

# QUARTERLY REPORT

## for the period ending 31 March 2018

### QUARTER HIGHLIGHTS

- **Strong Hera quarterly gold production of 16,991 oz at a Cash Cost of \$117/oz and an AISC of \$316/oz (US\$225/oz)**
- **Net operating cash flow of \$21.9M (excluding equity and debt flows)**
- **Debt reduced to \$30.4M with early Glencore debt repayment of \$54M**
- **Post quarter, Peak Mines acquisition was completed on 10 April 18, with the first tranche of the Investec Facility (\$45M) drawn.**

### HERA OPERATIONS

- Quarterly gold production of 16,991 oz delivered at a Cash Cost of \$117/oz and All-in Sustaining Cost (AISC) of \$316/oz.
- Strong performance delivered through high gold grades and continued high rates of ore throughput.
- Consistent base metal production with two concentrate shipments delivered in the quarter.
- Gold production delivered through the processing of 100,396 t at 5.89 g/t gold and 2.7% Pb and 3.8% Zn. Quarterly gold recovery was 89.4%, with 92% achieved in March 18.

### CORPORATE

- Revenue of \$45.3M was derived from gold and silver sales (\$30M) and two base metal shipments (\$15.3M).
- Hera quarterly EBITDA was \$28.5M, compared with \$21.2M in the prior quarter.
- The Group generated operating cash of \$21.9M (excluding \$64.5M equity raising and \$54M debt repayments and \$2.9M debt arranger fees paid in the quarter).
- Tranche 2 of the equity raising was completed on 12 January 2018, resulting in a cash inflow of \$64.5M during the current quarter.
- Glencore debt reduced by early repayment of \$54M to give a closing debt balance of \$30.4M (\$84.4M at 31 December 17)
- Cash in bank increased by \$29.4M to \$81.6M (\$52.2M at 31 December 17).
- The Company moved into a net cash position of \$51.2M (versus net debt position at 31 December 2017 of \$32.2M).
- Gold hedge position at quarter end was 85,000oz at \$1,700/oz.
- Completion of the Peak Mines Acquisition ("Transaction") was achieved on 10 April 2018 (see details below "Acquisition of Peak Mines").

## ACQUISITION OF PEAK MINES

Ministerial Approval for the Transaction was received immediately after quarter end, with the acquisition completed on 10 April 2018.

The acquisition consisted of a base price of US\$58M in cash, with US\$3M pre-paid in November 2017, and the balance of US\$55M paid on 10 April 2018. The final purchase price is subject to a working capital and net cash adjustment expected to be calculated and paid/received in the next quarter.

AMI will accrue production from the start 1 April 2018, with production for the March 2018 quarter accruing to New Gold Inc.

### EQUITY RAISING

Tranche 2 of the equity raising, announced in conjunction with the Peak acquisition, was completed in January 2018 and raised cash in the quarter of \$64.5M (net of placement fees). The total equity raising (Tranche 1 and 2, net of placement costs) was \$85.4M for the issue of 425.0M shares at \$0.21/share.

The Company's total issued capital increased to 855.9M shares.

### DEBT RAISING

As reported in the prior quarter, Aurelia has entered into financing commitments with Investec Group for new underwritten debt facilities to be used to settle the Transaction and provide flexibility to restructure its current debt obligations. The facilities include:

- (i) A Senior Debt Facility of \$45M which is senior secured over the Peak assets. On 9 April 2018, Aurelia utilised this Facility to settle the Transaction. This loan is to be repaid from drawings from the Corporate Amortising Loan (see below) by 30 June 2018.
- (ii) A Corporate Amortising Loan of \$85M secured over all group assets, which will be used to repay the Senior Debt Facility (described above) and repay existing Glencore debt and to provide general working capital.
- (iii) Guarantee Facility of \$25M initially to fund the Performance Bonds required to be provided in relation to Peak's rehabilitation obligations. This Guarantee Facility increases to \$30M once draw down of the Corporate Amortising Loan mentioned below occurs, to facilitate refinancing of Aurelia's current cash backed Performance Bond for Hera.

