

ASX ANNOUNCEMENT APPENDIX 4D

23 February 2023 | ASX: AMI



AURELIA METALS LIMITED | ABN 37 108 476 384

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Results	31 December 2022 \$'000	31 December 2021 \$'000	Increase/(Decrease) %
Revenue	192,740	235,059	(18)%
EBITDA (i)	12,283	79,540	(85)%
Net profit/(loss) before income tax	(42,667)	13,788	(409)%
Net profit/(loss) after income tax	(29,487)	7,503	(493)%

Dividends

The Directors have not declared an interim dividend for the half-year ending 31 December 2022 (31 December 2021: Nil).

Net tangible assets per share	31 December 2022 Cents	31 December 2021 Cents
Net tangible assets per share	24.7	26.0

Earnings per share	31 December 2022 Cents	31 December 2021 Cents
Basic profit/(loss) per share	(2.38)	0.61
Diluted profit/(loss) per share	(2.38)	0.60

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

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 and excluding the Managing Director & Chief Executive Officer (CEO), all directors are deemed to be independent.

Name	Position	Date(s) of change during year
Peter Botten	Non-Executive Chairman	
Daniel Clifford	Managing Director & CEO	Resigned 18 November 2022
Lawrence Conway	Non-Executive Director	Resigned 31 August 2022
Susan Corlett	Non-Executive Director	
Helen Gillies	Non-Executive Director	
Paul Harris	Non-Executive Director	
Robert Vassie	Non-Executive Director	
Bruce Cox	Non-Executive Director	Appointed 1 September 2022

Company Secretaries

Rochelle Carey	Appointed 28 December 2022
Ian Poole	Resigned 31 December 2022

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

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 2022, 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 2022.

OPERATIONS AND FINANCIAL REVIEW

1. About Aurelia Metals Limited

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

- 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 within proximity of Aurelia owned infrastructure. Our preeminent near-term development projects, include:

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

2. Operating and financial performance

Aurelia Metals acknowledges the marked deterioration of its financial results for the half-year in comparison to the previous half-year. The Company has developed and continues to implement an Organisational Renewal Program in direct response to underperformance and a challenging business and operational environment. By the end of the half-year period, the benefits of this program were beginning to be realised as the targeted workstreams progressed across each of Aurelia's business units. The Organisational Renewal Program includes, but not limited to, the following initiatives which are discussed in further detail throughout the report:

- Leadership renewal in the December quarter with the appointment of a new Chief Financial Officer and Interim Chief Executive Officer.
- The Hera life of mine plan has been optimised for the current mining conditions.
- The transition to owner mining at the Peak Mine progressed, providing greater control over the planning and execution of mining activities and direct access to productivity improvements and cost efficiencies. Additionally, work is underway at Peak to insource maintenance labour to reduce more costly labour hire roles.
- The Working Smarter Program was established to identify and deliver value uplift opportunities to counter cost escalation and inflationary pressures.

The outcomes and results from the half-year ended, across the key pillars of our business, include:

Sustainability	<ul style="list-style-type: none"> • Progressed initiatives to improve workplace safety and manage fatal hazards. Group Total Recordable Injury Frequency Rate (TRIFR) of 10.77 at 31 December 2022 (30 June 2022: 8.75). • No significant reportable environmental incidents during the half-year. • Mental Health Awareness program delivery through workshops designed to build mental health literacy, resilience and awareness amongst all levels of the workforce. • Targeted undertakings to support a culture of safety speak-up, including the elimination of sexual harassment. • Implemented a new Contractor Health, Safety and Environment Management Framework that establishes common minimum requirements across all Aurelia sites.
Production and Cost Performance	<ul style="list-style-type: none"> • Group gold production of 44koz at an AISC of \$2,639/oz (HY22: 54koz at \$1,393/oz). • By-product credits received from base metals and silver sales were 21% lower than the comparator half-year period due to reduced average head grades which resulted in lower volumes of payable metal produced. • Ore processed was 4% lower in the half-year at 629kt (HY22: 657 kt ore processed). • Developed and implemented an Organisational Renewal Program to drive improved performance outcomes across the business. • New life of mine plan developed for Hera to optimise cash from the remaining ore inventory, which has resulted in a \$5.4 million impairment expense. The plan provides economic returns for an estimated remaining mine life to March 2023.
Growth	<p>Hera-Federation Complex</p> <ul style="list-style-type: none"> • The Federation Mine Feasibility Study was released on 10 October 2022. The Study confirms Federation as a high grade, capital efficient investment project that generates significant shareholder value. Further refinement is taking place to optimise the use of capital and existing infrastructure. • Aurelia's operating footprint in the Cobar Basin provides the platform to leverage established infrastructure and knowledge to optimise capital investment and project economics. • NSW government development consent for full scale mining is expected in the March Quarter 2023. • Growth capital spend of \$12.8 million during the half-year on progressing the establishment of surface infrastructure and 90 metres of decline development. The decline is now only 80 vertical metres from the top production level. Development activities are currently suspended until completion of the funding solution for the project. <p>Dargues Mine</p> <ul style="list-style-type: none"> • Regulatory approval of a modification to the development consent was received on 20 December 2022 which increases the processing throughput limit from 355kt to 415kt per calendar year. • Underground infill and extensional diamond drilling completed in and around the current mining areas. The findings will be used to delineate the economic mining limits of the deposit. <p>Great Cobar</p> <ul style="list-style-type: none"> • Material increase to the Mineral Resource reported during the half-year. Tonnage increased 37% to 8Mt containing more than 178kt of copper and 179koz of gold metal.
Financial outcomes	<ul style="list-style-type: none"> • Cash at bank of \$23.7 million at 31 December 2022 (30 June 2022: \$76.7 million). • Term loan facility balance of \$12.6 million at 31 December 2022 (30 June 2022: \$20.7 million) after \$8.1 million debt repayments during the half-year. • An undrawn Working Capital Facility was extended to 31 March 2023 with a limit of \$10 million (30 June 2022: \$20 million). • EBITDA result of \$12.3 million (HY22: \$79.5 million). Underlying EBITDA of \$16.1 million (HY22: \$84.1 million).

2.1 Profit/(loss) and financial performance

The Group reports a statutory net loss after tax of \$29.5 million for the half-year ended 31 December 2022 (HY22: statutory net profit \$7.5 million). Included in the statutory net loss are some significant items which were not incurred in the ordinary course of business activities. Such items are disclosed in the underlying net profit/(loss). The underlying net profit or loss is presented to improve the comparability of the financial results between periods.

