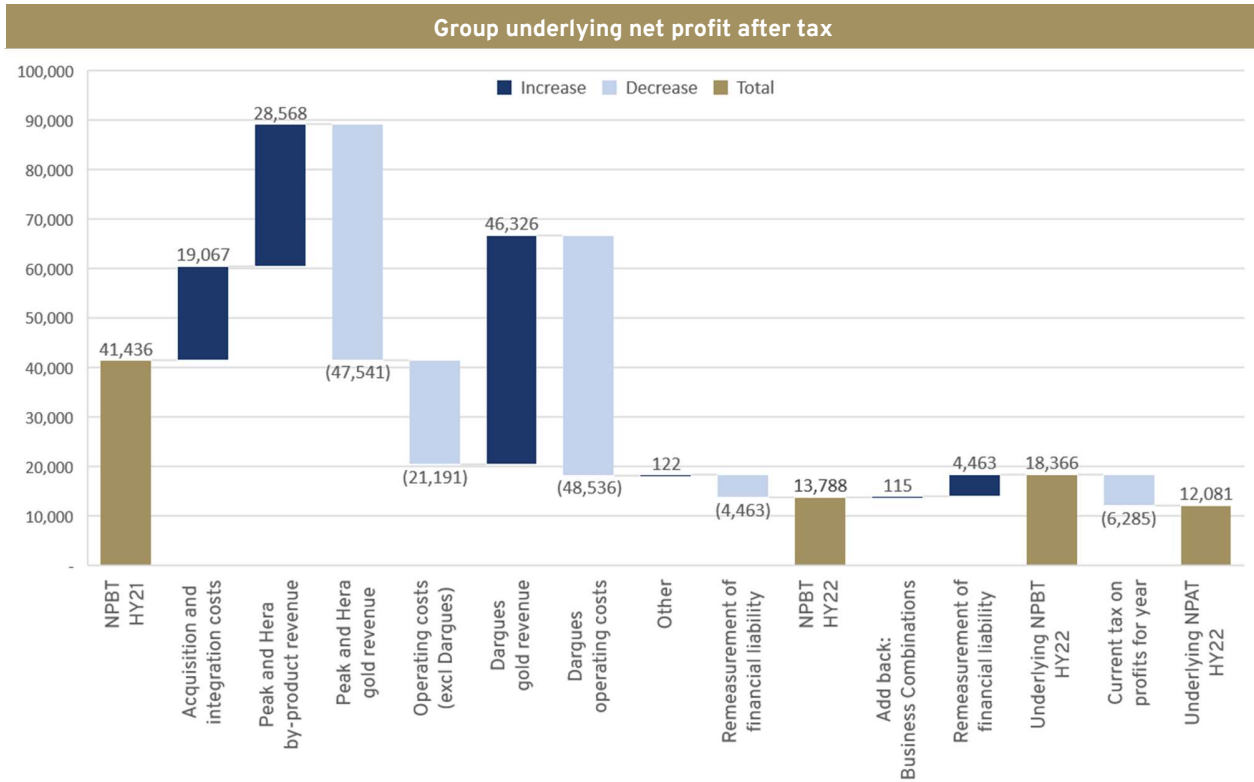
(i) Underlying net profit reflects the statutory net profit adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity. The presentation of non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.

The items adjusted for are determined not to be in the ordinary course of business and includes the remeasurement of financial liabilities at the end of the reporting period, as well as transaction and advisory fees and stamp duty expense incurred for the acquisition for the Dargues Gold Mine (which occurred on 17 December 2020). These numbers are not required to be audited.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.1 Profit and financial performance (continued)

The net profitability movements for the half-year ended in comparison to the prior year are graphically illustrated below:



Total sales revenue for the half-year ended was \$27.4 million higher due to increased base-metal revenue generated from Peak and Hera concentrate sales. Total gold sales revenue remained relatively comparable to the FY21 half-year as a result of increased production (up 18% to 54koz) being offset by a lower realised gold price (down 8% to an average realised price of \$2,427/oz). As anticipated, gold production from the Hera Mine reduced in line with the mine schedule, which is offset by the contribution from the Dargues Mine.

Total costs of sales were \$69.8 million higher at \$205.6 million (FY21: \$135.8 million). This is a result of:

- Total ore processed increased by 17% to 656,935 tonnes (with 183,247 tonnes processed at Dargues) leading to an increase in processing costs of 6%. A contributing factor is the higher base-metal head grades at both Peak and Hera, and the associated use of reagents during processing and realisation costs;
- Total ore mined increased by 24% to 665,701 tonnes (with 182,498 tonnes mined at Dargues) leading to an increase in mining costs of 12%;
- Increased volumes of concentrates sold has resulted in an increase in transport and refining costs of \$3.4 million (excluding Dargues), of which \$2.6 million relates to Hera bulk concentrate movement; and
- The inclusion of Dargues operating costs of \$48.5 million, which includes depreciation and amortisation expense of \$31.0 million.

The tax expense of \$6.3 million equates to an effective tax rate of 46% before the inclusion of temporary tax concessions available, which will be assessed and quantified in the second-half of the year.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.2 Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA), in comparison to the prior year, is summarised below:

Underlying Group EBITDA	31-Dec-21	31-Dec-20	Change
	\$'000	\$'000	%
Profit before income tax and net finance expenses	16,509	42,786	(61)%
Depreciation and amortisation	63,031	29,561	(113)%
EBITDA (i)	79,540	72,347	10%
Business combinations - Dargues Gold Mine acquisition costs and stamp duty	115	19,182	99%
Remeasurement of financial liabilities	4,463	-	(100)%
Underlying EBITDA (ii)	84,118	91,529	(8)%

- (i) EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is a non-IFRS measure.
- (ii) Underlying EBITDA (non-IFRS measure) reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity. The presentation of non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.

The items adjusted for are determined to be not in the ordinary course of business and includes the remeasurement of financial liabilities at the end of the reporting period, as well as transaction and advisory fees and stamp duty expense incurred for the acquisition for the Dargues Gold Mine (on 17 December 2020). These numbers are not required to be audited.

2.3 Cash flow performance

A summary of the Company's cash flow for the half-year ended 31 December 2021, in comparison to the prior half-year, is summarised below:

Group cash flows	31-Dec-21	31-Dec-20	Change
	\$'000	\$'000	%
Cash flows from operating activities	91,769	74,380	23%
Cash flows from investing activities	(58,389)	(199,849)	(71)%
Cash flows from financing activities	(12,392)	152,983	(108)%
Net movement in cash	20,988	27,514	(24)%
Net foreign exchange difference	(327)	(858)	(62)%
Cash at the beginning of the half-year	74,532	79,103	(6)%
Cash at the end of the half-year	95,193	105,759	(10)%

The net cash inflows from operating activities for the half-year ended amounted to \$91.8 million (HY21: \$74.4 million) has enabled the Company to maintain a strong balance sheet while also investing in and funding the Company's strategic growth projects, which includes the Federation and Great Cobar projects.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

The net cash outflow from investing activities for the half-year ended was \$58.4 million (HY21: \$199.8 million). The key investing activities includes:

- Sustaining property, plant and equipment and mine capital expenditure, excluding lease payments, of \$31.8 million (HY21: \$13.9 million);
- Growth capital of \$5.8 million (HY21: \$13.0 million);
- Exploration and evaluation of \$12.4 million (HY21: \$6.4 million); and
- Guarantee Facility cash cover deposits of \$9.7 million (HY21: Nil).

