

# QUARTERLY REPORT

## for the period ending 30 September 2018

### QUARTER HIGHLIGHTS

- **Group quarterly gold production of 35,499 oz at an AISC of \$858/oz and an AIC of \$901/oz**
  - **Peak Mines contributed 21,753 oz at AISC \$802/oz (AIC \$804/oz)**
  - **Hera contributed 13,746 oz at AISC of \$817/oz (AIC \$921/oz)**
- **Group quarterly mine cash flow contribution (excluding Corporate) was \$26M, with Peak Mines contributing \$16M and Hera \$10M**
- **Base metal prices received were 10-20% lower than the prior quarter due to contractual price adjustments related to the reduction in spot metal prices in the June 2018 quarter**
- **Available cash of \$82.9M and no debt at 30 September 2018**

### OPERATIONS

- Production at Peak reduced during the quarter with reduced gold grades from the Chronos Zone (average mined grade of 10 g/t gold down from 31 g/t in the prior quarter). The Company is implementing contract mining at Peak to improve productivities and costs, with the transition planned for the December 2018 quarter.
- Record quarterly throughput at Hera of 129,338 tonnes and with gold recovery of 90%. The processed gold grades reduced relative to the prior quarter (3.7 g/t versus the prior quarter of 5.5 g/t) with mining, as planned, in the lower grade peripheral areas of the Hera orebody. The North Pod and Far West Deeps will be in full production for the December 18 quarter.
- Growth projects advanced during the quarter:
  - Nymagee: metallurgical drilling completed, PFS completion planned for 30 June 19
  - Peak Pb/Zn expansion project: 60% design completion, long lead items committed
  - Peak Great Cobar project: Exploration decline of 1,800 m approved, subject to regulatory approval

### CORPORATE

- Group revenue of \$80.0M was derived 65% from precious metals sales and 35% from copper, lead and zinc sales. Negative price finalisation adjustments to base metal revenue, due to the fall in base metal prices in May and June, were registered this quarter.
- Net mine cash flow of \$26M (\$16M from Peak and \$10M from Hera) was offset by a \$10M increase in working capital (largely from a reduction in year-end creditors).
- Cash in bank increased by \$16M to \$82.9M (\$66.9M at 30 June 18).
- The hedge book at quarter end was 45,000 oz at \$1,744/oz (prior quarter was 76,000oz at \$1,727/oz).
- Clifford Tuck resigned as a Non-Executive Director on 30 September 2018 and Susan Corlett was appointed as an Independent Non-Executive Director effective from 3 October 2018.

## GROUP SUMMARY

The September quarter results are tabulated below:

Aurelia Metals Production Summary	Units	Mar 18 Qtr	Jun 18 Qtr	Sep 18 Qtr	FY19 YTD
<b>Hera gold produced</b>	<b>oz</b>	<b>16,991</b>	<b>17,195</b>	<b>13,746</b>	<b>13,746</b>
Hera gold sold	oz	17,467	18,283	13,434	13,434
Hera lead produced	t	2,503	1,803	1,952	1,952
Hera zinc produced	t	3,550	2,800	2,956	2,956
Hera AISC	\$/oz	250	631	817	817
Hera AIC (incl growth capital)	\$/oz	290	655	921	921
<b>Peak gold produced</b>	<b>oz</b>	<b>0</b>	<b>37,552</b>	<b>21,753</b>	<b>21,753</b>
Peak gold sold	oz	0	43,023	19,424	19,424
Peak copper produced	t	0	1,968	1,374	1,374
Peak lead produced	t	0	1,551	3,413	3,413
Peak AISC	\$/oz	0	517	802	802
Peak AIC (incl. growth capital)	\$/oz	0	526	804	804
<b>Group gold production</b>	<b>oz</b>	<b>16,991</b>	<b>54,746</b>	<b>35,499</b>	<b>35,499</b>
Group gold sold	oz	17,467	61,306	32,858	32,858
Group copper production	t	0	1,968	1,374	1,374
Group lead production	t	2,503	3,353	5,365	5,365
Group zinc production	t	3,550	2,800	2,956	2,956
<b>Group AISC</b>	<b>\$/oz</b>	<b>316</b>	<b>567</b>	<b>858</b>	<b>858</b>
<b>Group AIC</b>	<b>\$/oz</b>	<b>356</b>	<b>581</b>	<b>901</b>	<b>901</b>