The result for the half-year ended 31 December 2022 in comparison to the prior half-year is summarised below:

Net profit/(loss)	31-Dec-22	31-Dec-21	Change
	\$'000	\$'000	%
Sales revenue	192,740	235,059	(18)%
Cost of sales	(220,344)	(205,571)	(7)%
Gross (loss)/profit	(27,604)	29,488	(194)%
Remeasurement of financial liabilities	801	(4,463)	(118)%
Impairment expense - Hera Mine	(5,433)	-	(100)%
Other income and expenses, net	(8,870)	(8,401)	(6)%
Business Combinations - Dargues Gold Mine acquisition transaction costs and stamp duty	-	(115)	100%
Net (loss)/profit before income tax and net finance expenses	(41,106)	16,509	(349)%
Net finance expenses	(1,561)	(2,721)	43%
Net (loss)/profit before income tax	(42,667)	13,788	(409)%
Income tax benefit/(expense)	13,180	(6,285)	310%
Net (loss)/profit after income tax	(29,487)	7,503	(493)%

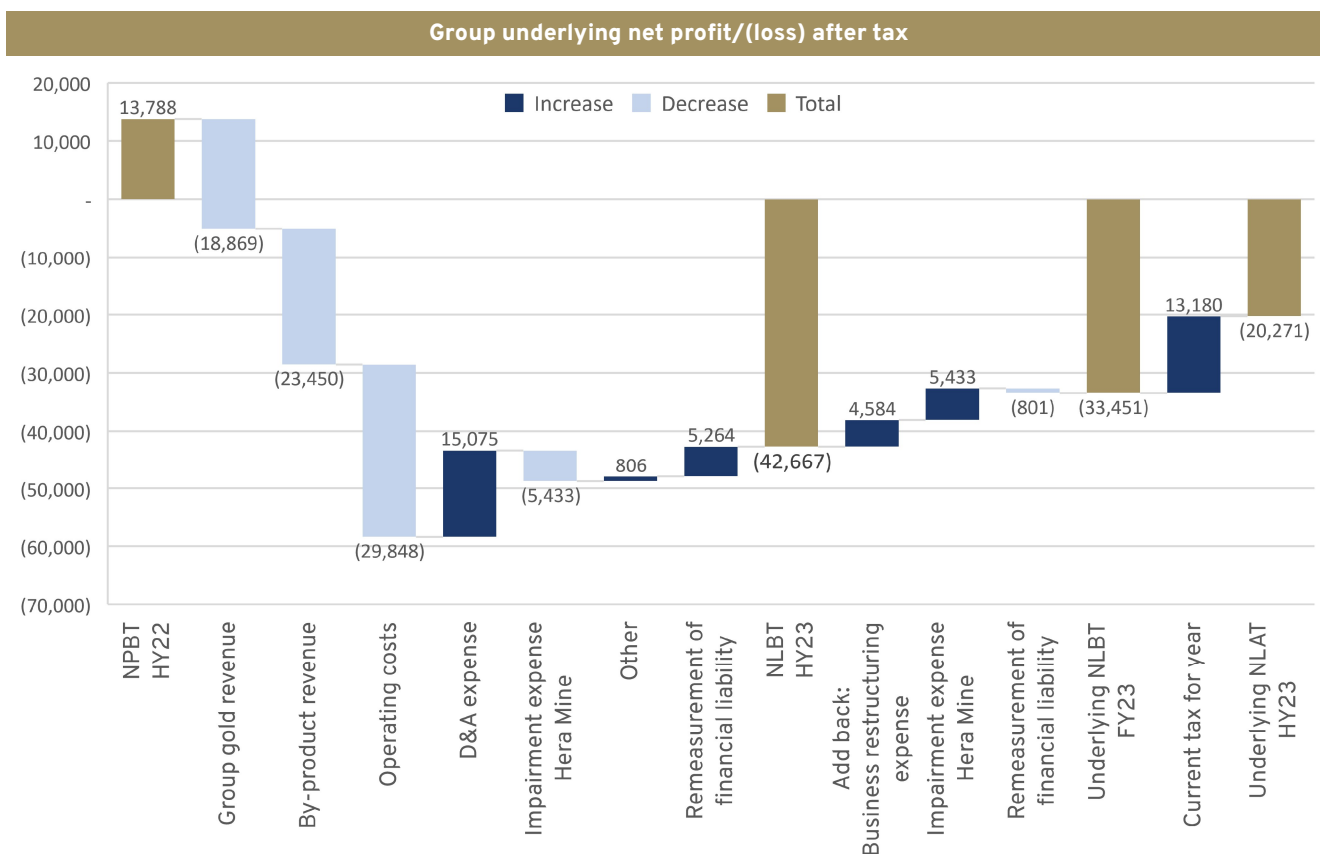
Underlying net profit/(loss):	31-Dec-22	31-Dec-21	Change
	\$'000	\$'000	%
Net profit before income tax	(42,667)	13,788	(409)%
Add back:			
Business restructuring expense	4,584	-	100%
Remeasurement of financial liabilities	(801)	4,463	(118)%
Impairment expense - Hera Mine	5,433	-	100%
Business Combinations - Dargues Gold Mine acquisition costs and stamp duty	-	115	(100)%
Underlying net (loss)/profit before income tax (i)	(33,451)	18,366	(282)%
Income tax benefit/(expense)	13,180	(6,285)	310%
Underlying net (loss)/profit after tax (i)	(20,271)	12,081	(268)%

(i) Underlying net profit/(loss) reflects the statutory net profit/(loss) 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. These numbers are not required to be audited.

2.1 Profit/(loss) and financial performance (continued)

The net profitability movements for the year ended in comparison to the comparator period, along with the movements to the underlying net loss before tax, are graphically illustrated below:



Overall sales revenue for the half-year ended was \$42.3 million lower than the prior year half-year. Ore processed was 4% lower in the half at 629kt (HY22: 657 kt ore processed). Payable metal produced during the half-year was impacted by the lower processed ore tonnage and average head grades across both precious and base metals.

- Gold sales revenue was \$18.9 million lower due to lower average gold grades processed at all operations.
- By-product credits from copper, lead and zinc, and to a lesser extent silver, fell by \$23.5 million in comparison the prior year half-year due to lower grades processed.

The overall volume of metals produced was impacted by ore supply constraints at both the Peak and Hera underground operations (refer to Sections 2.5 and 2.7 for further detail), with contributing factors being a change in operating strategy at the Peak Mine to pursue high value ore sources at lower volumes, and difficult mining conditions at the Hera Mine as it approaches its end of mine life.

Site operating costs were impacted by the high inflationary economic environment and competitive labour market which has seen a shortage of experienced industry professionals and trades personnel. Aurelia's response has included adjustments to employment conditions and reductions in contractor labour.

The Working Smarter Program was established as an important facet of the overarching Organisation Renewal Program. The program seeks to generate value from the implementation of cost saving and efficiency opportunities and has already resulted in meaningful performance improvement across the business. The program is expected to deliver further improvement through a pipeline of initiatives which are pending further assessment.