The net cash outflow from financing activities for the half-year ended of \$12.4 million (HY21: inflows of \$153.0 million) includes the following key activities:

- Term loan repayments totalling \$8.1 million (HY21: Nil); and
- Lease principal repayments of \$4.3 million (HY21: \$4.9 million).

2.4 Group operational summary

The key operating results for the Group are summarised below:

		31-Dec-21	31-Dec-20	Change %
Production volume				
Gold	oz	54,211	45,868	18%
Silver	oz	426,334	411,174	4%
Copper - contained metal	t	1,286	3,081	(58)%
Lead - contained metal	t	13,964	13,919	0%
Zinc - contained metal	t	17,376	12,916	35%
Sales volume				
Gold doré and gold in concentrate	oz	51,725	47,806	8%
Silver doré and silver in concentrate	oz	277,764	254,785	9%
Payable copper in concentrate	t	1,171	2,260	(48)%
Payable lead in concentrate	t	14,561	12,260	19%
Payable zinc in concentrate	t	14,288	10,902	31%
Average prices achieved (i)				
Gold	A\$/oz	2,427	2,624	(8)%
Silver	A\$/oz	31	35	(11)%
Copper	A\$/t	13,075	9,658	35%
Lead	A\$/t	3,027	2,618	16%
Zinc	A\$/t	4,228	3,441	23%
All in sustaining cost (ii)	A\$/oz	1,393	1,035	(35)%

(i) After realised hedge gains/losses

(ii) All-in Sustaining Costs (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.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.5 Dargues Gold Mine operational summary

On 17 December 2020, Aurelia acquired 100% of the Dargues Gold Mine and regional exploration tenements. Throughout the second-half of FY21, underground mining activities continued to ramp-up to design levels and by the end of FY21, the operation had demonstrated the monthly development, ore production, backfill placement and mill throughput volumes required to sustain steady state production.

Throughout the half-year ended, gold production was stable, with a total of 22koz of gold in concentrate produced. The average gold grade improved to 3.9g/t (up from an average of 2.9g/t in the preceding half-year).

The key performance metrics for the Dargues Gold Mine for the half-year ended 31 December 2021 in comparison to the second-half of FY21 are tabulated below.

Dargues Gold Mine		Six months to 31 December 2021	Six months to 30 June 2021	Change
Ore processed	t	183,247	158,961	15%
Gold grade	g/t	3.9	2.9	34%
Gold recovery	%	95.1	93.5	2%
Production Volume				
Gold production	oz	21,672	14,101	54%
AISC (All in sustaining cost) *	A\$/oz	1,799	2,842	37%

* AISC is a non-IFRS measure.

Enhancing operational and process efficiencies remain an area of focus. The results of recent activities include improved recoveries following the optimisation of the flotation circuit, which will provide real and long-lasting benefit in future periods.

Following the acquisition, Aurelia moved quickly to undertake an extensional and infill resource drilling program. The program targeted Mineral Resource growth along strike and at depth, as well as providing additional confidence in the existing Mineral Resource Estimates.

Phase 1 of this program informed the Mineral Resource and Ore Reserve estimates released in July 2021 (refer to ASX Announcement: Group Mineral Resource and Ore Reserve Statement dated 23 July 2021), that demonstrated resource growth well in excess of depletion from the commencement of mining. Phase 2 of the drill program commenced during December 2021. The results of Phase 2 and the assay results which remained pending from Phase 1 will inform the Mineral Resource and Ore Reserve estimate at 30 June 2022 (expected to be released in July 2022).

Phase 2 of the program includes underground diamond drilling and infill drilling in the lower mining area. This program is set to improve the density and quality of information available for use in the Mineral Resource model, mine design and production scheduling. The surface program has been designed to target the sparsely drilled areas along strike to the east of Plum's Lode and to the west of Main and Bonanza Lodes, along with numerous other high priority targets in the immediate mine vicinity.

The drill programs to be undertaken at Dargues will be the building blocks for potential mine life extension and increased annual production rates (subject to permitting approvals).

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.6 Peak Mine operational summary

The key performance metrics for the Peak Mine are tabulated below.

Peak Mine		31-Dec-21	31-Dec-20	Change
Ore processed	t	314,539	340,540	(8)%
Gold grade	g/t	2.6	2.9	(10)%
Silver grade	g/t	22.0	21.1	4%
Copper grade	%	0.7	1.1	(36)%
Lead grade	%	3.3	3.1	6%
Zinc grade	%	3.6	2.6	38%
Gold recovery	%	92.9	93.0	0%
Production Volume				
Gold production	oz	24,154	29,535	(18)%
Silver production	oz	182,553	185,936	(2)%
Copper production	t	1,286	3,081	(58)%
Lead production	t	8,097	8,231	(2)%
Zinc production	t	7,900	4,939	60%
AISC (All in sustaining cost) *	A\$/oz	1,136	638	(78)%

*AISC is a non-IFRS measure.

Process throughput during the half-year ended decreased by 8% to 314,539 tonnes as workforce availabilities have impacted contracted underground mining efficiencies. Workforce availabilities have been adversely impacted by COVID-19 and cross-border travel restrictions, as well as the tight labour market conditions being experienced within the industry.

The total gold ounces sold during the half-year ended was 24,115 oz at an AISC of \$1,136/oz (HY21: 29,754 oz at an AISC of \$638/oz). The metals produced during the half-year ended are reflective of the ore types processed as the mine schedule provides for increased lead-zinc ore. This has provided for strong base metal by-product credits of \$82.5 million for the half-year ended.

Sustaining capital for the half-year of \$17.1 million (HY21: \$7.3 million) was largely mine development and support capital, with Kairos heading development being prioritised. The Kairos lode was bought into production during June 2021. Production in this area will continue to ramp up as access to the lower and upper portions of the orebody are established. The Kairos system remains strongly mineralised and open at depth and along strike. Infill and extensional drilling programs are ongoing (refer to ASX Announcement: Kairos and Dargues drilling delivers high grade results dated 12 October 2021). Total growth capital expenditure for the half-year ended was \$5.7 million (HY21: \$13 million).

The Company completed the Great Cobar Pre-Feasibility Study and the published the maiden Ore Reserve (refer to ASX Announcement: Great Cobar PFS Outcomes and Peak Ore Reserve Increase dated 27 January 2022). The Great Cobar deposit is located approximately seven kilometres north of the Peak Mine and access will be via an approved exploration decline from the existing New Cobar workings.

The Great Cobar mineralisation remains open at depth and is the subject of ongoing drilling. The planned access decline is also set to provide better platforms for additional infill and extensional drilling. This is expected to deliver significant opportunity to further upgrade and extend the existing Mineral Resource, expand the initial mining area and discover potentially economic mineralisation outside the known extents of the deposit.

It is expected that future ore mined from Great Cobar will supplement ore feed to the existing Peak process plant.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

2.7 Hera-Federation Mine Complex operational summary

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

Hera Mine		31-Dec-21	31-Dec-20	Change
Ore processed	t	159,148	221,506	(28)%
Gold grade	g/t	1.91	2.38	(20)%
Silver grade	g/t	52.3	34.6	51%
Lead grade	%	3.9	2.8	39%
Zinc grade	%	6.2	3.9	59%
Gold recovery	%	85.7	89.5	(4)%
Production Volume				
Gold production	oz	8,386	15,247	(45)%
Silver production	oz	243,781	225,238	8%
Lead production	t	5,867	5,689	3%
Zinc production	t	9,475	7,978	19%
AISC (All in sustaining cost) *	A\$/oz	391	1,187	67%

* AISC is a non-IFRS measure.