Note: Peak Mines production is consolidated from 10 April 2018

1) AISC/oz (All-in Sustaining Cost) is the total of on-site mining, processing and admin costs, inventory adjustments, royalties, sustaining capital, less by-product credits divided by gold oz sold

2) Group AISC includes corporate general and administration expenses

3) AIC/oz (All-in Cost) is AISC cost plus growth capital (expansionary capital and exploration). Income tax, working capital and interest are excluded from these metrics.

## PEAK MINES NSW (100%)

### PEAK OPERATIONS SUMMARY

Gold production of 21,753 oz, at a site AISC of \$802/oz was a result of decreased Chronos gold grades (mined grade averaging 10g/t Au versus 31g/t reported in the June 18 quarter). As previously highlighted, the nugget effect and localized nature of gold at Chronos provides highly variable gold production from this zone. Base metal production during the quarter was 1,374 tonnes of copper in concentrate and 3,413 tonnes of lead in concentrate.

A summary of the quarter and YTD production results is tabulated in 'Table A – Quarterly Summary' below.

### MINING

The Company has taken the decision to implement contract mining at Peak to improve productivities and costs, similar to our practice at Hera. The transition is expected to occur during the December 2018 quarter.

Mining rates were restricted in the quarter by limited mine development. Development achieved in the quarter was 821m (978 m in the prior quarter). Increasing rates of mine development will be a key goal of the incoming mine contractor.

The majority of ore mined during the period was from the relatively lower grade Jubilee zone (1-2 g/t gold and 1.5-2% copper). Jubilee was fully mine developed prior to the acquisition and provides a source of base load feed for the plant. Higher grade ore sources are added to production from Perseverance Deeps and Chronos as stoping fronts become available. Additional higher grade ore sources such as the S400, up dip from Perseverance Deeps, are being planned for access later this financial year.

## PROCESSING

Throughput was 135,392 tonnes (similar to the prior quarter) which remains below designed rates. Lower throughput rates were largely a function of restricted ore supply and filtration capacity constraints whilst processing high base metal feed from Chronos (July/August).

The Company has committed to an upgrade of the Peak processing plant that involves the addition of flotation and filtration capacity. This upgrade will allow the plant to produce quality lead and zinc concentrates from the Chronos Pb/Zn zone and Great Cobar later in the mine life (see Growth Projects below).

Gold and copper recovery were stable and strong (97% gold and 94% copper), with the greatest improvement being in lead recovery of 85%, up from 73% last quarter. Improved lead recovery is a result of new operational initiatives introduced by the Peak processing team to improve recovery performance when processing Chronos ore.

## EXPLORATION

Drill results released during the quarter ("Peak Drilling Update" released to ASX on 19 July 2018) were associated with testing the up-dip extensions of the Chronos zone. Results returned high grade base metal intersections with Net Smelter Return (NSR) values exceeding the current NSR of the resource. The current program of infill and extensional drilling is planned to be completed in the December 2018 quarter.

## GROWTH PROJECTS

- **Great Cobar exploration decline**

The long term future of Peak is centered on the Great Cobar zone (gold/copper and lead/zinc lodes). An exploration decline and associated development has been approved, subject to regulatory approval, to allow for additional drilling to improve the confidence in the current indicated/inferred resources (see diagram below).