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 half-year, is summarised below:

Underlying Group EBITDA	31-Dec-22	31-Dec-21	Change
	\$'000	\$'000	%
Profit/(loss) before income tax and net finance expenses	(41,106)	16,509	(349)%
Depreciation and amortisation	47,956	63,031	24%
Impairment expense - Hera Mine	5,433	-	(100)%
EBITDA (i)	12,283	79,540	(85)%
Business restructuring expense	4,584	-	(100)
Remeasurement of financial liabilities	(801)	4,463	118%
Business combinations - Dargues Gold Mine acquisition costs and stamp duty	-	115	100%
Underlying EBITDA (ii)	16,066	84,118	81%

- (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. 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 2022, in comparison to the prior half-year, is summarised below:

Group cash flows	31-Dec-22	31-Dec-21	Change
	\$'000	\$'000	%
Cash flows from operating activities	(904)	91,769	(101)%
Cash flows from investing activities	(38,877)	(58,389)	33%
Cash flows from financing activities	(13,149)	(12,392)	(6)%
Net movement in cash	(52,930)	20,988	(352)%
Net foreign exchange difference	(28)	(327)	91%
Cash at the beginning of the year	76,694	74,532	3%
Cash at the end of the year	23,736	95,193	(75)%

The net cash outflows from operating activities contributed the largest variance to the prior half year. The site-specific contributing factors and the actions being implemented as part of the Organisational Renewal Program are discussed in the operational summaries for each site (refer to sections 2.5, 2.6 and 2.7).

The key components of the net cash outflow from investing activities for the half-year include:

- Growth capital of \$23.6 million (HY22: \$5.8 million), which includes \$12.8 million invested in the development of the Federation Project, \$5.6 million on the construction of the Peak TSF embankment wall lift, and continued exploration activities;
- Sustaining property, plant and equipment and mine capital expenditure, excluding lease payments, of \$9.8 million (HY22: \$31.8 million);
- Exploration and evaluation of \$3.5 million (HY22: \$12.4 million); and
- Guarantee Facility cash cover deposits paid of \$10.2 million (HY22: \$9.7 million).

The net cash outflow from financing activities for the half-year ended includes the following key items:

- Term loan repayments totalling \$8.1 million (HY22: \$8.1 million);
- Financing arrangements undertaken for new mobile plant and equipment of \$3.8 million (HY22: nil), with total repayments of \$2.2 million (HY22: nil) during the half-year ended 31 December 2022; and
- Lease principal repayments of \$5.7 million (HY22: \$4.3 million).

2.4 Group operational summary

The key operating results for the Group are summarised below:

		31-Dec-22	31-Dec-21	Change %
Production volume				
Gold	oz	44,173	54,211	(19)%
Silver	oz	221,358	426,334	(48)%
Copper - contained metal	t	1,112	1,286	(14)%
Lead - contained metal	t	10,152	13,964	(27)%
Zinc - contained metal	t	11,026	17,376	(37)%
Sales volume				
Gold doré and gold in concentrate	oz	41,492	51,725	(20)%
Silver doré and silver in concentrate	oz	197,146	277,764	(29)%
Payable copper in concentrate	t	1,663	1,171	42%
Payable lead in concentrate	t	9,939	14,561	(32)%
Payable zinc in concentrate	t	8,677	14,288	(39)%
Average prices achieved (i)				
Gold	A\$/oz	2,570	2,427	6%
Silver	A\$/oz	34	31	10%
Copper	A\$/t	11,238	13,075	(14)%
Lead	A\$/t	3,326	3,027	10%
Zinc	A\$/t	4,920	4,228	16%
All in sustaining cost (ii)	A\$/oz	2,639	1,393	89%

(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.

2.5 Peak Mine operational summary

During the half-year the Company scaled the Peak operations to maximise operating cash flow. Mining and processing activities are operating at approximately 550kpta to reduce costs and match processing rates to the mining rates of higher value ore. The option remains to resume continuous processing operations and treatment of ore from other sources to fully utilise processing capacity. Cost control is a key focus of our operational improvement process.

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

Peak Mine		31-Dec-22	31-Dec-21	Change
Ore processed	T	281,552	314,539	(10)%
Gold grade	g/t	2.4	2.6	(10)%
Silver grade	g/t	13.6	22.0	(38)%
Copper grade	%	0.7	0.7	0%
Lead grade	%	3.1	3.3	(6)%
Zinc grade	%	3.6	3.6	0%
Gold recovery	%	92.6	92.9	0%
Production Volume				
Gold production	oz	19,716	24,154	(18)%
Silver production	oz	102,819	182,553	(44)%
Copper production	t	1,112	1,286	(14)%
Lead production	t	7,141	8,097	(12)%
Zinc production	t	6,509	7,900	(18)%
AISC (All in sustaining cost) *	A\$/oz	2,156	1,136	(90)%

*AISC is a non-IFRS measure.

A transition to owner mining was progressed during the half-year which also included commissioning of a new mining fleet. By the end of December 2022, the majority of the owner mining roles were filled and several mobile fleet maintenance roles remained open. Mining expenditure trended downwards through the half-year as workforce and fleet numbers approached planned levels and contracted activities reduced, with further improvement targeted for HY2 FY23.

Construction of the Stage 5 TSF embankment raise was nearing completion at the end of December with work expected to be completed in January 2023. The embankment raise will provide an additional five years of tailings storage capacity.

Total gold sold during the half-year ended was 17,502oz at an AISC of \$2,156/oz (HY21: 24,115 oz at an AISC of \$1,136/oz). The by-product credits attributable to copper, lead, zinc and silver account for approximately half of the total revenue generated at the Peak Mine (HY23: 49%, HY22: 51%). The reduction in the quantity of gold sold during the half-year is reflective of the revised operating strategy targeting value over volume. Metallurgical performance was impacted by intermittent talc in the lead-zinc feed which contributed to periods of reduced throughput and lower contained metal in the resultant concentrate.

Sustaining capital expenditure for the half-year ended reduced to \$4.5 million (FY21: \$17.1 million) while growth capital expenditure was \$8.3 million (HY22: \$5.7 million), mostly relating to TSF embankment raise construction.

Exploration drilling activities during the half-year included a seven-hole program to test for possible strike extensions of the Kairos deposit. In addition, near-mine exploration focussed on the Burrabungie copper prospect, located approximately 150m south of existing development in the Chesney mining area. Further drilling from Chesney South is planned to better understand the continuity of mineralisation between these deposits.

2.6 Dargues Gold Mine operational summary

The lower average gold grade mined from the Dargues underground mine remains a consistent challenge since Aurelia acquired the operation in December 2020. Reliable and consistent performance from mining and processing delivered 18koz of gold in concentrate produced (HY22: 22koz). Total gold production was impacted by the lower tonnage and average gold feed grade of ore processed.

The key performance metrics for the Dargues Gold Mine are tabulated below:

Dargues Gold Mine		31-Dec-22	31-Dec-21	Change
Ore processed	t	176,450	183,247	(4)%
Gold grade	g/t	3.3	3.9	(15)%
Gold recovery	%	95.4	95.1	0%
Production Volume				
Gold production	oz	17,716	21,672	(18)%
AISC (All in sustaining cost) *	A\$/oz	2,313	1,799	29%

* AISC is a non-IFRS measure.

Gold sales of 17,633oz resulted in an AISC of \$2,313/oz. Site operating costs (including mining, processing, concentrate transport and refining costs) were 13% higher in comparison to the comparator period, while the improved average realised gold price allowed comparable site revenue, offset by lower gold volumes sold.