High-grade base metal ore feed has resulted in processing rates being constrained by filtration capacity as bulk concentrate production increased by 9% to 26,851 dmt during the half-year ended. As anticipated, the improved output in bulk concentrate is offset by lower gold produced and sold in gold doré. Ore with a lower average gold feed grade and higher base metal grades are expected to be processed over Hera's remaining mine life.

Underground infill and extensional drilling has demonstrated some potential for additional material to be added to Hera's Life of Mine plan. Development to the Upper Hayes deposit has been completed, adding approximately three months of additional ore feed to the Life of Mine plan. Whilst the Hera orebody is approaching depletion, the future of the Hera-Federation Mine complex is anticipated to be the Federation Project. The Federation deposit is located ten kilometres from Hera (refer to Section 3.1 for further detail).

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

STRATEGY PROGRESSION

Aurelia has established growth objectives and strategies to generate value and long term returns at each of our mine sites. Our strategies leverage the benefits of existing infrastructure and a prospective tenement holding.

1 Sustainable progression

An organisation that excels through our people and superior performance.
A trusted, sustainable and beneficial presence in the areas in which we operate.

2 Sweat our infrastructure and assets

Leverage off a strategic asset base in the Cobar Basin.
Maximise returns via mine life extensions and operating discipline driving margin.

3 Direct the investment to the highest return

Growth profile underpinned by financial discipline and tension for the dollar deployed.
Gold dominant, high value base metals, 'copper ready'.

4 Deliver long term value and returns growth

4 – 5 mine asset portfolio continuously driving group costs and Reserve improvement.
Cycle proofed mine lives and commodity mix.

GROWTH PROJECTS

Aurelia is in the favourable position of being able to maintain our growth trajectory by accelerating two of our advanced organic growth projects, the Federation Project (located within the Hera-Federation Complex) and Great Cobar (located within the vicinity of the Peak Mine).

3.1 Hera-Federation Complex

The Federation deposit, which was discovered in April 2019, is located fifteen kilometres south of the historic copper mining town of Nymagee and is ten kilometres south of Aurelia's operating Hera Mine in central western New South Wales.

The Federation Project is a base and precious metal deposit that hosts high-grade lead, zinc and gold mineralisation. Given the close proximity of the deposit to the Hera Mine, the Project will benefit from existing Hera Mine infrastructure.

Aurelia has accelerated the exploration and evaluation activities and has also commenced early enabling works aimed at expediting development. Each of these workstreams are further described below.

Exploration and Mineral Resource

Exceptional polymetallic intercepts continue to be encountered in the Federation system, with the results being amongst the highest-grade mineralisation intercepts ever encountered in the region.

During the half-year ended, the Company had four drill rigs deployed at the Federation deposit. The Mineral Resource conversion and extensional drilling undertaken has continued to intercept exceptional gold and base metal mineralisation (refer to ASX Announcement: Gold and Base Metal intercepts extend Federation deposit dated 27 January 2022). The latest result extended mineralisation up-dip and along strike in the southwestern and central portions of the deposit and confirm the presence of a new zone of exceptionally high-grade gold at the southwestern extent of the known deposit. This mineralisation remains open and/or very sparsely drilled along strike and will be the focus of ongoing work.

The drill results provide Aurelia with further confidence in the development of the deposit and the Company is well placed to provide an update to the Mineral Resource Estimate (MRE) in mid-2022. Significant conversion of the Resources from Inferred to Indicated status expected.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

Project Evaluation

The Federation Feasibility Study (FS) is progressing to plan and is expected to be completed in mid-CY22. Results were received from field work and laboratory programs, allowing advancement of the surface facility layout, mine design, ore crushing, road logistics, process engineering, power supply and distribution, paste backfill and water supply programs.

Enabling works for the Federation Project reached an early milestone with the completion and handover of new accommodation units and associated infrastructure at the Hera village. These facilities provide 40 additional permanent rooms and will support the additional labour required for the enabling works program. Contractors have been engaged to undertake surface civil works and excavation on an exploration decline at the Federation site. The proposed exploration decline will allow infill and extensional drilling from underground platforms and extraction of a 20kt bulk sample for metallurgical evaluation.

Specialist assessments and report preparation for the Federation Project EIS have continued. The Company referred the proposed Federation underground mine development to the Commonwealth Government for assessment under the EPBC Act and received a decision in January that the mining project is not a controlled activity. This means that the Commonwealth Government has determined that the Federation underground mine development will not have a significant impact on matters of National Environmental Significance, including National Heritage values, and does not require further environmental approvals under the EPBC Act provided the Project does not change substantially.

Overall, the schedule for the Federation Project remains on track.

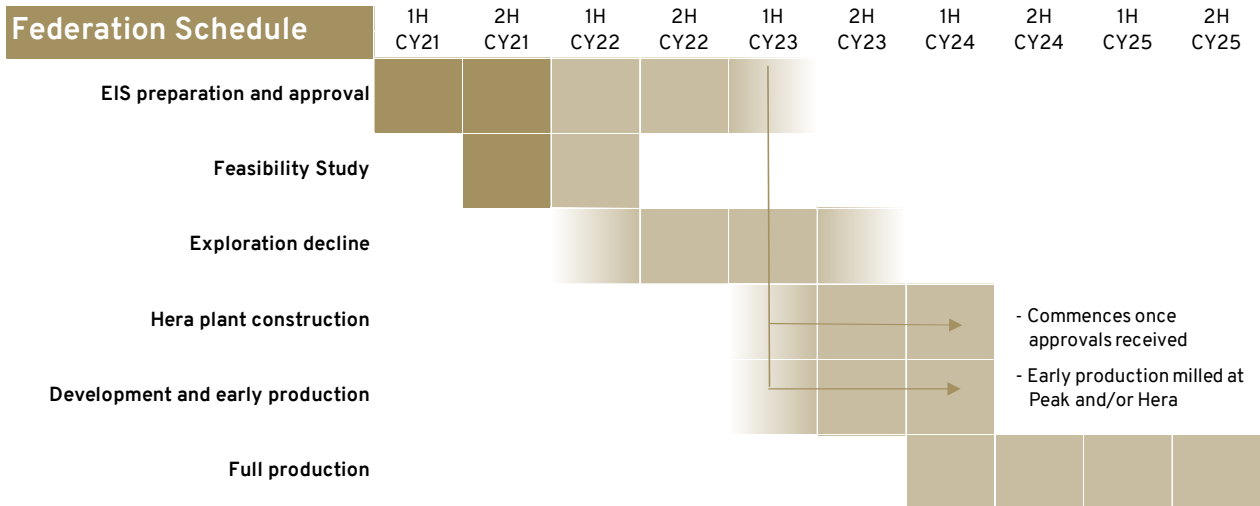


Image: High-level Federation Project development schedule

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

3.2 Great Cobar

The Great Cobar deposit is located approximately seven kilometres north of the Peak Mine and is approximately one and a half kilometres southeast of the New Cobar Mine.

