

QUARTERLY REPORT

for the period ending 30 June 2017

QUARTER HIGHLIGHTS

- **Gold production of 10,510 oz at a Cash Cost of A\$736/oz and an AISC of A\$1222/oz (US\$940/oz)**
- **Quarterly revenue of \$25.5M and Site EBITDA of \$10.6M**
- **Quarterly cash flow of \$2.8M (after \$2.7M debt repayment)**
- **Cash in bank increased to \$34.8M**
- **Net Debt reduced by 6% to \$75M (Cash of \$35M, Glencore Debt \$110M)**

HERA OPERATIONS

- Mining of lower grade zones in the quarter and a single delivery of base metal concentrate delivered a Cash Cost of A\$754/oz and All-in Sustaining Cost (AISC) of \$1222/oz (US\$940/oz).
- Two base metal concentrate shipments and the return to higher grade stopes is forecast in the September 17 quarter.
- FY17 production of 45,679 oz at AISC of \$968/oz (FY16 46,882 oz)
- Included in AISC this quarter are one-off capital costs relating to mining and processing projects. One item is an onsite assay lab, which is planned to improve future operating decisions by reducing assay turnaround from 4-5 days to 24 hrs.
- Ore processed was 93,649 tonnes, a 3% increase on the previous quarter, due to improvement in the comminution circuit. In addition, the filter press has been de-constrained with capacity to produce at 150 t/d of concentrate. Further steps to optimize plant throughput will be undertaken during the next six months.
- Record gold recovery achieved of 92%, a 5% improvement on the prior quarter.
- Underground exploration drill platforms being established for next phase of exploration.

PROJECTS

- Positive results from the Nymagee Copper-Lead-Zinc Scoping Study were released to ASX on 2 May 2017. Activity will now focus on environmental baseline monitoring work, required for the approval process, and a plan for detailed metallurgical testwork.

CORPORATE

- Site EBITDA (site revenue less site operating costs) was \$10.6M. Quarterly revenue was \$25.5M, with \$19.2M from gold and silver sales and \$6.3M from base metal sales.
- Cash in bank increased by \$2.8M to \$34.8M (\$32.0M at 31 Mar 17), after \$2.7M debt repayment. Cash flow before debt servicing for the quarter was \$5.5M.
- Net Debt reduced by 6% to \$75 million (\$80 million at 31 Mar 17).
- Lawrie Conway appointed as a Non-Executive Director on 1 June 2017, and Non-Executive Director Gary Comb retired from the Board on 30 June 2017.

HERA MINE NSW (100%)

HERA OPERATIONS SUMMARY

Operations performed strongly in the quarter despite lower grade being processed. Process throughput increased on the prior quarter and remained at above design rates. Continued focus on gold recovery delivered further improvements, with gravity gold recovery at 60% and total gold recovery a record high of 92%.

Mining increased in the quarter in anticipation of future increases in process throughput.

The current production schedule indicates that mining in the September 2017 Quarter will be from higher grade areas resulting in two planned base metal concentrate shipments and higher gold grades.

A summary of the quarterly production data is tabulated below:

Aurelia Metals Jun-17 Qtr Summary	Units	Sep 16 Qtr FY17	Dec 16 Qtr FY17	Mar 17 Qtr FY17	Jun 17 Qtr FY17	YTD FY17
Ore Mined	t	88,890	96,988	85,643	102,275	373,795
Mined Grade - Gold	g/t	4.21	4.69	4.80	3.80	4.36
Mined Grade - Silver	g/t	12.5	12.0	14.3	12.4	12.72
Mined Grade - Lead		2.19%	2.00%	2.87%	2.33%	2.33%
Mined Grade - Zinc		3.15%	2.36%	3.94%	3.12%	3.11%
Ore Processed	t	85,314	97,778	91,345	93,649	368,086
Processed Grade - Gold	g/t	4.00	4.82	4.83	3.79	4.37
Processed Grade - Silver	g/t	12.76	11.77	14.36	11.74	12.63
Processed Grade - Lead		2.23%	1.96%	2.91%	2.23%	2.33%
Processed Grade - Zinc		3.27%	2.38%	3.88%	2.90%	3.09%
Gold recovery		84.3%	88.6%	87.7%	92.0%	88.3%
Silver recovery		84.3%	88.6%	89.1%	88.9%	87.8%
Lead recovery		93.2%	90.8%	93.0%	90.6%	91.9%
Zinc recovery		90.2%	91.2%	89.2%	88.0%	89.7%
Gold Production	oz	9,254	13,427	12,488	10,510	45,679
Silver Dore Production	oz	6,269	9,561	11,995	7,968	35,794
Concentrate produced	dmt	8,021	7,171	9,370	7,747	32,308
Concentrate grade (Pb+Zn)		53%	54%	60%	55%	56%
Gold sold	oz	9,683	13,079	11,917	11,380	46,059
Concentrate sold	dmt	5,171	10,380	10,590	5,235	31,377
Payable Lead sold	t	1,064	2,220	2,291	1,185	6,759
Payable Zinc sold	t	1,052	2,257	2,534	1,238	7,081
Payable Silver sold	oz	0	2,992	2,138	0	5,131

MINING

A total of 102,275 tonnes of ore was mined during the quarter at an average grade of 3.80 g/t gold, 2.33% lead and 3.12% zinc. A mining production record was achieved to both recover from last quarter's lower tonnes and to meet any future increases in processing throughput.