On 20 December 2022, the Company received NSW government regulatory approval for a development consent modification (MOD5), permitting the calendar year processing throughput limit to increase from 355kt to 415kt.

Following prolonged rain events in FY22, the Company brought forward the construction of the Stage 3 Tailings Storage Facility (TSF) embankment wall lift. This project was completed in August 2022, providing an immediate increase in the tailings and water storage capacity of the site. In addition, the Company received regulatory approval for a modified water management plan that allows the use of TSF supernatant water for pasture irrigation and dust suppression.

The Company continues to engage with the local community to foster a constructive relationship. In response to feedback from neighbouring residents, Dargues installed a silencer on the primary ventilation fan system that led to an immediate reduction of lower frequency noise and resolved concerns expressed by residents of neighbouring properties.

Sustaining capital for the period totalled \$6.9 million (HY22: \$8.9 million) excluding sustaining leases. This expenditure largely related to underground mine decline development and the Stage 3 TSF embankment wall lift.

A program of underground infill and extensional diamond drilling was nearing completion at the half-year end with further infill drilling to be finalised for the adjacent Ruby Lode. The current phase of surface and underground exploration was concluded with the underground program focussing on depth extensions of Zone 08b in the east and Zone 15 and 16 in the west of the underground mining areas. Processing of the drill core backlog and assay results will be completed early in the second-half of FY23.

2.7 Hera Mine operational summary

As part of the Organisational Renewal Program, and in response to two consecutive quarters of negative cashflow, the Hera life of mine plan was optimised for the current mining conditions. The revised mine plan targets the highest value ore within the available stoping blocks to maximise cash generation and balance operational delivery risk. Underground mining activities at the Hera site are expected to cease on or around March 2023 which is earlier than previously planned. The surface facilities, including the Hera process plant, will then transition to care and maintenance. The Company maintains scrutiny on mining performance and operational stability with identified triggers for further action based on performance against the mine plan.

An impairment of \$5.4 million has been expensed at 31 December 2022 in relation to the reduced mine life. Hera's surface infrastructure remains available to support Aurelia's Cobar Basin portfolio. The Company intends to leverage the installed facilities, which include the process plant, TSF, accommodation village, workshops and core processing facility, for the capital efficient development of the Federation Mine and other development opportunities within the highly prospective exploration prospects in the district.

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

Hera Mine		31-Dec-22	31-Dec-21	Change
Ore processed	T	171,159	159,148	8%
Gold grade	g/t	1.4	1.9	(26)%
Silver grade	g/t	23.1	52.3	(56)%
Lead grade	%	1.9	3.9	(51)%
Zinc grade	%	2.9	6.2	(53)%
Gold recovery	%	87.5	85.7	2%
Production Volume				
Gold production	oz	6,742	8,386	(20)%
Silver production	oz	118,539	243,781	(51)%
Lead production	t	3,011	5,867	(49)%
Zinc production	t	4,517	9,475	(52)%
AISC (All in sustaining cost) *	A\$/oz	3,847	391	(884)%

* AISC is a non-IFRS measure.

The production outcomes for the half-year ended reflect five months of production under the original mine plan and one month operating under the reconfigured mine plan, targeting higher grade, lower risk inventory. Mine development to access the stoping blocks targeted in H2 FY23 was substantially completed at 31 December 2022 which reduce the unit cost of mining in that quarter.

GROWTH PROJECTS

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. The Company is pursuing two organic growth projects, the Federation Project (located within the Hera-Federation Complex) and Great Cobar (located within the vicinity of the Peak Mine). The process for funding these projects and the development of the Federation Project is on track for finalisation during HY2 FY23.

3.1 Federation Project

Discovered in April 2019, the Federation deposit is located approximately ten kilometres south of the Company's Hera Mine in central western NSW.

The Federation Mine development will extract high-grade zinc and lead, and copper and gold mineralisation using modern underground mining methods. Given the proximity of the deposit to other Aurelia owned assets, the project will leverage existing facilities and internal capability to reduce capital expenditure and development risk.

The Federation Mine Feasibility Study was released in October 2022 (refer to ASX Announcement: Federation Feasibility Study and Company Update dated 10 October 2022). The Feasibility Study confirmed:

- The Federation deposit is one of the highest grade base metals development projects in Australia, with precious metals credits contributing additional value;
- Zinc, lead, copper, gold and silver mineralisation will be extracted by underground long-hole stoping methods with paste backfill;
- A capital efficient development leveraging Aurelia owned process plants and infrastructure at the Peak and Hera sites;
- The ability to utilise the Company's existing processing infrastructure enables a short timeline to revenue generation, compared to typical mine development projects;
- The orebody remains open in multiple directions with high potential to expand the known extent of the deposit with underground and surface drilling;
- Initial mine life of approximately 8 years, with a maximum mining rate of 600ktpa and significant opportunity for multi-year life extensions.

During the half-year ended, Aurelia progressed the Federation project through:

- Growth capital expenditure totalling \$12.8 million, with development activities paused in October 2022 to advance finalisation of a preferred funding solution;
- Mine design optimisation to target earlier stoping ore and optimise mine accesses and drilling platforms;
- Inclusion of new geological information received after the Feasibility Study data cut-off;
- Prioritisation of ore feed to the Peak process plant to maximise metal payability from concentrates produced;
- Development of the exploration decline commenced on 12 September 2022 after finalisation of the surface boxcut excavation and wall support. The decline advanced to a position that is 80 vertical metres from the top production level before activities were suspended pending finalisation of a suitable financing package;
- Installation of surface facilities including the muster room, change house, temporary workshop, batch plant, explosives magazine and power and communications facilities; and
- Lodgement of an Environmental Impact Statement (EIS) Amendment, along with the Company's formal Response to Submissions, to support regulatory development consent for the full mine development which is now expected during the March quarter of FY23.

Substantial progress has been achieved in a relatively short time, positioning the Federation project as a low risk, near term mine development that provides a platform for delivering long-term shareholder value.

Aurelia recognises the deep connection First Nations people have with the land. The Ngemba, Ngiyampaa, Wangaaypuwan and Wayilwan People and Wiradjuri People are the Traditional Owners of the land where the Federation Project is located. Following an Aboriginal Focus Group meeting, Registered Aboriginal Parties who represent the Traditional Owners and other Indigenous stakeholders were engaged to discuss the potential to change the name 'Federation' to a more culturally sensitive identifier.

Continued consultation will strengthen relationships within the community. The consultation process on suggested options to re-name Federation will occur over the next six months and will be announced when the mine is commissioned.

Exploration and Mineral Resource

In late FY22, Aurelia completed an intensive infill drill program at the Federation site. A substantial program of core processing and assaying has continued. The Federation deposit remains open at depth and along strike, which will be the focus of future exploration drilling. Further infill and extensional drilling from underground platforms targeting depth extensions of known mineralisation will be undertaken once the Federation exploration decline is sufficiently advanced and further surface exploration drilling is planned to target strike extensions.