The Great Cobar Pre-Feasibility Study (PFS) and maiden Ore Reserve was compiled in December (refer to ASX Announcement: Great Cobar PFS Outcomes and Peak Ore Reserve Increase dated 27 January 2022). The development concept for Great Cobar includes a development decline from the existing Great Cobar Complex. The mine layout incorporates responses from community consultation and information from assessments prepared for the Environmental Impact Statement (EIS) for the New Cobar Complex (Great Cobar). Aurelia has since provided a Response to Submissions to the relevant NSW authorities. The PFS delivered includes:

- New satellite underground mine using Peak Mine infrastructure;
- Initial mining and processing expected to take place over an approximate five-year life (400-500ktpa) to deliver a total of 47kt copper and 61koz gold;
- PFS based on June 2021 Mineral Resource Estimate, maintaining Production Target of 2.3Mt of Indicated and Inferred Mineral Resource to be mined over 61 months;
- Maiden Probable Ore Reserve estimate of 840kt at 2% copper, 1g/t gold and 4g/t silver as part of the Peak Mine Ore Reserve; and
- Government approved exploration decline planned to commence in July 2022, with forecast delivery of first production ore in late CY2023.

Further upside opportunities identified during the PFS phase are being assessed.

The schedule for Great Cobar is summarised below.

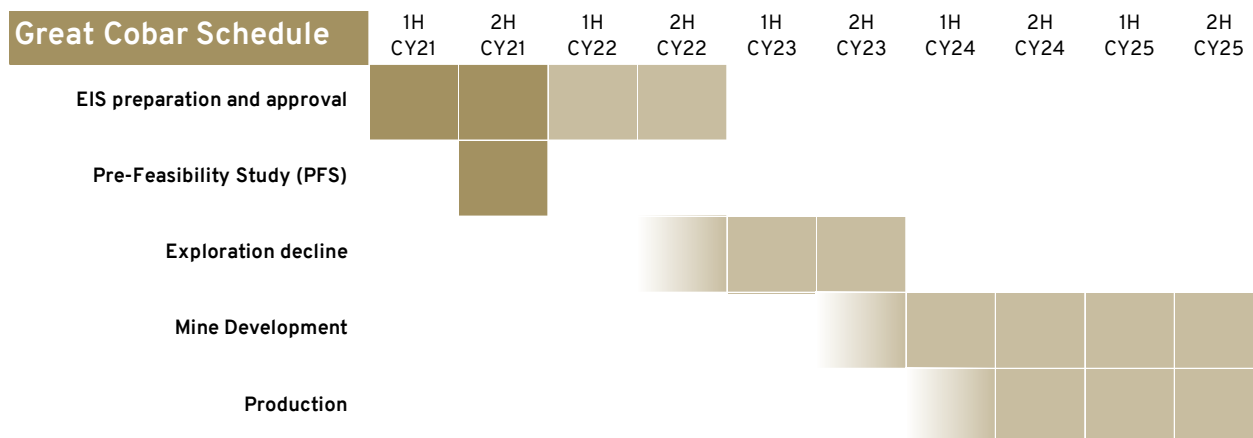


Image: High-level Great Cobar development schedule

Recent drilling undertaken at Great Cobar has improved the confidence of the copper and gold resources in the deposit. It has also provided fresh drill core for confirmatory metallurgical and geotechnical test work, whilst the most recent surface drilling results (received after the cut-off date for inclusion in the PFS) highlight the strong potential to extend the proposed underground mining area and deliver a significantly longer mine life, including:

- Resource extension both up and down dip;
- Potential economic copper mineralisation down dip of historical workings;
- Potential economic gold, lead and zinc mineralisation; and
- Potential repeat systems down plunge and along strike.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

EXPLORATION AND EVALUATION

Targeted exploration and resource definition drilling has continued to deliver strong results within Aurelia's highly prospective tenement holding. The Company is committed to pursuing its growth strategy and will continue to focus on near-mine and regional exploration targets.

4.1 Dargues Phase 2 Drill Program

Immediately following the acquisition of Dargues Mine, the Company commenced an infill and extensional drill campaign which comprised of two targeted phases. Given Aurelia's investment thesis that the asset was under drilled, an immediate priority was the completion of Phase 1 of the program. The program comprised a surface drilling campaign to extend the known limits of the deposit and an underground infill diamond drilling campaign to better define the deposit, improve confidence in the MRE and inform the new grade control model.

Phase 2 of the program commenced in December 2021 and will target areas along strike to the west of the Main lode and to the east of Plums lode that have been sparsely tested to date.

The results of the drill programs and mine planning activities will be incorporated into environmental assessments that are expected to underpin regulatory approvals that seek to increase the approved mine life and annual ore processing rates at the Dargues Mine.

The schedule that Aurelia is working towards is summarised below.

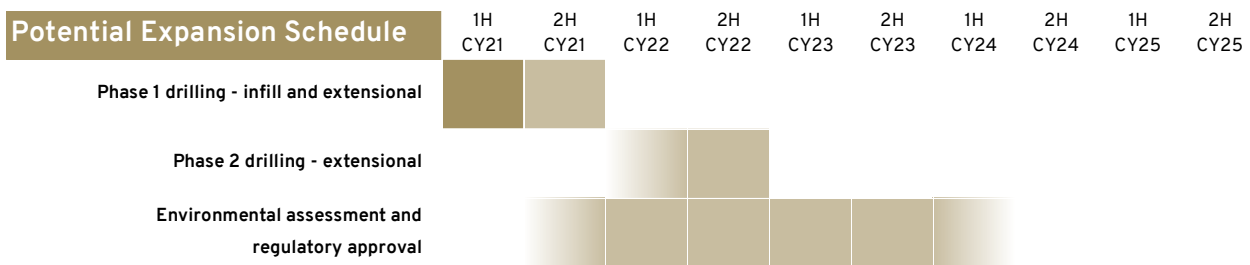


Image: High-level schedule of potential expansion of Dargues Mine

4.2 Kairos Deposit

The Kairos discovery was announced in early 2019 and was brought into production in June 2021. The Kairos deposit is situated below the Peak Mine workings, around 700 metres to the north and slightly deeper than the Chronos lode, with a similar steeply plunging geometry.

The Kairos system remains strongly mineralised and open at depth. Underground diamond drilling continued at Kairos during the half-year ended to test both infill and extensional targets. This has yielded further high-grade intercepts (refer to ASX Announcement: Kairos Delivers further high grades dated 1 July 2021). Very strong copper mineralisation was also encountered immediately to the north of the Kairos lode (refer to ASX Announcement: Kairos and Dargues drilling delivers high grade results dated 12 October 2021).

Future drilling will target both resource upgrade drilling in the middle and upper sections of the lode and resource extensions at depth.

4.3 Other near-mine and regional exploration

The Company's exploration tenements remain highly prospective. Other near-mine and regional exploration targets will continue to be explored and evaluated based on the ranking of relative prospectivity. Priority targets that the company will evaluate include the Dominion and Lyell prospects (which are both located in the vicinity of the Hera-Federation Complex).

For further detail, including drill results, refer to the Aurelia website (www.aureliametals.com.au).

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

SAFETY, RISK AND SUSTAINABILITY

Building and maintaining a trusted, sustainable, and beneficial presence in the areas in which we operate is essential. Our approach to sustainability is aligned with our vision and our values of integrity, certainty, courage and performance.

Aurelia's "Safe Metals" strategy was an initiative launched during FY20 which has continued to provide a means for renewed emphasis and focus on improved health and safety outcomes. Since the launch of this initiative, which has been supported by other targeted actions, the safety outcomes for the Group have seen a material improvement. The Group Total Recordable Injury Frequency Rate (TRIFR) has continued to improve, reducing by 51% to 7.6 at 31 December 2021 from 15.5 at 31 December 2020.

