



AURELIA METALS LTD ANNUAL REPORT

## CONTENTS

| COMPANY INFORMATION                           | 1  |
|---|----|
| CHAIRMAN'S LETTER                             | 2  |
| CHIEF EXECUTIVE OFFICER'S REPORT              | 3  |
| STATEMENT OF RESOURCES AND RESERVES           | 5  |
| DIRECTORS' REPORT                             | 9  |
| OPERATIONS AND FINANCIAL REVIEW               | 14 |
| REMUNERATION REPORT (AUDITED)                 | 24 |
| AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES | 31 |
| AUDITOR'S INDEPENDENCE DECLARATION            | 32 |
| FINANCIAL STATEMENTS                          | 33 |
| Statement of Comprehensive Income             | 33 |
| Statement of Financial Position               | 34 |
| Statement of Changes in Equity                | 35 |
| Cash Flow Statement                           | 36 |
| NOTES TO FINANCIAL STATEMENTS                 | 37 |
| DIRECTORS' DECLARATION                        | 71 |
| INDEPENDENT AUDITOR'S REPORT                  | 72 |
| ADDITIONAL ASX INFORMATION                    | 79 |
| SCHEDULE OF TENEMENT INTERESTS                | 81 |



## **COMPANY INFORMATION**

#### Directors

Colin Johnstone – Chairman James Simpson – Managing Director & CEO Lawrence Conway Paul Espie Michael Menzies Clifford Tuck

#### **Company Secretary**

Timothy Churcher

#### **Registered Office and Principal Place of Business**

Aurelia Metals LimitedTelephone:Lvl 2, 60-62 McNamara StFacsimile:ORANGE NSW 2800Email:

(02) 6363 5200 (02) 6361 4711 office@aureliametals.com.au

#### Share Register

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

#### Stock Exchange Listing

Aurelia Metals Limited shares are listed on the Australian Stock Exchange (ASX Code: AMI), the home branch being Perth.

#### Auditor

Ernst and Young 200 George Street Sydney NSW 2000

#### Website

www.aureliametals.com.au



# **CHAIRMAN'S LETTER**

Dear Shareholders,

On behalf of the Board of Directors it is my pleasure to present the 2018 Annual Report for the Company.

This year has been a year of transformation for the company. Our major focus for 2018 was to reduce our debt position and grow our mine life. The results have exceeded our expectations far beyond what we had envisaged. With the support of new and existing shareholders we were able to acquire Peak Mines, which with the delivery of an impressive first quarter of production, coupled with strong performance at Hera, allowed us to repay all debt and finish the year strongly cash positive. The acquisition of Peak also brings operational and cash flow diversity while extending our mine life. We are now in the enviable position of being debt free and with two quality high margin operations.

Commodity price markets have remained largely in our favour, with a healthy gold price underpinning the business and strong base metal prices reducing our All-in Sustaining Costs (AISC) to \$509/oz (\$US376/oz), positioning us as one of Australia's lowest cost gold producers.

The financial and operational results have been outstanding, with the delivery of a Net Profit of \$99 million, compared to last year's result of \$19 million. Increased profit and cash flow were delivered through an almost doubling of our gold production at significantly lower cost and increased metal prices. At balance date the Company had available cash of \$67 million and all bank debt had been repaid.

The Hera mine performed strongly in 2018 with increased mill throughput, reduced unit costs and higher grades resulting in record gold production at an extremely low AISC and I would like to thank all our Hera employees for the great results achieved.

Peak has been a fantastic acquisition for the Group, with the mine virtually achieving pay back in the first quarter. However, there is significant work to be done over the coming year if we are to realise the full potential of this mine. As the bulk of the Resource at the Peak is lower grade than the material currently being mined, we need to accelerate mine development, upgrade the processing circuit to be able to treat lead and zinc ore, lift the efficiencies, and lower the cost base dramatically. I would like to welcome all our new employees at the Peak and look forward to working with them and the Cobar community to build an exciting future for the operation.

Extending our mine life will remain a priority going forward. We have two key development projects in Nymagee and Great Cobar and we will focus on feasibility and permitting work to progress these projects towards development and production. The Company is also now well positioned to expand the exploration effort across our very prospective land holding.

Delivering high levels of safety performance is also critical for the business. Hera delivered a 30% reduction in TFIFR in the year, with a key focus of working with our contractors to improve performance. Despite the uncertainty created at Peak with the transition of ownership, I am pleased to report that its safety performance was maintained.

A major result of the corporate activity during year was the departure of Glencore as our key debt provider and Pacific Road as our key shareholder. The Board would like to acknowledge the strong technical support that Glencore provided to Hera during the period of indebtedness, and for Pacific Road, who provided unwavering support over the last five years.

Finally, our MD Jim Simpson and CFO Tim Churcher, together with our Orange Head Office team, had a great year completing a complex acquisition, with minimal support, and driving the improved operating performance.

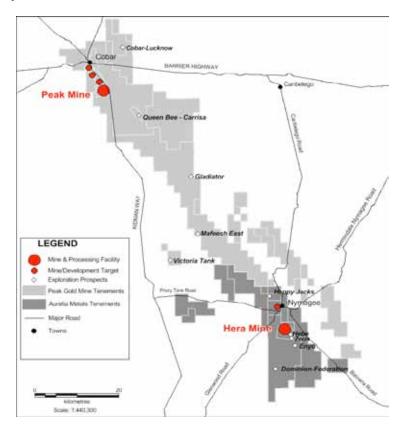
Cobb Johnstone Non-Executive Chairman



# CHIEF EXECUTIVE OFFICER'S REPORT

The financial year delivered a profit of \$99.1M, marked by continued strong financial performance at Hera and an exceptional first quarter after the acquisition of the Peak Gold Mines. This was a 413% increase on the prior year. The Company started the year with a net debt position of \$75M and ended the year with a net cash position of \$67M.

The acquisition of Peak Gold Mines for an effective purchase price of \$59M has provided Aurelia with an exceptional land package that extends over 90km with two polymetallic processing plants that dominate a substantial proportion of the Cobar Basin. Net operating cash flow for the period was \$151.8M, an increase of 229% on the prior year.



## HERA MINE

For the year, the Hera Mine produced 59,822 ounces of gold (31% increase YOY) and 22,640 tonnes of lead and zinc metal (25% increase YOY) from the processing of 407,131 tonnes of ore (11% increase YOY).

Gold recoveries improved through the year, reaching 89% from 88% the prior year.

The Hera orebody over performed for the year, delivering gold grades averaging 146% to estimates. The Hera Mine has made further operational improvements year on year, including:

- Increased plant throughput (from 368,000t to 407,000t) with the upgrade of a primary screen
- Further reduction of site operating costs

The focus of the mine was the development of the North Pod orebody which will be ready for stoping in the September 2018 quarter.



The mine life has been maintained with four years life at Hera and a mining target of four years at Nymagee. Near mine exploration will continue to be targeted to extend mine life with a surface exploration budget of \$3.9M approved for 2018/19.

The Company has maintained a focus of cost reduction through the year with stringent application of capital, improved throughput and operational improvements in processing.

#### NYMAGEE PROJECT

The Nymagee Project (AMI 95%) is located approximately 100km south-east of Cobar, hosted in the Cobar Basin rocks of central NSW, and is located 5km north west of the Hera operation.

The Nymagee Scoping Study revealed positive results confirming that Nymagee is a viable high grade underground opportunity which provides additional overall mine life of 4 years for the Hera/Nymagee project and gives a solid operating base from which to grow. Recent activity at Nymagee has focused on metallurgical drilling for metallurgical testing and plant design for a copper circuit which will be incorporated into a Prefeasibility Study which is due in the last quarter of FY21018/19.

#### PEAK MINE

The Peak Mine was purchased on 10 April 2018 and produced 37,552 ounces of gold, 1,968 tonnes of copper metal and 1,802 tonnes of lead and zinc metal from the processing of 135,345 tonnes of ore for the first quarter (less 10 days). This was an exceptional result which essentially repaid most of the purchase price in the first quarter. The result was driven by the high grade Chronos zone.

The Peak has a potential 10 year mine life based on Mining Inventory which is a combination of Ore Reserves and a conversion of Resources. This is contingent on two major projects being

- The Pb/Zn processing upgrade to treat the extensive Pb/Zn ores in Chronos and
- The Great Cobar Project which has the potential to build the mine life to 10 years and beyond.

The key to the success of Peak is twofold.

- To continue exploring for higher grade ores focusing on extensions to Chronos and the development of the exploration decline and the drilling of Great Cobar orebodies.
- To improve unit costs improving productivity from underground with the introduction of a mining contractor to increase mining and processing rates to +800ktpa.

#### PERMITTING AND LICENCING

Aurelia is committed to gaining approvals for the exploration decline and drilling at Great Cobar. This involves a review of environmental factors (REF). When approved, the exploration decline and ventilation raises can be developed followed by extensive exploration drilling. Once the drilling is completed, an Environment Impact Study will be required followed by mining approvals and a modification to the Mine Operating Plan.

Environmental work will continue at Nymagee assessing environmental background levels and dewatering.

#### **CORPORATE GOVERNANCE**

A Copy of the Company's Corporate Governance Statement is located on the Company's website: <u>http://www.aureliametals.com/about/Corporate-Governance.aspx</u>



# STATEMENT OF RESOURCES AND RESERVES

On 17 July 2018, Aurelia provided an update to the Mineral Resources Estimate and Ore Reserves Estimate for its 100% owned Hera and Peak Gold and base metals mines, in Central West NSW.

| Class     | Tonnes<br>(Kt) | NSR<br>(A\$/t) | Au<br>(g/t) | Pb<br>(%) | Zn<br>(%) | Ag<br>(g/t) |
|-----------|----------------|----------------|-------------|-----------|-----------|-------------|
| Measured  | 1007           | 248            | 2.60        | 2.70      | 4.20      | 20.0        |
| Indicated | 951            | 228            | 2.70        | 2.10      | 3.20      | 17.0        |
| Inferred  | 558            | 239            | 1.70        | 3.50      | 4.70      | 51.0        |
| Total     | 2,516          | 238            | 2.44        | 2.65      | 3.93      | 25.7        |

#### Hera Resource Estimate as at 30 June 2018

Note: The updated Hera Resource Estimate utilises optimised A\$120/tonne NSR cut-off shapes that include internal dilution. The inclusion of internal dilution has been implemented to more realistically represent the tonnages and grades that may become available for potential extraction. Net Smelter Return (NSR) is an estimate of the net recoverable value per tonne including offsite costs, payabilities, royalties and mill recoveries. Tonnage estimates have been rounded to nearest 1,000 tonnes.

| Category       | Geological lenses | Tonnes<br>(Kt) | NSR<br>(A\$/t) | Au<br>(g/t) | Pb<br>(%) | Zn<br>(%) | Ag<br>(g/t) |
|----------------|-------------------|----------------|----------------|-------------|-----------|-----------|-------------|
| Probable       | Far West          | 363            | 259            | 2.39        | 3.43      | 5.80      | 20.6        |
| FIODADLE       | Far West Lower    | 202            | 232            | 2.77        | 2.67      | 4.00      | 16.8        |
|                | Hays North        | 21             | 194            | 2.75        | 1.78      | 2.76      | 6.5         |
|                | Main North        | 95             | 198            | 2.72        | 1.68      | 3.13      | 8.6         |
|                | Main South        | 66             | 256            | 4.49        | 1.69      | 2.02      | 9.1         |
|                | North Pod         | 369            | 285            | 3.71        | 2.91      | 3.95      | 34.9        |
| Total Probable | Reserve           | 1,117          | 256            | 3.05        | 2.84      | 4.36      | 22.7        |

#### Hera Ore Reserve Estimate as at 30 June 2018

Note: The Hera Reserve Estimate utilises a \$160/tonne NSR cut-off. Net Smelter Return (NSR) is an estimate of the net recoverable value per tonne. Tonnage estimates have been rounded to the nearest 1,000 tonnes. This updated Ore Reserve Estimate represents a 31% decrease in tonnage against the previous or e reserve including 406,000t a t 5.1 g / t of mining depletion since June 2017. The updated Ore Reserve Estimate represents a 14% decrease in gold grade, a 4% decrease in lead grade and an 8% increase in zinc grade. The reason for the change in gold grade is the mining of higher gold grade material last year relative to the previous ore reserve gold grades.



#### Nymagee Resource Estimate as at 30 June 2018

| Class     | Tonnes<br>(Kt) | NSR<br>(A\$/t) | Cu<br>(%) | РЬ<br>(%) | Zn<br>(%) | Ag<br>(g/t) |
|-----------|----------------|----------------|-----------|-----------|-----------|-------------|
| Indicated | 3640           | 138            | 1.31      | 0.85      | 1.65      | 14.4        |
| Inferred  | 140            | 109            | 1.10      | 0.57      | 1.20      | 11.3        |
| Total     | 3,780          | 136            | 1.31      | 0.84      | 1.63      | 14.3        |

Note: The updated Nymagee Resource Estimate is based on estimation search pass within May 2018 stope design shapes, using a revised \$80/tonne NSR (net smelter return) cut-off grade. Net Smelter Return (NSR) is an estimate of the net recoverable value per tonne including offsite costs, payabilities, royalties and mill recoveries. Tonnage estimates have been rounded to nearest 10,000 tonnes.

The Nymagee Mineral Resource Estimate has been completed in accordance with the guidelines of the JORC Code (2012 Edition). The updated Mineral Resource Estimate represents a decrease in tonnage since the previous estimate released in December 2011. This change is a result of an approach that assumes an underground mining method as per the Nymagee Scoping Study released in April 2017.

AMI has updated the Mineral Resource Estimate for Nymagee in preparation for an upcoming pre-feasibility study (PFS) that will examine the potential to provide significant additional ore feed to the Hera processing plant. The Company is currently conducting a metallurgical drill program in support of the PFS, which is due for completion in June 2019.

The 2018 Nymagee Mineral Resource Estimate is based on underground mining methods as opposed to previous estimates utilising an open cut mining.

The 2018 Ore Reserve Estimate has been calculated from the Hera Resource model using ore classified in the Measured and Indicated categories only.

| Class     | Tonnes<br>(Kt) | NSR<br>(A\$/t) | Au<br>(g/t) | Ag<br>(g/t) | Cu<br>(%) | Pb<br>(%) | Zn<br>(%) |
|-----------|----------------|----------------|-------------|-------------|-----------|-----------|-----------|
| Measured  | 2,141          | 239            | 2.07        | 14.4        | 1.24      | 1.38      | 1.40      |
| Indicated | 5,758          | 226            | 1.82        | 9.77        | 1.50      | 0.97      | 1.00      |
| Inferred  | 2,989          | 187            | 1.01        | 7.80        | 1.63      | 0.63      | 0.84      |
| Total     | 10,888         | 218            | 1.64        | 10.1        | 1.48      | 0.96      | 1.04      |

#### Peak Gold Mines Resource Estimate as at 30 June 2018

Note: The updated Peak Gold Mines Resource Estimate utilises optimised A\$120/tonne NSR cut-off shapes that include internal dilution. The previous Resource Estimates were reported on block model classifications based on drill hole spacing. This change has been implemented to more realistically represent the tonnages and grades that may become available for potential extraction. Net Smelter Return (NSR) is an estimate of the net recoverable value per tonne including offsite costs, payables, royalties and mill recoveries. Tonnage estimates have been rounded to nearest 1,000 tonnes.



| Class    | Tonnes<br>(kt) | NSR<br>(A\$/t) | Au<br>(g/t) | Ag<br>(g/t) | Cu<br>(%) | РЬ<br>(%) |
|----------|----------------|----------------|-------------|-------------|-----------|-----------|
| Proven   | 290            | 185            | 1.67        | 7.3         | 1.77      | 0.10      |
| Probable | 1,753          | 268            | 3.78        | 12.5        | 1.33      | 0.75      |
| Total    | 2,042          | 257            | 3.48        | 11.7        | 1.39      | 0.66      |

Peak Gold Mines Ore Reserve Estimate as at 30 June 2018 (Predominant Cu/Au/Pb Ore)

## Peak Gold Mines Ore Reserve Estimate as at 30 June 2018 (Predominant Pb/Zn Ore)

| Class    | Tonnes<br>(kt) | NSR<br>(A\$/t) | Au<br>(g/t) | Ag<br>(g/t) | Cu<br>(%) | РЬ<br>(%) | Zn<br>(%) |
|----------|----------------|----------------|-------------|-------------|-----------|-----------|-----------|
| Proven   | 14             | 265            | 0.44        | 34.7        | 0.35      | 5.88      | 5.87      |
| Probable | 518            | 262            | 0.39        | 31.7        | 0.17      | 5.72      | 6.15      |
| Total    | 532            | 262            | 0.40        | 31.8        | 0.17      | 5.72      | 6.15      |

An updated Ore Reserve Estimate has been calculated from the Peak Gold Mines Resource models using Measured and Indicated categories only.

Note: The Peak Gold Mines Reserve Estimate utilises an A\$150/tonne NSR cut-off for mines Peak and Perseverance, Great Cobar and an A\$130/tonne NSR for mines Chesney, New Cobar and Jubilee. NSR stands for Net Smelter Return and is an estimate of the net recoverable value per tonne. Tonnage estimates have been rounded to the nearest 1,000 tonnes. A full summary of the Ore Reserve Estimate is included with this release.

This updated Ore Reserve Estimate represents a 10% decrease in tonnage against the previous Ore Reserve Estimate 31 December 2017 including 291,268t at 7.7g/t of Au and 1.5% Cu of mining depletion since January 2018. This includes 532 kt of predominant Pb/Zn ore which was not reported in December 2017 due to uncertainty of the proposed mill upgrade. This updated Ore Reserve Estimate represents a 6% increase in gold grade and a 15% (from 1.33% to 1.14% of Cu) decrease in copper grade. The key reasons for the reduction in copper grade is the inclusion of 532 kt of Pb/Zn ore containing 0.17% of copper. 86% of production ounces were replaced.



# COMPETENT PERSONS STATEMENT

#### Competent Persons Statement – Hera Resource Estimate

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

#### Competent Persons Statement – Nymagee Resource Estimate

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

#### Competent Persons Statement – Hera Ore Reserves Estimate

The Ore Reserve Estimate was compiled by Rebecca Roper, the Mining Engineering Manager at the Hera Gold Mine. Rebecca has worked at polymetallic mines including Olympic Dam and Hera. She has also worked at porphyry (Ridgeway and Cadia East) and epithermal gold (Gosowong) deposits. Rebecca is a mining engineer with a BE Mining Eng (Hons) obtained at the University of NSW and has worked in underground hard rock mines since 2001 with 17 years' experience. The Ore Reserve Estimate was produced on site.

Rebecca has sufficient experience which is relevant to the style of mineralisation, type of deposit and mining method under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Rebecca is a member of the AusIMM (310221) and also holds a NSW Mining Engineering Manager Certificate.

#### Competent Persons Statement – Peak Gold Mines Resource Estimate

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

#### Competent Persons Statement – Peak Gold Mines Ore Reserves Estimate

The Ore Reserves were compiled by Jim Simpson, CEO of Aurelia Metals. Mr Simpson has worked at polymetallic mines at Golden Grove, Mt Isa Mines and Peak Gold Mines. Mr Simpson is a mining engineer with a BE Min Eng obtained at the University of NSW and has worked in underground hard rock mines since 1986 with +30 years' experience. The Ore Reserve Estimate was produced on site. Mr Simpson has sufficient experience which is relevant to the style of mineralisation, type of deposit and mining method under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Simpson is a chartered professional and member of the AusIMM and also a registered mining engineer of Queensland, New South Wales and Western Australia.

Technical guidance and review has been provided Mr Anthony Allman MAusIMM CP(Min), RPEQ, Director of Antcia Consulting Pty Ltd.



# **DIRECTORS' REPORT**

The following report is submitted in respect of the results of Aurelia Metals Limited ('Aurelia' or 'the Company') and its subsidiaries, together the consolidated group ('Group'), for the financial year ended 30 June 2018, together with the state of affairs of the Group as at that date.

## 1. DIRECTORS AND OFFICERS

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

#### **Colin Johnstone**

#### Independent Non-Executive Chairman

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

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

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

#### James Simpson

Managing Director and Chief Executive Officer

Mr. Simpson is a Mining Engineer with over 30 years' experience, specialising in underground metalliferous mining. His previous roles include General Manager at Mt Isa Mines and at the Peak Gold Mine and Chief Operating Officer for Peak Gold (TSX). Mr Simpson's experience ranges from mine management through to equity market participation in the C\$328m listing of Peak Gold on the TSX.

Mr Simpson was appointed as Managing Director of the Company on 1 August 2016 and appointed as Chief Executive Officer on 1 September 2016.

#### Lawrence Conway

#### Independent Non-Executive Director

Mr. Conway has more than 28 years' experience in the resources sector across a diverse range of commercial, financial and operational activities. He has held a mix of corporate and operational commercial roles within Australia, Papua New Guinea and Chile with Evolution Mining, Newcrest and BHP Billiton. Mr Conway is currently Evolution Mining's Finance Director and Chief Financial Officer.

Mr Conway was appointed as a Director of the Company on 1 June 2017.