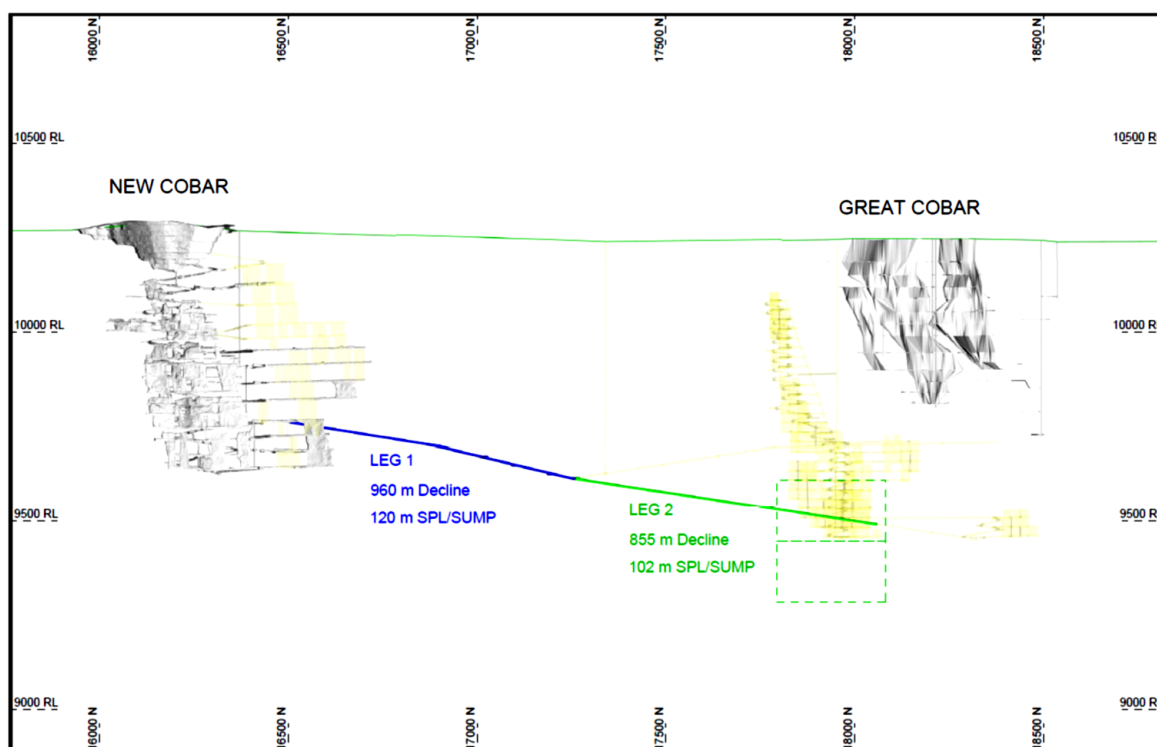


Figure: Long Section of northern corridor of Peak Mines (showing planned decline from New Cobar Mine to Great Cobar)

The planned decline length is 1,815 m (2,037m of total development with stockpile bays and sumps). The combined cost of this development activity, including electrical, ventilation and pumping infrastructure, and diamond drilling (24,000 m) is estimated at approximately \$20M.

Depending on the timing of regulatory approval, some \$8-9M of this growth capital may be invested in the FY19 year.

Regulatory approval for the exploration decline is being sought via a Review of Environmental Factors (REF). The REF is planned for submission to the appropriate authorities in the December quarter. The REF is essentially a pre-EIS document and will set the tone and scope for the full Environmental Impact Statement (EIS).

Once the decline has been completed and exploration confirms a development decision, a full EIS will require submission. The EIS will cover all activities relating to productive mining and will be progressed in parallel with the exploration decline and drilling activity.

- **Pb/Zn Upgrade**

The Pb/Zn upgrade will enable the Peak processing plant to operate at up to 800,000 tpa on high grade base metal feed. Importantly, it will provide capacity in the plant to produce three concentrate streams: copper, lead and zinc and unlock the value of the Chronos Pb/Zn resource (surrounding the high grade gold/Pb core) and the Pb/Zn zones at Great Cobar.

Final design of the Pb/Zn upgrade is some 60% complete and whilst final costing is not available, the Company is sufficiently confident in the economics of this project to order long lead items to expedite the project (filter press and flotation cells). The filter press has a current delivery timeline of 50 weeks. The project design, procure and build phase is estimated at 12-18 months, with options to compress the timeframe being investigated.

A scoping level estimate of capital for this project is \$25-30M, with an update on final costing to be provided when full engineering works have been completed. Depending on timing of long lead items, some \$14-18M of this growth capital may be invested in the FY19 year.