The FY21 Annual Report includes details on our FY22 objectives and initiatives within the focus areas of risk, safety, people, community, climate change and environment.

4.1 Response to COVID-19

The safety and wellbeing of our people and contractors, and the communities where we live and operate, remains a core priority. The Company has therefore implemented, and will continue to implement, intervention measures targeted at minimising the risk of potential transmission of COVID-19 at Aurelia sites. These measures include a range of controls with respect to underground mining, processing plants, accommodation and logistics operations, as well as within administrative and corporate offices. The Company has developed COVID-19 Crisis Management Teams and a Pandemic Plan with Trigger Actions for appropriate responses to protect people, communities and assets depending on the nature and locality of COVID-19 cases.

The persistency of the COVID-19 pandemic, although challenging, has not had a material adverse impact on the business. However reduced workforce availability due to COVID-19 restrictions and protocols has resulted in a modest throughput and production impacts. This is expected to continue into the early months of the second-half of the year whilst the virus spread continues within the communities.

During the half-year ended, zero COVID infections were on site due to effective protocols. As vaccination rates within Australia, our communities, and our workforce increase, Aurelia is progressing through its COVID-19 Protocol Roadmap. The Roadmap is informed by public health orders and risk exposures, and considers site COVID-19 protocols as employee and contractor vaccination rates approach and exceed the percentage target. Approximately 92% of all employees at Aurelia are at least double vaccinated.

Aurelia will remain attuned to the evolving presence of COVID-19 and the potential impacts to our people, communities, and activities.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

CORPORATE

5.1 Balance Sheet

The total assets increased during the half-year ended to \$665.2 million (30 June 2021: \$656.5 million). The Group net assets of \$424.9 million at 31 December 2021 remained largely comparable to Group net assets at 30 June 2021 of \$421.3 million.

The main events and movements during the year include:

Assets	<ul style="list-style-type: none">• Strong cash at bank of \$95.2 million provides a stable basis for Aurelia to continue to advance its organic growth projects.• Continued investment in Exploration and Evaluation totalling \$14.9 million, which includes Federation, Great Cobar, Dargues and other regional targets (refer to note 9 of the Financial Statements).• Investment in Property, plant and equipment of \$13.6 million (refer to note 7 of the Financial Statements).• Restricted cash balance of \$18.3 million relates to deposits held as required under the \$65 million Guarantee Facility, which forms part of the secured Syndicated Facilities Agreement.
Liabilities	<ul style="list-style-type: none">• Interest bearing loans totalling \$26.8 million (net of fees paid) relates to the \$45 million Term Loan (part of the secured Syndicated Facilities Agreement), which was drawn in support of the acquisition of Dargues Gold Mine in December 2020.• Other financial liabilities totalling \$50.1 million, includes \$42.1 million recognised for future third party royalties payable on gold sales from the Dargues Gold Mine.• Increase in total provisions of \$7.0 million is mostly attributable to an increase in rehabilitation provisions.
Equity	<ul style="list-style-type: none">• No significant equity related activity during the half-year ended.• No dividends were paid or declared and no capital raising activity was undertaken.

5.2 Financing

The secured Syndicated Facilities Agreement in place at 31 December 2021 provides the bank financing requirements for Aurelia. It includes three facilities:

Term Loan Facility – a loan of \$45 million was utilised to support the acquisition of Dargues Mine in December 2020. Principal repayments of \$8.1 million were completed during the half-year ended. The remaining balance of \$28.8 million is due to be paid in equal quarterly instalments.

Guarantee Facility – the facility was increased by \$20 million to \$65 million during the half-year ended in order to provide for increased guarantees related to rehabilitation. This facility includes a cash backing requirement, which amounted to \$18.3 million being held as restricted cash at 31 December 2021.

Working Capital Facility – the \$20 million facility remains undrawn and was extended for a further 12 months to 31 December 2022.

5.3 Dividends

The Board of Directors did not declare a final dividend for the year ended 30 June 2021, as the Board elected to support accelerating Aurelia's organic growth projects which includes the near-term projects of Federation and Great Cobar.

On 25 August 2020, the Board of Directors resolved to pay a final fully franked dividend of \$0.01 per share related to the year ended 30 June 2020. The total dividend of \$8.7 million was paid in October 2020.

DIRECTORS' REPORT AND OPERATIONS AND FINANCIAL REVIEW (continued)

5.4 Corporate costs

The corporate costs for the half-year were \$6.6 million (HY21: \$7.3 million).

5.5 Hedging

The Company acknowledges that a prudent hedging strategy is an important element of financial risk management and overarching enterprise risk management. At 31 December 2021, the Company had the following hedges in place:

a) Mandatory gold hedging

Under the secured Syndicated Facilities Agreement effected on 16 December 2020, Aurelia implemented an initial 12-month gold hedging program which entailed 55koz of gold being hedged at an average price of A\$2,442/oz. Since then, the rolling 12-month program has been maintained.

At 31 December 2021, the Company had hedged 26koz of gold at an average price of A\$2,404/oz with monthly maturities (deliveries) through to 31 December 2022.

b) Quotation Period hedging

Aurelia delivers concentrate to customers on the industry standard basis where a provisional payment is received for the provisional metal sold based on the prevailing market price at the time of the shipment. The final sale value for the actual metal sold is determined at the end of the Quotation Period (QP) per the sale contract. The typical QP under Aurelia's arrangements with customers is generally 1 to 3 months.

The Company maintains a program by which it hedges between 0% to 90% of the metal price exposure based on the provisional invoice for contained metal sold. This program is undertaken to minimise any impact from price volatility causing potential for a liability (repayment of sale proceeds to the customer) which may result from a lower metal price being realised at the end of the QP. In accordance with the hedge policy, the Company had hedged the maximum metal price exposure at 31 December 2021.

The QP hedging in place at the end of the reporting period is detailed below:

Commodity	Unit	31 December 2021		31 December 2020	
		Quantity	Contract price	Quantity	Contract price
Gold	oz	10,768	US\$1,799	-	-
Copper	t	447	US\$9,664	-	-
Lead	t	8,795	US\$2,273	601	US\$2,175
Zinc	t	4,442	US\$3,352	483	US\$2,854

c) Foreign currency options

During October 2021, the Company undertook some foreign currency call options which were initiated to provide some level of protection against potential adverse foreign currency movements related to USD denominated concentrate sales. The call options include monthly maturities with a face value of USD\$10 million per month from January 2022 to June 2022 with a strike rate of 0.81. The premiums paid totalled \$264,900.

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.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events that occurred after 31 December 2021.



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's independence declaration to the directors of Aurelia Metals Limited

As lead auditor for the review of the half-year financial report of Aurelia Metals Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Kellie McKenzie".