#### Paul Espie

#### Non-Executive Director

Mr. Espie was the founding principal of Pacific Road Capital, a manager of private equity funds investing in the resources sector internationally, in 2006. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003) and prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Mr Espie was previously responsible for Bank of America operations in Australia, New Zealand and Papua New Guinea and Chairman of the Australian Infrastructure Fund. He is a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund, and a Director of the Menzies Research Centre.

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



#### **Michael Menzies**

#### Non-Executive Director

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

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

#### **Clifford Tuck**

#### Non- Executive Director

Mr Tuck is a corporate and transactional lawyer, and governance professional, with more than fifteen years experience in the resources sector. Mr Tuck previously spent ten years with Newcrest Mining Limited in various in-house roles, including Acting General Counsel and Deputy General Counsel, following which he was General Counsel & Company Secretary at Drillsearch Energy Limited and then Lattice Energy Limited (Origin Energy Limited's upstream oil and gas business). Mr Tuck commenced his career with leading Australian law firm Allens. Mr Tuck is currently a consultant providing counsel and advisory services to clients in the resources sector.

Mr Tuck was appointed as a Director of the Company on 24 May 2018.

#### **Timothy Churcher**

Chief Financial Officer and Company Secretary

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

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

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

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

#### Rune Symann (resigned)

Non-Executive Director

Mr. Symann is a finance professional with over 8 years of experience in mergers & acquisitions, financial advisory and project management within the resources, power & automation and financial sectors. He is currently employed by Glencore. Mr Symann's previous experience includes roles with ABB, Ernst & Young and Amundi. He holds a bachelor degree in Economics, a Master's degree in International Management from HEC Paris in France and a Master's degree in Finance & Strategic Management from Copenhagen Business School.

Mr Rune Symann resigned as a Non-Executive Director 30 April 2018.



## 2. DIRECTORS' INTERESTS

At 30 June 2018 the interests of the Directors in the shares and other equity securities of the Company were:

| Directors             | Ordinary Shares | Options | Performance Rights |
|-----------------------|-----------------|---------|--------------------|
| Johnstone, Colin      | 1,000,001       | -       | -                  |
| Simpson, James (iii)  | 602,429         | -       | 4,500,000          |
| Espie, Paul (i)       | -               | -       | -                  |
| Menzies, Michael (ii) | 533,929         | -       | -                  |
| Conway, Lawrence      | 171,429         | -       | -                  |
| Tuck, Clifford (i)    | -               | -       | -                  |
| Total                 | 2,307,788       | -       | 4,500,000          |

(i) Directors nominated by Pacific Road Capital Management Pty Ltd and are restricted from owning shares (ii) Michael Menzies is a Director nominated by Glencore International AG.

(iii) 1,500,000 Performance Rights were tested at 30 Jun 18 and fully vested after balance date and will be recorded in the next reporting period.

## 3. MEETINGS OF DIRECTORS

During the financial year, the number of Directors' meetings held, and the number attended by each Director, was as follows:

| 2017/18            |            |                       | Committees of the Board        |     |                              |                       |  |  |
|--------------------|------------|-----------------------|--------------------------------|-----|------------------------------|-----------------------|--|--|
|                    | Directors' | Meetings              | Au                             | dit | Remuneration &<br>Nomination |                       |  |  |
|                    | Attended   | Eligible<br>to Attend | Attended Eligible<br>to Attend |     | Attended                     | Eligible to<br>Attend |  |  |
| Colin Johnstone    | 17         | 17                    | 6                              | 6   | 2                            | 2                     |  |  |
| James Simpson      | 17         | 17                    | 0                              | 0   | 0                            | 0                     |  |  |
| Lawrence<br>Conway | 16         | 17                    | 6                              | 6   | 0                            | 0                     |  |  |
| Paul Espie         | 17         | 17                    | 0                              | 0   | 2                            | 2                     |  |  |
| Michael Menzies    | 16         | 17                    | 0                              | 0   | 2                            | 2                     |  |  |
| Rune Symann        | 12         | 15                    | 6 6                            |     | 0                            | 0                     |  |  |
| Clifford Tuck      | 2          | 2                     | 0                              | 0   | 0                            | 0                     |  |  |

The members of the Board's Committees at 30 June 2018 are:

Remuneration & Nomination Committee:

Audit Committee:

Lawrence Conway, Colin Johnstone, Clifford Tuck Colin Johnstone, Michael Menzies, Paul Espie

## 4. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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



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

## 5. INDEMNIFICATION OF AUDITOR

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

## 6. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2018.

## 7. CORPORATE STRUCTURE

Aurelia Metals Limited is a company limited by shares that is incorporated and domiciled in Australia. Aurelia has five wholly owned subsidiaries, Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009), Nymagee Resources Pty Ltd (incorporated 7 November 2011), Peak Gold Asia Pacific Ltd (incorporated 31 October 1977) and Peak Gold Mines Pty Ltd (incorporated 26 February 2003). On 10 April 2018, Defiance acquired 100% of Peak Gold Asia Pacific Ltd, which owns 100% of Peak Gold Mines Pty Ltd. Stannum Pty Ltd was sold to Big Sky Metals Pty Ltd on 5 June 2018, and Aurelia has maintained a 25% interest in Big Sky Metals at a fair value of \$80,000 as consideration for the sale of Stannum.

## 8. SHARE OPTIONS

As at the date of this report, there were 10,000,000 un-issued ordinary shares under options. The options are unlisted and have terms as set out below.

| Grant<br>Date | Expiry<br>Date | Exercise<br>Price/share | Balance at start of year | Granted<br>during<br>the year | Exercised<br>during the<br>year | Expired<br>during the<br>year | Balance at<br>year end | Exercisable<br>at year end |
|---------------|----------------|-------------------------|--------------------------|-------------------------------|---------------------------------|-------------------------------|------------------------|----------------------------|
|               |                |                         | -                        | -                             | -                               | -                             | -                      | -                          |
| 30-11-15      | 28-09-20       | 1.25 cents              | 10,000,000               | -                             | -                               | -                             | 10,000,000             | 10,000,000                 |
| Total         |                |                         | 10,000,000               | -                             | -                               | -                             | 10,000,000             | 10,000,000                 |
| Weighted a    | average exerc  | ise price               | 1.25 cents               | -                             | -                               | -                             | 1.25 cents             | 1.25 cents                 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## 9. PERFORMANCE RIGHTS

As at the date of this report, there were 6,500,000 unissued ordinary shares subject to Performance Rights. The Performance Rights are unlisted and have terms as set out below.

| Grant<br>Date | Expiry<br>Date | Exercise<br>Price/share | Balance at start of year | Granted<br>during<br>the year | Vested<br>during the<br>year | Expired<br>during the<br>year | Balance at<br>year end | Exercisable at<br>year end |
|---------------|----------------|-------------------------|--------------------------|-------------------------------|------------------------------|-------------------------------|------------------------|----------------------------|
| 9-02-15       | 9-02-18        | nil                     | 70,000                   | -                             | -                            | (70,000)                      | -                      | -                          |
| 28-11-16      | 30-06-18       | nil                     | 2,000,000                | -                             | -                            | -                             | 2,000,000              | -                          |
| 28-11-16      | 30-06-19       | nil                     | 2,250,000                | -                             | -                            | -                             | 2,250,000              | -                          |
| 28-11-16      | 30-06-20       | nil                     | 2,250,000                | -                             | -                            | -                             | 2,250,000              | -                          |
|               |                |                         | 6,570,000                | -                             | -                            | (70,000)                      | 6,500,000              | -                          |



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

The 2,000,000 Performance Rights listed above were tested at 30 Jun 18 and were fully vested after balance date. The vesting event will be recorded in the next reporting period.

## **10. FUTURE DEVELOPMENTS**

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

## 11. ENVIRONMENTAL PERFORMANCE

The Directors are not aware of any environmental incident during the year which would have a material adverse impact on the Company.

There were a number of minor non-compliances to Project Approval and Environmental Protection Licence conditions in the reporting period. All minor non-compliances were reported to the relevant authorities (e.g. Environmental Protection Authority, Department of Planning and Environment) without delay and immediate actions were taken to return the operation to compliance. No regulator action or fines have been received by Aurelia Metals Ltd in response to these incidents and due to the minor nature of the incidents, no such action is anticipated.

## 12. CURRENCY AND ROUNDING OF AMOUNTS

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

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



## **OPERATIONS AND FINANCIAL REVIEW**

### 1. OVERVIEW

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

The past 12 months have been a transformative period for the Company. Operational diversity and cash flow has been enhanced with the acquisition of Peak Mines, the balance sheet has been improved with the repayment of all debt and the Company's ownership structure has been diversified with the orderly sell down of our former significant shareholder in Pacific Road Capital Management. This was achieved whilst Hera delivered an excellent production result for the year, positioning the mine as one of Australia's lowest cost gold producers.

Key results for the year included:

- Group gold production of 97,374 oz at an AISC/oz of \$509/oz, representing a 113% increase in production and a 47% decrease in unit costs relative to prior year (FY17 gold production of 45,679 oz at \$968/oz).
  - $\circ~$  Hera contributed 59,822 oz at an AISC/oz of \$430/oz, a 31% production increase relative to FY17.
  - Peak Mines contributed 37,552 oz at an AISC/oz of \$517/oz during the first quarter of ownership.
- Revenue increased by 127% to \$248.6 million (2017: \$109.3 million)
- The Commodity contribution to revenue was approximately 70% gold and 30% base metals, with the splits for the minor metals being lead 11%, zinc 13%, copper 5% and silver 1%.
- Net profit increased by 413% to \$99.1 million (2017: \$19.3 million).
- Operating cash flow of \$151.8 million was 229% higher than the prior year.
- At balance date the Company had available cash of \$66.9 million (2017: \$34.9 million) and all bank debt had been repaid.

The successful acquisition of Peak Mines on 10 April 2018 has transformed the Company into a larger more diversified gold and base metal producer. The Company now has a dominant position in the highly productive Cobar Mineral Field, with two processing facilities capable of producing gold, lead, zinc and copper.

The total purchase payment to NewGold was \$93.4 million, however the Company acquired the business with a net cash and working capital position of \$34.6 million, leading to an effective purchase price of \$58.8 million. The net cash flow from Peak Mines during the first quarter of ownership was approximately \$50.5 million (after capital and tax payments).

The acquisition was funded through \$85.0 million of new equity and a \$45.0 million debt facility. The strong operating performance in the second half of the financial year, enabled the Company to repay all existing Glencore debt and all debt drawn to fund the acquisition of Peak Mines. At 30 June 2018, the Company was debt free.

Hera is a relatively steady-state operation with incremental improvements in throughput and gold recovery targeted for the year ahead. The strategic imperative at Hera is to increase the currently identified mine life of 3.0-3.5 years. This may be delivered through the successful delivery of the Nymagee copper/lead/zinc project, which has potential to add 3-4 years to the mine life profile, or through successful exploration. Regional exploration, which in the past has been limited due to the Company's debt position, will commence in FY19.

Peak has been an excellent acquisition for the Group, with the key focus on delivering a long and productive mine life through imbedding operational efficiencies to lower unit costs, expanding the processing circuit to enable the production of separate lead and zinc concentrates and deliver long term growth through the development of the Great Cobar copper/lead/zinc/gold project.



## 2. OPERATING AND FINANCIAL PERFORMANCE

## 2.1 Key Results

Group net profit after tax for the year ended 30 June 2018 was \$99.1 million (30 June 2017: \$19.3 million).

Included in net profit are some significant once-off expenses including acquisition and transaction costs of \$1.1 million, stamp duty of \$5.6 million and facility and debt arranging fees expensed of \$3.2 million. All borrowing costs have been expensed in the current year due to the repayment of all debt.

Group revenue of \$248.6 million represented a 127% increase on prior year and was derived from approximately 70% gold sales and 30% copper, lead, zinc and silver sales. Of the total Group revenue, Hera contributed \$155.8 million and Peak contributed \$92.8 million.

Gold sold for the year was 103,456 oz (dore and payable gold in concentrate) generating revenue of \$175.2 million. Peak contributed 43,023 oz of the gold sold (41%) generating \$73.9 million.

Base metal revenue was \$70.7 million of which Hera contributed \$53.7 million and Peak contributed \$17.0 million. Revenue was derived from the sale of 1,462 tonnes of payable copper, 10,356 tonnes of payable lead and 9,757 tonnes of payable zinc.

Total cost of sales for the year increased to \$136.1 million (30 June 2017: \$81.7 million), largely due to the inclusion of Peak Mines, which accounted for \$42.3 million of operating costs. The total cost of sales is made up of site production costs of \$81.2 million, transport and refining costs of \$8.2 million, NSW royalty costs of \$7.2 million and inventory adjustments of \$2.9 million. Depreciation and amortisation for the year was \$36.6 million.

1

|                                     |        | 2018     | 2017    | Variance |
|-------------------------------------|--------|----------|---------|----------|
| Performance Indicators              |        | \$'000   | \$'000  |          |
| Sales Revenue                       |        | 248,599  | 109,298 | 127%     |
| Profit/(Loss) for the period        |        | 99,105   | 19,333  | 413%     |
| EBITDA                              | (a)    | 136,717  | 48,507  | 182%     |
| Net Debt                            | (b)    | (66,925) | 74,750  | -190%    |
| Net Operating Cash Flow             | (c)    | 151,756  | 46,117  | 229%     |
| Gold production                     | oz     | 97,374   | 45,679  | 113%     |
| Silver production - contained metal | oz     | 239,460  | 131,430 | 82%      |
| Copper production - contained metal | t      | 1,968    | -       | 100%     |
| Lead production - contained metal   | t      | 11,160   | 7,885   | 42%      |
| Zinc production - contained metal   | t      | 13,282   | 10,172  | 31%      |
| Sales                               |        |          |         |          |
| Gold dore & gold in Conc sold       | oz     | 103,456  | 46,059  | 125%     |
| Silver dore & Silver in Conc sold   | oz     | 123,057  | 36,640  | 236%     |
| Payable Copper sold                 | t      | 1,462    | -       | 100%     |
| Payable Lead sold                   | t      | 10,356   | 6,759   | 53%      |
| Payable Zinc sold                   | t      | 9,757    | 7,081   | 38%      |
| Prices                              |        |          |         |          |
| Gold price achieved                 | A\$/oz | 1,698    | 1,663   | 2%       |
| Silver price achieved               | A\$/oz | 22       | 21      | 9%       |
| Copper price achieved               | A\$/t  | 9,308    | -       | 100%     |
| Lead price achieved                 | A\$/t  | 3,133    | 2,804   | 12%      |
| Zinc price achieved                 | A\$/t  | 4,052    | 3,363   | 20%      |
| All in sustaining cost (\$/oz)      | \$/oz  | 509      | 968     | -47%     |

Key Group performance metrics for the period are tabulated below.



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

| Profit/(Loss) for the period | 99,105  | 19,333 |
|------------------------------|---------|--------|
| Net Interest Cost            | 7,804   | 7,712  |
| Depreciation & Amortisation  | 36,607  | 21,462 |
| Tax (benefit)/expense        | (6,799) | -      |
| EBITDA                       | 136,717 | 48,507 |
|                              |         |        |

(b) negative net debt is net cash available.

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

## 2.2 Hera Mine

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

| Hera Mine                           | FY18    | FY17    | Variance |
|-------------------------------------|---------|---------|----------|
| Sales Revenue (\$000's)             | 155,767 | 109,298 | 43%      |
| Site EBITDA                         | 86,448  | 48,507  | 78%      |
| Sustaining capital (\$000's)        | 16,519  | 11,596  | 42%      |
| Growth capital (\$000's)            | 386     | 2,070   | -81%     |
| Ore Processed (kt)                  | 407,131 | 368,086 | 11%      |
| Gold grade g/t                      | 5.10    | 4.37    | 17%      |
| Silver grade g/t                    | 13.40   | 12.63   | 6%       |
| Lead grade %                        | 2.6%    | 2.3%    | 14%      |
| Zinc grade %                        | 3.6%    | 3.1%    | 15%      |
| Gold Recovery %                     | 89.4%   | 88.3%   | 1%       |
| Silver Recovery %                   | 88.2%   | 87.8%   | 0%       |
| Lead Recovery %                     | 89.5%   | 91.9%   | -3%      |
| Zinc Recovery %                     | 89.8%   | 89.7%   | 0%       |
| Gold production (oz)                | 59,822  | 45,679  | 31%      |
| Silver production (oz)              | 154,645 | 131,430 | 18%      |
| Lead production (t)                 | 9,609   | 7,885   | 22%      |
| Zinc production (t)                 | 13,031  | 10,172  | 28%      |
| AISC \$/oz (All In Sustaining Cost) | 430     | 876     | -51%     |

AISC is a non-IFRS measure

#### 2.2.1 Operations

The Hera mine performed strongly as a result of high gold grades and record rates of ore throughput, following an upgrade of screening capacity during the period. Gold production was 59,822 oz at AISC of \$430/oz, compared to the prior year of 45,679 oz at ASIC of \$876/oz, and was derived from the processing of 407,131 tonnes of ore (up 11% relative to prior year) grading 5.10 g/t gold, 2.6% lead and 3.6% zinc. Gold recovery averaged 89.4%, being a slight improvement on last year's average of 88.3%, with a focus on minimising solution losses being a key driver. During the period, the Company produced 22,640 tonnes of lead zinc concentrate.

During the year, an upgrade of the Tailings Storage Facility was completed to provide sufficient capacity for the known life of Hera and Nymagee.

#### 2.2.2 Mining

Mining rates increased during the period to match the increased ore processing rates, with accelerated development completed earlier in the year to provide adequate ore sources over the course of the year.

Mining tonnage and grade improved, with a total of 406,234 tonnes of ore mined (prior year 373,795 tonnes) at an average grade of 5.07g/t gold, 2.62% lead and 3.53% zinc.



Development was focussed on the North Pod with two production levels completed in preparation for stoping in the September 2018 quarter.

#### 2.2.3 Exploration

Drilling completed during the year at the North Pod successfully extended the gold and base metal mineralisation 100 metres vertically below the previous known extent of the lode. The upper section of the North Pod remains to be infill drilled during FY19, with some potential for extensions above the known limit of mineralisation.

The underground exploration program targeting extensions to the north of the Hera Mine (Beyond target) was completed during the last quarter of the financial year. No significant results were achieved.

The main focus of exploration will be a surface-based program, due to commence late in the September 2018 quarter. A budget of \$3.9M has been allocated to drill approximately 11,000 metres to test targets at depth (testing a deeper repetition of the Hera system), and to the south and south-east of the Hera mineralized trend (Hebe, Zeus, Athena targets).

#### 2.2.4 Ore Reserves and Resources

The Group release an updated Ore Reserve and Resource estimate on 17 July 2018.

The Resource Estimate represents a 24% decrease in tonnage against the previous ore reserve, allowing for mining depletion of 406,000t at 5.1g/t since June 2017. The updated Ore Reserve Estimate represents a 14% decrease in gold grade, a 4% increase in lead grade and an 8% increase in zinc grade. The reason for the change in gold grade relates to the mining of higher grade gold material during the financial year, relative to the previous ore reserves gold grades. The Resource and Reserve Estimate totals are:

- Total Mineral Resource Estimate of 2.5 Mt at 2.44 g/t gold, 2.65% Pb, 3.93% Zn
- Total Ore Reserve Estimate of 1.1 Mt at 3.05 g/t gold, 2.84% Pb, 4.36% Zn

#### 2.3 Peak Mine

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

| Peak Mine                           | FY18    | FY17 |
|-------------------------------------|---------|------|
| Sales Revenue (\$000's)             | 92,832  | -    |
| Site EBITDA                         | 62,623  | -    |
| Sustaining capital (\$000's)        | 13,619  | -    |
| Growth capital (\$000's)            | 414     | -    |
| Ore Processed (kt)                  | 135,345 | -    |
| Gold grade g/t                      | 8.83    | -    |
| Silver grade g/t                    | 25.67   |      |
| Copper grade %                      | 1.6%    | -    |
| Lead grade %                        | 1.5%    | -    |
| Zinc grade %                        | 0.6%    | -    |
| Gold Recovery %                     | 97.7%   | -    |
| Silver Recovery %                   | 75.9%   |      |
| Copper Recovery %                   | 93.1%   |      |
| Lead Recovery %                     | 76.2%   | -    |
| Zinc Recovery %                     | 29.6%   | -    |
| Gold production (oz)                | 37,552  | -    |
| Silver production (oz)              | 84,815  |      |
| Copper production (t)               | 1,968   | -    |
| Lead production (t)                 | 1,551   | -    |
| Zinc production (t)                 | 251     | -    |
| AISC \$/oz (All In Sustaining Cost) | 517     | -    |

AISC is a non-IFRS measure



## 2.3.1 Operations

Under the Company's ownership, the rationalisation of the workforce and activities at Peak commenced during the last quarter of the financial year. During the period, performance was driven by the small but high grade Chronos zone, which contributed 70% of the ounces for only 22% of the tonnes processed.

Throughput was 135,345 tonnes (541kt annualized) which is significantly below the process plant design throughput rates. This was largely a function of restricted ore supply, and filtration capacity constraints whilst processing high base metal feed from Chronos.