## **HERA MINE NSW (100%)**

### **HERA OPERATIONS SUMMARY**

Hera operations achieved record quarterly throughput during the quarter. Gold production for the quarter was 13,746 oz at a site AISC of \$817/oz. Base metal production increased slightly relative to the last quarter with 1,952 t of contained lead and 2,956 t of contained zinc. Two Pb/Zn shipments were made during the quarter (10,279 dmt of concentrate sold).

A summary of the quarter and YTD production results is tabulated in 'Table A – Quarterly Summary' below.

### **MINING**

A total of 126,226 tonnes of ore was mined during the quarter at an average grade of 4.11 g/t gold, 1.69% lead and 2.46% zinc.

Lateral underground development achieved was 691 m (782 m in the prior quarter). Development is being reduced to plan and is based on achieving sufficient levels of underground mine inventories.

The first stopes from the North Pod were mined late in the quarter. Underground production infill drilling of the Upper North Pod remains on track to commence in the December 2018 quarter.

### **PROCESSING**

A record rate of ore throughput of 129,338 tonnes was achieved, at grades of 3.7 g/t gold, 1.8% lead and 2.6% zinc. The lower base metal grades allowed high throughput rates to be achieved.

Gold recovery remains a key focus and the current quarter saw an increase in recovery to 90.3%.

Lead-zinc concentrate production increased slightly this quarter, despite lower grades, due to the increased throughput.

## **EXPLORATION**

The main focus of exploration during the quarter has been a surface based program testing targets at depth below the Hera system (Juno) and immediately to the south of Hera (Hebe), and regional targets south of Hera (Dominion).

The Juno target was tested this quarter with a 1,500 m deep drill hole below the Hera mine. Visual inspection of the hole indicates that no massive sulphides were intersected, with final assays pending. A downhole geophysical survey was conducted on the hole which indicates a very strong conductor higher in the system to the south and beneath the Main South orebody at Hera. Further work is planned.

Drill testing of a downhole geophysical (EM) target at Hebe remains in progress, with assays pending.

Assay results from the Dominion prospect, located 11 km south of Hera, are expected imminently, with a separate release to be made once results are received.

## **NYMAGEE (95%)**

A key component of work required for the upcoming pre-feasibility study (PFS) for the Nymagee project (due for completion in June 2019) is additional drilling at Nymagee to provide fresh material for comminution and flotation testing (metallurgical testwork).

Drilling was designed to return various copper and lead/zinc mineralisation in different grade ranges. The results received indicate discrete copper-dominant and lead/zinc-dominant intervals, which potentially simplifies processing options. Please refer to ASX release on 12 October 2018 ("Operations Update") for further information regarding this drilling.