The Company is currently assessing its working capital position and that of its newly acquired subsidiary in Peak Mines, to determine the appropriate debt requirements. After the mandatory repayment of the Senior Debt Facility from the Corporate Amortising Loan (described in (ii) above), the Company will have capacity to draw further debt of up to \$40M.

The Investec Debt Facilities mature in 30 months, with the first scheduled repayment in October 2018, with quarterly amortisation payments thereafter. A quarterly cash sweep mechanism exists from September 2018, whereby 50% of group cash exceeding \$25M will be applied as an early repayment against the facilities (up to a maximum sweep repayment of \$12.5M).

### GOLD HEDGING

Under the terms of the Investec Facilities, the Company is committed to hedging a portion of its annual gold production on a rolling quarterly basis. As part of this requirement, hedging was entered into earlier this year in anticipation of the Transaction completion. The Company has entered into gold forward sales of 55,000 oz at an average price of A\$1,700/oz for Peak and 30,000 oz at an average price of A\$1,700/oz for Hera.

## HERA MINE NSW (100%)

### HERA OPERATIONS SUMMARY

Operations performed strongly achieving record gold production for the quarter. A throughput record of 42,292 tonnes was recorded in March 2018.

Two base metal concentrate shipments were made during the quarter and with steady levels of concentrate production. Two base metal shipments are planned for the June 2018 quarter.

A summary of the quarterly production data is tabulated below:

Aurelia Metals Mar-18 Qtr Summary	Units	Jun 17 Qtr FY17	Sep 17 Qtr FY18	Dec 17 Qtr FY18	Mar 18 Qtr FY18	YTD FY18
Ore Mined	t	102,275	96,275	97,366	101,182	294,823
Mined Grade - Gold	g/t	3.80	4.08	4.87	5.74	4.91
Mined Grade - Silver	g/t	12.4	15.1	15.5	14.1	14.87
Mined Grade - Lead		2.33%	3.18%	2.79%	2.65%	2.87%
Mined Grade - Zinc		3.12%	3.59%	3.96%	3.69%	3.75%
Ore Processed	t	93,649	94,225	103,208	100,396	297,829
Processed Grade - Gold	g/t	3.79	4.09	4.86	5.89	4.96
Processed Grade - Silver	g/t	11.74	14.87	14.65	15.57	15.03
Processed Grade - Lead		2.23%	3.19%	2.80%	2.74%	2.90%
Processed Grade - Zinc		2.90%	3.74%	3.81%	3.80%	3.79%
<b>Gold recovery</b>		<b>92.1%</b>	<b>89.8%</b>	<b>89.9%</b>	<b>89.4%</b>	<b>89.7%</b>
Silver recovery		88.8%	89.8%	89.9%	86.1%	88.6%
Lead recovery		90.6%	90.0%	90.0%	91.1%	90.4%
Zinc recovery		88.0%	87.6%	91.0%	93.0%	90.6%
<b>Gold Production</b>	<b>oz</b>	<b>10,510</b>	<b>11,111</b>	<b>14,527</b>	<b>16,991</b>	<b>42,628</b>
Silver Dore Production	oz	7,968	12,259	15,706	17,396	45,361
Concentrate produced	dmt	7,747	10,832	10,613	10,992	32,437
Concentrate grade (Pb+Zn)		55%	53%	58%	55%	56%
<b>Gold Dore sold</b>	<b>oz</b>	<b>11,380</b>	<b>10,613</b>	<b>14,069</b>	<b>17,467</b>	<b>42,149</b>
<b>Silver Dore sold</b>	<b>oz</b>	<b>10,141</b>	<b>8,220</b>	<b>16,473</b>	<b>18,359</b>	<b>43,052</b>
<b>Concentrate sold</b>	<b>dmt</b>	<b>5,235</b>	<b>10,389</b>	<b>10,375</b>	<b>10,385</b>	<b>31,149</b>
<b>Payable Lead in concentrate sold</b>	<b>t</b>	<b>1,185</b>	<b>2,305</b>	<b>2,315</b>	<b>2,093</b>	<b>6,712</b>
<b>Payable Zinc in concentrate sold</b>	<b>t</b>	<b>1,238</b>	<b>2,096</b>	<b>2,484</b>	<b>2,552</b>	<b>7,132</b>
<b>Payable Silver in concentrate sold</b>	<b>oz</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: Gold sold in the March Qtr of 17,467 oz includes 921 oz from gold derived from a clean out of the Tower Mill at Hera during a recent maintenance shut. This gold is not attributable to production in the March quarter and has not been included in the March 18 quarterly production statistics.