Strong levels of base metal concentrate production occurred during the quarter with 6,271 tonnes of copper concentrate, and 3,875 tonnes of lead concentrate produced.

#### 2.3.2 Mining

Development achieved since acquisition date was 978 m (132 m operating development and 846 m capital development). Mining rates were restricted in the period by limited mine development.

Development was focused on accelerating access in the Chronos zone and pushing the decline down to the lower levels of the Perseverance zone. Ore mined during the period was sourced from Chronos, Perseverance and Jubilee.

The high grade nature of the Chronos zone was experienced during the June quarter, with the mining of 32,378 tonnes at 31.4 g/t gold, 70.5 g/t silver and 5.9% lead. Chronos is expected to positively influence gold production over the next 12 months, however production is difficult to predict due to a very high nugget effect and high grade variability.

#### 2.3.3 Exploration

Exploration work focused on testing the up-dip extensions of the Chronos zone. Drilling of the zone is limited by available drill platform, with only incremental step-outs possible.

A program of infill drilling the Chronos lead-zinc rich mineralization (which surrounds the high grade gold core) is planned.

#### 2.3.4 Ore Reserves and Resources

A comprehensive review of the previous Mineral Resources and Ore Reserves was released on 17 July 2018. The review includes a proposed mill upgrade to cater for improvements to lead and zinc processing. The updated Mineral Resource Estimate represents a decrease in tonnage over the previous estimate (allowing for mining depletion) and exclusion of non-economic resources. This is due to the evaluation techniques adopted in accordance with Company guidelines. The new guidelines report the estimate from stope shapes, whereas previous estimates have been based on block reporting.

- Mineral Resource Estimate of 10.8 Mt at 1.64 g/t gold, 1.48% Cu, 0.96% Pb, 1.04% Zn
- Mineral Reserve Estimate (Cu/Au/Pb) of 2.0 Mt at 3.48 g/t gold, 1.39% Cu, 0.66% Pb
- Mineral Reserve Estimate (Pb/Zn) of 0.5 Mt at 0.40 g/t gold, 0.17% Cu, 5.72% Pb, 6.15% Zn

#### 2.4 Nymagee

Work has progressed on advancing the Nymagee Scoping Study (released to ASX 2 May 2017) to a prefeasibility study level. The key activity identified during the scoping study was a requirement for additional metallurgical testwork and the design of an appropriate processing flow sheet for the Hera plant.

The metallurgical drill program at Nymagee (2,900 metres) commenced late in the financial year, with detailed testwork and flow sheet design to be completed by June 2019.

#### 2.4.1 Ore Reserves and Resources

The Company updated the Mineral Resource Estimate for Nymagee, on 17 July 2018, in preparation for an upcoming pre-feasibility study that will examine the potential to provide significant additional ore feed to the Hera processing plant. The Resource estimate represents a decrease in tonnage since the previous



estimate released in December 2011. This change is a result of an approach that assumes an underground mining method as opposed to an open cut mining method.

• Total Mineral Resource Estimate of 3.780 Mt at 1.31% Cu, 0.84% Pb, 1.63% Zn

## 2.5 Corporate

The Group has reported a strong performance for the year with improvements, relative to prior year, in production, revenue and cost control. The acquisition and consolidation of Peak has had an immediate and positive effect to the financial position of the Group.

#### 2.5.1 Income statement

The Group recorded a net profit after tax of \$99.1 million for the year ended 30 June 2018 (2017: \$19.3 million), driven by strong gold and base metal production at Hera and a significant contribution from Peak Mines.

Corporate costs of \$3.1 million reduced 16% relative to the prior year. Future corporate costs are expected to approximate \$4-5 million a year with increased costs associated with growth in the business.

Acquisition and integration costs of \$6.8 million relating to the Peak Mines transaction were expensed during the year, and consisted of legal and professional costs of \$1.1 million and \$5.6 million stamp duty.

Share based payments of \$2.4 million were expensed in the period relating to the fair value adjustment of Performance Rights on issue at balance date. The fair value of share based payments is calculated using the intrinsic method which uses the market price of the Company's shares at the reporting date. With the increase in share price during the year, the share based payment expense has increased accordingly.

Finance costs of \$8.6 million consisted of a \$4.9 million non-cash finance charge relating to the adjustment of the carrying value of the Glencore debt upon early repayment, debt arrangement fees relating to the Investec Facility of \$3.2 million and interest on the Investec borrowings of \$0.5 million.

Depreciation and amortisation (D&A) was \$36.6 million, up 70% from the prior year, primarily as a result of increased production at Hera and the inclusion of Peak Mine. Hera D&A was \$24.5 million and Peak D&A for the period from 10 April 2018 to 30 June 2018 was \$12.1 million. The high rate of Peak depreciation was largely driven by the 37,552 oz of gold production in the period.

## 2.5.2 Taxation

At balance date a determination has been made that it is probable that taxable profit will be available in future periods against which the deferred tax assets can be utilised.

The tax expense for the period consists of a current tax expense (amounts payable in respect of taxable profit for the period) of \$30.9 million (2017: \$5.4 million) and, the recognition of a deferred tax asset, relating to the recognition of carryforward tax losses and deductible temporary differences of \$37.7 million, resulting in a net tax benefit of \$6.8 million.

The Group's current tax expense of \$30.9 million will largely utilise existing tax losses carried forward from the prior year (which had a tax effected amount of \$31.6 million). No income tax payments are expected relating to the FY18 financial year.

At 30 June 2018, the Group had remaining carryforward tax losses of \$0.6 million (tax-effected) to utilise against future taxable profit. As such, the Group expects to be in normal tax paying position, with the reported tax expense approximating the corporate tax rate of 30%.

#### 2.5.3 Balance Sheet

Total assets increased during the year to \$266.5 million (30 June 2017: \$125.0 million), representing an increase of 113%. This was primarily due to the completion of the Peak transaction, which accounts for \$126.2 million of assets at balance date.



Group sustaining capital expenditure in the period was \$30.1 million (Hera: \$16.5 million; Peak: \$13.6 million) and consisting of \$23.2 million of mine development and \$6.9 million of PP&E. Growth expenditure for the period was \$0.8 million.

Total liabilities for the Group decreased to \$83.5 million at 30 June 2018, a 35% decrease on prior year (30 June 2017: \$128.8 million), primarily due to the Glencore debt repayment of \$109.6 million. Within the total liabilities, trade and other payables increased to \$29.7 million (2017: \$6.9 million) as a result of the inclusion of Peak (\$15.8 million), and the accrual for stamp duty of \$5.6 million. Provisions increased to \$51.9 million with the inclusion of the Peak rehabilitation liability of \$24.7 million.

During the financial year, the Group entered into financing commitments with Investec Group for new underwritten debt facilities, to be used to settle the acquisition of Peak. The Group drew down \$45 million in April 2018, and subsequently completed an early full debt repayment of the facility by 30 June 2018. Glencore debt of \$109.6 million, was also settled in full and at 30 June 2018, the Group had eliminated all bank debt.

A \$30 million guarantee facility remains in place with Investec at 30 June 2018.

The Group ended with a cash balance of \$66.9 million at 30 June 2018 (30 June 217: \$34.8 million).

#### 2.5.4 Cash flow

A summary of cashflows is provided in the table below:

| Group Summary of Cash flows          | FY18     | FY17     |
|--------------------------------------|----------|----------|
|                                      | \$'000   | \$'000   |
| Cash flows from operating activities | 151,758  | 46,117   |
| Cash flows from investing activities | (89,750) | (13,248) |
| Cash flows financing activities      | (29,948) | (16,118) |
| Net movement in cash                 | 32,060   | 16,751   |
| Cash at the beginning of the year    | 34,863   | 18,112   |
| Cash at the end of the year          | 66,923   | 34,863   |

Net cash inflow from operating activities was \$151.8 million, an increase of \$105.7 million from prior year, and was derived from Hera contribution of \$90.8 million, Peak contribution of \$73.0 million, less Corporate costs of \$3.1 million and tax payments of \$8.9 million.

Included in the operating cash inflow are income tax payments totalling \$8.9 million relating to the Peak liabilities for the December 2017 financial year (\$6.3 million liability which was accounted for in the Net Cash and Working Capital adjustment) and the period from 1 January 2018 to 9 April 2018 (\$2.6 million liability generated during the 'locked box' period). The tax liabilities for Peak were generated prior to Peak Mines entering the Company's tax consolidated group on 10 April 2018.

Net cash outflow from investing activities was \$89.8 million, a \$76.6 million increase since prior year, and consisted of the Peak cash acquired of \$34.4 million, less the Peak purchase payment of \$93.4 million, transaction and integration costs of \$1.1 million, mine capital and plant and equipment costs of \$26.9 million, an increase in Hera cash-backed security bonds of \$1.2 million, deferred Hera acquisition payments of \$2.9 million (royalty payments) and a net inflow of \$1.3 million derived from other investing activities (gold forwards, gain on exchange, sale of investments).

Net cash outflow from financing activities was \$29.9 million, an increase of \$13.8 million from prior year, and consisted of net proceeds received from the equity raising (\$85.3 million), repayment of Glencore debt (\$109.6 million), withholding tax paid on the capitalised interest incurred on the Glencore debt (\$2.1 million), drawdown and repayment of Investec debt Facility (nil net cash flow) and arranging fees on the Investec Facility (\$3.1 million), and other finance charges and interest charges (\$0.4 million).

#### 2.5.5 Equity

Total equity raised to support the Peak acquisition was \$85.3 million with the issue of 425 million shares at \$0.21/share. The capital raising comprised placements to qualified institutional and sophisticated investors,



placements to the Company's significant shareholders in Pacific Road and Glencore, and a share purchase plan offer to retail shareholders.

## 2.5.6 Hedging

The Group maintains a prudent level of gold forward sales to protect future earnings and cash flow. At year end the total gold forward sales position was 76,000 oz at an average delivery price of \$1727/oz, with delivery dates spread over the next 12 months. The Company continues to monitor its hedge position and will manage the position based on the future risk profile of the business and the prevailing spot gold price.

## 3. MATERIAL BUSINESS RISKS

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

## 3.1 Fluctuations in commodity prices

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

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

During the financial year, gold sales were 103,456 ounces. The effect on the income statement with an A\$50/oz increase/decrease in gold price would have been an increase/decrease in gold revenue of \$5.172 million.

During the financial year, the company sold bulk concentrate containing payable lead of 10,356 tonnes, payable zinc of 9,757 tonnes, and payable copper of 1,462 tonnes. An increase/decrease of US\$50/t in the price of lead, zinc and copper would increase/decrease revenue by \$1.018 million.

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

## 3.2 Ore Reserves and Resources

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

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

## **3.3** Replacement of depleted reserves

The Company must continually replace reserves depleted by production to maintain production levels over the long-term. Reserves can be replaced by expanding known ore bodies, locating new deposits, acquiring



new assets or achieving higher levels of conversion from resource to reserve with improvements in production costs and or metal prices. Exploration is highly speculative in nature and as such, the Company's exploration projects involve many risks and can often be unsuccessful. Once a prospect with mineralisation is discovered, it may take several years from the initial discovery phase until production is possible.

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

## 3.4 Mining risks and insurance risks

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

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

#### 3.5 Production and cost estimates

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

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

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

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

#### 3.6 Financial solvency

The Company has eliminated all bank debt at balance date. Maintaining sufficient liquidity to operate the business is impacted by the operational and financial risk factors identified below.

With the acquisition of Peak Gold Mines, the Company has reduced the risk identified in prior year of having a single source of income from one operating asset. The Group has been transformed from a single mine company to a business with two operating mines, two complimentary processing facilities, and two sources of cash flow from a diversified commodity mix (copper, lead, zinc, silver and gold).



## 3.7 Environmental, health and safety regulations, permits

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

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

The Directors of the Company are not aware of any material breach of environmental legislation for the year under review.

## 3.8 Community relations

The Group has operations near established communities. The Company recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfaction with the Company, which has the potential to disrupt production and exploration activities.

# SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were:

- 11 January 2018: Completion of capital raising: 425 million shares placed at \$0.21/share raising a total of \$89.2 million before costs.
- 10 April 2018: Completion of the Peak Gold Mines acquisition for a total consideration price of \$93.420 million.
- 22 May 2018: Glencore debt fully repaid
- 12 June 2018: Pacific Road Capital sells its entire 36.7% shareholding (313.7M shares) to a range of existing and new institutional investors.
- 28 June 2018: Investec debt fully repaid

Apart from the above, or as noted elsewhere in this report, no significant changes in the state of affairs of the Company occurred during the financial year.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following significant events occurred after 30 June 2018:

- 17 July 2018: release of updated Hera-Nymagee Ore Resources and Reserve Statement
- 17 July 2018: release of updated Peak Mines Ore Resources and Reserve Statement

# FUTURE DEVELOPMENTS

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



# **REMUNERATION REPORT (AUDITED)**

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

| Non-Executive Directors    | Position                                    | Term                  |
|----------------------------|---|-----------------------|
| Colin Johnstone            | Independent Non-Executive Chairman          | Full year             |
| Lawrence Conway            | Independent Non-Executive Director          | Full year             |
| Paul Espie                 | Non-Executive Director                      | Full year             |
| Michael Menzies            | Non-Executive Director                      | Full year             |
| Rune Symann                | Non-Executive Director                      | 1 Jul 17 to 30 Apr 18 |
| Clifford Tuck              | Non-Executive Director                      | 24 May 18 to current  |
| Executive Directors        |   |                       |
| James Simpson              | Managing Director & Chief Executive Officer | Full year             |
| Other Key Management Perso |   |                       |
| Timothy Churcher           | Chief Financial Officer & Company Secretary | Full year             |

## 1. Key Management Personnel (KMP)

#### 2. Remuneration Policy and Strategy

As part of its Corporate Governance Policies and Procedures, the Board has adopted a Remuneration Committee Charter and has established a Remuneration & Nomination Committee. The Remuneration & Nomination Committee is responsible for determining and reviewing the appointment and compensation arrangements of the KMP. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. At the Committee's discretion, the nature and amount of Executive and Director's benefits may be linked to the Company's financial and operational performance. The quantum and level of short and long-term incentives is not fixed and remains at the discretion of the Board.

In light of the Company's changed circumstances, remuneration consultant, Guerdon Associates, was engaged during the period to review and benchmark the Company's remuneration and variable incentive plans. No remuneration recommendations, as defined under Division 1, Part 1.2.98 (1) of the Corporations Act 2001, were made by Guerdon Associates.

The objectives and principles of the Company's remuneration strategy are:

- (i) To align the Board and management performance with the interests of shareholders through the provision of fixed and variable performance based incentives.
- (ii) Remuneration is appropriate, market competitive and structured to retain key employees.
- (iii) Total Remuneration for Executives and Managers comprise an appropriate mix of fixed and performance linked at risk variable remuneration.
- (iv) Variable remuneration consists of short-term incentive plans and long-term incentive plans.
- (v) Total Fixed Remuneration (base salary + superannuation) or TFR, is targeted at the median (P50) range compared to the industry benchmark McDonald Gold & General Mining Industries Report. Exceptions may exist depending on the supply and demand of particular roles or skills or for individuals which are recognised as high achievers within the Company.
- (vi) Total Remuneration, including short term and long term incentive plans, for strong business and personal performance may be targeted within the P50-P75 range compared to the industry benchmark. For exceptional business and personal performance, Total Remuneration may exceed the P75 level.
- (vii) Performance linked at risk remuneration encourages and rewards high performance aligned with corporate objectives that create strategic or economic value.



(viii) The integrity of the remuneration review process delivers fair and equitable results.

#### 2.1. Non-Executive Directors

The remuneration strategy for Non-Executive Directors is to remunerate at market rates with comparable companies, for the time, commitment and responsibilities involved in being a Director. The Remuneration & Nomination Committee is responsible for reviewing Directors remuneration and reviews fee structures as required, determined by internal or external conditions.

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

The Board fees for Non-Executive Directors are \$65,000 and for the Chairman \$100,000. Statutory superannuation contributions are paid to Board members. No fees are paid to Board sub-committee members. The maximum total Directors' fee pool approved by shareholders which may be paid by the Company to all the non-executive Directors is \$600,000 per year.

#### 2.2 Executive Directors and Key Management Personnel (KMP)

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

The Remuneration & Nomination Committee is responsible for reviewing the specifics of Director and KMP remuneration and oversee the effective implementation of the Company's remuneration strategy.

The Board will apply the remuneration strategy with regard to the interests of shareholders, overall business plan, external market conditions, key value drivers in the business, industry benchmarks and individual performance and contribution towards the Company's objectives.

## 3. Financial Performance

The Group has demonstrated a marked turnaround in financial performance. The following table displays the key financial performance metrics for the Group.

|                                 | 2018     | 2017    | 2016   | 2015      | 2014     |
|---------------------------------|----------|---------|--------|-----------|----------|
| Performance Indicators          | \$'000   | \$'000  | \$'000 | \$'000    | \$'000   |
| Sales revenue                   | 248,599  | 109,298 | 91,945 | 13,220    | 85       |
| Profit (loss) for the year      | 99,105   | 19,333  | 10,943 | (118,158) | (10,623) |
| EBITDA                          | 136,717  | 48,507  | 41,139 | (109,123) | (10,666) |
| Net Debt (nominal value) (i)    | (66,925) | 74,750  | 91,759 | 109,804   | 84,992   |
| Profit/(Loss) Per Share (cents) | 15.5     | 4.8     | 2.8    | (33.0)    | (3.5)    |
| Share Price (cents)             | 57.0     | 18.5    | 13.5   | 21.5      | 22.9     |

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

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

| Ebridition in the incusive. Reconciliation to Profit (1055) for the year is. |          |          |          |           |          |  |  |
|--|----------|----------|----------|-----------|----------|--|--|
| EBITDA   | 136,717  | 48,507   | 41,139   | (109,123) | (10,666) |  |  |
| Net interest cost  | (7,804)  | (7,712)  | (6,526)  | (2,376)   | 261      |  |  |
| Tax benefit/(expense)  | 6,799    | -        | -        | -         | -        |  |  |
| Depreciation & Amortisation  | (36,607) | (21,462) | (23,669) | (6,659)   | (218)    |  |  |
| Profit/ (loss) for the year  | 99,105   | 19,333   | 10,943   | (118,158) | (10,623) |  |  |



## 4. Variable Incentive Plans

The Board has absolute discretion on any payments under the Company's Short Term Incentive and Long Term Incentive Plans, regardless of the achievement of selected targets. The Board will consider the achievement of targets together with overall business performance, individual performance and broader economic environment to decide upon the actual payment or allocation of any variable remuneration.

## 4.1 Short Term Incentive Plan ("STIP")

The Board has adopted an STIP whereby if the Company exceeds its budgeted targets, taking into consideration a range of relevant physical and financial metrics, the Board may consider the payment of a STIP cash bonus to selected employees. The allocation of the STIP payment, with a maximum target of 25% of an individual's TFR, is based on the achievement of corporate targets and the individual's performance during the year under review.

The STIP is assessed and, if applicable, paid each financial year, after the Remuneration & Nomination Committee has assessed the business performance together with individual performance reviews.

For the current year, the corporate measures for the STIP related to various financial and operating metrics, in particular improvements relative to prior year in gold production (+113%), base metal production (+40%), net profit (+413%), AISC/oz (-47%), EPS (+223%) and the elimination of all debt were the primary measures. The Board noted that performance significantly exceeded all targeted levels and was the result of the successful acquisition of Peak Mines and the continued improvement in performance of the Hera operation.

## 4.1.1 FY18 STIP Outcomes

The Remuneration & Nomination Committee determined that for FY18, taking into consideration the significant out-performance in financial and operating metrics, together with the successful Peak Mines acquisition, above target STIP payments were justified to senior executives. The Committee determined the Managing Director & CEO would receive a STIP payment equal to 75% of FY18 TFR and the Chief Financial Officer & Company Secretary would receive a STIP payment equal to 50% of FY18 TFR. The STIP amounts payable for FY18 are included in the remuneration disclosure in this report, however these amounts will be paid in FY19.

The Committee has recommended that the future maximum STIP target will be 50% for the Managing Director & CEO and 30% for the Chief Financial Officer & Company Secretary. Future STIP measures will include safety, meeting budgeted financial and production targets and delivery towards key internal growth projects.

The total remuneration mix for FY18 for the Managing Director & CEO was 27% fixed, 73% variable; and for the Company Secretary & Chief Financial Officer total remuneration mix was 40% fixed and 60% variable.

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

The LTIP is provided by way of allocation of rights to receive shares in the Company (Rights). Upon vesting, each Right is automatically exercised at nil exercise price and vests into one fully paid ordinary share.

The vesting of Performance Rights incorporates performance conditions which allow for the vesting of a proportion of the allocated Performance Rights.

The LTIP hurdles are agreed prior to the commencement of a new financial year, or as close to the end of the year as practical.

Performance Rights under the LTIP are generally granted each year along with relevant performance testing conditions.

The test date for each issue of performance rights is typically three years from Grant Date, but may be two years in exceptional circumstances.

The vesting of Performance Rights incorporates performance conditions which the Board will consider in determining the percentage of performance rights that will ultimately vest.