Kellie McKenzie
Partner
23 February 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	31-Dec-21 \$000	31-Dec-20 \$000
Sales Revenue	4	235,059	207,706
Cost of sales	5	(205,571)	(135,844)
Gross Profit		29,488	71,862
Corporate administration expenses		(6,583)	(7,257)
Acquisition and integration costs		(115)	(19,182)
Exploration and evaluation expenditure written off		(14)	(51)
Loss on revaluation of liabilities and other expenses		(5,406)	(2,317)
Share based expense		(1,000)	(455)
Other operating income		139	186
Profit before income tax and net finance expenses		16,509	42,786
Finance income	4	77	238
Finance costs		(2,798)	(1,588)
Profit before income tax expense		13,788	41,436
Income tax expense	6	(6,285)	(21,669)
Profit after income tax expense		7,503	19,767
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax		(4,915)	(1,620)
Total comprehensive profit for the year		2,588	18,147
Earnings per share for Profit attributable to the ordinary equity holders of the parent			
Basic earnings per share (cents per share)		0.61	2.12
Diluted earnings per share (cents per share)		0.60	2.11

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 Dec -21 \$000	30 June -21 \$000
Assets			
Current Assets			
Cash and cash equivalents		95,193	74,532
Trade and other receivables		9,627	17,478
Inventories		28,758	29,432
Current tax asset		6,386	9,442
Prepayments		3,890	2,792
Derivative financial instruments		-	2,672
Total current assets		143,854	136,348
Non-current assets			
Property, plant and equipment	7	164,998	170,458
Mine properties	8	268,413	287,035
Exploration and evaluation assets	9	54,101	39,318
Right of use assets	13	13,519	12,674
Restricted cash		18,342	8,604
Financial assets		1,970	2,025
Total non-current assets		521,343	520,114
Total assets		665,197	656,462
Liabilities			
Current Liabilities			
Trade and other payables		35,510	47,300
Interest bearing loans and borrowings	10	15,058	15,097
Provisions	11	11,496	9,782
Other financial liabilities	12	8,689	6,253
Lease liabilities	13	7,346	6,354
Derivative financial instruments		5,752	79
Total current liabilities		83,851	84,865
Non-current liabilities			
Provisions	11	79,325	74,084
Other financial liabilities	12	41,362	37,162
Interest bearing loans and borrowings	10	11,746	19,319
Deferred tax liabilities		17,599	13,129
Lease liabilities	13	6,436	6,613
Total non-current liabilities		156,468	150,307
Total liabilities		240,319	235,172
Net assets		424,878	421,290
Equity			
Issued share capital		334,659	334,659
Share based payments reserve	15	12,342	11,342
Hedge reserve	15	(2,423)	2,492
Retained earnings		80,300	72,797
Total equity		424,878	421,290

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Issued share capital	Share based payments reserve	Hedge reserve	Retained earnings/ accumulated losses	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	185,878	10,406	-	38,620	234,904
Total profit for the period	-	-	-	19,767	19,767
Other comprehensive income	-	-	(1,620)	-	(1,620)
Total Comprehensive Income	-	-	(1,620)	19,767	18,147
Transactions with owners in their capacity as owners					
Shares issued, net of costs	150,474	-	-	-	150,474
Share-based payments	-	455	-	-	455
Dividend payments	-	-	-	(8,740)	(8,740)
Balance at 31 December 2020	336,352	10,861	(1,620)	49,647	395,240
Balance at 1 July 2021	334,659	11,342	2,492	72,797	421,290
Total profit for the period	-	-	-	7,503	7,503
Other comprehensive income	-	-	(4,915)	-	(4,915)
Total Comprehensive Income	-	-	(4,915)	7,503	2,588
Transactions with owners in their capacity as owners					
Share-based payments	-	1,000	-	-	1,000
Balance at 31 December 2021	334,659	12,342	(2,423)	80,300	424,878

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<u>31-Dec-21</u>	<u>31 Dec-20</u>
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	243,225	204,297
Payments to suppliers and employees	(153,084)	(116,375)
Payments for hedge settlements and foreign exchange	(115)	(3,866)
Interest received	77	239
Interest paid	(2,138)	(1,371)
Income tax refund/(paid)	3,804	(8,544)
Net cash flows from operating activities	<u>91,769</u>	<u>74,380</u>
Cash flows from investing activities		
Payments for the purchase of property, plant and equipment	(4,747)	(4,976)
Payments for mine capital expenditure	(29,715)	(21,231)
Payments for exploration and evaluation	(12,397)	(6,366)
Payments for royalties (Hera & Dargues)	(1,889)	(1,876)
Payments for facility cash cover and security bonds	(9,738)	-
Payment for investment (Dargues Gold Mine)	-	(165,252)
Payments for foreign exchange	-	(154)
Proceeds from the sale of property, plant and equipment	97	6
Net cash flows used in investing activities	<u>(58,389)</u>	<u>(199,849)</u>
Cash flows from financing activities		
Payment of the principal element of leases	(4,292)	(4,940)
Payment of dividends to shareholders	-	(8,740)
Proceeds from issue of shares, net of costs	-	124,846
(Repayment)/proceeds from borrowings, net of costs	(8,100)	41,817
Net cash flows (used) in /from financing activities	<u>(12,392)</u>	<u>152,983</u>
Net increase in cash and cash equivalents	20,988	27,514
Net foreign exchange difference	(327)	(858)
Cash and cash equivalents at beginning of the year	74,532	79,103
Cash and cash equivalents at end of the year	<u>95,193</u>	<u>105,759</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Corporate Information

Aurelia Metals Limited is a company limited by shares, incorporated, and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

Aurelia has the following wholly-owned subsidiaries incorporated in Australia:

Entity name	Incorporation date
Big Island Mining Pty Ltd*	3 February 2005
Dargues Gold Mines Pty Ltd*	12 January 2006
Defiance Resources Pty Ltd	15 May 2006
Hera Resources Pty Ltd	20 August 2009
Nymagee Resources Pty Ltd	7 November 2011
Peak Gold Asia Pacific Ltd	26 February 2003
Peak Gold Mines Pty Ltd	31 October 1977

**Acquired on 17 December 2020 through the acquisition of the Dargues Gold Mine*

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

The financial report of Aurelia Metals Limited and its subsidiaries for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 23 February 2022.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Operating segments and performance

The segment information for the reportable segments is as follows:

Half year to 31 December 2021

	Note	Peak Mine \$'000	Hera Mine \$'000	Dargues Mine \$'000	Corporate & Elimination \$'000	Total \$'000
Revenue	4	129,906	58,827	46,326	-	235,059
Site EBITDA		48,778	20,587	23,154	-	92,519
Reconciliation of profit before tax expense:						
Depreciation and amortisation expense						(63,031)
Corporate costs						(6,583)
Business combinations - acquisition costs and stamp duty expense						(115)
Interest income and expense, net						(2,721)
Share based expenses						(1,000)
Exploration costs expensed						(14)
Other operating income						139
Other expenses						(5,406)
Income tax expense	6					(6,285)
Profit after income tax						7,503

	Peak Mine \$'000	Hera Mine \$'000	Dargues Mine \$'000	Corporate & Elimination \$'000	Total \$'000
Segment assets and liabilities					
Total assets	202,552	91,316	252,691	118,638	665,197
Total liabilities	(80,021)	(31,880)	(69,749)	(58,669)	(240,319)

The substantial increase in depreciation and amortisation expense for the half-year ended in comparison to the prior period comparatives is largely attributable to the addition of Dargues into the Group following its acquisition on 17 December 2020.

