

HERA AND PEAK PROJECT UPDATE

Aurelia Metals Limited ("AMI" or the "Company") provides an update on several of its key activities.

KEY POINTS

- **Nymagee PFS placed on hold**
- **Drilling results at Hera expected to extend mine life**
- **Approved FY20 group exploration budget of \$15M**
- **Increase in capital cost estimate for Peak Pb/Zn circuit upgrade to \$53M**
- **Group gold production and cost guidance maintained for FY19 at 115-130,000 oz at an AISC of A\$900-1,000/oz**

Aurelia's Chairman and Acting CEO, Cobb Johnstone, commented: *"In light of recent metallurgical testwork results from Nymagee, we believe the decision to defer further work on the Nymagee PFS is financially and technically prudent. Aurelia plans to undertake further exploration and project scoping work at Nymagee and if successful may revisit the development potential of this asset in the future. In the interim, we are pleased that positive drilling during the past year at Hera, combined with a reduced cost structure at the mine, is likely to deliver an extension of the operating life well into 2023. This mine life extension, combined with a number of highly prospective nearby targets, provides us with confidence on the long term future of the Hera operation."*

"The revised capital cost estimate for the Peak Pb/Zn upgrade of \$53M is disappointing and largely a function of underestimating the complexity involved in a major retrofit of a 27-year-old processing plant. However, once completed, the plant will enable the Company to unlock significant value from the recent exploration successes at Chronos and Peak Deeps."

"We have recently approved an increase of more than 100% in the exploration budget to approximately \$15M for the FY20 financial year. As evidenced by the recent discoveries near Hera at Federation and Dominion, and the Chronos and Peak Deeps extensions at Peak, our geological team have demonstrated the substantial value that can be added through judicious investment in exploration. That remains the key immediate avenue of growth for Aurelia and we look forward to delivering on this over the coming year."

NYMAGEE PFS

Pre-Feasibility Study ("PFS") activities on Nymagee have focused primarily on metallurgical testwork.

Recent testwork results have indicated that as a result of the presence of contaminants in the Nymagee ore, particularly talc and pyrrhotite, the assumed Scoping Study base metal recoveries are unlikely to be achievable. The extent of these contaminants was not evident in the early metallurgical testwork utilized to support the Scoping Study (Nymagee Scoping Study released to ASX, 2 May 2017).

For personal use only

In addition, the work index of ore tested was higher than assumed in the Scoping Study, resulting in higher power consumption and lower throughput rates, which both lead to higher operating and capital cost than were anticipated.

The impact of these results on modelled cut-off values on the 2018 block model has resulted in a significant reduction in preliminary estimates of economically recoverable resource tonnes.

Accordingly, AMI has decided to defer further Nymagee PFS work at this stage. It intends to consider possible project rescoping on the basis of the reduction in economically recoverable resource tonnes, and the potential impact of any future exploration success. Should future exploration increase the Nymagee resource base significantly, the decision to defer further PFS work would be revisited.

ANNUAL RESOURCE AND RESERVE UPDATE

AMI's annual Mineral Resource and Ore Reserve estimation process is underway, with updated Resource and Reserve Statements expected to be released early in the September 2019 quarter.

At Hera, positive drilling results over the past year outside of existing Ore Reserve and mineral inventory boundaries, together with lower site operating costs, are expected to extend forecast operating life to 2023. At Peak, the revised estimates are planned to contain maiden Mineral Resource and Ore Reserve estimates for the Peak Deeps deposit.

As flagged above, Nymagee resources are expected to be lowered significantly as a result of recent metallurgical testwork results and enhanced depositional understanding. The Nymagee Production Target is expected to be removed from AMI estimates.

FY20 EXPLORATION BUDGET

The AMI Board has approved a planned exploration budget of approximately \$15M for FY20. The exploration budget in FY19 was \$4.0M with actual spend likely to be closer to \$8M due to exploration success achieved during the year.

Major areas of focus in FY20 include the Federation and Dominion discoveries near Hera, Peak line-of-lode targets, Hera/Nymagee near mine targets and regional exploration.

PEAK LEAD-ZINC CIRCUIT UPGRADE

A review of the capital schedule for the lead-zinc circuit upgrade has resulted in an increase in the cost estimate from \$35M to approximately \$53M, including contingency. This increase is a function of several items including:

- Increased complexity associated with demolition and replacement of elements of existing plant;
- An underestimate of associated engineering, procurement and construction management costs; and
- Elongated approval timeframes (now largely resolved) compressing construction timelines.

Construction completion is still expected to be within the March 2020 quarter.

Completion of the Pb/Zn circuit will enable the Peak processing plant to operate at up to 800ktpa on high-grade base metal feed. Importantly, it will also provide flexibility in the plant to produce three separate concentrate streams – copper, lead and zinc – thereby potentially allowing for increased overall metal payability levels.

In particular, the addition of the circuit will allow AMI to unlock the value of the Chronos Pb/Zn resource, Upper Chronos extension (see 'Peak Exploration Update' released to ASX on 27 May 2019), Pb/Zn at Peak Deeps and the Pb/Zn zones at Great Cobar.