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

## 4.2.1 Relevant Dates for testing of Vesting Conditions

The issue of Performance Rights to the CEO & Managing Director and the Chief Financial Officer & Company Secretary will be tested for Vesting Conditions in accordance with the rules of the Performance Rights Plan.

At 30 June 2018, the Class 16A Performance Right (2,000,000 in total) were tested. Based on achieving and exceeding the required long term performance targets, 100% of the rights were deemed to vest (see "Details of Share Based Compensation" for further details).

| Performance Rights Tranches | Number Issued | Relevant Date<br>or Testing Date |
|-----------------------------|---------------|----------------------------------|
| 2016 Issue - Class 16A      | 2,000,000     | 30-Jun-18                        |
| 2016 Issue - Class 16B      | 2,250,000     | 30-Jun-19                        |
| 2016 Issue - Class 16C      | 2,250,000     | 30-Jun-20                        |
| Maximum Number of Rights    | 6,500,000     |                                  |

The effective testing date for the Performance Rights is the Relevant date, with the testing to occur within 90 days after that date. Performance Rights will lapse after testing if they do not vest. There is no retesting.

## 4.2.2 Vesting Conditions of Performance Rights

The Vesting Conditions applying to the Performance Rights are to be granted is at the discretion of the Board and will be based on measures as detailed below.

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

The number of Performance Rights which vest on the Relevant Date will depend on the extent to which the Board considers the Vesting Conditions have been satisfied for the relevant period.

Upon the Vesting Conditions having been satisfied (as determined and ratified by the Board), the number of shares for nil value equal to the number of vested Performance Rights will be issued.

The Vesting Conditions will be at the discretion of the Board and will be based on the factors as outlined below. For the 2016 Issue Classes 16A, 16B & 16C the Performance Measures are:

| Performance Right          | Measure  |
|----------------------------|--|
| Relative TSR:              | The Company's relative total Shareholder Return (TSR) measured against a Comparator Group of companies.          |
| Process Throughput :       | Growth in the throughput capacity of the Hera processing plant.  |
| Mine Inventory:            | Growth in the Hera Operation's Mineable Inventory.   |
| Balance Sheet Restructure: | Increase in the Company's capacity to appropriately restructure its balance sheet and share ownership structure. |

## 5. Details of Share Based Compensation

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

#### (i) 2015 Class C Performance Rights (2015 Class C)

On the 9 February 2015, the Company granted 490,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company's share price achieved a 5-day VWAP of \$0.40/share by 9 February 2018. All Performance Rights expired unvested on 9 February 2018.



#### (ii) Class 16A Performance Rights

On the 28 November 2016, the Company granted 2,000,000 Performance Rights to the Key Management Personnel. These Performance Rights are structured to vest based on a variety of performance measures (see LTI Plan for further details). The Performance rights were measured and tested against the required measures at 30 June 2018. In terms of the Class16A rights, the outcomes were as follows, with the testing horizon being 30 June 2016 to 30 June 2018:

- Relative TSR: Absolute TSR of 322% for the period. Relative TSR in top quartile.
- Process Throughput: A 32% increase in Hera process throughput delivered.
- Mine Inventory: A 24% increase in inventory delivered.
- Balance Sheet Restructure: Reduction in Debt from \$113M to Nil, increase in Cash from \$35M to \$67M and the introduction of a wide range of Institutional investors.

Based on a review of the measures and outcomes achieved, the Board decided to vest 100% of the Class16A performance rights.

#### (iii) Class 16B Performance Rights

On the 28 November 2016, the Company granted 2,250,000 Performance Rights to the Key Management Personnel. These Performance Rights are structured to vest based on a variety of performance measures (see LTI Plan for further details) and remain untested at balance date.

#### (iv) Class 16C Performance Rights

On the 28 November 2016, the Company granted 2,250,000 Performance Rights to the Key Management Personnel. These Performance Rights are structured to vest based on a variety of performance measures (see LTI Plan for further details) and remain untested at balance date.

| FY18          | Grant<br>Date | Expiry or<br>Test<br>Date | Exercise<br>Price | Balance at<br>start of<br>year | Granted<br>during<br>the year | Vested<br>during<br>the year | Expired<br>during<br>the year | Balance at<br>year end |
|---------------|---------------|---------------------------|-------------------|--------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------|
| 2015 Class C  | 9-02-15       | 9/2/18                    | nil               | 70,000                         | -                             | -                            | (70,000)                      | -                      |
| 2016 Class16A | 28-11-16      | 30/6/18                   | nil               | 2,000,000                      | -                             | -                            | -                             | 2000,000               |
| 2016 Class16B | 28-11-16      | 30/6/19                   | nil               | 2,250,000                      | -                             | -                            | -                             | 2,250,000              |
| 2016 Class16C | 28-11-16      | 30/6/20                   | nil               | 2,250,000                      | -                             | -                            | -                             | 2,250,000              |
| Total         |               |                           |                   | 6,570,000                      | -                             | -                            | (70,000)                      | 6,500,000              |

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

## 6. Details of Share Based Compensation to KMP

Details on Rights over ordinary shares in the Company that were granted as compensation to each key management person and details on Rights that vested during the reporting period are as follows:

| FY18                 | Class (1) | Test Date | Number<br>Granted | Grant<br>date | Fair<br>Value<br>at<br>Grant<br>Date<br>\$/Right | Fair<br>Value at<br>Vesting<br>Date<br>\$/Right | Number<br>of Rights<br>Vested | Balance at<br>year end |
|----------------------|-----------|-----------|-------------------|---------------|--|---|-------------------------------|------------------------|
| Executives           |           |           |                   |               |  |   |                               |                        |
| Simpson, James       | Class 16A | 30-06-18  | 1,500,000         | 28-11-16      | 0.145  | -   | -                             | 1,500,000              |
|                      | Class 16B | 30-06-19  | 1,500,000         | 28-11-16      | 0.145  | -   | -                             | 1,500,000              |
|                      | Class 16C | 30-06-20  | 1,500,000         | 28-11-16      | 0.145  | -   | -                             | 1,500,000              |
|                      |           |           | 4,500,000         |               | 0.145  | -   | -                             | 4,500,000              |
| Churcher,<br>Timothy | Class 16A | 30-06-18  | 500,000           | 20-12-16      | 0.150  | -   | -                             | 500,000                |
|                      | Class 16B | 30-06-19  | 750,000           | 20-12-16      | 0.150  | -   | -                             | 750,000                |
|                      | Class 16C | 30-06-20  | 750,000           | 20-12-16      | 0.150  | -   | -                             | 750,000                |
|                      |           |           | 2,000,000         |               | 0.150  | -   | -                             | 2,000,000              |

(1) All classes of Performance Rights that Vest into Ordinary Shares, vest at a nil exercise price.



The Performance Rights have been measured at Fair Value using the intrinsic method at grant date (refer to Note 2B (a)(v)). The fair value adjustment expensed during the period for Mr Simpson was 1,702,200 and for Mr Churcher was 720,156.

As noted previously, based on the testing of the Class 16A Performance Rights at 30 June 2018, the Board decided to vest 100% of the Class16A performance rights after balance date. The vesting event will be recorded in the next reporting period.

## 7. Remuneration of Directors and Key Management Personnel

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

|                   |       | Short Term  |          |        | Post-<br>employ-<br>ment | Share based<br>payment |           |           |
|-------------------|-------|-------------|----------|--------|--------------------------|------------------------|-----------|-----------|
|                   |       |             |          |        | Short                    |                        |           |           |
|                   |       |             | Non-     |        | Term                     |                        |           |           |
|                   |       | Base Salary | Monetary | Termi  | Incentive                | Super-                 | Amortised |           |
|                   |       | and Fees    | Benefits | nation | Payments                 | annuation              | Value     | Total     |
| 2018 - Directors  |       | \$          | \$       | \$     | \$                       | \$                     | \$        | \$        |
| Johnstone, Colin  |       | 109,500     | -        | -      | -                        | -                      | -         | 109,500   |
| Simpson, James    |       | 438,948     | 20,393   | -      | 344,247                  | 20,052                 | 1,702,200 | 2,525,840 |
| Espie, Paul       | (i)   | 71,175      | -        | -      | -                        | -                      | -         | 71,175    |
| Menzies, Michael  |       | 71,175      | -        | -      | -                        | -                      | -         | 71,175    |
| Symann, Rune      | (ii)  | 59,313      | -        | -      | -                        | -                      | -         | 59,313    |
| Conway, Lawrence  |       | 65,000      | -        | -      | -                        | 6,175                  | -         | 71,175    |
| Tuck, Clifford    | (iii) | 7,491       | -        | -      | -                        | -                      | -         | 7,491     |
| 2018 - Executives |       |             |          |        |                          |                        |           |           |
| Churcher, Timothy |       | 353,024     | 13,951   | -      | 189,012                  | 25,000                 | 720,156   | 1,301,143 |
| Total 2018        |       | 1,175,625   | 34,344   | -      | 533,259                  | 51,227                 | 2,422,356 | 4,216,811 |

(i) Paul Espie is a Pacific Road board nominee and his fees are paid to the account of Pacific Road Resources Fund II (ii) Resigned 30 Apr 18, (iii) Appointed 24 May 18. Note: The STIP amounts relate to the performance in the current financial year but will be paid in FY19.

|                   |        | Short Term  |          |           |           | Post-<br>employ-<br>ment | Share based payment |           |
|-------------------|--------|-------------|----------|-----------|-----------|--------------------------|---------------------|-----------|
|                   |        |             | Non-     |           | Short     |                          |                     |           |
|                   |        |             | Monetar  |           | Term      | Super-                   |                     |           |
|                   |        | Base Salary | у        | Terminati | Incentive | annuati                  | Amortised           |           |
|                   |        | and Fees    | Benefits | on        | Payments  | on                       | Value               | Total     |
| 2017 - Directors  |        | \$          | \$       | \$        | \$        | \$                       | \$                  | \$        |
| Johnstone, Colin  | (i)    | 63,875      | -        | -         | -         | -                        | -                   | 63,875    |
| Simpson, James    | (ii)   | 391,213     | 7,084    | -         | 103,152   | 21,398                   | 150,312             | 673,160   |
| Comb, Gary        | (iii)  | 75,000      | -        | -         | -         | 7,125                    | -                   | 82,125    |
| Espie, Paul       |        | 67,646      | -        | -         | -         | -                        | -                   | 67,646    |
| Menzies, Michael  |        | 67,646      | -        | -         | -         | -                        | -                   | 67,646    |
| Symann, Rune      |        | 67,646      | -        | -         | -         | -                        | -                   | 67,646    |
| Wehby, Anthony    | (iv)   | 40,000      | -        | -         | -         | 3,800                    | -                   | 43,800    |
| Conway, Lawrence  | (v)    | 5,417       | -        | -         | -         | 515                      | -                   | 5,932     |
| 2017 - Executives |        |             |          |           |           |                          |                     |           |
| Churcher, Timothy | (vi)   | 330,092     | 14,499   | -         | 72,290    | 31,359                   | 63,588              | 511,828   |
| Kairaitis, Rimas  | (vii)  | 53,288      | 8,154    | 455,183   | -         | 5,189                    | -                   | 521,814   |
| Willson, Richard  | (viii) | 70,313      | -        | 174,380   | -         | 6,680                    | (8,109)             | 243,264   |
| Total 2017        |        | 1,232,136   | 29,737   | 629,563   | 175,442   | 76,066                   | 205,791             | 2,348,735 |

(i) Appointed 28 Nov 16, (ii) Appointed 1 Aug 16, (iii) Resigned 30 Jun 17, (iv) Resigned 28 Nov 16

(v) Appointed 1 Jun 17, (vi) Appointed as Company Secretary 20 Dec 16, (vii) Resigned 31 Aug 16, (viii) Resigned 20 Dec 16

Note: The FY17 STIP amounts relate to the performance in the current financial year, but will actually be paid in FY18.



Executives are employed under executive employment agreements with the Company. The key terms of these agreements with the Executives at the date of the Report are outlined below:

| Executive   | TFR (i)   | Notice<br>period by<br>Executive | Notice<br>period by<br>Company | Termination Benefit                     |
|---|-----------|----------------------------------|--------------------------------|---|
| James Simpson<br>Managing Director & CEO                        | \$711,750 | 3 months                         | 3 months                       | Accrued entitlements,<br>12 months TFR  |
| Timothy Churcher<br>Chief Financial Officer & Company Secretary | \$438,000 | 3 months                         | 3 months                       | Accrued entitlements,<br>12 months Base |

(i) TFR=Total Fixed Remuneration (base salary + superannuation). Messrs. Simpson and Churcher are entitled to the private use of a company vehicle as part of their remuneration package.

## 8. Shareholdings of Directors and Key Management Personnel

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

| FY18                 |       | Balance at<br>the start of<br>the year | Vesting of<br>Performance<br>Rights | On Exercise<br>of share<br>options | Other<br>changes<br>during the<br>year | Balance at<br>year end |
|----------------------|-------|--|-------------------------------------|------------------------------------|--|------------------------|
| Directors            |       |  |                                     |                                    |  |                        |
| Johnstone, Colin     |       | 800,000                                | -                                   | -                                  | 200,001                                | 1,000,001              |
| Simpson, James Bruce |       | 331,000                                | -                                   | -                                  | 271,429                                | 602,429                |
| Conway, Lawrence     |       | 100,000                                | -                                   | -                                  | 71,429                                 | 171,429                |
| Espie, Paul          | (i)   | -                                      | -                                   | -                                  | -                                      | -                      |
| Menzies, Mike        |       | 462,500                                | -                                   | -                                  | 71,429                                 | 533,929                |
| Symann, Rune         | (ii)  | -                                      | -                                   | -                                  | -                                      | -                      |
| Tuck, Clifford       | (iii) | -                                      | -                                   | -                                  | -                                      | -                      |
| Executives           |       |  |                                     |                                    |  |                        |
| Churcher, Timothy    |       | 300,000                                | -                                   | -                                  | 71,429                                 | 371,429                |
|                      |       | 1,993,500                              | -                                   | -                                  | 685,717                                | 2,679,217              |

(i) Paul Espie is a Pacific Road board nominee and as such is restricted from purchasing shares on his own account. (ii)Resigned 30 Apr 18, (iii) Appointed 24 May 18



| FY17                 |     |       | Balance at the start of the year | Vesting of<br>Performance<br>Rights | On Exercise<br>of share<br>options | Other changes<br>during the<br>year | Balance at<br>year end |
|----------------------|-----|-------|----------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------|
| Directors            |     |       |                                  |                                     |                                    |                                     |                        |
| Johnstone, Colin     |     | (i)   | -                                | -                                   | -                                  | 800,000                             | 800,000                |
| Simpson, James Bruce |     | (ii)  | -                                | -                                   | -                                  | 331,000                             | 331,000                |
| Comb, Gary           |     | (iii) | 281,250                          | -                                   | -                                  | -                                   | 281,250                |
| Conway, Lawrence     |     | (iv)  | -                                | -                                   | -                                  | 100,000                             | 100,000                |
| Espie, Paul          |     |       | -                                | -                                   | -                                  | -                                   | -                      |
| Menzies, Mike        |     |       | 112,500                          | -                                   | -                                  | 350,000                             | 462,500                |
| Symann, Rune         |     |       | -                                | -                                   | -                                  | -                                   | -                      |
| Wehby, Anthony       | (a) | (v)   | 978,125                          | -                                   |                                    | (978,125)                           | -                      |
| Executives           |     |       |                                  |                                     |                                    |                                     |                        |
| Churcher, Timothy    |     |       | -                                | -                                   | -                                  | 300,000                             | 300,000                |
| Kairaitis, Rimas     | (a) | (vi)  | 4,473,544                        | -                                   | -                                  | (4,473,544)                         | -                      |
| Willson, Richard     | (a) | (vii) | 180,000                          | -                                   | -                                  | (180,000)                           | -                      |
|                      |     |       | 6,025,419                        | -                                   | -                                  | (3,750,669)                         | 2,274,750              |

(a) Holding of those KMP who resigned during the year shown as a negative change

(i) Appointed 28 Nov 16, (ii) Appointed 1 Aug 16, (iii) Resigned 30 Jun 17

(iv) Appointed 01 Jun 17, (v) Resigned 28 Nov 16, (vi) Resigned 31 Aug 16, (vii) Resigned 20 Dec 16

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

# AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

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

The amounts received or due to be received by Ernst & Young Australia for non-audit services are contained in Note 22.

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

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

Mr Colin Johnstone

Non-Executive Chairman 27 August 2018





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

As lead auditor for the audit of Aurelia Metals Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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Ernst & Young

Scott Jarrett Partner 27 August 2018

# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

## for the year ended 30 June 2018

|   | Note | 2018<br>\$'000 | 2017<br>\$'000 |  |  |  |  |  |
|---|------|----------------|----------------|--|--|--|--|--|
| Operating sales revenue   | 3(a) | 248,599        | 109,298        |  |  |  |  |  |
| Cost of sales   | 3(b) | (136,093)      | (81,740)       |  |  |  |  |  |
| Gross profit  |      | 112,506        | 27,558         |  |  |  |  |  |
|   |      |                |                |  |  |  |  |  |
| Corporate administration expenses   | 3(c) | (3,136)        | (3,752)        |  |  |  |  |  |
| Acquisition and integration costs   | 3(d) | (6,770)        | -              |  |  |  |  |  |
| Share based expenses  | 3(e) | (2,427)        | (197)          |  |  |  |  |  |
| Exploration and evaluation costs written off  | 11   | (679)          | (609)          |  |  |  |  |  |
| Gain/(Loss) on commodity derivatives  | 3(f) | 633            | 4,073          |  |  |  |  |  |
| Other income/(expense)  | 3(g) | (16)           | (28)           |  |  |  |  |  |
| Profit before interest and income tax   | -    | 100,110        | 27,045         |  |  |  |  |  |
| Finance income  |      | 772            | 453            |  |  |  |  |  |
| Finance costs   | 3(h) | (8,577)        | (8,165)        |  |  |  |  |  |
| Profit before income tax  | -    | 92,306         | 19,333         |  |  |  |  |  |
| Income tax (expense)/benefit  | 5(a) | 6,799          | -              |  |  |  |  |  |
| Profit after income tax   |      | 99,105         | 19,333         |  |  |  |  |  |
| Other comprehensive income  |      | -              | -              |  |  |  |  |  |
| Total Comprehensive Profit for the year   | -    | 99,105         | 19,333         |  |  |  |  |  |
| Earnings per share for Profit attributable to the ordinary equity holders of the parent |      |                |                |  |  |  |  |  |
| Basic Earnings per share (cents per share)  | 21   | 15.5           | 4.8            |  |  |  |  |  |
| Diluted Earnings per share (cents per share)  | 21   | 15.1           | 3.9            |  |  |  |  |  |

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

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



# Statement of Financial Position

as at 30 June 2018

|                                   | Note | 2018<br>\$'000 | 2017<br>\$'000 |
|-----------------------------------|------|----------------|----------------|
| ASSETS                            |      |                |                |
| Current Assets                    |      |                |                |
| Cash and cash equivalents         |      | 66,925         | 34,863         |
| Trade and other receivables       | 6    | 5,829          | 3,035          |
| Inventories                       | 7    | 18,345         | 6,090          |
| Prepayments                       |      | 1,378          | 286            |
| Financial Assets                  | 8    | 1,650          | 2,201          |
| Total current assets              |      | 94,127         | 46,476         |
| Non-current Assets                |      |                |                |
| Mine Properties                   | 9    | 68,310         | 28,559         |
| Property, plant and equipment     | 10   | 91,504         | 44,796         |
| Exploration and Evaluation Assets | 11   | 289            | 1,581          |
| Deferred tax assets               | 5(c) | 7,487          | -              |
| Financial Assets                  | 8    | 4,822          | 3,625          |
| Total non-current assets          |      | 172,412        | 78,561         |
| Total assets                      |      | 266,539        | 125,036        |
| LIABILITIES                       |      |                |                |
| Current liabilities               |      |                |                |
| Trade and other payables          | 12   | 29,693         | 6,934          |
| Current tax liabilities           | 5(f) | 1,053          | -              |
| Provisions                        | 13   | 15,287         | 3,326          |
| Borrowings                        | 14   | 878            | 3,344          |
| Total current liabilities         |      | 46,910         | 13,605         |
| Non-current Liabilities           |      |                |                |
| Provisions                        | 13   | 36,589         | 12,910         |
| Borrowings                        | 14   | -              | 102,302        |
| Total non-current liabilities     |      | 36,589         | 115,212        |
| Total liabilities                 |      | 83,500         | 128,817        |
| Net assets/(liabilities)          |      | 183,039        | (3,780)        |
| EQUITY                            |      |                |                |
| Contributed Equity                | 15   | 185,753        | 100,465        |
| Reserves                          | 16   | 6,658          | 4,231          |
| Retained losses                   | 17   | (9,371)        | (108,476)      |
| Total equity                      |      | 183,039        | (3,780)        |
|                                   |      | · · ·          | <u> </u>       |