Lateral underground development achieved during the quarter was 541 metres (631 metres in the prior quarter). Mining was focused in the fringes of the orebody which are lower grade. Capital development was focused on decline development to the North Pod.

PROCESSING

A total of 93,649 tonnes of ore was processed during the quarter grading 3.79 g/t gold, 2.23% lead and 2.90% zinc.

Process throughput increased from the previous quarter primarily due to improvement in the comminution circuit, particularly in ore screening. Post quarter, an upgrade of the screening capacity was approved, at a capital cost of less than \$0.5M, and is expected to further enhance throughput capacity, particularly during times of low base metal grades.

Gravity gold recovery reduced slightly to 60%, however, focus on minimizing gold losses improved total gold recovery to a record 92%. This level of recovery is particularly pleasing considering the lower gold grades and +5% combined base metal grades in the quarter.

During the quarter an on-site assay laboratory (\$0.9M capital) was constructed and commissioned. The assay laboratory was built and furnished by the Company and will be managed by an experienced laboratory operator. The lab is planned to reduce assay turnaround time from 4-5 days to 24 hrs, at a reduced unit cost. Faster turn-around of mine samples will improve grade control and enhance the management of ROM grades to the process plant.

A major upgrade of the Tailings Storage Facility (\$0.85M capital) commenced in the quarter. This capital project is converting the existing facility to a Central Tailings Discharge method, and is planned to have sufficient future capacity for the known life of Hera and Nymagee.

The lead and zinc circuit continues to perform strongly, with 7,747 tonnes of concentrate produced.

A single shipment and sale of concentrate was achieved during the quarter, with 5,235 tonnes of concentrate sold in June.

EXPLORATION DRILLING

Exploration drilling continued throughout most of the quarter, with the main objective being to increase Ore Reserves. The total metres drilled was 11,159 m (8,700 m infill and 2,458 m exploration) compared to 8,405 m in the prior quarter.

The focus underground is to provide drill platforms to enable the testing of the North Pod, both at depth and for infill drilling of the upper North Pod, and to test for extensions of the Hera lode system to the North.

The Resources and Reserves are currently being re-estimated with a planned update due at the end of July 17.

NYMAGEE PROJECT NSW (95% AMI)

Results of the Nymagee Scoping Study were released to ASX on 5 May 2017.

The study is a preliminary technical and economic investigation of the potential viability of the Nymagee copper, lead and zinc project. It is based on low accuracy technical and economic assessments, ($\pm 30\%$ accuracy) and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage; or to provide certainty that the conclusions of the Scoping Study will be realised.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study. Please refer to the ASX release for further cautionary statements. The highlights from the study included:

- Potential 4 yr mine life addition from Nymagee at the end of the Hera mine.
- Two underground mines deliver a potential combined 8 year mine life for the Hera/Nymagee projects.
- Nymagee Production Target of 1.38 Mt at 2.2% Cu, 1.6% Pb and 3.1% Zn
- Low capital project due to use of existing Hera plant and infrastructure
- Project undiscounted cash flow has an approximate range of \$70M - \$100M

The Scoping Study confirmed a viable high grade underground opportunity which provides additional overall mine life for the Hera/Nymagee project. Activity at Nymagee will now focus on commencing the environmental baseline monitoring work, required for the approval process, and a plan for detailed metallurgical testwork.

CORPORATE

FINANCIAL PERFORMANCE

Financial performance of the Hera operation is summarised in the table below. The quarterly AISC of \$1222/oz (US\$940/oz) was impacted by lower grades, a single concentrate shipment and a relatively high level of sustaining capital in the quarter.