The depreciation and amortisation expense attributable to Dargues is \$31.0 million. The remaining increase of \$2.3 million is attributable to the Peak and Hera Mines.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Operating segments and performance (continued)

Half year to 31 December 2020

	Peak Mine	Hera Mine	Dargues Mine (i)	Corporate & Elimination	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	131,859	73,705	2,142	-	207,706
Site EBITDA	66,578	31,964	2,881	-	101,423
Reconciliation of profit before tax expense:					
Depreciation and amortisation expense					(29,712)
Corporate costs					(7,106)
Business combinations - acquisition costs and stamp duty expense (i)					(19,182)
Interest income and expense, net					(1,350)
Share based expenses					(455)
Exploration costs expensed					(51)
Other income and expenses, net					176
Loss on commodity derivatives and foreign exchange					(2,307)
Income tax expense					(21,669)
Profit after income tax					19,767

(i) Dargues Mine was acquired on 17th December 2020

	Peak Mine	Hera Mine	Dargues Mine	Corporate & Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets and liabilities					
Total assets	207,423	71,653	268,023	98,451	645,550
Total liabilities	(68,120)	(26,095)	(71,353)	(84,742)	(250,310)

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies

3.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual Financial Statements, and should be read in conjunction with the Group's annual financial statements at 30 June 2021.

The financial report has been prepared on a historical cost basis, except for derivative instruments, investments 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.

3.2. New accounting standards and interpretations

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 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but not effective.

4. Sales revenue and other income

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

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	\$000	\$000
Sales revenue		
Gold	124,635	125,850
Copper	14,465	20,789
Lead	37,954	24,828
Zinc	49,804	27,521
Silver	8,201	8,718
Total sales revenue from contracts with customers	<u>235,059</u>	<u>207,706</u>
	<u>31-Dec-21</u>	<u>31 Dec-20</u>
	\$000	\$000
Finance income	77	238
Total finance income	<u>77</u>	<u>238</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

5. Cost of sales

	<u>31-Dec-21</u>	<u>31 Dec-20</u>
	\$000	\$000
Cost of sales		
Site production costs	120,991	91,762
Transport and refining	13,021	8,374
Royalty	6,601	6,485
Inventory movement	1,927	(338)
	<u>142,540</u>	<u>106,283</u>
Depreciation and amortisation	63,031	29,561
Total cost of sales	<u>205,571</u>	<u>135,844</u>

6. Income tax

The Group is a tax consolidated group at balance date.

The major components of income tax expense for the half-year ended 31 December 2021 and 2020 are:

6.1. Income tax expense

	<u>31-Dec-21</u>	<u>31 Dec-20</u>
	\$000	\$000
Current income tax		
Current tax on profits for the year	3,508	19,498
Adjustments in respect of current income tax of previous year	5	1,078
Deferred tax:		
Deferred tax movements for the year	2,772	1,093
Income tax expense reported in the statement of profit or loss and other comprehensive income	<u>6,285</u>	<u>21,669</u>

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

	<u>31-Dec-21</u>	<u>31 Dec-20</u>
	\$000	\$000
Accounting profit before income tax	13,788	41,435
Prima facie income tax expense @ 30%	4,136	12,431
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share based payments and other non-assessable items	300	193
Adjustments (including opening balances & acquisition related)	-	8,391
Prior year under provisions	5	1,078
Other	1,844	(424)
Income tax expense	<u>6,285</u>	<u>21,669</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. Property, plant and equipment

	<u>31-Dec-21</u>	<u>30-Jun-21</u>
	\$000	\$000
Plant and equipment at cost	264,373	254,869
Property at cost	5,417	5,999
Accumulated depreciation	(104,792)	(90,410)
	<u>164,998</u>	<u>170,458</u>

	<u>31-Dec-21</u>	<u>30-Jun-21</u>
	\$000	\$000
Movement in property, plant and equipment		
Carrying value at the beginning of the year	170,458	104,538
Additions/expenditure during the half-year ended	13,575	14,443
Acquisition of Dargues Gold Mine	-	74,390
Depreciation for the half-year ended	(14,387)	(22,432)
Transfer to mine properties	-	(336)
Assets written off	-	(126)
Assets disposed or sold	(4,648)	(19)
Closing balance	<u>164,998</u>	<u>170,458</u>

8. Mine properties

	<u>31-Dec-21</u>	<u>30-Jun-21</u>
	\$000	\$000
Mine properties at cost	577,832	551,810
Accumulated depreciation and impairment	(309,419)	(264,775)
	<u>268,413</u>	<u>287,035</u>

Movement in mine properties		
Carrying value at the beginning of the year	287,035	92,337
Acquisition of Dargues Gold Mine	-	170,321
Development expenditure and change in rehabilitation asset	25,884	67,765
Transfer from exploration and evaluation	139	2,732
Depreciation for the half-year ended	(44,645)	(46,456)
Transfer from property, plant and equipment	-	336
Closing balance	<u>268,413</u>	<u>287,035</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

9. Exploration and evaluation assets

	31-Dec-21	30-Jun-21
	\$000	\$000
Exploration and evaluation assets at cost	79,703	64,927
Accumulated exploration and evaluation written off	(25,602)	(25,609)
	54,101	39,318
Movement in exploration and evaluation assets		
Carrying value at the beginning of the year	39,318	15,610
Acquisition of Dargues Gold Mine	-	6,698
Expenditure during the year	14,922	20,744
Transfer to mine properties	(139)	(2,732)
Expenditure written off during the year	-	(1,002)
Closing balance	54,101	39,318

10. Interest bearing loans and borrowings

	31-Dec-21	30-Jun-21
	\$000	\$000
Current		
Term loan facility	16,200	16,200
Less: Borrowing costs	(1,142)	(1,103)
	15,058	15,097
Non-current		
Term loan facility	12,600	20,700
Less: Borrowing costs	(854)	(1,381)
	11,746	19,319
Total interest-bearing liabilities	26,804	34,416

11. Provisions

	31-Dec-21	30-Jun-21
	\$000	\$000
Current		
Employee	7,682	7,007
Mine rehabilitation	1,625	1,619
Deferred acquisition costs	1,064	1,035
Other	1,125	121
Total current provisions	11,496	9,782
Non-Current		
Mine rehabilitation	78,535	72,793
Deferred acquisition costs	447	983
Employee	343	308
Total non-current provisions	79,325	74,084
Total provisions	90,821	83,866

NOTES TO FINANCIAL STATEMENTS (Continued)

12. Other financial liabilities

	31-Dec-21	30-Jun-21
	\$000	\$000
Current		
Third party royalty liability	4,996	6,253
Contract liabilities	3,693	-
	<u>8,689</u>	<u>6,253</u>
Non-Current		
Third party royalty liability	37,112	32,912
Contingent consideration liability	4,250	4,250
	<u>41,362</u>	<u>37,162</u>

The third-party royalty liability is subject to periodic remeasurement of changes in the following assumptions:

- Gold price
- Life of mine extension and related change in sales volumes
- Foreign currency rate

The remeasurement at 31 December 2021 has resulted in an unrealised expense of \$4.5 million primarily as a result of an increase in the assumed future A\$ gold price.