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



# Statement of Changes in Equity

### for the year ended 30 June 2018

|  | Note     | Issued<br>Share<br>Capital<br>\$000's | Share<br>Based<br>Payments<br>Reserve<br>\$000's | Accumulate<br>d Losses<br>\$000's | Total<br>\$000's  |
|--|----------|---------------------------------------|--|-----------------------------------|-------------------|
| Balance at 1 July 2016                                       |          | 99,929                                | 4,034  | (127,810)                         | (23,847)          |
| Total Profit/(Loss) for the period                           |          | -                                     | -  | 19,333                            | 19,333            |
| Transactions with owners in the<br>capacity as owners        | eir      |                                       |  |                                   | -                 |
| Shares issued for the period                                 |          | 536                                   | -  | -                                 | 536               |
| Share based payments   | _        |                                       | 197  |                                   | 197               |
| Balance at 30 June 2017                                      | _        | 100,465                               | 4,231  | (108,476)                         | (3,780)           |
| Balance at 1 July 2017<br>Total Profit/(Loss) for the period |          | 100,465<br>-                          | 4,231<br>-                                       | (108,476)<br>99,105               | (3,780)<br>99,105 |
| Transactions with owners in the                              | eir      |                                       |  |                                   |                   |
| capacity as owners   |          |                                       |  |                                   |                   |
| Shares issued for the period                                 | 15       | 89,254                                | -  | -                                 | 89,254            |
| Cost of share issue  | 15       | (3,967)                               | -  | -                                 | (3,967)           |
| Share based payments   | 27       | -                                     | 2,427  | -                                 | 2,427             |
| Balance at 30 June 2018                                      | 15,16,17 | 185,753                               | 6,658  | (9,371)                           | 183,039           |

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



## **Cash Flow Statement**

### for the year ended 30 June 2018

|  | Note    | 2018<br>\$000's | 2017<br>\$000's |
|--|---------|-----------------|-----------------|
| Cash flows from operating activities                 |         |                 |                 |
| Receipts from customers                              |         | 258,467         | 109,904         |
| Payments to suppliers and employees                  |         | (97,661)        | (64,179)        |
| Interest received                                    |         | 762             | 456             |
| Interest paid  |         | (846)           | (64)            |
| Income taxes paid                                    | 5(f)    | (8,964)         | -               |
| Net cash flows from operating activities             | 18      | 151,758         | 46,117          |
| Cash flows from investing activities                 |         |                 |                 |
| Purchase of property, plant and equipment            |         | (8,541)         | (3,934)         |
| Sale of property, plant and equipment                |         | -               | 32              |
| Mine capital capital and exploration costs           |         | (18,328)        | (9,513)         |
| Purchase cost of acquisition of business combination |         | (94,554)        | -               |
| Cash acquired through business combination           | 4.1 (i) | 34,397          | -               |
| Profit /(loss) on foreign exchange                   |         | 538             | (119)           |
| Receipts from settlement of gold forwards            |         | 654             | 1,955           |
| Increase in security deposits                        |         | (1,232)         | (27)            |
| Proceeds from sale of investments                    |         | 200             | 461             |
| Deferred acquisition (Hera Royalty)                  |         | (2,885)         | (2,103)         |
|  | _       | (89,750)        | (13,248)        |
| Cash flows from financing activities                 |         |                 |                 |
| Proceeds from issue of shares                        | 15      | 89,254          | 536             |
| Cost of issuing shares                               | 15      | (3,967)         |                 |
| Repayment of Glencore borrowings                     | 14      | (109,614)       | (15,436)        |
| Drawdown of Investec Syndicated facility             |         | 45,000          | -               |
| Repayment of Investec Syndicated facility            |         | (45,000)        | -               |
| Repayment of other borrowings                        |         | (343)           | (391)           |
| Debt arrangement and service costs                   |         | (3,173)         | -               |
| Other finance costs - withholding tax                |         | (2,105)         | (827)           |
|  | _       | (29,948)        | (16,118)        |
| Net increase in cash and cash equivalents            |         | 32,060          | 16,751          |
| Cash and cash equivalents at beginning of the year   |         | 34,863          | 18,112          |
| Cash and cash equivalents at end of the year         |         | 66,923          | 34,863          |

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



# NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of Aurelia Metals Limited and its subsidiaries for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 23 August 2018.

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

Aurelia has five wholly owned subsidiaries, Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009), Nymagee Resources Pty Ltd (incorporated 7 November 2011), Peak Gold Asia Pacific Ltd (incorporated 26 February 2003) and Peak Gold Mines Pty Ltd (incorporated 31 October 1977). Peak Gold Asia Pacific Ltd which owns 100% of Peak Gold Mines Pty Ltd, was acquired by Defiance Resources Pty Ltd on 10 April 2018. Aurelia sold its 100% owned subsidiary, Stannum Pty Ltd (incorporated 15 September 2007), on 5 June 2018, and has maintained a 25% investment in Big Sky Metals Pty Ltd in consideration of that sale.

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

### 2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

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

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

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

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

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

(i) Going concern

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

#### (b) New accounting standards and interpretations

#### Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted new and amended Australian Accounting Standards and AASB interpretations where applicable from 1 July 2017, which were assessed to have no material impact on the Company, as follows:



| Reference   | Title   | Application date of standard | Application date<br>for Group |
|-------------|---|------------------------------|-------------------------------|
| AASB 2016-1 | Amendments to Australian Accounting Standards – Recognition of<br>Deferred Tax Assets for Unrealised Losses | 1 January 2017               | 1 July 2017                   |
| AASB 2016-2 | Amendments to Australian Accounting Standards – Disclosure<br>Initiative: Amendments to AASB 107            | 1 January 2017               | 1 July 2017                   |

#### (c) Accounting standards and interpretations issued but not yet effective

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet mandatory and which have not been early adopted by the Company for the annual reporting period ending 30 June 2018. The Company is in the process of assessing the impact of the new standards.

| Reference                 | Title   | Application date of standard | Application date<br>for Group |
|---------------------------|---|------------------------------|-------------------------------|
| AASB 15                   | Revenue from Contracts with Customers (i)   | 1 January 2018               | 1 July 2018                   |
| AASB 9                    | Financial Instruments (ii)  | 1 January 2018               | 1 July 2018                   |
| AASB<br>Interpretation 22 | Foreign Currency Transactions and Advance Consideration   | 1 January 2018               | 1 July 2018                   |
| AASB 16                   | Leases (iii)  | 1 January 2019               | 1 July 2019                   |
| AASB 2016-5               | Amendments to Australian Accounting Standards – Classification<br>and Measurement of Share-based Payment Transactions                             | 1 January 2018               | 1 July 2018                   |
| AASB 2017-1               | Amendments to Australian Accounting Standards – Transfers of<br>Investments Property, Annual Improvements 2014-2016 Cycle<br>and other amendments | 1 January 2018               | 1 July 2018                   |
| AASB 2017-7               | Amendments to Australian Accounting Standards – Long-Term<br>Interests in Associates and Joint Ventures   | 1 January 2019               | 1 July 2019                   |
| AASB 2018-1               | Annual Improvements to IFRS Standards 2015-2017 Cycle   | 1 January 2019               | 1 July 2019                   |
| AASB<br>Interpretation 23 | Uncertainty Over Income Tax Treatments  | 1 January 2019               | 1 July 2019                   |
| AASB<br>not yet issued    | Conceptual Framework for Financial Reporting  | 1 January 2020               | 1 July 2020                   |

(i) AASB 15: Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership, to the transfer of total control. The standard has an effective date for the Group of 1 July 2018. The Group plans to adopt the new standard on the effective date.

During 2018, the Group continued its assessment of AASB 15 and the key issues identified are set out below. These are based on the Group's current interpretation of AASB 15 and may be subject to changes as contracts with customers are renewed and interpretations evolve more generally.

The Group's revenue is derived from bullion and base metal sales:

*Bullion sales:* For the sale of bullion, ownership and control are passed onto the customer at delivery. At this point in time the indicators prescribed in AASB 15 that control has passed are all present. As such, the Company does not anticipate the timing of revenue recognition in respect of Group gold sales to be materially affected by the new standard.

*Base metal sales:* For base metal sales, the point of revenue recognition is dependent on the sales contract, which is on Cost, Insurance and Freight (CIF) incoterms. Generally, the transfer of title passes to the Buyer upon date of the Holding and Title Certificate.

AASB 15 introduces the concept of performance obligations that are defined as "distinct" promised goods or services. For CIF Incoterms, the seller must contract for and pay the costs and freight

necessary to deliver the goods to the port of destination. Consequently the freight service on export concentrate represents a separate performance obligation as defined under the new standard. This means a portion of the revenue earned under these contracts, representing the cost of the freight services, will be deferred and recognised at the time the obligation is fulfilled.

Management have performed a preliminary assessment on the impact of this change on the basis of concentrate shipments outstanding at year end and the amount is not material and there is not expected to be an adjustment on application of AASB 15. Management is finalising its assessment regarding whether Aurelia is acting as Principle or Agent with regards to the provision of freight services, which will determine whether the revenue is presented gross or net of costs.

Sales contracts for AMI Group's concentrate sales incorporate provisional pricing, with the quotational period (QP) in the contract acting as a derivative instrument (as it can be likened to a forward contract), with settlement at a future point in time (generally 1 or 3 months). These embedded derivatives are recognised within the sales revenue and trade receivables at reporting date. This does not represent a change to current revenue recognition.

The Company will adopt the modified retrospective approach from 1 July 2018.

(ii) AASB 9: Financial Instruments replaces AASB 139: Financial Instruments: Recognition and Measurement. The main impact of AASB 9 on the Group is the measurement of equity instruments in respect of the Aurelia's 25% investment in Big Sky Metals Pty Ltd. Equity instruments are generally measured at fair value through profit or loss (FVTPL). However entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of nontrading instruments in other comprehensive income (OCI) without subsequent classification to profit or loss.

The investment in Big Sky Metals Pty Ltd was initially recorded upon completion of the sale of 100%owned subsidiary Stannum Pty Limited on 5 June 2018, and initial cost of the investment is deemed to be materially consistent with the fair value of Big Sky Metals Pty Ltd at 30 June 2018. As a result, any adjustment required to the comparative value of the investment is not expected to be material.

The other main elements of the new Financial Instruments standard (hedging and impairments) are not expected to have a material impact on the Group, however this view is based on the Group's current interpretation of AASB 9, and may be subject to changes as new transactions arise and as interpretations evolve more generally. The Group is considering and will continue to monitor any further developments.

(iii) AASB 16: Leases requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under current AASB 117: Leases. Although the new standard is only effective for the Group from 1 July 2019, in preparation for its adoption, management are undertaking extensive analysis to identify which supplier contracts might fall within the provisions of AASB 16.

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

Preliminary assessment indicates there will be a number of current supplier agreements (or elements thereof) that will be brought onto the Group balance sheet as leases. Appropriate systems and procedures are being established to capture the necessary information from contracts within the scope of AASB 16 to enable compliance with the new standard before it becomes effective. The Group will continue to monitor industry best-practice and authoritative guidance to determine the most appropriate approach to measurement and disclosure of its deemed leases in the financial statements.

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



#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Aurelia Metals Limited and its subsidiaries (as outlined in Note 1).

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

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

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

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

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

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

#### (e) Foreign Currency

#### Functional and Presentation Currency

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

#### Transactions and Balances

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

#### (f) Cash and cash equivalents

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

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

#### (g) Trade and other receivables

Trade receivables comprising base metal concentrates and gold bullion awaiting settlement are initially recorded at the fair value of contracted sale proceeds expected to be received only when there has been a passing of significant risks and awards of ownership to the customer. Collectability of debtors is reviewed on an ongoing basis.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.



Other collectables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

#### (h) Inventories / Materials on hand

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

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

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

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

#### (i) Property, Plant and Equipment and Mine Properties

Items of property, plant and equipment and producing mines are stated at cost, less accumulated depreciation, amortisation and accumulated impairment losses.

#### Initial recognition

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

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

#### Depreciation/amortisation

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

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



Other plant and equipment, is calculated on a straight-line basis over their estimated useful lives as follows:

- Plant and equipment three to seven years
- Land not depreciated
- Motor vehicles three to seven years
- Leasehold improvements three to seven years

#### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

#### Derecognition

Items of property, plant and equipment and producing mines are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### (j) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### (k) Exploration and evaluation expenditure

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

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

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



#### Mines under construction

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

#### **Producing mines**

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

#### (l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (m) Provisions and employee benefits

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss.

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

#### (n) Leases

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

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

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

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

#### (o) Borrowing costs

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



#### (p) Income recognition

Income, including management fees, is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the income can be reliably measured. The following specific recognition criteria must also be met before income can be recognised:

#### Gold and Silver Bullion Sales

Revenue from gold and silver bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reasonably estimated.

#### Zinc, Lead and Silver in Concentrate Sales

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (quotation period). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between one and three months.

#### Interest

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### (q) Share-based payment transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model or Trinomial Barrier Option model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Aurelia ('market conditions').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

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



#### (r) Income tax

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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

#### (s) Other taxes

Income, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.



Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (t) Contributed equity

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

#### (u) Operating segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### (v) Earnings/(loss) per share

#### *Basic earnings/(loss) per share*

Basic earnings /(loss) per share is calculated by dividing the profit /(loss) attributable to equity holders of the company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

#### *Diluted earnings/(loss) per share*

Diluted earnings per share is calculated as net profit /(loss) attributable to members of the Company, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in income or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

#### (w) Financial instruments

(i) Financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### Recognition and de-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.



#### Subsequent valuation

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- Loans and receivables, which shall be measured at amortised cost using the effective interest method;
- Held-to-maturity investments as, which shall be measured at amortised cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### (ii) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities may include trade and other payables, loans and borrowings, including bank overdrafts, and derivative financial instruments.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or



modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### (iii) Offsetting of financial instruments

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

#### (x) Comparative information

At balance date, embedded derivatives on provisionally priced sales have been reclassified from current financial assets to trade and other receivables, and from gain/(loss) on commodity derivatives to sales revenue. The disclosures of the affected accounts at 30 June 2018 have been restated accordingly for comparability purposes.

|  | Financial<br>Assets | Trade and other receivables      | Total   |
|--|---------------------|----------------------------------|---------|
| As previously presented - 30 June 2017 | 2,970               | 2,266                            | 5,236   |
| As currently presented - 30 June 2017  | 2,201               | 3,035                            | 5,236   |
|  | Sales               | Gain on commodity<br>derivatives | Total   |
| As previously presented - 30 June 2017 | 108,565             | 733                              | 109,298 |
| As currently presented - 30 June 2017  | 109,298             | -                                | 109,298 |

### 2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, income and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

#### (a) Significant accounting estimates and assumptions

(i) Unit of Production Method of Depreciation/Amortisation

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

(ii) Impairment of Assets

The Company assesses each Cash-Generating Unit (GGU), at each reporting period to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value costs of disposal and value in use calculated in accordance with accounting policy Note 2A(i). These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, gold multiple values, future operating development and sustaining capital requirements and operating performance. Refer to note 9 and 10.



#### (iii) Rehabilitation

The Group makes a provision for the future cost of rehabilitating the Hera and Peak mine sites and related production facilities at the time of developing the mine and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the life of the respective mines. These provisions have been created based on Aurelia's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold, lead and zinc prices, which are inherently uncertain.

(iv) Deferred acquisition costs in relation to Hera

The Company measures the deferred acquisition costs by reference to the fair value of net present value of future cash outflows. The following assumptions have been taken into account: risk free bond rate, gold price, timing and possibility of payment. Refer to note 23.

(v) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes or Trinomial Barrier Option Model formula taking into account the terms and conditions upon which the instruments were granted. For equity instruments where the fair value cannot be reliably measured, the equity instruments are measured at their intrinsic value, initially at the grant date, and subsequently at the end of each reporting period and at the date of final settlement, with any change in intrinsic value recognised in profit or loss.

The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

### 3. **REVENUE AND EXPENSES**

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

|                               | 2018<br>\$'000 | 2017<br>\$'000 |
|-------------------------------|----------------|----------------|
| (a) Operating sales revenue   |                |                |
| Gold                          | 175,236        | 76,580         |
| Copper                        | 12,127         | -              |
| Lead                          | 27,178         | 14,368         |
| Zinc                          | 31,430         | 17,495         |
| Silver                        | 2,628          | 855            |
| Total operating sales revenue | 248,599        | 109,298        |
| (b) Cost of sales             |                |                |
| Site production costs         | 81,174         | 52,519         |
| Transport and refining        | 8,206          | 5,417          |
| Royalty                       | 7,234          | 2,641          |
| Inventory movement            | 2,912          | (236)          |
|                               | 99,526         | 60,340         |
| Depreciation and amortisation | 36,568         | 21,400         |
| Total cost of sales           | 136,093        | 81,740         |



|  |                    | 2018<br>\$'000       | 2017<br>\$'000 |
|--|--------------------|----------------------|----------------|
| (c) Corporate administration expenses                |                    | • • • •              | • • • •        |
| Corporate expenses                                   |                    | 3,097                | 3,691          |
| Corporate depreciation                               |                    | 39                   | 61             |
| Total corporate administration expenses              | _                  | 3,136                | 3,752          |
| (d) Acquisition and integration expenses             |                    |                      |                |
| Acquisition and integration expenses                 |                    | 1,133                | _              |
| Stamp duty   |                    | 5,637                | -              |
| Total acquisition and integration expenses           | 4.1(ii)            | 6,770                | -              |
|  | _                  |                      |                |
| (e) Share based expenses                             |                    |                      |                |
| Share based payments expense - employees             | (i)                | 2,427                | 197            |
| Total share based expenses                           | _                  | 2,427                | 197            |
| (i) Being performance rights measured at intrinsic v | value to the Key N | 1anagement Personnel |                |
| (f) Gain/(Loss) on commodity derivatives             |                    |                      |                |
| Gain/(Loss) on foreign exchange                      |                    | 985                  | (83)           |
| Gain on gold forward contracts                       |                    | (352)                | 4,156          |
| Total gain/(loss) on commodity derivatives           |                    | 633                  | 4,073          |
|  |                    |                      |                |
| (g) Other income/(expenses)                          |                    |                      |                |
| Loss on disposal of plant and equipment              |                    | (1,144)              | (314)          |
| Sundry income  |                    | 987                  | 187            |
| Gain on disposal/revaluation of financial assets     | —                  | 141                  | 99             |
| Total other income/(expenses)                        |                    | (16)                 | (28)           |
| (h) Finance costs                                    |                    |                      |                |
| Interest expense                                     |                    | 5,267                | 8,119          |
| Debt arrangement and service fees                    |                    | 3,168                | -              |
| Unwind of discount                                   |                    | 141                  | 45             |
| Total finance costs                                  | _                  | 8,577                | 8,165          |
| (i) Depreciation and amortisation                    |                    |                      |                |
| Property, plant and equipment                        | 10                 | 14,640               | 9,852          |
| Mine properties                                      | 9                  | 21,968               | 11,610         |
| Total depreciation and amortisation                  |                    | 36,607               | 21,462         |
|  | _                  |                      |                |
| Represented by:                                      |                    |                      |                |
| Cost of sales depreciation                           |                    | 36,568               | 21,400         |
| Corporate depreciation                               | —                  | 39                   | 61             |
| Total depreciation and amortisation                  | —                  | 36,607               | 21,462         |
| (j) Employee benefits expense                        |                    |                      |                |
| Salaries, on-costs and other employee benefits       |                    | 19,909               | 10,215         |
| Superannuation expense                               |                    | 1,172                | 719            |
| Share based payments expense - employees             |                    | 2,427                | 197            |
| Total employee benefits expense                      | _                  | 23,508               | 11,131         |
|  |                    | •                    |                |



### 4. SIGNIFICANT ITEMS

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

#### 4.1 BUSINESS COMBINATION – ACQUISITION OF PEAK GOLD ASIA PACIFIC

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

The acquisition was completed on 10 April 2018, and consisted of a base acquisition price of \$76.7 million and an agreed Net Cash and Working Capital Amount of \$16.7 million, bringing the total acquisition consideration paid to \$93.4 million.

The Net Cash and Working Capital Amount was based on a 31 December 2017 balance date, and any surplus or deficit accruing from business activity from 31 December 2017 to 10 April 2018 remained with Peak Mines and was acquired by the Company on 10 April 2018 (locked box mechanism).

Whilst the Company maintained an economic interest in Peak Gold Mines from 1 January 2018, it had no managerial control until completion.

#### (i) Acquisition date fair values

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

|                                 | Nista | Fair Value |
|---------------------------------|-------|------------|
|                                 | Note  | \$000's    |
| Cash                            |       | 34,397     |
| Trade and Other Receivables     |       | 16,300     |
| Inventory                       |       | 14,989     |
| Property, Plant & Equip. (PP&E) | 10    | 55,611     |
| Mine Properties                 | 9     | 37,129     |
| Deferred Tax Asset              |       | 688        |
| Trade and Other Payables        |       | (18,640)   |
| Income Tax Payable              |       | (10,017)   |
| Provisions                      |       | (37,037)   |
| Net assets acquired             |       | 93,420     |

#### (ii) Acquisition-date fair value of consideration transferred

|  | \$'000 |
|--|--------|
| Cash paid                                | 93,420 |
| Consideration transferred                | 93,420 |
|  | \$'000 |
| Direct costs relating to the acquisition | 1,133  |
| Stamp Duty payable on the acquisition    | 5,637  |
| Total acquisition costs                  | 6,770  |

The Group can provisionally account the acquisition entries and has 12 months (the measurement period) from acquisition date to finalise its acquisition accounting. Considerable work has been undertaken on the acquisition accounting balances and the Purchase Price Allocation (PPA) for the year ended 30 June 2018 to minimise the potential for material adjustments in the next financial year. However, if an adjustment to the provisional amount is recognised during the next financial year, the comparative provisional amounts must be adjusted and restated for the prior financial year.