The most recent Mineral Resource conversion drilling intercepted exceptional base metal and gold mineralisation (refer to ASX Announcement: Spectacular Intercepts at Federation dated 15 August 2022). This drilling supported the conversion of 1.6Mt of Inferred to Indicated Mineral Resource demonstrating improved estimation confidence. The 30 June 2022 Mineral Resource Estimate of 5.0Mt at 9.2% zinc, 5.4% lead, 0.9g/t gold, 0.3% copper, and 6g/t silver was reported in October 2022 (refer to ASX Announcement Group Mineral Resource and Ore Reserve Statement dated 10 October 2022).

The Maiden Ore Reserve Estimate of 2.2Mt at 8.9% of zinc, 5.3.% lead, 1.4g/t gold, 0.3% copper and 6g/t of silver was also reported in October 2022 (refer to ASX Announcement: Group Mineral Resource and Ore Reserve Statement dated 10 October 2022).

3.2 Great Cobar

The Great Cobar deposit is another high grade, near-term development opportunity within the Company's portfolio targeting copper and gold mineralisation. It is located in proximity of the Peak Mine complex, approximately seven kilometres north of the Peak Mine's processing facility and is approximately one and a half kilometres north of the New Cobar Mine.

The development concept for Great Cobar is based on underground decline access from the existing New Cobar Mine workings. The Great Cobar Pre-Feasibility Study (PFS) and maiden Ore Reserve was compiled in December 2021 (refer to ASX Announcement: Great Cobar PFS Outcomes and Peak Ore Reserve Increase dated 27 January 2022).

The PFS provided for:

- The design of a new satellite underground mine which would deliver ore to the Peak Mine process plant;
- Initial mining and processing over an approximate five-year life at rates of 400-500ktpa to deliver a total of 47kt copper and 61koz gold;
- A Production Target comprising 2.3Mt of Indicated and Inferred Mineral Resource to be mined over 61 months based on the June 2021 Mineral Resource Estimate;
- A Maiden Probable Ore Reserve estimate of 840kt at 2.0% copper, 1.0g/t gold and 4g/t silver as part of the Peak Mine Ore Reserve; and
- A suitable return on investment and economic benefits to the Central-West NSW region during the construction and operations phase of the project.

Subsequent to the PFS data cut-off, significant copper mineralisation was intersected approximately 300m below the 30 June 2021 Mineral Resource envelope (refer to ASX Announcement: Further drilling success across the Aurelia portfolio dated 28 April 2022). This successful drilling supported a material increase in the Mineral Resource for Great Cobar in the 2022 Mineral Resource and Ore Reserve Update released to the ASX on 10 October 2022. The tonnage increased by 37% to 8Mt containing more than 178kt of copper and 179koz of gold metal.

The Great Cobar resource is large and remains open in multiple directions. Further tonnage increase will be sought through future drilling from underground.

EXPLORATION AND EVALUATION

Aurelia's exploration and evaluation activities continue to generate value.

Targeted exploration and resource definition drilling has delivered 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.

The Company's current activities and priority targets are summarised below.

4.1 Cobar District (Peak Mine)

Kairos

The Kairos discovery was announced in early 2019 and was brought into production in June 2021. The deposit remains open to the north and south which will be targeted through further extensional drilling. 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.

Drilling undertaken during FY22 to test the northern strike extent of the deposit returned some of the highest gold grades seen at the Peak Mine (refer to ASX Announcement: *Further drilling success across the Aurelia portfolio* dated 28 April 2022). The drilling indicated a new area in upper north Kairos where an overlap occurs between the Kairos lens and the Peak North orebody which extends further down-dip than previously modelled. The Kairos system remains strongly mineralised and open along strike and at depth.

Planned drilling in FY23 will target both Resource upgrades and extensions to both the north and south of the orebody targeting both gold and copper mineralisation.

Great Cobar

The Great Cobar deposit remains a near-term target for future extensional and infill drilling. The planned drilling will be completed from underground drill platforms once the approved exploration decline is sufficiently advanced.

Strong potential to extend the proposed underground mining area and deliver a significantly longer mine life will be targeted, 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.

4.2 Nymagee District (Hera - Federation)

The region encompassing the Hera-Federation Complex is the vicinity of the historic mining town of Nymagee, a highly prospective area in which Aurelia retains a substantial and continuous tenement holding.

During the half-year, Aurelia undertook a regional review of basin-wide magnetics, gravity and IP surveys in preparation for exploration programs during the remainder of FY23. Four Induced Polarisation (IP) surveys were undertaken at Lyell, Piney, Vaucluse and Lancelot prospects with very encouraging results (refer to ASX Announcement: *Survey Results* dated 18 January 2023). Stakeholder engagement activities and fine spaced soil sampling program design are now underway to support these programs.

4.3 Braidwood District (Dargues)

Immediately following the acquisition of Dargues Mine in December 2020, the Company commenced an extensive infill and extensional drill campaign which comprised of two targeted phases. The first phase drill campaign targeting near mine

extensional opportunities was completed in October 2022 and focused on extensional drilling of existing resources to contribute to mine life and geological analysis to understand the deposit in greater detail. The second phase drill campaign targeted more distal prospective areas and provided an opportunity for further discovery and geological analysis of the regional setting for the Dargues Deposit. The drilling phase has been completed and analysis of results is ongoing.

4.4 Other near-mine and regional exploration

The Company’s exploration tenements remain highly prospective and are held over multiple jurisdictions.

There are a significant number of historical prospects in the Cobar, Nymagee and Braidwood districts awaiting the application of modern exploration techniques. Aurelia is in the process of applying a detailed review of these prospects to prioritise prospect areas based on technical and commercial merit.

For further detail, including drill results, refer to the Aurelia website (<https://aureliametals.com/what-we-do/exploration/>)

CORPORATE

5.1 Balance Sheet

The Group net assets of \$308.5 million at 31 December 2022 represents a decrease of \$28.4 million in comparison to the net assets at 30 June 2022 of \$336.9million. The growth trajectory of Aurelia is predicated on appropriate funding to support the organic growth projects (as described in section 3).

The main events and movements during the half-year ended include:

Assets	<ul style="list-style-type: none"> • Cash at bank position of \$23.7 million (30 June 2022: \$76.7) after substantial investment in growth capital totalling \$23.6 million during the half-year. • Restricted cash balance of \$41.0 million at 31 December 2022 (30 June 2022: \$30.7 million) relates to cash held as collateral under the \$65 million Guarantee Facility, which forms part of the secured Syndicated Facilities Agreement. • Current tax asset balance of \$30.1 million includes an Income Tax Refund receivable of \$9.8 million which was received in January 2023. • Continued investment in exploration and evaluation totalling \$6.5 million (HY22: \$32.6 million) (refer to Section 4 of the Directors Report and Note 9 of the Financial Statements). Overall exploration expenditure reduced given the exploration program at Federation had completed and the asset transitioned to development. • Mine properties assets totalling \$103.1 million at 31 December 2022 (30 June 2022: \$123.5 million) includes approximately \$10.9 million capitalised work in progress for the Federation project. • Investment in property, plant and equipment of \$6.9 million (HY22: \$13.6 million) includes acquired mobile plant and equipment for the Peak Mine (refer to note 7 of the Financial Statements).
Liabilities	<ul style="list-style-type: none"> • Trade and other payables of \$43.4 million is \$22.4 million lower than the comparator period due to the pay down of trade payables during the period. • Interest bearing loans totalling \$19.3 million includes \$12.6 million relating to the outstanding balance on the Term Loan (part of the secured Syndicated Facilities Agreement), as well as other loans related to mobile plant and equipment. • Decrease in provisions of \$8.4 million is largely attributable to the fair value of group’s rehabilitation provisions at 31 December 2022.
Equity	<ul style="list-style-type: none"> • No significant equity related activities and no dividends were paid or declared during the half-year ended.