**TABLE A - Quarterly Summary**

<b>Aurelia Metals - Sep 18 Qtr Summary</b>	<b>Units</b>	<b>Hera</b>	<b>Peak</b>	<b>Group</b>
Ore Mined	t	126,226	138,238	264,464
Mined Grade - Gold	g/t	4.11	4.69	4.42
Mined Grade - Silver	g/t	8.65	23.23	16.27
Mined Grade - Copper	%	0%	1.07%	0.56%
Mined Grade - Lead	%	1.69%	2.96%	2.35%
Mined Grade - Zinc		2.46%	1.64%	2.03%
Ore Processed	t	129,338	135,392	264,730
Processed Grade - Gold	g/t	3.66	5.13	4.41
Processed Grade - Silver	g/t	8.57	24.29	16.61
Processed Grade - Copper	%	0%	1.08%	0.55%
Processed Grade - Lead	%	1.78%	2.96%	2.38%
Processed Grade - Zinc	%	2.61%	1.56%	2.07%
Gold recovery		90.3%	97.4%	
Silver recovery		81.2%	84.3%	
Copper recovery		0.0%	94.3%	
Lead recovery		84.8%	85.2%	
Zinc recovery		87.5%	0.0%	
<b>Gross Metal Production</b>				
Gold Production	oz	13,746	21,753	<b>35,499</b>
Silver production	oz	28,938	89,150	118,087
Copper production	t	0	1,374	1,374
Lead production	t	1,952	3,413	5,365
Zinc production	t	2,956	0	2,956
<b>Payable Metal Production</b>				
Gold Production	oz	13,746	21,391	<b>35,137</b>
Silver production	oz	11,526	73,442	84,967
Copper production	t	0	1,123	1,123
Lead production	t	1,687	3,156	4,842
Zinc production	t	2,249	0	2,249
<b>Concentrate Production</b>				
Cu Concentrate produced	dmt	0	4,801	4,801
Pb Concentrate Production	dmt	0	8,594	8,594
Bulk Pb/Zn Conc Production	dmt	8,838	0	8,838
<b>Sales</b>				
Gold dore & gold in Conc sold	oz	13,434	19,424	<b>32,858</b>
Silver dore & Silver in Conc sold	oz	10,653	55,362	66,015
Payable Copper sold	t	0	1,158	1,158
Payable Lead sold	t	1,888	2,366	4,254
Payable Zinc sold	t	2,623	0	2,623
<b>Prices</b>				
Gold price achieved	A\$/oz	1,659	1,633	1,644
Silver price achieved	A\$/oz	20	19	19
Copper price achieved	A\$/t	0	7,437	7,437
Lead price achieved	A\$/t	2,614	2,778	2,705
Zinc price achieved	A\$/t	3,241	-	3,241

Note: Peak Mines production is consolidated from 10 April 2018

A financial year to date summary is not included, as it is a repetition of the September 18 quarter summary above.

## CORPORATE

### FINANCIAL PERFORMANCE

The financial performance of the Group is summarised in the table below:

Aurelia Metals - Sep 18 Qtr Summary	Units	Hera	Peak	Group
<b>All-in Sustaining Cost Summary<sup>1</sup></b>				
Mining	\$k	6,773	13,466	20,240
Processing	\$k	7,180	6,936	14,116
Site Administration	\$k	961	2,331	3,292
Concentrate Transport & Refining	\$k	1,675	1,506	3,180
Net Inventory adjustments	\$k	1,583	(2,992)	(1,409)
Royalties	\$k	1,558	1,775	3,333
Third party smelting, refining	\$k	2,486	1,410	3,896
Total By-Product Credits	\$k	(13,654)	(16,252)	(29,906)
Sustaining Capital	\$k	2,416	7,407	9,824
Corporate admin and other	\$k			1,631
<b>AISC (All-in Sustaining Cost)</b>	<b>\$</b>	<b>10,979</b>	<b>15,586</b>	<b>28,197</b>
<b>AISC Unit Cost</b>	<b>\$/oz</b>	<b>817</b>	<b>802</b>	<b>858</b>
Growth Capital	\$	1,388	29	1,416
<b>AIC (All-in Cost)</b>	<b>\$</b>	<b>12,367</b>	<b>15,615</b>	<b>29,613</b>
<b>AIC Unit Cost</b>	<b>\$/oz</b>	<b>921</b>	<b>804</b>	<b>901</b>
<b>FY19 AISC Unit Cost</b>	<b>\$/oz</b>	<b>817</b>	<b>802</b>	<b>858</b>

<sup>(1)</sup> Cost data and financials are preliminary and subject to final review and adjustment

Note: Peak Mines production is consolidated from 10 April 2018

\* AISC is calculated on gold sold with by-products credited on a sales basis. The timing of base metal shipments will create volatility in the Company's reported ASIC due to timing of base metal by-product credits and concentrate inventory movements.

### Sales

The Company generated sales revenue of \$80.0M, split approximately 65% precious and 35% base metal sales. Reduced precious metal sales was the primary driver of reduced revenue this quarter (down \$51M), with base metals sales recording a \$5.1M reduction. Total gold dore and gold in concentrate sold for the quarter was 32,858 oz at an average price of A\$1644/oz.

The reduction in base metal prices during the June quarter has resulted in negative price finalisation adjustments to base metal sales this quarter. The achieved copper price in the quarter was A\$7,437/t, relative to the current spot price of A\$8,760/t. Similarly, the lead and zinc price received was around 10% lower than the prior quarter. The impact of lower base metal prices at Hera were offset to some degree by the recognition of a reduced 2018 Zn benchmark treatment charge (TC).