Aurelia Metals Jun-17 Qtr Summary	Units	Sep 16 Qtr FY17	Dec 16 Qtr FY17	Mar 17 Qtr FY17	Jun 17 Qtr FY17	YTD FY17
Mining	\$/oz	617	449	418	521	494
Processing	\$/oz	645	505	530	546	551
Site Administration	\$/oz	96	77	81	97	87
Concentrate Transport & Refining	\$/oz	137	119	128	90	118
Net Inventory adjustments	\$/oz	(258)	102	115	(38)	(5)
Royalties	\$/oz	76	117	124	91	104
Third party smelting, refining	\$/oz	228	323	366	7	236
Total By-Product Credits	\$/oz	(671)	(1,085)	(1,383)	(576)	(949)
Cash Cost*	\$/oz	870	607	377	736	634
Corporate admin and other	\$/oz	120	72	59	83	82
Sustaining mining & process capital	\$/oz	249	142	231	403	252
AISC (All-in Sustaining Cost)*	\$/oz	1,238	821	666	1,222	968

* Cash Costs and AISC are calculated on gold sold with by-products credited on a sales basis. Base metal sales are approximately one-third of total sales and are accounted for as a by-product credit. The timing of Pb-Zn shipments (approx. every 6 weeks) will create volatility in the Company's reported AISC due to timing of base metal by-product credits and concentrate inventory movements.

All financials are preliminary and subject to change. Final revenue will be adjusted due to quotational period pricing, product inventory and smelter payable adjustments, where applicable. Cost data is preliminary and subject to final review and adjustment.

The Company generated sales of \$25.5 million (excluding interest), split approximately 75% gold and 25% base metal sales.

Gold sales were \$19.0 million from the sale of 11,380 oz at an average spot price of A\$1,671/oz. Silver dore sales generated \$0.2 million.

Net concentrate sales were \$6.3 million reflecting the single shipment and sale of 5,235 dmt of concentrate in the period (parcel number 15). Treatment charges were credited in the quarter by \$1.4M reflecting the new lower 2017 benchmark Zinc Treatment Charge applied to all 2017 shipments to date. Two concentrate shipments are planned for the September quarter of 2017.

Hera quarterly EBITDA (provisional only) was \$10.6 million, compared with \$15.2 million in the prior quarter. Financial performance was impacted by lower grades and lower concentrate sales as discussed.

Cash at bank increased during the quarter by \$2.8 million to \$34.8 million as at 30 June 2017. The increase in cash is after a debt repayment of \$2.7 million relating to a sweep payment generated in the Mar 17 quarter.

The \$2.8M in positive cash flow was generated by Site EBITDA of \$10.6 million, less corporate admin of \$0.95 million, \$4.6 million of mine and process capital, \$0.5M of exploration capital, and \$2.7 million debt repayment, plus a net \$0.95 million inflow from changes in working capital and other corporate.

CAPITAL EXPENDITURE

Total quarterly sustaining capital of \$4.6M was higher than normal due to the confluence of a number of mining and processing projects.

Mining capital was \$2.6M, consisting of \$1.9M of decline development (369 m) and \$0.6M of underground infrastructure (pump station and electrical sub-station).

Processing capital was \$2.0M, consisting largely of \$0.9M for the on-site assay laboratory, \$0.28M Falcon installation (to further enhance gravity recovery) and \$0.4M Tailings Storage Facility. The upgrade of the tailings storage facility is budgeted at \$0.85M, with the project to be completed in the first half of FY18.

DEBT

Net Debt reduced by 6% to \$75M (Cash of \$34.9M, Glencore Debt \$109.6M), compared to prior quarter balance of \$80.4 million (cash of \$32.0 million and debt of \$112.4 million). The reduction in Net Debt was a result of the \$2.6M debt repayment and a positive operating surplus.

With Cash Flow Available for Debt Service (CFADS) in the June quarter of \$5.5 million, no CFADS sweep obligation was generated in the quarter.

GOLD FORWARD SALES

During the quarter, the Company took the opportunity to replenish its hedge cover. The position at quarter end was 25,000 oz of gold forwards at an average delivery price of A\$1706/oz.

Transactions during the quarter included the addition of 30,000 oz of gold forwards and the closure of 5,000 oz of gold forwards for a gain of \$217k, leaving a net 25,000 oz at quarter end.

MANAGEMENT

On 1 June 2017, the Board appointed Mr Lawrie Conway as an Independent Non-Executive Director.

Mr Conway has more than 27 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.

On 30 June 2017, Mr Gary Comb resigned as an Independent Non-Executive Director after 5 years of contribution and service to the Company.

FINANCIAL RESULTS

The Company's financial results for the 12 months to 30 June 2017 are planned for release to ASX on Thursday 31 August 2017.

CORPORATE INFORMATION: Aurelia Metals Limited ABN 37 108 476 384

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Issued capital:	430.9M ord. shares, 10M unlisted options, 6.57M unlisted perf. Rights	
Substantial Shareholders:	PacRoad 145M (33.7%), Glencore 28.8M (6.7%), Yunnan Tin TDK 30.6M (7.1%)	
Non-Executive Chairman:	Cobb Johnstone	
Managing Director & CEO:	Jim Simpson	
Non-Executive Directors	Lawrie Conway, Paul Espie, Mike Menzies, Rune Symann	