5.2 Financing

The secured Syndicated Facilities Agreement in place at 31 December 2022 provides the bank financing requirements for Aurelia. It includes three facilities:

Term Loan Facility – the initial loan of \$45 million was utilised to support the acquisition of Dargues Mine in December 2020. The remaining principal balance of \$12.6 million is due to be paid in quarterly instalments, with the final payment due September 2023. During the half-year a total of \$8.1 million was repaid.

Guarantee Facility – the primary purpose of the \$65 million facility is to provide funding for guarantees related to the Group’s rehabilitation obligations. A total of \$56.8m has been utilised. This facility includes a cash backing requirement; accordingly \$40.9 million was held as restricted cash at 31 December 2022.

Working Capital Facility – at 31 December 2022 the facility limit reduced from \$20 million to \$10 million, and was extended a further 3 months to 31 March 2023. The facility remains undrawn.

Options for refinancing of the Group’s debt facilities to fund expansionary capital are currently being assessed. A funding solution remains on track for finalisation in the March 2023 quarter, which will support the development of the Federation Project.

5.3 Dividends

The Board of Directors did not declare an interim dividend for the half-year ended 31 December 2022 (31 December 2021: Nil).

5.4 Corporate costs

Corporate costs include head office, group professional services and compliance costs, as well as other operating and business development costs. The corporate costs for the half-year were \$8.1 million (HY22: \$6.6 million). Non-recurring restructuring and business review costs incurred during the period totalled \$1.5 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 2022, the Company had the following hedges in place:

a) Gold hedging

At 31 December 2022, the hedge book consisted of 13koz of gold at an average price of A\$2,635/oz with monthly deliveries through to 31 October 2023.

b) Quotation Period hedging

Aurelia delivers concentrate to customers on the industry standard basis where a provisional payment is received for the estimated metal content. 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 up 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 during the QP.

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

Commodity	Unit	31 December 2022		30 June 2022	
		Quantity	Contract price	Quantity	Contract price
Gold	oz	3,692	US\$1,633	3,274	US\$1,841
Copper	t	452	US\$7,703	570	US\$9,860
Lead	t	1,076	US\$1,807	1,585	US\$2,225
Zinc	t	1,950	US\$2,927	400	US\$4,018

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.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events that occurred after 31 December 2022.

On behalf of the Board,



Peter Botten
Non-Executive Chairman



Bruce Cox
Non-Executive Director, Chair of the Audit Committee

22 February 2023



**Building a better
working world**

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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 2022, 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.

Ernst & Young

Kellie McKenzie
Partner
22 February 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	31-Dec-22 \$000	31-Dec-21 \$000
Sales Revenue	4	192,740	235,059
Cost of sales	5	(220,344)	(205,571)
Gross Profit/(Loss)		(27,604)	29,488
Corporate administration expenses		(8,066)	(6,583)
Exploration and evaluation expenses		(403)	(14)
Share based expense		(17)	(1,000)
Impairment loss		(5,433)	-
Loss/(gain) on revaluation of liabilities and other expenses		801	(5,406)
Acquisition and integration costs		-	(115)
Other operating income/(expenses)		(384)	139
Profit/(loss) before income tax and net finance expenses		(41,106)	16,509
Finance income	4	663	77
Finance costs		(2,224)	(2,798)
Profit/(loss) before income tax expense		(42,667)	13,788
Income tax benefit/(expense)	6	13,180	(6,285)
Profit/(loss) after income tax expense		(29,487)	7,503
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax		1,080	(4,915)
Total comprehensive profit/(loss) for the year		(28,407)	2,588
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent			
Basic earnings per share (cents per share)		(2.38)	0.61
Diluted earnings per share (cents per share)		(2.38)	0.60

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 Dec -22 \$000	30 June -22 \$000
Assets			
Current Assets			
Cash and cash equivalents		23,736	76,694
Trade and other receivables		9,591	18,100
Inventories		36,924	43,908
Prepayments		3,312	3,103
Current tax asset		30,086	9,648
Total current assets		103,649	151,453
Non-current assets			
Property, plant and equipment	7	144,455	156,027
Mine properties	8	103,133	123,533
Exploration and evaluation assets	9	78,170	71,728
Right of use assets	13	8,535	19,414
Restricted cash		40,976	30,746
Financial assets		884	1,105
Deferred tax asset		1,337	8,244
Total non-current assets		377,490	410,797
Total assets		481,139	562,250
Liabilities			
Current liabilities			
Trade and other payables		43,410	65,770
Interest bearing loans and borrowings	10	14,850	17,410
Provisions	11	10,546	11,930
Lease liabilities	13	6,985	11,065
Other financial liabilities	12	6,315	6,947
Derivative financial instruments		2,241	3,103
Total current liabilities		84,347	116,225
Non-current liabilities			
Provisions	11	80,942	87,956
Interest bearing loans and borrowings	10	4,409	8,591
Lease liabilities	13	959	8,424
Other financial liabilities	12	1,946	4,128
Total non-current liabilities		88,256	109,099
Total liabilities		172,603	225,324
Net assets		308,536	336,926
Equity			
Issued share capital		334,659	334,659
Share based payments reserve	15	13,139	13,122
Hedge reserve	15	(884)	(1,964)
Retained earnings		(38,378)	(8,891)
Total equity		308,536	336,926

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

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

		Issued share capital	Share based payments reserve	Hedge reserve	Retained earnings/ accumulated losses	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000
	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	-	1000	-	-	1,000
	Balance at 31 December 2021	334,659	12,342	(2,423)	80,300	424,878
	Balance at 1 July 2022	334,659	13,122	(1,964)	(8,891)	336,926
	Total profit/(loss) for the period	-	-	-	(29,487)	(29,487)
15	Other comprehensive income	-	-	1,080	-	1,080
	Total Comprehensive Income	-	-	1,080	(29,487)	(28,407)
	Transactions with owners in their capacity as owners					
15	Share-based payments	-	17	-	-	17
	Balance at 31 December 2022	334,659	13,139	(884)	(38,378)	308,536

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

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	182,387	243,225
Payments to suppliers and employees	(187,981)	(153,084)
Proceeds/(payments) for hedge settlements and foreign exchange	6,080	(115)
Interest received	662	77
Interest paid	(2,701)	(2,138)
Income tax refund	649	3,804
Net cash flows from operating activities	(904)	91,769
Cash flows from investing activities		
Payments for the purchase of property, plant and equipment	(6,914)	(4,747)
Payments for mine capital expenditure	(11,438)	(29,715)
Payments for exploration and evaluation	(6,845)	(12,397)
Payments for royalties (Hera and Dargues)	(3,451)	(1,889)
Payments for facility cash cover and security bonds	(10,229)	(9,738)
Proceeds from the sale of property, plant and equipment	-	97
Net cash flows used in investing activities	(38,877)	(58,389)
Cash flows from financing activities		
Payment of the principal element of leases	(5,831)	(4,292)
Repayment of borrowings, net	(7,318)	(8,100)
Net cash flows used in financing activities	(13,149)	(12,392)
Net increase in cash and cash equivalents	(52,930)	20,988
Net foreign exchange difference	(28)	(327)
Cash and cash equivalents at beginning of the year	76,694	74,532
Cash and cash equivalents at end of the year	23,736	95,193

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

NOTES TO FINANCIAL STATEMENTS

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

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 2022 was authorised for issue in accordance with a resolution of the Directors on 22 February 2023.