### MINING

Mining was focused on development of the North Pod and increasing ore inventory whilst maintaining increased feed rates to the mill.

A total of 101,182 tonnes of ore was mined during the quarter at an average grade of 5.74 g/t gold, 2.65% lead and 3.69% zinc. The mine is responding to the increased process throughput rates, with increased lateral development and ore haulage rates occurring late in the quarter.

Lateral underground development achieved during the quarter was 1,069 metres (979 metres in the prior quarter). Capital development remained focused on incline/decline development to the North Pod.

Stoping of the North Pod is expected to commence early in the September 2018 quarter with development focusing on opening up the lower levels of North Pod and Far West Deeps.

## PROCESSING

A total of 100,396 tonnes of ore was processed during the quarter grading gold at 5.89 g/t, lead 2.74% and zinc 3.80%. Mill throughput continued to exceed nameplate capacity with a throughput rate of 59.7/tph achieved in March.

Gold recovery averaged 89.4% for the quarter. Record gold production of 16,991 ounces was achieved for the quarter.

The lead and zinc circuit continues to perform strongly, with 10,992 tonnes of concentrate produced. Two shipments and sales of concentrate were made during the quarter, with 10,385 tonnes of concentrate sold.

## EXPLORATION DRILLING

Exploration drilling continued throughout the quarter, with the main objective being to test prospective areas to the north and east of the Hera lodes. Exploration drilling of 4,410 metres was completed in the quarter (compared to 6,192 metres in the prior quarter, which included 4,922 of infill drilling).

The Company announced to ASX (11 January 2018) that recent drilling at North Pod had successfully extended the gold and base metal mineralisation 100 metres vertically below the previous known extent of the lode. Exploration drilling at the Kershaws prospect (east of the main Hera trend) discovered base metal mineralisation but did not return any economic intercepts. Drilling to the north of the main Hera trend, at the Beyond target, encountered alteration but no mineralization was intersected.

## CORPORATE

### FINANCIAL PERFORMANCE

Financial performance of the Hera operation is summarised in the table below. The reduced AISC of \$316/oz was achieved through strong gold production with consistent cost performance. As noted previously, quarterly gold sales were increased by 921 oz from gold derived during a clean out of the Tower Mill at Hera. Also included in AISC are 'non-sustaining' corporate costs relating to the Peak acquisition of \$450k. The impact of excluding the "Tower mill gold" from sales and excluding the Peak acquisition costs from "Corporate Admin and other", would have resulted in no material change to the AISC declared for the period.

Aurelia Metals Mar-18 Qtr Summary		Jun 17 Qtr	Sep 17 Qtr	Dec 17 Qtr	Mar 18 Qtr	YTD
	Units	FY17	FY18	FY18	FY18	FY18
Mining	\$/oz	521	559	535	439	501
Processing	\$/oz	546	579	466	375	457
Site Administration	\$/oz	97	105	66	68	76
Concentrate Transport & Refining	\$/oz	90	163	107	115	124
Net Inventory adjustments	\$/oz	(38)	(159)	(20)	(101)	(88)
Royalties	\$/oz	91	114	129	123	123
Third party smelting, refining	\$/oz	7	264	203	159	200
Total By-Product Credits	\$/oz	(576)	(1,442)	(1,319)	(1,060)	(1,243)
<b>Cash Cost*</b>	<b>\$/oz</b>	<b>736</b>	<b>181</b>	<b>168</b>	<b>117</b>	<b>150</b>
Corporate admin and other**	\$/oz	83	91	96	67	87
Sustaining mining & process capital	\$/oz	403	298	188	133	191
<b>AISC (All-in Sustaining Cost)*</b>	<b>\$/oz</b>	<b>1,222</b>	<b>570</b>	<b>452</b>	<b>316</b>	<b>428</b>