All receivables are stated at fair value and reflect the gross contractual amount receivable. At acquisition date there were no contractual cash flows not expected to be collected.

The Company used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life of mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life of mine plan as at the acquisition date.

A replacement cost approach was determined to value the fair value of other property, plant and equipment.

A deferred tax liability of \$0.7 million was recognised at acquisition date for the difference between the fair values and tax bases of assets acquired and liabilities assumed.

The acquired business contributed revenues of \$92.8 million and net profit of \$50.5 million to the Group for the period 10 April 2018 to 30 June 2018. If the acquisition had taken place at the beginning of the financial year, Peak's contributed revenue and profit for the 2018 year would have been \$273.3 million and \$87.8 million respectively.

Acquisition and integration costs of \$6.7 million have been expensed.

#### 4.2 EARLY REPAYMENT OF GLENCORE DEBT

During the current financial year, the Company and its major lender in Glencore agreed a mechanism to enable early debt repayments. Early debt repayments up to 31 March 2018 were to be applied against the outstanding balance of Facilities C&E, with the amount of early debt repayments directly reducing the amount of convertible debt able to be converted on 31 March 2018 for Facilities B&F.

On the 28 March 2018, the Board announced that it had no intention of exercising its right to convert any of the Glencore Convertible Note Facility (Facility F) into shares, and on 24 April 2018, the Company repaid the remaining Glencore debt in full.

|            | Opening Face |          |            |               |
|------------|--------------|----------|------------|---------------|
|            | Value        | Interest | Repayments | Closing Value |
|            | \$'000       | \$'000   | \$'000     | \$'000        |
| Facility C | 52,204       | 2,199    | (54,403)   | -             |
| Facility D | 30,461       | 1,422    | (31,883)   | -             |
| Facility E | 5,427        | 263      | (5,690)    | -             |
| Facility F | 16,925       | 713      | (17,638)   | -             |
|            | 105,018      | 4,596    | (109,614)  | -             |

#### 4.3 EQUITY RAISING

Part of the funding plan to support the acquisition of Peak Mines (Note: 4.1) was provided by equity placements to institutions and major shareholders, together with a Share Purchase Plan for smaller shareholders.

Tranche 1 of the equity raising was completed during the first half of the financial year and raised \$20.7 million (net of placement costs) for the issue of 104.0 million shares at \$0.21/share.

Tranche 2 (Institutional placement plus Pacific Road and Glencore placements) was completed on 12 January 2018, and raised \$56.4 million (net of placement costs) for the issue of 281.2 million shares at \$0.21/share.

The Share Purchase Plan raised \$8.3M for the issue of 39.8 million shares at \$0.21/share.

In total, the Company raised \$85.3M (net of placement costs of \$3.7M) for the issue of 425.0 million shares at \$0.21/share. This amount exceeded the Company's expected raising of \$70M, with additional funds providing extra working capital to assist with the Peak Mines integration and the early repayment of the Glencore debt (note: 4.2).

#### 4.4 INVESTEC DEBT FACILTY

During the financial year, the Group entered into financing commitments with Investec Group for new underwritten debt facilities which were to be used to settle the acquisition of Peak Gold Asia Pacific Ltd



("Peak") and provide flexibility to restructure its current debt obligations in the first half of 2018. The new facilities included:

- Senior Debt Facility of \$45 million which is senior secured over the Peak assets. This was refinanced by 30 June 2018 through the Corporate Amortising Loan referred to below;
- Guarantee Facility of \$30 million to fund the Performance Bonds required to be provided in relation to Peak's rehabilitation obligations and refinancing of Aurelia's current cash backed Performance Bond for Hera; and
- Corporate Amortising Loan for \$85 million. This facility is to be used, following satisfaction of the conditions precedent, to refinance the Senior Debt Facility used to fund the Transaction and provide additional debt capacity to restructure existing debt obligations during the first half 2018.

On 10 April 2018, Aurelia drew down \$45 million from the Senior Debt Facility to complete the acquisition of Peak. The Company had the option of drawing a further \$40M (total capacity of \$85M) from existing debt facilities, but due to a combination of high cash levels and strong operating performance, the Company was in a significantly stronger financial position than planned, and as such, the Board decided that no additional net debt, above the \$45M, was required.

On 28 June 2018, following strong operational performance and significant increase in cash flow during the June 18 quarter, Aurelia fully repaid the \$45 million Investec Facility

At 30 June 18, the \$30 million guarantee facility with Investec remains in place.

The debt arrangement and servicing fees of \$3.168 million have been expensed in the period.

### 5. INCOME TAX

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

| Current tax on profits for the year30,9265,423Deferred tax movement for the year(37,725)(5,423)Income tax expense/(benefit) reported in the income statement(6,799)- <b>b) Numerical reconciliation of income tax expense to prima</b><br>facie tax payable-Accounting profit before income tax92,30519,333Tax at the Australian tax rate of 30%27,6925,800Tax effect of amounts which are not deductible/(taxable) in<br>calculating taxable income:3,663(377)Share based payments and other non-assessable items3,663(377)Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-Income tax benefit(6,799)- | a) Income Tax Expense   | 2018<br>\$'000 | 2017<br>\$'000 |
|--|---|----------------|----------------|
| Income tax expense/(benefit) reported in the income statement(1,7,9)b) Numerical reconciliation of income tax expense to prima<br>facie tax payableAccounting profit before income tax92,305Accounting profit before income tax92,305Tax at the Australian tax rate of 30%27,692Tax effect of amounts which are not deductible/(taxable) in<br>calculating taxable income:3,663Share based payments and other non-assessable items3,663Previously unrecognised tax benefit now recognised(26,137)Deferred tax assets recognised(12,017)  | Current tax on profits for the year                           | 30,926         | 5,423          |
| b) Numerical reconciliation of income tax expense to prima<br>facie tax payable<br>Accounting profit before income tax 92,305 19,333<br>Tax at the Australian tax rate of 30% 27,692 5,800<br><i>Tax effect of amounts which are not deductible/(taxable) in</i><br><i>calculating taxable income:</i><br>Share based payments and other non-assessable items 3,663 (377)<br>Previously unrecognised tax benefit now recognised (26,137) (5,423)<br>Deferred tax assets recognised (12,017) -  | Deferred tax movement for the year                            | (37,725)       | (5,423)        |
| facie tax payableAccounting profit before income tax92,30519,333Tax at the Australian tax rate of 30%27,6925,800Tax effect of amounts which are not deductible/(taxable) in<br>calculating taxable income:5,800Share based payments and other non-assessable items3,663(377)Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-   | Income tax expense/(benefit) reported in the income statement | (6,799)        | -              |
| Tax at the Australian tax rate of 30%27,6925,800Tax effect of amounts which are not deductible/(taxable) in<br>calculating taxable income:3,663(377)Share based payments and other non-assessable items3,663(377)Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-  | • • • • •   |                |                |
| Tax effect of amounts which are not deductible/(taxable) in<br>calculating taxable income:3,663(377)Share based payments and other non-assessable items3,663(377)Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-  | Accounting profit before income tax                           | 92,305         | 19,333         |
| calculating taxable income:Share based payments and other non-assessable items3,663(377)Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-   | Tax at the Australian tax rate of 30%                         | 27,692         | 5,800          |
| Previously unrecognised tax benefit now recognised(26,137)(5,423)Deferred tax assets recognised(12,017)-   |   |                |                |
| Deferred tax assets recognised (12,017) -  | Share based payments and other non-assessable items           | 3,663          | (377)          |
|  | Previously unrecognised tax benefit now recognised            | (26,137)       | (5,423)        |
| Income tax benefit (6.799) -   | Deferred tax assets recognised                                | (12,017)       | -              |
| (-),)  | Income tax benefit  | (6,799)        | -              |

#### c) Deferred tax balances

The net Deferred tax asset of \$7.487m (2017: Nil), classified as a non-current asset, is comprised of the following:

|                                   | 2018   | 2017   |
|-----------------------------------|--------|--------|
| Deferred Tax Assets               | \$'000 | \$'000 |
| Carry forward losses not utilised | 632    | 5,421  |
| Provisions                        | 16,617 | 6,849  |
| Other                             | 1,985  | 5,069  |
| Total                             | 19,234 | 17,339 |



| Net deferred tax asset carried forward | 7,487    | -        |
|--|----------|----------|
| Total                                  | (11,747) | (17,339) |
| Other                                  | (4,239)  | (8,049)  |
| Fixed assets                           | (7,508)  | (9,290)  |
| Deferred Tax Liabilities               | \$'000   | \$'000   |
|  | 2018     | 2017     |

#### d) Tax Losses

The Group has available tax losses of \$2.106 million (2017: \$105.19 million). Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised. All available tax losses have been recognised at 30 June 18.

| e) Movement in net deferred asset                       |     |         |        |
|---|-----|---------|--------|
| Opening balance   |     | -       | -      |
| Deferred tax asset from business acquisition            |     | 688     | -      |
| Tax benefit arising from recognition of deferred tax as | set | 6,799   | -      |
| Net Deferred tax asset at 30 June 2018                  |     | 7,487   | -      |
|   |     | 2018    | 2017   |
| f) Movement in tax provision account                    |     | \$'000  | \$'000 |
| Opening balance - 1 Jul 17                              |     | -       | -      |
| Tax liability inherited on business combination         | (i) | 10,017  | -      |
| Tax paid to 30 Jun 18                                   |     | (8,964) | -      |
| Tax liability at 30 Jun 18                              |     | 1,053   | -      |
| (i) Peak tax liability up to 9 April 18.                |     |         |        |

### 6. TRADE AND OTHER RECEIVABLES

|                   | 2018        | 2017   |
|-------------------|-------------|--------|
|                   | \$'000      | \$'000 |
| Trade debtors     | 3,881       | 2,341  |
| GST receivable    | 1,595       | 677    |
| Other receivables | 354         | 17     |
| Closing balance   | 5,829       | 3,035  |
|                   | <br>20.00 1 |        |

All of the above are non-interest bearing and generally receivable on 30-90 day terms. Due to the short term nature their carrying value approximates their fair value.

At balance date, no material amount of trade receivables were past due or impaired.

### 7. INVENTORIES

|                                      | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Stores inventory (materials on hand) | 7,867          | 2,469          |
| Ore stockpiles                       | 2,133          | 378            |
| Metal in circuit                     | 2,011          | 117            |
| Finished concentrate                 | 4,831          | 2,559          |
| Finished gold dore                   | 1,503          | 568            |
| Total current inventory              | 18,345         | 6,090          |

All inventory is held at cost. Adjustments to inventory are recognised through cost of sales.



### 8. FINANCIAL ASSETS

| <b>Current</b><br>Gold Forward Contracts |     | <b>2018</b><br><b>\$'000</b><br>1,650 | <b>2017</b><br><b>\$'000</b><br>2,201 |
|--|-----|---------------------------------------|---------------------------------------|
|  |     | 1,650                                 | 2,201                                 |
| Non-current                              |     |                                       | 115                                   |
| Shares in Aus Tin Mining Limited         |     | -                                     | 115                                   |
| Term Deposits                            |     | 4,742                                 | 3,510                                 |
| Investment in Big Sky Metals (Pty) Ltd   | (i) | 80                                    |                                       |
|  |     | 4,822                                 | 3,625                                 |
| Movement in carrying value               |     |                                       |                                       |
| Opening balance                          |     | 115                                   | 477                                   |
| Investment in Big Sky Metals             |     | 80                                    | -                                     |
| Gain revaluation of investment           |     | -                                     | 26                                    |
| Sale of investments                      |     | (115)                                 | (389)                                 |
| Closing balance                          |     | 80                                    | 115                                   |
|  |     |                                       |                                       |

(i) Being 25% interest in Big Sky Metals from the sale of Stannum Pty Ltd
The fair value of \$80,000 is representative of 25% of the total equity raising \$320,000.

Aurelia do not have any controlling rights in the investment.

### 9. MINE PROPERTIES

|   |      | 2018     | 2017     |
|---|------|----------|----------|
|   |      | \$'000   | \$'000   |
| Opening balance                                 |      | 28,559   | 30,006   |
| Addition from business combination              | 4.1  | 37,129   | -        |
| Transfer from exploration and evaluation assets |      | 1,365    | -        |
| Development expenditure during the year         |      | 22,062   | 10,163   |
| Transfer from property,plant and equipment      |      | 1,162    | -        |
| Amortisation for the year                       | 3(i) | (21,968) | (11,610) |
| Closing balance                                 |      | 68,310   | 28,559   |
|   |      |          |          |

#### Impairment losses

Impairment tests are performed when there are indicators of impairment. The Group conducts a review of indicators of impairment at each reporting date. Indicators reviewed include, but are not limited to, the operating performance of the Cash Generating Unit ("CGU"), future business plans, assumptions around future commodity prices, exchange rates, production rates and production costs.

A review of indicators of impairment was conducted at 30 June 2018 (2017: Nil).

### 10. PROPERTY, PLANT AND EQUIPMENT

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Plant and equipment at cost             | 128,670        | 68,111         |
| Property at cost                        | 764            | 275            |
| Accumulated depreciation and impairment | (37,931)       | (23,591)       |
| Total property, plant and equipment     | 91,504         | 44,796         |



| Movement in Property, Plant & Equipment      |      |          |         |
|--|------|----------|---------|
| Carrying value at the beginning of the year  |      | 44,796   | 50,508  |
| Additions acquired from business combination | 4.1  | 55,611   | -       |
| Additions/expenditure during the year        |      | 8,076    | 4,486   |
| Assets scrapped/written off                  |      | (1,132)  | (336)   |
| Disposals of assets                          |      | (44)     | (10)    |
| Transfer to mine properties                  |      | (1,163)  | -       |
| Depreciation for the year                    | 3(i) | (14,640) | (9,852) |
| Closing balance                              |      | 91,504   | 44,796  |
|  |      |          |         |

### 11. EXPLORATION AND EVALUATION ASSETS

|   |     | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-----|----------------|----------------|
| At cost   |     | 25,297         | 24,866         |
| Accumulated write offs                              |     | (24,961)       | (23,285)       |
| Disposal of assets                                  | (i) | (48)           | -              |
| Total exploration and evaluation assets             |     | 289            | 1,581          |
| Opening balance                                     |     | 1,581          | 106            |
| Expenditure during the year                         |     | 800            | 2,084          |
| Expenditure written off during the year             |     | (679)          | (609)          |
| Exploration capital transferred to mine development |     | (1,365)        | -              |
| Disposal of assets                                  | (i) | (48)           | -              |
| Closing balance                                     |     | 289            | 1,581          |
|   |     |                |                |

No impairment charge was recognised in 2018 (2017: Nil).

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

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

### 12. TRADE AND OTHER PAYABLES

|                             | 2018   | 2017   |
|-----------------------------|--------|--------|
|                             | \$'000 | \$'000 |
| Trade payables and accruals | 24,467 | 2,481  |
| Other payables              | 5,225  | 4,453  |
|                             | 29,693 | 6,934  |

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



### 13. **PROVISIONS**

| 2018   | Rehabilit<br>ation (i)<br>\$'000                   | Deferred<br>Acquisition<br>Costs (ii)<br>\$'000 | Employee<br>\$'000 | Other (iii)<br>\$'000 | Total<br>\$'000 |
|--|--|---|--------------------|-----------------------|-----------------|
| Opening balance  | 4,152  | 9,386   | 583                | 2,115                 | 16,236          |
| Provisions assumed from business combination (Note: 4.1) | 24,948   | -   | 12,088             | -                     | 37,037          |
| Re-measurement of provision                              | 3,706  | 1,097   | (596)              | (185)                 | 4,022           |
| Discount unwind charged to<br>Income Statement           | (141)  | -   | -                  | -                     | (141)           |
| Paid/utilised during the year                            | -  | (2,622)   | (724)              | (1,930)               | (5,276)         |
| Closing Balance  | 32,665   | 7,860   | 11,352             | -                     | 51,877          |
| Comprising:  |  |   |                    |                       |                 |
| Current 2018   | 761  | 3,428   | 11,098             | -                     | 15,287          |
| Non-current 2018   | 31,904   | 4,432   | 253                | -                     | 36,589          |
| Total provisions 2018                                    | 32,665   | 7,860   | 11,352             | -                     | 51,877          |
| Current 2017<br>Non-current 2017                         | -<br>4,152   | 2,774<br>6,612                                  | 552<br>31          | -<br>2,115            | 3,326<br>12,910 |
| Total provisions 2017                                    | 4,152  | 9,386   | 583                | 2,115                 | 16,236          |
| 10101 1101310113 2017                                    | - <del>,</del> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 9,500   | 202                | 2,115                 | 10,230          |

(i) Rehabilitation provision represents the present value of the estimated future rehabilitation cost relating to the mine sites. Timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. The Company holds a term deposit of \$4.2 million (2017: \$2.9 million) as security over the Hera rehabilitation costs. The increase in the Hera provision during the year is primarily a result of increased tails storage dam (rehabilitation area). A Letter of Credit Facility has been agreed under the Investec Syndicated Facility (Facility C) for the purposes of environmental bonds in an aggregate amount of \$30 million, which will cover the Group Rehabilitation provision (\$25 million for Peak, and \$5 million for Hera).

(ii) Deferred acquisition costs are valued at fair value by using the discounted cash flow methodology based on the five year Australian government bond rate of 2.23% (refer to note 23).

(iii) Other provisions represent withholding tax paid on the full settlement of the Glencore debt.

### 14. BORROWINGS

|                              | 2018   | 2017    |
|------------------------------|--------|---------|
| Current                      | \$'000 | \$'000  |
| Finance leases (a)           | 285    | 343     |
| Insurance Funding (b)        | 593    | -       |
| Borrowings (c)               | -      | 3,001   |
| Total current borrowings     | 878    | 3,344   |
| Non-current                  |        |         |
| Finance leases (a)           | -      | 285     |
| Borrowings (c)               | -      | 102,017 |
| Total Non-current borrowings | -      | 102,302 |



|  | 2018   | 2017    |
|--|--------|---------|
| Total Current and Non-current borrowings | \$'000 | \$'000  |
| Finance leases                           | 285    | 628     |
| Insurance Funding                        | 593    |         |
| Glencore borrowings                      | -      | 105,018 |
| Total borrowings                         | 878    | 105,646 |

(a) Finance leases have been used to fund light vehicles, and some fixed and mobile plant for the crushing/screening circuit of the processing mill. Terms: Fixed monthly repayments in advance; Period three-five years; Fixed interest rates ranging between 7.1%; Nil residual.

(b) Relates to Insurance funding from Macquarie Bank.

(c) Glencore borrowings were fully repaid during the year. Investec syndicated facilities B & C were drawn and repaid during the year. Refer to note 4 for more details.

Movement in the Glencore and Investec borrowings during the year are tabulated below:

|  | 2018      | 2017     |
|--|-----------|----------|
| Movement in Borrowings                   | \$'000    | \$'000   |
| Opening Current and non-current          | 105,018   | 112,449  |
| Unwind of discount - Glencore borrowings | 4,596     | 8,005    |
| Debt repayment - Glencore                | (109,614) | (15,436) |
| Debt drawdown - Investec Facility        | 45,000    | -        |
| Debt repayment - Investec Facility       | (45,000)  | -        |
| Closing Current and non-current          | -         | 105,018  |

### 15. CONTRIBUTED EQUITY

#### (a) Movement in ordinary shares on Issue

| 2018                |       | Date      | Number      | \$'000  |
|---------------------|-------|-----------|-------------|---------|
| Opening balance     |       | 01-Jul-17 | 430,858,188 | 100,465 |
| Issue of shares     | (i)   | 27-Nov-17 | 104,000,000 | 21,840  |
| Issue of shares     | (ii)  | 12-Jan-18 | 58,077,506  | 12,196  |
| Issue of shares     | (iii) | 15-Jan-18 | 262,943,639 | 55,218  |
| Cost of share issue |       |           | -           | (3,967) |
| Closing balance     |       | 30-Jun-18 | 855,879,333 | 185,753 |
| 2017                |       | Date      | Number      | \$'000  |
| Opening balance     |       | 01-Jul-16 | 387,991,188 | 99,929  |
| Issue of shares     | (iv)  | 08-Feb-17 | 40,000,000  | 500     |
| Issue of shares     | (v)   | 23-Feb-17 | 2,867,000   | 36      |
| Nil                 |       |           | -           | -       |
| Closing balance     |       | 30-Jun-17 | 430,858,188 | 100,465 |

(i) Issue relates to Tranche 1 of the Share Placement agreement dated 27 November 2017

- (ii) Issue relates to Tranche 2 of the Share placement agreement (27 Nov 17) and is for the issue of shares to Glencore (18.2 million shares) and SPP issues (40 million shares)
- (iii) Issue relates to Tranche 2 of the Share Placement agreement (27 Nov 17) and is for the issue of shares to Pacific Road (168.7 million shares) and institutional placements (94.2 million shares).
- (iv) Issue related to the exercise of 40,000,000 options, exercisable at 1.25c/share by Pacific Road Capital Management Pty Ltd
- (v) Issue to Glencore pursuant to the anti-dilution and top-up rights granted to Glencore under the subscription agreement dated 11 February 2013, as amended and restated on 18 December 2015



Note: On 8 June 2018, Pacific Road Capital sold its entire shareholding of 313.7 million shares (36.7%) to a range of existing and new institutional investors.