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 2022

	Note	Peak Mine \$'000	Hera Mine \$'000	Dargues Mine \$'000	Corporate & Elimination \$'000	Total \$'000
Revenue	4	107,217	39,862	45,661	-	192,740
Site EBITDA		11,790	(5,880)	14,443	-	20,352
Reconciliation of profit before tax expense:						
Depreciation and amortisation expense						(47,956)
Corporate costs						(8,066)
Interest income and expense, net						(1,561)
Share based expenses						(17)
Impairment loss						(5,433)
Exploration and evaluation expenses						(403)
Other income and expenses, net						(384)
Gain on commodity derivatives and foreign exchange						801
Income tax benefit	6					13,180
Net loss after income tax						(29,487)

	Peak Mine \$'000	Hera Mine \$'000	Dargues Mine \$'000	Corporate & Elimination \$'000	Total \$'000
Segment assets and liabilities					
Total assets	208,981	102,252	80,015	89,891	481,139
Total liabilities	(10,877)	(55,308)	(36,435)	(69,983)	(172,603)

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Operating segments and performance (continued)

Half-year to 31 December 2021

	Peak Mine	Hera Mine	Dargues Mine (i)	Corporate & Elimination	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	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 (i)					(115)
Interest income and expense, net					(2,721)
Share based expenses					(1,000)
Exploration and evaluation expenses					(14)
Other income and expenses, net					139
Loss on commodity derivatives and foreign exchange					(5,406)
Income tax expense					(6,285)
Profit after income tax					<u><u>7,503</u></u>

(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	202,552	91,316	252,691	118,638	665,197
Total liabilities	(80,021)	(31,880)	(69,749)	(58,669)	(240,319)

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 2022 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 2022.

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. Going Concern

At the date of signing this financial report, the Directors have prepared the report 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 and at amounts stated in the financial report.

At 31 December 2022, the Group had a net asset position of \$308.5 million (30 June 2022: \$336.9M), and a net current asset position of \$19.3 million (including cash of \$23.7 million) (30 June 2022: \$35.2M).

An advanced program of work to refinance the Group's debt facilities is underway to fund expansionary capital for the Federation project and meet working capital requirements in the ordinary course of business. Multiple parties under this program of work are completing due diligence and a funding solution remains on track for finalisation in the March 2023 quarter. The existing banking syndicate, which provides both loans and credit facilities (refer note 10 and 16), are supporting the refinance process and have waived the testing of loan covenants with effect until 31 March 2023.

The operating performance of the Group has not met expectations in the half year and an Organisational Renewal Program is underway to deliver production and cost improvements across the business. The Directors report outlines progress on some of these initiatives implemented to date. The Cash flow forecast for the 12 month period from the date of signing these accounts is prepared using lower commodity price assumptions relative to current spot prices. A number of options are available if required to enhance short term cash generation including maximising grade mined, restructuring of operating costs and deferral of discretionary expenditure. This flexibility in conjunction with the existing net asset position indicates the Group will have sufficient cash to continue as a going concern.

In the unlikely event that the refinance of the debt facilities is unsuccessful, and commodity prices fall considerably from current levels or operational issues are experienced that cannot be mitigated, a material uncertainty may arise regarding the Group's ability to continue as a going concern. In this circumstance, the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of the business at amounts different to those stated in the statement of financial position.

The financial report does not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that would be necessary should the Group not continue as a going concern.

3.3. 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 2022, except for the adoption of new standards effective as of 1 July 2022 which had no material impact. The Group has not early adopted any standard, interpretation or amendment that has been issued but not effective.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

	31-Dec-22	31-Dec-21
	\$000	\$000
Sales revenue		
Gold	105,766	124,635
Copper	15,680	14,465
Lead	32,688	37,954
Zinc	32,120	49,804
Silver	6,486	8,201
Total sales revenue from contracts with customers	192,740	235,059

	31-Dec-22	31 Dec-21
	\$000	\$000
Finance income	663	77
Total finance income	663	77

5. Cost of sales

	31-Dec-22	31 Dec-21
	\$000	\$000
Cost of sales		
Site production costs	143,221	120,991
Transport and refining	16,301	13,021
Royalty	6,015	6,601
Inventory movement	6,852	1,927
	172,388	142,540
Depreciation and amortisation	47,956	63,031
Total cost of sales	220,344	205,571

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2022 and 2021 are:

6.1. Income tax expense

	<u>31-Dec-22</u>	<u>31 Dec-21</u>
	\$000	\$000
Current income tax		
Current tax on profits/(losses) for the year	(19,954)	3,508
Adjustments in respect of current income tax of previous year	(174)	5
Deferred tax:		
Deferred tax movements for the year	6,948	2,772
Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income	<u>(13,180)</u>	<u>6,285</u>

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

	<u>31-Dec-22</u>	<u>31 Dec-21</u>
	\$000	\$000
Accounting profit before income tax	(42,667)	13,788
Prima facie income tax expense @ 30%	(12,800)	4,136
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share based payments and other non-assessable items	5	300
Prior year under provisions	118	5
Previously unrecognised temporary differences	(378)	-
Other	(125)	1,844
Income tax expense/(benefit)	<u>(13,180)</u>	<u>6,285</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. Property, plant and equipment

	31-Dec-22	30-Jun-22
	\$000	\$000
Plant and equipment at cost	288,400	281,681
Property at cost	5,417	5,417
Impairment provision	(11,742)	(10,104)
Accumulated depreciation	(137,620)	(120,967)
	144,455	156,027
Movement in property, plant and equipment		
Carrying value at the beginning of the year	156,027	170,458
Additions/expenditure during the half-year ended	6,914	31,149
Depreciation for the half-year ended	(16,846)	(30,564)
Impairment loss recognised	(1,638)	(10,104)
Acquisition of Dargues Gold Mine	-	(4,593)
Transfer to mine properties	28	(262)
Assets written-off during the half-year ended	(30)	(55)
Assets disposed or derecognised	-	(2)
Closing balance	144,455	156,027

An impairment loss of \$1.6 million was recognised relating the Hera Mine. Refer to Note 8 for further details.