### Cash flow

Site quarterly EBITDA was \$37M, which after sustaining and growth capital expenditure of \$11M, delivered a site cash flow contribution of \$26M, with Peak contributing \$16M and Hera contributing \$10M.

Site operating cash flow of \$26M was reduced by approximately \$10M of outflows associated with corporate costs and changes in working capital to give a net increase in cash of \$16M in the quarter. The closing cash balance was \$82.9M.

Corporate costs essentially netted off and included a net \$1M gain (corporate costs plus gain from FX/hedging), \$4.6M inflow from the release of a security deposit and a \$5.4M outflow related to the payment of stamp duty associated with the Peak acquisition. The key changes in working capital were a \$3M increase in receivables, \$5M decrease in payables and a \$2M increase in inventory.

## Capital expenditure

Total quarterly capital spend was \$11.2M (Hera \$3.8M and Peak \$7.4M). Of this amount \$9.8M was invested in sustaining capital, predominantly mine decline development and minor process sustaining capital. Growth capital of \$1.4M relates primarily to exploration at Hera and the metallurgical drill program at Nymagee.

## Gold hedging

The Company protected most of the quarter's production against the recent dip in the A\$ gold price by delivering into existing forward sales contracts. At quarter end the position had reduced to 45,000 oz at \$1,744/oz (prior quarter was 76,000 oz at \$1,727/oz). Post quarter end, the opportunity to replenish the hedge book at prices greater than A\$1700/oz has been taken, with the forward hedge position at 22 October 2018 totaling 67,000 oz at A\$1,735/oz.

## BOARD

On 30 September 2018, Clifford Tuck resigned as Director. Susie Corlett was appointed as an Independent Non-Executive Director effective from 3 October 2018.

## EQUITY

On 13 September 2018, Pacific Road Capital Management converted all unlisted options held (10 million) into Ordinary Shares at an issue price of \$0.0125/share. These shares were subsequently sold, with Pacific Road no longer having any equity interest in the Company.

## OUTLOOK

### FY19 financial year

Group production and AISC for the FY19 financial year is provided in the table below.

Group production is planned to be relatively even on a quarterly basis over the year. However, it is highlighted that with the move to contract mining at Peak, and planned increases in mine development, together with the growth projects identified (Great Cobar decline and the Pb/Zn project) capital will increase in the second half of the financial year.

The Company has moved to a tax payable position, with the expectation that tax payments will commence in the second half of the 2019 financial year.

FY19 Outlook	Gold Production (oz)	AISC (A\$/oz)	Growth Capital \$M
Hera	45,000 - 50,000	650 - 850	7 - 12
Peak	70,000 - 80,000	1,000 - 1,100	28 - 36
<b>Group</b>	<b>115,000 - 130,000</b>	<b>900 - 1,000</b>	<b>35 - 48</b>

#### Note:

- 1) AISC/oz (All-in Sustaining Cost) is the total of on-site mining, processing and admin costs, inventory adjustments, royalties, sustaining capital, less by-product credits divided by gold oz sold
- 2) Group AISC includes corporate general and administration expenses
- 3) By-product credits include silver, copper, lead and zinc sales forecast over the outlook period. AISC/oz is based on the following commodity price assumptions: Silver \$22/oz, Copper A\$8510/t, Lead A\$2,960/t and Zinc A\$3,440/t. The actual AISC/oz delivered will depend on the actual operating costs and actual price of base metals received over the outlook period.

## 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:	865.9M ord. shares, 6.57M unlisted perf. Rights	
Substantial Shareholders:	AusSuper 6.4%, EleyGriffiths 5.7%, Tribeca 5.5%, Glencore 5.4%, Colonial 5.0%	
Non-Executive Chairman:	Cobb Johnstone	
Managing Director & CEO:	Jim Simpson	
Non-Executive Directors	Lawrie Conway, Paul Espie, Mike Menzies, Susie Corlett	