#### 15.1 Ordinary shares

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

### 15.2 Capital management

The entity does not have a defined share buy-back plan or a dividend reinvestment plan. No dividends were paid in the year ending 30 June 2018.

### 16. **RESERVES**

| Share based Payments Reserve     |      | _         | <b>2018</b><br><b>\$'000</b><br>6,658 | <b>2017</b><br><b>\$'000</b><br>4,231 |
|----------------------------------|------|-----------|---------------------------------------|---------------------------------------|
| (a) Movement in Reserves         |      |           | 2018<br>\$'000                        | 2017<br>\$'000                        |
| -<br>Opening balance             |      |           | 4,231                                 | 4,034                                 |
| Share based payment expense      |      |           | 2,427                                 | 197                                   |
| Closing balance                  |      | -         | 6,658                                 | 4,231                                 |
| (b) Movement in options on issue |      |           | 2018                                  | 2017                                  |
|                                  |      | Date      | Number                                | Number                                |
| Opening balance                  |      |           | 10,000,000                            | 158,000,000                           |
| Expiry of options - Glencore     | (i)  | 09-Dec-16 | -                                     | (108,000,000)                         |
| Exercise of options              | (il) | 09-Feb-17 | -                                     | (40,000,000)                          |
| Closing balance                  |      | -         | 10,000,000                            | 10,000,000                            |

(i) Relates to share options granted to Glencore on 1 April 2016. These options were cancelled on 9 December 2016 with the full repayment of Facility A.

(ii) Relates to exercise of options by PacRoad Capital Management Pty Ltd.

# (c) Movement in Performance Rights on

| lssue                        | Date        | 2018<br>Number | 2017<br>Number |
|------------------------------|-------------|----------------|----------------|
| Opening balance              |             | 6,570,000      | 382,000        |
| Grant of performance rights  | 28-Nov-16   | -              | 4,500,000      |
| Grant of performance rights  | 20-Dec-16   | -              | 2,000,000      |
| Expiry of performance rights | (i) various | (70,000)       | (312,000)      |
| Closing balance              |             | 6,500,000      | 6,570,000      |
| (i) Relates to 2015 Class C  |             |                |                |

### 17. RETAINED LOSSES

| Movements in retained losses were as follows:            | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Opening balance  | (108,476)      | (127,810)      |
| Profit attributable to members of Aurelia Metals Limited | 99,105         | 19,333         |
| Closing balance  | (9,371)        | (108,476)      |



### 18. CASHFLOW STATEMENT

| (a) Reconciliation of the Profit after tax to the net cash flows<br>used in operating activities         99,105         19,333           Net Profit after tax         99,105         19,333           Adjustments for:         5         197           Acquisition and integration costs         3(e)         2,427         197           Acquisition and integration costs         3(d)         1,133         -           Exploration and evaluation assets written off         11         679         609           Depreciation and amortisation         3(i)         36,607         21,462           (Gain)/Loss on sale of investments         (141)         (99)         (Gain)/Loss on revaluation of commodity derivatives         352         (4,806)           (Gain)/Loss on scrapping of plant and equipment         1,144         314         11         11         679         0           Debt arrangement costs         3(h)         3,168         - </th <th></th> <th></th> <th>2018<br/>\$'000</th> <th>2017<br/>\$'000</th> |   |          | 2018<br>\$'000 | 2017<br>\$'000 |
|---|---|----------|----------------|----------------|
| Adjustments for:Share based payments3(e)2,427197Acquisition and integration costs3(d)1,133-Exploration and evaluation assets written off11679609Depreciation and amortisation3(i)36,60721,462(Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72Increase/(decrease in prepayments(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | used in operating activities                        | sh flows |                |                |
| Share based payments3(e)2,427197Acquisition and integration costs3(d)1,133-Exploration and evaluation assets written off11679609Depreciation and amortisation3(i)36,60721,462(Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-(Increase)/decrease in receivables(2,794)1,492(Increase)/decrease in prepayments10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business35,646-Cash acquired from business combination(34,397)-  | Net Profit after tax                                |          | 99,105         | 19,333         |
| Acquisition and integration costs3(d)1,133-Exploration and evaluation assets written off11679609Depreciation and amortisation3(i)36,60721,462(Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business35,646-Cash acquired from business combination(34,397)-   | -   |          |                |                |
| Exploration and evaluation assets written off11679609Depreciation and amortisation3(i)36,60721,462(Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(2,794)1,492(Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business35,646-Cash acquired from business combination(34,397)-  | Share based payments                                | 3(e)     | 2,427          | 197            |
| Depreciation and amortisation3(i)36,60721,462(Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business35,646-Cash acquired from business combination(34,397)-   | Acquisition and integration costs                   | 3(d)     | 1,133          | -              |
| (Gain)/Loss on sale of investments(141)(99)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business35,646-Cash acquired from business combination(34,397)-   | Exploration and evaluation assets written off       | 11       | 679            | 609            |
| (Gain)/Loss on revaluation of commodity derivatives352(4,806)(Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | Depreciation and amortisation                       | 3(i)     | 36,607         | 21,462         |
| (Gain)/Loss on scrapping of plant and equipment1,144314Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | (Gain)/Loss on sale of investments                  |          | (141)          | (99)           |
| Interest and amortisation of borrowing costs5,4098,101Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | (Gain)/Loss on revaluation of commodity derivatives |          | 352            | (4,806)        |
| Debt arrangement costs3(h)3,168-Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,092)72(Increase)/decrease in receivables(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | (Gain)/Loss on scrapping of plant and equipment     |          | 1,144          | 314            |
| Deferred tax recognised to income statement(6,799)-Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(2,794)1,492(Increase)/decrease in receivables(2,794)1,492(Increase)/decrease in prepayments(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | Interest and amortisation of borrowing costs        |          | 5,409          | 8,101          |
| Income tax payments - Peak liability(8,964)-Changes in assets and liabilities:(1,02)1,492(Increase)/decrease in receivables(1,092)72(Increase)/decrease in prepayments(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | Debt arrangement costs                              | 3(h)     | 3,168          | -              |
| Changes in assets and liabilities:(Increase)/decrease in receivables(2,794)(Increase)/decrease in prepayments(1,092)(Increase)/decrease) in trade and other payables21,761Increase/(decrease) in provisions10,769Movement in inventory(12,254)Working capital inherited from business<br>combination35,646Cash acquired from business combination(34,397)   | Deferred tax recognised to income statement         |          | (6,799)        | -              |
| (Increase)/decrease in receivables(2,794)1,492(Increase)/decrease in prepayments(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | Income tax payments - Peak liability                |          | (8,964)        | -              |
| (Increase)/decrease in prepayments(1,092)72Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-  | Changes in assets and liabilities:                  |          |                |                |
| Increase/(decrease) in trade and other payables21,7611,042Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | (Increase)/decrease in receivables                  |          | (2,794)        | 1,492          |
| Increase/(decrease) in provisions10,769(955)Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | (Increase)/decrease in prepayments                  |          | (1,092)        | 72             |
| Movement in inventory(12,254)(645)Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | Increase/(decrease) in trade and other payables     |          | 21,761         | 1,042          |
| Working capital inherited from business<br>combination35,646-Cash acquired from business combination(34,397)-   | Increase/(decrease) in provisions                   |          | 10,769         | (955)          |
| combination35,646-Cash acquired from business combination(34,397)-  | Movement in inventory                               |          | (12,254)       | (645)          |
| •   |   |          | 35,646         | -              |
| Net cash flow from operating activities151,75846,117  | Cash acquired from business combination             |          | (34,397)       | -              |
|   | Net cash flow from operating activities             |          | 151,758        | 46,117         |

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

### **19. EXPENDITURE COMMITMENTS**

#### 19.1 Operating lease commitments

The Group has entered into commercial leases on certain services and items of plant and machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows:

|                            | 2018   | 2017   |
|----------------------------|--------|--------|
|                            | \$'000 | \$'000 |
| Within one year            | 1,924  | 2,853  |
| Between one and five years | 345    | 2,178  |
| More than five years       | -      | -      |
| Closing balance            | 2,268  | 5,032  |



### 19.2 Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. Future minimum rentals payable under finance leases and hire purchase contracts together with the present value (PV) of the net minimum lease payments are as follows:

|                            | 2018<br>\$'000      |                | 2017<br>\$'000      |                |  |
|----------------------------|---------------------|----------------|---------------------|----------------|--|
|                            | Minimum<br>payments | PV of payments | Minimum<br>payments | PV of payments |  |
| Within one year            | 181                 | 169            | 373                 | 343            |  |
| Between one and five years | 293                 | 285            | 293                 | 285            |  |
| More than five years       | -                   | -              | -                   | -              |  |
| Total Payments             | 475                 | 454            | 667                 | 628            |  |
| Less: Finance charges      | (21)                |                | (38)                |                |  |
| PV of lease payments       | 454                 | 454            | 628                 | 628            |  |

#### **19.3** Commitments

At 30 June 2018, the Group had commitments of \$2.220 million (2017: \$2.808 million), including \$2.611 million relating to annual exploration/mining lease minimum annual expenditures (2017: \$1.271 million)

### 20. SUBSEQUENT EVENTS

- The following significant events occurred after 30 June 2018:
- 17 July 2018 : release of Peak Mines 2018 Resources and Reserves Statement
- 17 July 2018: release of Hera Nymagee 2018 Resources and Reserves Statement.

### 21. EARNINGS PER SHARE

|   | 2018        | 2017        |
|---|-------------|-------------|
|   | \$'000      | \$'000      |
| Profit used in calculating basic and dilutive EPS   | 99,105      | 19,333      |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS   | 639,758,911 | 404,667,835 |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS | 656,299,952 | 490,531,961 |
| Basic Earnings per share (cents per share)  | 15.5        | 4.8         |
| Diluted Earnings per share (cents per share)  | 15.1        | 3.9         |

### 22. AUDITOR'S REMUNERATION

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

|   | 2018   | 2017   |
|---|--------|--------|
| Audit Services                          | \$'000 | \$'000 |
| Audit and Review work (estimate)        | 290    | 138    |
| Non-Audit Services                      |        |        |
| Tax compliance & out of scope work      | 23     | 55     |
| Tax reviews of the business combination | 42     | -      |
| Total Audit and Non-Audit Services      | 355    | 193    |



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

### 23. HERA PROJECT DEFERRED ACQUISITION COSTS

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

The Consolidated Entity has recorded deferred consideration of \$7.860 million (\$9.386 million at 30 June 2017) representing the net present value of projected royalty payments due under the revised terms of the acquisition, calculated based on information available as at 30 June 2018. The deferred consideration is revalued at each reporting date through the carrying value of the asset (mine properties) in accordance with the transitional requirements of AASB 3 Business combinations.

### 24. OPERATING SEGMENTS

#### 24.1 Identification of reportable segments

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

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

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

### 24.2 Accounting policies and inter-segment transactions

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

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

### 24.3 Reportable segments

#### a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief business decision makers in assessing performance.

The Groups two operational mine are treated as individual operating segments. Corporate and exploration are consolidated. Management monitors the operating results of its business units separately for the purposes of making decisions.

Corporate includes share-based payment expenses and other corporate expenditure supporting the business during the year.

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

The Group's operations are all conducted in the mining industry of Australia.



### b) Segment information

The segment information for the reportable segments is as follows:

| <b>Year ended 30 June 2018</b><br>Revenue<br>Site EBITDA  | <b>Peak</b><br><b>Mines</b><br><b>\$'000</b><br>92,832<br>62,623 | Hera-<br>Nymagee<br>project<br>\$'000<br>155,767<br>86,448 | <b>Total</b><br><b>\$'000</b><br>248,599<br>149,072  |
|---|--|--|--|
| Reconciliation of profit before income tax expense<br>Depreciation and amortisation<br>Corporate costs<br>Acquisition and integration costs from business combination<br>Interest, finance and other charges<br>Share based expenses<br>Exploration costs expensed<br>Interest and other income<br>Gain on foreign exchange/gold forwards<br>Profit before income tax |  |  | (36,605)<br>(3,097)<br>(6,770)<br>(8,577)<br>(2,427)<br>(679)<br>756<br>633<br><b>92,306</b> |
| Year ended 30 June 2017<br>Revenue  | Peak<br>Mines<br>\$'000  | Hera-<br>Nymagee<br>project<br>\$'000<br>109,298           | <b>Total</b><br><b>\$'000</b><br>109,298   |
| Site EBITDA   | -  | 48,507   | 48,507   |
| Reconciliation of profit before income tax expense<br>Depreciation and amortisation<br>Corporate costs<br>Acquisition and integration costs from business combination<br>Interest, finance and other charges<br>Share based expenses<br>Exploration costs expensed  |  |  | (21,462)<br>(3,696)<br>-<br>(8,165)<br>(197)<br>(609)  |
| Interest and other income<br>Gain on foreign exchange/gold forwards<br><b>Profit before income tax</b>  |  |  | 453<br>4,502<br><b>19,333</b>  |

Recognition and measurement

Operating segments are reported in a manner consistent with the internal reporting provided to Group management.



### 25. PARENT COMPANY INFORMATION

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

|                            | 2018      | 2017      |
|----------------------------|-----------|-----------|
|                            | \$000's   | \$000's   |
| Current assets             | 43,531    | 5,960     |
| Investment in subsidiary   | -         | -         |
| Non-current assets         | 27,220    | 3,952     |
| Total assets               | 70,751    | 9, 912    |
| Current liabilities        | 7,260     | 461       |
| Non-current liabilities    | -         | 16,956    |
| Total liabilities          | 7,260     | 17,417    |
| Net (liabilities)/assets   | 63,491    | (7,506)   |
| Issued capital             | 185,753   | 100,465   |
| Reserves                   | 6,658     | 4,231     |
| Accumulated losses         | (128,920) | (112,202) |
| Total shareholders' equity | 63,491    | (7,506)   |
| Profit/(Loss) for the year | (16,718)  | (4,841)   |

#### Commitments

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

|   | Parent  | Parent  |
|---|---------|---------|
|   | 2018    | 2017    |
|   | \$000's | \$000's |
| Within one year                               | 54      | 54      |
| After one year but not longer than five years | 58      | 111     |
|   | 111     | 165     |

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

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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



The Group holds the following financial instruments:

|                              | 2018   | 2017    |
|------------------------------|--------|---------|
| Financial Assets             | \$'000 | \$'000  |
| Cash at bank                 | 66,925 | 34,863  |
| Term deposits                | 4,742  | 3,510   |
| Receivables                  | 5,829  | 3,035   |
| Other financial assets       | 1,650  | 2,201   |
| Balance at year end          | 79,146 | 43,609  |
| Financial Liabilities        |        |         |
| Trade and other payables     | 29,693 | 6,934   |
| Borrowings                   | 878    | 105,646 |
| Deferred acquisition royalty | 7,860  | 9,386   |
| Closing balance              | 38,430 | 121,966 |
|                              |        |         |

#### 26.1 Liquidity Risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. At 30 June 18, the Company had eliminated all debt and held \$67 million of available cash.

Liquidity risk is managed through maximising operational cash flow, negotiation of its current debt commitments and a reliance on equity funding from its shareholders or other market participants.

#### 26.2 Maturities of financial liabilities

The table below shows the Group's financial arrangements at 30 June 2018 in their relevant contractual maturity groupings. All debt was repaid during the financial year. Trade and other payables are expected to be settled within 12 months.

#### Maturity Profile of financial liabilities

|                               |        |         |         |         |        | Contracted<br>cash flow | Carrying value of |
|-------------------------------|--------|---------|---------|---------|--------|-------------------------|-------------------|
| 2018                          | <1 Yr  | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | >4 Yrs | of liability            | liability         |
|                               | \$'000 | \$'000  | \$'000  | \$'000  | \$'000 | \$'000                  | \$'000            |
| Facility B                    | -      | -       | -       | -       | -      | -                       | -                 |
| Facility C                    | -      | -       | -       | -       | -      | -                       | -                 |
| Facility E                    | -      | -       | -       | -       | -      | -                       | -                 |
| Facility F                    | -      | -       | -       | -       | -      | -                       | -                 |
| Sub-total Debt                | -      | -       | -       | -       | -      | -                       | -                 |
| Equipment Loans               | 285    | -       | -       | -       | -      | 285                     | 285               |
| Insurance Loan                | 593    | -       | -       | -       | -      | 593                     | -                 |
| Deferred Acquisition<br>Costs | 3,428  | 2,506   | 1,380   | 546     | -      | 7,860                   | 7,860             |
| Total                         | 4,305  | 2,506   | 1,380   | 546     | -      | 8,738                   | 8,145             |



| 2017                          | <1 Yr<br>\$'000 | 1-2 Yrs<br>\$'000 | 2-3 Yrs<br>\$'000 | 3-4 Yrs<br>\$'000 | >4 Yrs<br>\$'000 | Contracted<br>cash flow<br>of liability<br>\$'000 | Carrying<br>value of<br>liability<br>\$'000 |
|-------------------------------|-----------------|-------------------|-------------------|-------------------|------------------|---|---|
| Facility B                    | -               | 3,627             | 9,020             | 17,082            | 24,674           | 54,403  | 52,204                                      |
| Facility C                    | 2,126           | 5,286             | 10,011            | 14,460            | -                | 31,883  | 30,461                                      |
| Facility E                    | 875             | 4,814             | -                 | -                 | -                | 5,690   | 5,427                                       |
| Facility F                    | -               | 1,176             | 2,925             | 5,538             | 8,000            | 17,638  | 16,925                                      |
| Sub-total Debt                | 3,001           | 14,904            | 21,956            | 37,080            | 32,673           | 109,614   | 105,018                                     |
| Equipment Loans               | 343             | 285               | -                 | -                 | -                | 628   | 628   |
| Deferred Acquisition<br>Costs | 2,799           | 3,888             | 2,087             | 918               | -                | 9,692   | 9,386                                       |
| Total                         | 6,143           | 19,077            | 24,043            | 37,998            | 32,673           | 119,934   | 115,032                                     |

### 26.3 Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the entity which have been recognised in the Consolidated Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is managed through the maintenance of procedures which ensure, to the extent possible, that counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment. No receivables are considered past due or impaired.

#### 26.4 Market Risk Exposures

#### a) Foreign Currency Risk

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

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

Generally the majority of US\$ received from sales are converted to A\$ soon after receipt, unless there are cash outflow commitments that payable in US\$. The foreign currency exposure to revenue not converted at time of sale in the period to a 5% change in US\$ exchange rate was an approximately \$0.977 million sensitivity in profit/loss and equity.

The cash balance at year end includes US\$9.9 million held in US\$ bank accounts. An increase/decrease in AUD:USD foreign exchange rates of 5% will result in \$0.6 million increase/decrease in US\$ currency bank account balances.

#### b) Commodity Price Risk

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

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



The Investec Syndicated Facility terms stipulate that the Group must maintain a rolling 12-month hedge program for a minimum of 50% and a maximum of 65% of the Group's gold production for that 12 month period. As such a contract for gold forward sales was implemented during the year. A gain of \$1.209 million was achieved for the year. At balance date, the Company's gold forward position was 76,000 oz of gold at an average price of A\$1,727/oz with deliveries to mid-2019. Gold put options and base metal quotational period hedging was not utilised during the year.

During the financial year, gold and gold in concentrate sales were 103,456 ounces. The effect on the income statement with an A\$50/oz increase/decrease in gold price would have been an increase/decrease in profit/loss and equity of \$5.1 million.

During the financial year, the company sold bulk concentrate containing payable lead of 10,356 tonnes, payable zinc of 9,757 tonnes and payable copper of 1,462 tonnes. An increase/decrease of US\$50/t in the price of lead, zinc and copper would increase/decrease profit/loss and equity by \$1.018 million.

#### c) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. During the year, the group had long term financial liabilities on which it paid interest. At 30 June 18 all debt was eliminated with early repayments. The group also holds cash and short term deposits on which it receives interest.

The Group's interest rate risk arises from variable interest rates on interest bearing liabilities. As at 30 June 2018, the Group held nil variable interest rate debt (2017: \$109.614 million). However, there was interest of \$0.1 million charged from 1 April 2018 to 24 April 2018 on the Glencore debt balance pre-repayment (face value: \$30.4M) and also on the Investec Syndicated Facility (face value: \$45 million) from 09 April 2018 to 28 June 2018. An increase/decrease in the variable interest rates of 0.25% during the year would have resulted in a \$20k decrease/increase in profit/loss and equity.

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

#### 26.5 Capital risk management

The capital management strategy is to maximise shareholder value through having an appropriate balance of debt and equity in recognition of the maturity and operational risk of the business. During the current financial year, the Group has repaid all debt and achieved a successful capital raising of \$85.3 million (net of costs), resulting in a net cash position of \$66.9M (2017: net debt position of \$70.1M).