8. Mine properties

	31-Dec-22	30-Jun-22
	\$000	\$000
Mine properties at cost	620,567	610,640
Accumulated depreciation and impairment	(517,434)	(487,107)
	103,133	123,533
Movement in mine properties		
Carrying value at the beginning of the year	123,533	287,035
Development expenditure during the half-year ended	10,887	53,752
Impairment loss recognised during the half-year ended	(3,796)	(125,583)
Transfer from exploration and evaluation	-	139
Depreciation for the half-year ended	(26,531)	(96,752)
Acquisition of Dargues Gold Mine	-	4,680
Transfer from property, plant and equipment	(28)	262
Asset written-off during the half-year ended	(932)	-
Closing balance	103,133	123,533

At 31 December 2022, a comprehensive impairment assessment was conducted and it was noted that indicators of impairment existed for the Hera Mine, as a result of the re-optimisation of the life of mine. This led to the recognition of an impairment loss of \$5.4 million in profit or loss with \$3.8 million allocated to mine properties and the remaining balance to property, plant and equipment. There was no impairment for the CGUs of the Dargues and Peak Mines.

NOTES TO FINANCIAL STATEMENTS (Continued)

9. Exploration and evaluation assets

	31-Dec-22	30-Jun-22
	\$000	\$000
Exploration and evaluation assets at cost	103,792	97,339
Accumulated exploration and evaluation written-off	(25,622)	(25,611)
	78,170	71,728

Movement in exploration and evaluation assets

Carrying value at the beginning of the year	71,728	39,318
Expenditure during the half-year ended	6,454	32,582
Transfer to mine properties	-	(139)
Expenditure written-off during the half-year ended	(12)	(33)
Closing balance	78,170	71,728

10. Interest bearing loans and borrowings

	31-Dec-22	30-Jun-22
	\$000	\$000
Current		
Term loan facility	12,600	16,200
Less: Borrowing costs	(854)	(1,142)
Other loans	3,104	2,352
	14,850	17,410
Non-current		
Term loan facility	-	4,500
Less: Borrowing costs	-	(287)
Other loans	4,409	4,378
	4,409	8,591
Total interest-bearing liabilities	19,259	26,001

11. Provisions

	31-Dec-22	30-Jun-22
	\$000	\$000
Current		
Employee	6,807	7,566
Mine rehabilitation	1,545	1,813
Deferred acquisition costs	513	1,532
Other	1,681	1,019
Total current provisions	10,546	11,930
Non-Current		
Mine rehabilitation	80,534	87,163
Employee	408	386
Deferred acquisition costs	-	407
Total non-current provisions	80,942	87,956
Total provisions	91,488	99,886

NOTES TO FINANCIAL STATEMENTS (Continued)

12. Other financial liabilities

	31-Dec-22	30-Jun-22
	\$000	\$000
Current		
Third party royalty liability	6,315	6,947
	6,315	6,947
Non-Current		
Third party royalty liability	1,946	4,128
	1,946	4,128

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 2022 has resulted in an unrealised benefit of \$0.8 million as a result of the change in the assumed future A\$ gold price.

13. Leases

	31-Dec-22	30-Jun-22
	\$000	\$000
Right of use assets		
Carrying value at the beginning of the year	19,414	12,674
Additions	-	17,244
Remeasurement	(5,762)	-
Depreciation expense	(5,117)	(10,504)
Carrying value at the end of the year	8,535	19,414

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

	31-Dec-22	30-Jun-22
	\$000	\$000
Lease liabilities		
Current	6,985	11,065
Non-current	959	8,424
Closing balance	7,944	19,489
Movement in lease liabilities		
Carrying value at the beginning of the year	19,489	12,967
Additions	-	17,248
Interest expense	394	677
Payments	(6,059)	(11,403)
Remeasurement	(5,880)	-
Carrying value at the end of the year	7,944	19,489

NOTES TO FINANCIAL STATEMENTS (Continued)

14. Contributed equity

14.1. Movements in ordinary shares on issue

31 December 2022	Date	Number	\$'000
Opening balance		1,237,056,457	334,659
Shares issued on vesting of performance rights	(i) 29-Aug-22	380,759	-
Closing balance		1,237,437,216	334,659

30 June 2022	Date	Number	\$'000
Opening balance		1,234,739,875	334,659
Shares issued on vesting of performance rights	(ii) 7-Sept-21	76,993	-
Shares issued under the Employee Share Scheme	(iii) 4-Nov-21	674,388	-
Shares issued on vesting of performance rights	(iv) 30-Nov-21	1,565,201	-
Closing balance		1,237,056,457	334,659

(i) On 29 August 2022, the Company issued 380,759 shares on the vesting of Performance Rights.

(ii) On 7 September 2021, the Company issued 76,993 shares on the vesting of Performance Rights.

(iii) On 4 November 2021, a total of 674,388 shares were issued under the Employee Share Scheme for no consideration.

(iv) On 30 November 2021, a total of 1,565,201 shares were issued on the vesting of Performance Rights.

15. Reserves

Movement in share base payments reserve	31-Dec-22	30-Jun-22
	\$000	\$000
Opening balance	13,122	11,342
Share based payment expense	17	1,780
Closing balance	13,139	13,122
 Movement cash flow hedge reserve		
Opening balance	(1,964)	2,492
Cash flow hedge - commodity forward contracts	1,080	(4,456)
Closing balance	(884)	(1,964)

NOTES TO FINANCIAL STATEMENTS (Continued)

16. Commitments and contingencies

16.1. Capital Commitments

The Group had capital commitments of \$14.6 million as at 31 December 2022 (30 June 2022: \$26.1 million).

16.2. Guarantees

The Group has a \$65 million Credit Facility as part of the secured Syndicated Facilities Agreement. Under the facility, Letters of Credit with an aggregate value of \$56.8 million (30 June 2022: \$56.8 million) have been utilised. This facility includes a cash backing requirement, which amounted to \$41.0 million (30 June 2022: \$30.7m) being held as restricted cash at 31 December 2022.

17. 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 2022			
Assets			
Listed equity investments	884	-	-
Liabilities			
Derivative financial instruments	-	2,241	-
Deferred consideration	-	-	513
<hr/>			
at 30 June 2022			
Assets			
Listed equity investments	1,105	-	-
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Liabilities			
Derivative financial instruments	-	3,103	-
Deferred consideration	-	-	1,918
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18. Events after the reporting period

There were no significant events that occurred after 31 December 2022.

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 Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 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
Non-Executive Chairman



Bruce Cox
Non-Executive Director, Chair of the Audit Committee

22 February 2023



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working world**

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and other 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 2022 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.

Material uncertainty related to going concern

We draw attention to Note 3.2 of the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions along with the other matters disclosed in Note 3.2 indicate the existence of a material uncertainty that may cast significant doubt concerning the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

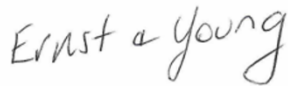
Directors' responsibilities for the half-year financial report

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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



Ernst & Young



Kellie McKenzie
Partner
Brisbane
22 February 2023