13. Leases

	31-Dec-21	30-Jun-21
	\$000	\$000
Right of use assets		
Carrying value at the beginning of the year	12,674	13,209
Additions	5,081	7,505
Depreciation expense	(4,236)	(8,040)
Carrying value at the end of the year	<u>13,519</u>	<u>12,674</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31-Dec-21	30-Jun-21
	\$000	\$000
Lease liabilities		
Current	7,346	6,354
Non-current	6,436	6,613
Closing balance	<u>13,782</u>	<u>12,967</u>
Movement in lease liabilities		
Carrying value at the beginning of the year	12,967	13,535
Additions	5,107	7,542
Interest expense	301	699
Payments	(4,593)	(8,809)
Carrying value at the end of the year	<u>13,782</u>	<u>12,967</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

14. Contributed equity

14.1. Movements in ordinary shares on issue

31 December 2021		Date	Number	\$'000
Opening balance			1,234,739,875	334,659
Shares issued on vesting of performance rights	(i)	7-Sept-21	76,993	-
Employee Share Scheme	(ii)	1-Nov-21	674,388	-
Shares issued on vesting of performance rights	(iii)	30-Nov-21	1,565,201	-
Closing balance			<u>1,237,056,457</u>	<u>334,659</u>

30 June 2021		Date	Number	\$'000
Opening balance			873,983,797	185,878
Shares issued from Placement and Institutional Entitlement Offer	(iv)	25-Nov-20	217,006,547	93,313
Shares issued on vesting of performance rights	(v)	30-Nov-20	1,565,201	-
Shares issued from Retail Entitlement Offer	(vi)	10-Dec-20	85,957,026	36,962
Shares issued as equity consideration	(vii)	17-Dec-20	55,813,954	24,000
Employee Share Scheme	(viii)	6-May-21	413,350	-
Share issue costs	(ix)		-	(5,494)
Closing balance			<u>1,234,739,875</u>	<u>334,659</u>

- (i) On 7 September 2021, a total of 76,993 shares were issued upon the vesting of Performance Rights for no consideration.
- (ii) On 1 November 2021, a total of 674,388 shares were issued under the Employee Share Scheme for no consideration, where eligible employees are invited to participate in the plan to receive fully paid ordinary shares in the Company (subject to dealing restrictions ending on the earlier of 3 years after grant or when the employee ceases employment) with a nominal value of \$1,000, which depending on the individual's taxable income in the relevant year, may be tax exempt.
- (iii) On 30 November 2021, a total of 1,565,201 shares were issued upon vesting of Performance Rights for no consideration.
- (iv) On 25 November 2020, the Company completed a Placement and Institutional Entitlements Offer. The proceeds raised were applied towards to the acquisition of the Dargues Gold Mine. The shares were issued at \$0.43 per share.
- (v) On 30 November 2020, a total of 1,565,201 shares were issued upon the vesting of Performance Rights for no consideration. The shares issued will be held in escrow for a period of 12 months from grant date.
- (vi) On 10 December 2020, the Company completed the retail component of the Entitlement Offer (the Retail Entitlement Offer). The proceeds raised were applied towards to the acquisition of the Dargues Gold Mine. The shares were issued at \$0.43 per share.
- (vii) On 17 December 2020, a total of 55,813,954 shares were issued as part of the purchase consideration for the acquisition of the Dargues Gold Mine. The shares were issued at \$0.43 per share.
- (viii) On 6 May 2021, a total of 413,350 shares were issued under the Employee Share Scheme for no consideration where eligible employees are invited to participate in the plan to receive fully paid ordinary shares in the Company (subject to dealing restrictions ending on the earlier of 3 years after grant or when the employee ceases employment) with a nominal value of \$1,000, which depending on the individual's taxable income in the relevant year, may be tax exempt.
- (ix) Share issue costs of \$5.494 million relates to the Entitlement Offers made during the year.

NOTES TO FINANCIAL STATEMENTS (Continued)

14.2. Dividends made and proposed

	31-Dec-21	30-Jun-21
	\$000	\$000
Dividends		
Dividend paid	-	8,740
Total	-	8,740

A fully franked dividend of 1 cent per fully paid ordinary share was paid on 2 October 2020 related to the financial year ended 30 June 2020. The Directors did not recommend the payment of a final dividend for the financial year ended 30 June 2021 or an interim dividend for the year ending 30 June 2022.

15. Reserves

	31-Dec-21	30-Jun-21
	\$000	\$000
Movement in share base payments reserve		
Opening balance	11,342	10,406
Share based payment expense	1,000	936
Closing balance	12,342	11,342
Movement cash flow hedge reserve		
Opening balance	2,492	-
Reclassification to statement of profit or loss	(2,773)	-
Cash flow hedge - commodity forward contracts	(2,142)	2,492
Closing balance	(2,423)	2,492

16. Commitments and contingencies

16.1. Capital Commitments

The Group had capital commitments of \$40.2 million as at 31 December 2021 (30 June 2021: \$31.8 million).

16.2. Guarantees

The Group has a \$65 million Credit Facility as part of the secured Syndicated Facilities Agreement. The facility was increased by \$20 million in November 2021. Under the facility, Letters of Credit with an aggregate value of \$50.9 million (30 June 2021: \$47.8 million) have been utilised. This facility includes a cash backing requirement, which amounted to \$18.3 million being held as restricted cash at 31 December 2021.

16.3. Contingent liabilities

The Group has recognised a contingent liability of \$4.25 million related to the contingent consideration component for the purchase consideration for the acquisition of the Dargues Gold Mine (refer to Note 17 for further detail).

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Acquisition of Dargues Gold Mine

Summary of acquisition

On 17 December 2020, the Group acquired 100% of the voting shares of Dargues Gold Mine Pty Ltd from privately held company Diversified Minerals Pty Ltd.

The assets and liabilities which were initially recognised at provisional values are final as at 31 December 2021 and the details are as follows:

	Final fair value	Provisional fair value
	31-Dec-21	30-Jun-21
	\$000	\$000
Cash at bank	322	322
Trade and other receivables	2,989	2,989
Inventories	2,452	2,452
Prepayments	104	104
Property, plant and equipment	68,447	74,390
Mine properties	176,351	170,321
Exploration assets	6,698	6,698
Right of use assets	6,948	6,948
Deferred Tax Asset	4,028	4,028
Total Assets	268,339	268,252
Trade payables and accruals	8,469	8,469
Provisions	13,428	13,428
Lease liabilities	6,948	6,948
Other financial liabilities	48,914	48,914
Total Liabilities	77,759	77,759
Net assets value	190,580	190,493
Purchased consideration transferred	\$000	\$000
Cash consideration, net of working capital adjustment	162,474	162,387
Scrip consideration fair value	24,000	24,000
Contingent consideration at fair value	4,106	4,106
Total consideration	190,580	190,493

The Contingent consideration requires the Group to issue up to a maximum of \$5 million in Aurelia ordinary shares based on the addition of incremental JORC compliant Mineral Resources discovered at Dargues up to 30 June 2022. The consideration may be settled in shares. The fair value of the contingent consideration at 31 December 2021 is \$4.25 million.

NOTES TO FINANCIAL STATEMENTS (Continued)

18. 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 are measured at fair value through profit or loss.

	Quoted prices in the active market	Significant observable inputs	Significant unobservable inputs
	Level 1	Level 2	Level 3
	\$000	\$000	\$000
at 31 December 2021			
Assets			
Listed equity investments	1,970	-	-
Liabilities			
Derivative financial instruments		5,752	
Deferred acquisition costs	-	-	1,572
Contingent consideration liability	-	-	4,250
<hr/>			
at 30 June 2021			
Assets			
Listed equity investments	2,025	-	-
Derivative financial instruments	-	2,672	-
<hr/>			
Liabilities			
Derivative financial instruments	-	79	-
Deferred acquisition costs	-	-	2,018
Contingent consideration liability	-	-	4,250
<hr/>			

19. Events after the reporting period

There were no significant events that occurred after 31 December 2021.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board,



Peter Botten
Chairman



Daniel Clifford
Managing Director & CEO

23 February 2022



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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's review report to the members of Aurelia Metals Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and



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its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Kellie McKenzie".

Kellie McKenzie
Partner
Brisbane
23 February 2022