The Group continues to monitor the capital of Aurelia by assessing the financial risks and adjusting the capital structure in response to changes in the risks. The Group is continually evaluating financing and capital raising opportunities. The Group is not subject to any externally imposed capital requirements.

Aurelia's capital structure consists of:

| Capital Structure                                 |     | 2018     | 2017    |
|---|-----|----------|---------|
| <u>Gearing Ratio (using balance sheet values)</u> |     | \$'000   | \$'000  |
| Glencore Borrowings (carrying value value)        | (i) | -        | 105,018 |
| Cash at bank                                      |     | 66,925   | 34,863  |
| Net Borrowings (using carrying value)             |     | (66,925) | 70,154  |
| Shareholders Equity (Balance Sheet)               |     | 183,039  | (3,780) |
| Total Capital (Net Borrowings + equity)           |     | 116,114  | 66,374  |
| Gearing (Net Borrowings/Total Capital)            |     | -58%     | 106%    |



| <u>Gearing Ratio (using nominal/market values)</u>    |      |          |         |
|---|------|----------|---------|
| Glencore Borrowings (nominal value)                   | (i)  | -        | 109,614 |
| Cash at bank  |      | 66,925   | 34,863  |
| Net Borrowings (using nominal value)                  |      | (66,925) | 74,750  |
| Market Value of Equity (mkt cap)                      | (ii) | 487,851  | 79,709  |
| Total Capital (Nominal Borrowings + Mkt value equity) |      | 420,926  | 154,459 |
| Gearing (Net Borrowings/Total Capital)                |      | -16%     | 48%     |

(i) Asset-backed finance leases of \$0.285 million (\$0.628 million in 30 Jun 17) and insurance funding of \$0.593 million (\$Nil in 30 Jun 17) have been excluded from this calculation.

| (ii) Market Value of Equity Calculation |             |             |
|---|-------------|-------------|
| Share price at period end (c/share)     | 57.0        | 18.5        |
| Outstanding shares at period end        | 855,879,333 | 430,858,188 |
| Market Value of Equity (mkt cap)        | 487,851     | 79,709      |

Gearing reduced over the year due to positive operating performance and debt repayments and increased equity value.

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

#### a) Fair value hierarchy

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

| 2018<br>Assets                      | Quoted<br>prices in active<br>markets<br>(Level 1)<br>\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$'000 |
|-------------------------------------|--|--|--|
| Shares in Aus Tin Mining            | -  | -  | -  |
| Gold Forwards                       | 1,650  | -  | -  |
| Investment in Big Sky Metals        | 80   | -  | -  |
| Term Deposits                       | 4,742  | -  | -  |
| Liabilities                         |  |  |  |
| Deferred Acquisition Costs          | -  | -  | 7,860  |
| 2017<br>Assets                      | Level 1<br>\$'000  | Level 2<br>\$'000  | Level 3<br>\$'000  |
| Shares in Aus Tin Mining            | 115  | -  | -  |
| Gold Forwards                       | 2,202  | -  | -  |
| Term Deposits<br><b>Liabilities</b> | 3,510  | -  | -  |
| Deferred Acquisition Costs          | -  | -  | 9,386  |

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

 $\cdot$  Gold Forward Contracts – marked-to-market value based on spot gold prices at balance date and future delivery prices and volumes, as provided by hedge counterparty.

· Term Deposits – Face value of cash deposits



• Deferred acquisition costs – revalued each period to fair value by using the discounted cash flow methodology. Inputs include forecast gravity gold production applicable to the royalty of 125,000 ounces. Future royalty revenue is estimated using an assumed future average gold price of A\$1605/oz. The discount rate used was the five year government bond rate of 2.23%.

### 27. SHARE BASED PAYMENT ARRANGEMENTS

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

### 27.1 Type of share based payment plan

| Share based payments                           | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Expense from share based payments to employees | 2,427          | 197            |
| Total  | 2,427          | 197            |

#### a) Employee Share Option Plan and Performance Rights Plan

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

#### b) Summary of movements of Options on issue

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

| Options on Issue       | 30 June 2018 |          | 30 June 2017  |          |
|------------------------|--------------|----------|---------------|----------|
|                        | Number       | WAEP (c) | Number        | WAEP (c) |
| Opening balance issued | 10,000,000   | 1.25     | 158,000,000   | 3.13     |
| Granted in the year    | -            | -        | -             | -        |
| Exercised in the year  | -            | -        | (40,000,000)  | 1.25     |
| Expired in the year    | -            | -        | (108,000,000) | 4.00     |
| Closing balance issued | 10,000,000   | 1.25     | 10,000,000    | 1.25     |
| Exercisable at 30 June | 10,000,000   | 1.25     | 10,000,000    | 1.25     |

The weighted average remaining contractual life of Options at balance date was 2.25 years (2017: 3.25 years).

### c) Summary of movements of Performance Rights on issue

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

Refer to the Remuneration Report (section 3.2) for the vesting conditions of the performance rights issued during the year.



| Performance Rights on<br>Issue | 30 June 2018 |          | 30 June 2017 |          |
|--------------------------------|--------------|----------|--------------|----------|
|                                | Number       | WAEP (c) | Number       | WAEP (c) |
| Opening balance issued         | 6,570,000    | -        | 382,000      | -        |
| Granted during the year        | -            | -        | 6,500,000    | -        |
| Vested during the year         | -            | -        | -            | -        |
| Lapsed during the year (i)     | (70,000)     | -        | (312,000)    | -        |
| Closing balance issued         | 6,500,000    | -        | 6,570,000    | -        |
| Exercisable at 30 June (ii)    | -            | -        | -            | -        |

(i) The 70,000 performance rights expiring during the year relate to the expiry of 70,000 2015 Class C Rights.

(ii) Closing balance is comprised of:

| 2016 Class 16A Perf Rights | 2,000,000 | Un-vested | Not Exercisable |
|----------------------------|-----------|-----------|-----------------|
| 2016 Class 16B Perf Rights | 2,250,000 | Un-vested | Not Exercisable |
| 2016 Class 16C Perf Rights | 2,250,000 | Un-vested | Not Exercisable |
|                            | 6,500,000 |           |                 |

#### d) Fair Value Determination

Performance Rights granted during the period are measured at fair value using the intrinsic method – refer to Section 4 of the Remuneration Report.

### 28. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

### 29. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2018. The balance of the Company's franking account is nil (2017: Nil).

### **30. RELATED PARTY TRANSACTIONS**

Payments to Key Management Personnel during the year of \$3.078 million (2017: \$2.348 million) which is detailed in the remuneration report. There were no other transactions with related parties.

#### a) Transactions with other related parties

Directors fees in the amount of \$71,175 were paid to Pacific Road Capital Management Pty Ltd, a company of which Paul Espie is a Director, for services provided during the period (2017:\$67,646).

Directors fees in the amount of \$71,175 were paid to Kilorin Pty Ltd, a company of which Mike Menzies is a Director, for services provided during the period (2017: \$67,646).

Directors fees in the amount of \$59,312 were paid to Glencore International AG, a company of which Rune Symann is an Executive, for services provided during the period (2017: \$67,646).

Directors fees in the amount of \$109,500 were paid to Lazy 7 Pty Ltd, a company of which Colin Johnstone is a Director, for services provided during the period (2017: \$63,875).



# **DIRECTORS' DECLARATION**

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

In the opinion of the Directors:

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

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

The Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2A (b); and there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the Financial Year Ending 30 June 2018.

On behalf of the Board,

Colin Johnstone Non-Executive Chairman 27 August 2018





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

# Report on the Audit of the Financial Report

# Opinion

We have audited the financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

# Basis for Opinion

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

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

# **Key Audit Matters**

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

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



# Acquisition of Peak Mines Refer to Note 4.1 in the financial report

# Why significant

On 10 April 2018 the Group completed the acquisition of Peak Gold Mines Asia Pacific Pty Ltd.

The accounting for the acquisition was considered a key audit matter due to the judgement required by the Group to measure the fair values of the following assets and liabilities acquired:

- Property, plant and equipment;
- Mine Properties;
- ► Rehabilitation provision; and
- Deferred tax assets and liabilities.

Note 4.1 to the financial statements discloses the provisional acquisition accounting performed by the Group.

#### How our audit addressed the key audit matter

Our audit procedures included the following:

- Evaluated the qualifications, competency and objectivity of the external valuation experts used by the Group to determine the fair value of mine properties and property, plant and equipment.
- Involved our rehabilitation specialists in the assessment of the fair value assigned to rehabilitation provisions as follows:
  - Examined the mine closure plans to understand the planned timing and rehabilitation strategy.
  - Physically inspected the site to assess the completeness of the required rehabilitation activities.
  - Assessed the cost estimates used in the rehabilitation calculations with reference to recent market data and historical mining costs.
  - Tested the mathematical accuracy of the rehabilitation net present value calculations and assessed the discount rate applied.
- Involved our valuation specialists in the assessment of the valuation methodology applied by the Group's independent experts for Property, plant and equipment and Mine Properties.
- Involved our taxation specialists in the assessment of the tax effects of the acquisition accounting.
- Considered the classification of the financial assets acquired and liabilities assumed and the fair value on acquisition.
- Assessed the adequacy of the disclosures in relation to the acquisition.



# Carrying value of non-current assets Refer to Note 2B(v) and Note 9 in the financial report

# Why significant

At 30 June 2018, the Group's consolidated statement of financial position included \$172.4m of non-current assets.

The Group considered that no indicators of impairment or reversal of impairments previously recognised, existed at 30 June 2018, which would require an impairment test to be performed in accordance with Australian Accounting Standards.

The carrying value of non-current assets was considered a key audit matter, given the significant judgement and inherent uncertainty involved in the assessment of whether impairment indicators or reversal of previously recognised impairment indicators exist.

### How our audit addressed the key audit matter

We have considered the Group's assessment of indicators of impairment and reversal of previously recognised impairment at 30 June 2018, which included the following procedures:

- Assessed whether the methodology and principles applied by the Group met the requirements of Australian Accounting Standard.
- Compared the assumptions made by the Group which have the most significant impact on the assessment of whether indicators of impairment existed, to information produced by the Group and to available external data. This included the discount rate, exchange rates, commodity prices and reserves and resources estimates.
- Considered whether other external or internal factors exist that may be an indicator of impairment or reversal of previously recognised impairment.

We assessed the adequacy of the financial report disclosures contained in Note 2B(v) and Note 9 of the financial report.



## Mine rehabilitation and closure provisions Refer to Note 13 in the financial report

# Why significant

The mine rehabilitation and closure provision is disclosed in Note 13 of the financial report.

As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the environment. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.

Estimating the costs associated with these future activities requires considerable judgement in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in economic assumptions including an appropriate rate to discount these future costs back to their net present value.

This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.

#### How our audit addressed the key audit matter

In conjunction with our EY rehabilitation specialists, we performed the following audit procedures:

- Agreed the disturbed areas included in rehabilitation models to surveys completed over areas requiring future rehabilitation or other evidence.
- Considered the reasonableness of cost rates applied with respect to government specified cost rates.
- Considered the qualifications, competence and objectivity of the Group's experts who produced the surveys and cost estimates.
- Tested the mathematical accuracy of the rehabilitation models to support the provision balance.
- Considered the discount rate applied by the Group.
- Evaluated the appropriateness of accounting treatment applied to changes in the rehabilitation provision, including whether the impact is expensed or capitalized.
- Evaluated whether the judgments and estimates disclosures relating to mine closure and rehabilitation provisions met the requirements of Australian Accounting Standards.



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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

# Responsibilities of the Directors for the Financial Report

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

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

# Auditor's Responsibilities for the Audit of the Financial Report

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

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



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

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

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

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



# Report on the Audit of the Remuneration Report

# **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 22 to 31 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Aurelia Metals Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

# Responsibilities

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

Ent +

Ernst & Young

Scott Jarrett Partner Sydney 27 August 2018

# **ADDITIONAL ASX INFORMATION**

## Shareholder Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

This additional information was applicable as at 2 October 2018.

# **Distribution of Security Holders**

Analysis of numbers of listed equity security holders by size of holding

| 1 - 1,000         | 307   |
|-------------------|-------|
| 1,001 - 5,000     | 989   |
| 5,001 - 10,000    | 636   |
| 10,001 - 100,000  | 1,643 |
| Over 100,000      | 423   |
| TOTAL ON REGISTER | 3,998 |

There are 178 holders of less than a marketable parcel of shares.

# **Top 20 Shareholders**

| -  |                           |                    |        |
|----|---------------------------|--------------------|--------|
|    | Holder Name               | Current Securities | %      |
| 1  | J P MORGAN NOM AUST LTD   | 200,569,575        | 23.16% |
| 2  | HSBC CUSTODY NOM AUST LTD | 122,510,801        | 14.15% |
| 3  | CITICORP NOM PL           | 80,510,712         | 9.30%  |
| 4  | NATIONAL NOM LTD          | 75,853,445         | 8.76%  |
| 5  | UBS NOM PL                | 42,639,680         | 4.92%  |
| 6  | GLENCORE AUST HLDGS PL    | 30,513,048         | 3.52%  |
| 7  | BRISPOT NOM PL            | 23,099,060         | 2.67%  |
| 8  | SINGPAC INV HLDG PTE LTD  | 16,560,316         | 1.91%  |
| 9  | CS FOURTH NOM PL          | 9,890,046          | 1.14%  |
| 10 | CS THIRD NOM PL           | 9,791,075          | 1.13%  |
| 11 | BNP PARIBAS NOM PL        | 7,770,230          | 0.90%  |
| 12 | HSBC CUSTODY NOM AUST LTD | 7,660,578          | 0.88%  |
| 13 | NEWECONOMY COM AU NOM PL  | 5,801,716          | 0.67%  |
| 14 | AMP LIFE LTD              | 5,791,642          | 0.67%  |
| 15 | BNP PARIBAS NOMS PL       | 5,503,654          | 0.64%  |
| 16 | BNP PARIBAS NOMS NZ LTD   | 4,699,594          | 0.54%  |
| 17 | BNP PARIBAS NOM PL        | 4,312,783          | 0.50%  |
| 18 | KURRABA INV PL            | 3,984,412          | 0.46%  |
| 19 | BOND STREET CUSTS LTD     | 3,447,640          | 0.40%  |
| 20 | B & R JAMES INV PL        | 3,000,000          | 0.35%  |
|    | TOP 20 TOTAL              | 663,910,007        | 76.67% |
|    | OTHER SHAREHOLDERS        | 201,969,326        | 23.33% |
|    | TOTAL ON ISSUE            | 865,879,333        | 100%   |



### Statement of Restricted Securities

There are no restricted securities

#### Substantial Shareholders

Substantial Shareholders of the Company are as follows.

| Tribeca Investment Partners Pty Ltd | 56,683,958 |
|-------------------------------------|------------|
| Australian Super Pty Ltd            | 54,985,516 |
| Eley Griffiths Group Pty Ltd        | 49,695,000 |
| Glencore International AG           | 47,073,364 |

The number of securities disclosed above is as per substantial notices given to the Company. Substantial shareholder interests in securities may change without requiring the Holder to provide notice of the change, therefore resulting in a difference between their disclosure and other disclosures in this report.

#### **Unquoted Securities**

| Holder                             | Class       | Exercise<br>price | Expiry Date | Number    |
|------------------------------------|-------------|-------------------|-------------|-----------|
| Perform Rights                     | (Class 16A) | Nil               | 30/6/2018   | 2,000,000 |
| Perform Rights                     | (Class 16B) | Nil               | 30/06/2019  | 2,250,000 |
| Perform Rights                     | (Class16C)  | Nil               | 30/06/2020  | 2,250,000 |
| Total Unlisted Securities on Issue |             |                   |             | 6,500,000 |

#### Voting Rights

The voting right attached to each class of equity security are as follows;

#### **Ordinary Shares**

Each ordinary share is entitled to one vote when a poll is called otherwise each member present at a meeting or proxy has one vote on a show of hands.

### **Options & performance Rights**

These securities have no voting rights.



# SCHEDULE OF TENEMENT INTERESTS

| Tenement | Project Name | Location  | Holder  | Size (km2) | Expiry Date | Notes  |
|----------|--------------|---|---|------------|-------------|--|
| ML53     | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd                               | 0.04867    | 31/12/2021  |  |
| ML90     | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd                               | 0.3391     | 31/12/2021  |  |
| ML5295   | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd                               | 0.003339   | 31/12/2021  |  |
| ML5828   | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd                               | 0.01538    | 31/12/2021  |  |
| PLL847   | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd                               | 0.127      | 31/12/2021  |  |
| EL4232   | Nymagee      | Nymagee NSW                                       | Nymagee Resources Pty Ltd<br>(Ausmindex Pty Limited 5%) | 14.5       | 17/03/2019  |  |
| EL4458   | Nymagee Mine | Nymagee NSW                                       | Nymagee Resources Pty Ltd<br>(Ausmindex Pty Limited 5%) | 11.6       | 26/11/2018  |  |
| ML1686   | Hera Mine    | Nymagee NSW                                       | Hera Resources Pty Ltd                                  | 13.079     | 16/05/2034  |  |
| EL6162   | Hera         | Nymagee NSW                                       | Hera Resources Pty Ltd                                  | 130        | 25/11/2018  |  |
| EL6226   | Kadungle     | 70km north-west of<br>Parkes, central-west<br>NSW | Defiance Resources Pty Ltd                              | 43.5       | 5/04/2018   | Under Farm-In<br>Agreement with<br>Emmerson<br>Resources |





| EL6258 | Doradilla                | 50km southeast of<br>Bourke, north-west<br>NSW        | Stannum Pty Ltd            | 110.2 | 21/06/2020 | JV with Big Sky<br>Metals   |
|--------|--------------------------|---|----------------------------|-------|------------|---|
| EL6699 | Tallebung                | 70km north-west<br>of Condobolin,<br>central-west NSW | Stannum Pty Ltd            | 40.6  | 10/01/2019 | JV with Big Sky<br>Metals   |
| EL7447 | Box Creek                | Nymagee NSW   | Defiance Resources Pty Ltd | 145   | 2/02/2020  |   |
| EL7524 | Barrow                   | 20km west of<br>Nymagee; western<br>NSW               | Defiance Resources Pty Ltd | 60.9  | 3/05/2020  |   |
| EL7529 | Lyell                    | 20km west of<br>Nymagee; western<br>NSW               | Defiance Resources Pty Ltd | 8.7   | 3/05/2020  |   |
| ML1746 | Hera North               | Nymagee NSW   | Hera Resources Pty Ltd     | 0.618 | 7/12/2037  | Depth<br>Restriction -<br>Underground<br>access only.<br>From 100m<br>below surface to<br>unlimited depth |
| CML6   | Central Area             | Cobar, NSW  | Peak Gold Mines            | 13.03 | 27/02/2034 | Surface & depth restrictions  |
| CML7   | Coronation<br>Beechworth | Cobar, NSW  | Peak Gold Mines            | 11.85 | 28/06/2025 | Surface-30m<br>depth<br>exemptions  |
| CML8   | Peak                     | Cobar, NSW  | Peak Gold Mines            | 12.50 | 16/09/2033 | Surface & depth restrictions  |
| CML9   | Queen Bee                | Cobar, NSW  | Peak Gold Mines            | 5.27  | 26/09/2027 | Surface-30m<br>depth<br>exemptions  |





| ML1483 |               | Fort Bourke Hill,<br>Cobar, NSW | Peak Gold Mines | 0.47   | 27/01/2029 |   |
|--------|---------------|---------------------------------|-----------------|--------|------------|---|
| MPL854 |               | Cobar, NSW                      | Peak Gold Mines | 0.036  | 29/09/2022 |   |
| EL5933 | Peak          | Cobar, NSW                      | Peak Gold Mines | 277.47 | 16/04/2020 |   |
| EL5982 | Norma Vale    | 35km SW of<br>Nymagee, NSW      | Peak Gold Mines | 52.32  | 29/09/2020 | Letter<br>Agreement with<br>Zintoba P/L |
| EL6127 | Rookery South | Cobar-Nymagee,<br>NSW           | Peak Gold Mines | 286.01 | 23/09/2023 | Letter<br>Agreement with<br>Lydail P/L  |
| EL6149 | Mafeesh       | 55km S of Cobar,<br>NSW         | Peak Gold Mines | 14.57  | 16/11/2020 |   |
| EL6401 | Rookery East  | 50km SE of Cobar,<br>NSW        | Peak Gold Mines | 17.51  | 4/04/2054  |   |
| EL7355 | Nymagee East  | 15km E of<br>Nymagee, NSW       | Peak Gold Mines | 72.75  | 23/06/2021 |   |
| EL8060 | Nymagee North | 15km N of<br>Nymagee, NSW       | Peak Gold Mines | 37.89  | 19/02/2024 |   |
| EL8548 | Narri         | 25km SE of Cobar,<br>NSW        | Peak Gold Mines | 125.7  | 3/04/2023  |   |
| EL8567 | Kurrajong     | 15km N of<br>Nymagee, NSW       | Peak Gold Mines | 61.21  | 22/05/2023 |   |
| EL8523 | Margaret Vale | 7km NE of Cobar,<br>SNW         | Peak Gold Mines | 46.86  | 1/03/2023  |   |







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