\* Cash Costs and AISC are calculated on gold sold with by-products credited on a sales basis. Base metal sales are approximately 40% 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 ASIC due to timing of base metal by-product credits and concentrate inventory movements.

\*\* Corporate costs include business development costs of approximately \$450K for the quarter (\$600k prior quarter). These costs consist of legal, consulting and transactional costs pertaining to the Peak Mines acquisition.

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 record sales revenue of \$45M, split approximately 65% gold and 35% base metal sales.

Gold sales were \$29.6M from the sale of 17,467 oz at an average spot price of A\$1,697/oz. Silver dore sales generated \$0.4M. Net concentrate sales were \$15.3M reflecting two shipments of 10,385 dmt (combined) of concentrate in the period and pricing adjustments on previous quarter shipments of \$0.6M.

Hera quarterly EBITDA was \$28.5M, compared with \$21.2M in the prior quarter.

Operating and financing activities increased cash at quarter end by \$29.4M to \$81.6M.

Operating cash flow was \$21.9M. This was delivered by Hera EBITDA of \$28.5M, less corporate costs of \$1.2M, less capital of \$2.9M, less a net change in working capital and other items of \$2.5M. Corporate costs for the quarter of \$1.2M, included \$0.45M of legal, consulting and other transactional costs relating to the Peak Mines acquisition.

Net financing cash flow was \$7.5M, being the net result of \$64.5M inflow from equity raised, less \$57M debt repayment and facility fees paid during the period.

## CAPITAL EXPENDITURE

Total quarterly capital spend was \$2.9M. Of this amount \$2.3M was invested in sustaining capital, predominantly mine decline development and minor process sustaining capital.

Growth capital of \$0.6M related to the gravity circuit upgrades, the primary screen upgrade and exploration.

## DEBT

Due to the Company's strong financial position, the conversion rights relating to the Glencore Convertible Notes Facilities were allowed to lapse on 31 March 2018.

An early debt repayment of \$54M to Glencore was completed on 29 March 2018 reducing the outstanding debt from \$84.4M to \$30.4M. The outstanding debt is interest-bearing from 1 April 2018, with scheduled repayments commencing in March 2019.

## INTERIM FINANCIAL RESULTS

The Company released its interim financial results for the six months to 31 December 2017 to ASX on 20 February 2018. Performance improved across all metrics relative to the prior corresponding period (six months to 31 December 2016).

- Sales revenue increased by 34% to \$68.9M, driven by increased gold production (13%) together with higher base metal production at favourable metal prices
- Reported profit increased to \$18.3M from \$4.3M
- Net Debt (using nominal or face value of debt) reduced by 52% to \$32.2M

For further details please refer to ASX release dated 20 February 2018 "Financial Results for the half-year ended 31 December 2017".

### CORPORATE INFORMATION: Aurelia Metals Limited ABN 37 108 476 384

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Share Registry:	Security Transfer Registrars Pty Ltd	Tel: +61 (0)8 9315 2333
Issued capital:	855.9M ord. shares, 10M unlisted options, 6.57M unlisted perf. Rights	
Substantial Shareholders:	PacRoad 313.7M (36.6%), Tribeca Inv. 49.7M (5.8%), Glencore 47M (5.5%)	
Non-Executive Chairman:	Cobb Johnstone	
Managing Director & CEO:	Jim Simpson	
Non-Executive Directors	Lawrie Conway, Paul Espie, Mike Menzies, Rune Symann	