

QUARTERLY REPORT

for the period ending 31 December 2017

QUARTER HIGHLIGHTS

- **Peak Mines acquisition for US\$58M.**
- **Shareholder approvals received at the EGM on 5 Jan 18.**
- **Equity raisings to support the acquisition completed on 12 Jan 18 raised a net \$85.4M (\$20.7M Tranche 1, \$64.7M in Tranche 2 + SPP).**
- **Ministerial consent required prior to completion of the acquisition, anticipated in the March 18 quarter.**
- **Hera record quarterly gold production of 14,527 oz at a Cash Cost of A\$168/oz and an AISC of A\$452/oz (US\$362/oz)**
- **Hera quarterly operating cash flow of \$18.4M**
- **\$15M early debt repayment to Glencore completed**
- **Cash in bank increased to \$52M, after Tranche 1 equity raising of \$20.7M, less debt repayments of \$15M and Peak acquisition deposit of \$3.9M.**
- **Net Debt reduced by 52% to \$32.1M (Cash of \$52M, Glencore Debt \$84M).**
- **Post receipt of funds from Tranche 2 + SPP in early Jan 18, the Company has moved to a Net Cash position.**

HERA OPERATIONS

- Record quarterly gold production of 14,527 oz, together with strong base metal production and continued high base metal prices, delivered a record low Cash Cost of A\$168/oz and All-in Sustaining Cost (AISC) of \$452/oz (US\$362/oz).
- Successful screen upgrade in processing circuit delivered record ore throughput of 103,208 tonnes (increase of 9.5% on prior quarter).
- Gold recovery of 89.9% for the quarter, with 92.8% achieved in the month of November.
- Stopping of North Pod mineralisation planned for the March 2018 quarter.

CORPORATE

- Peak acquisition for US\$58M announced on 20 November 2017. Funding to be provided by equity (net \$85.4M raised and completed in January 18) and a A\$115M debt facility from the Investec Group (debt agreements substantially complete and awaiting final execution).
- All resolutions put to shareholders at EGM on 5 January 18 were approved.
- Hera revenue of \$39M was delivered from gold and silver sales (\$23.7M) and two base metal shipments (\$15.3M).
- Cash in bank increased by \$20.2M to \$52.2M (\$32M at 30 September 17). The balance includes \$20.7M from Tranche 1 equity placement and is after a voluntary early debt repayment of \$15M and a Peak acquisition deposit of \$3.9M. Operating cash flow excluding these items was \$18.4M. Net Debt reduced by 52% to \$32.1 million (\$67.5 million at 30 September 17).
- Gold hedge position at quarter end was 10,000 oz at \$1,709/oz.

HERA MINE NSW (100%)

HERA OPERATIONS SUMMARY

Operations performed strongly with record process throughput in the December quarter following an upgrade of screening capacity in October 2017. Gold production was a record on the back of higher throughput and strong gold grades.

Mining was focused on development of the North Pod whilst maintaining increased feed rates to the mill. Increased lateral development and ore haulage was achieved during the month of December to support increased throughput.

Two base metal concentrate shipments were achieved during the quarter and with continued strong base metal grades. Two shipments are planned for the March 2018 quarter.

A summary of the quarterly production data is tabulated below:

Aurelia Metals Dec-17 Qtr Summary	Units	Mar 17 Qtr FY17	Jun 17 Qtr FY17	Sep 17 Qtr FY18	Dec 17 Qtr FY18	YTD FY18
Ore Mined	t	85,643	102,275	96,275	97,366	193,641
Mined Grade - Gold	g/t	4.80	3.80	4.08	4.87	4.48
Mined Grade - Silver	g/t	14.3	12.4	15.1	15.5	15.29
Mined Grade - Lead		2.87%	2.33%	3.18%	2.79%	2.99%
Mined Grade - Zinc		3.94%	3.12%	3.59%	3.96%	3.78%
Ore Processed	t	91,345	93,649	94,225	103,208	197,433
Processed Grade - Gold	g/t	4.83	3.79	4.09	4.86	4.49
Processed Grade - Silver	g/t	14.36	11.74	14.87	14.65	14.75
Processed Grade - Lead		2.91%	2.23%	3.19%	2.80%	2.98%
Processed Grade - Zinc		3.88%	2.90%	3.74%	3.81%	3.78%
Gold recovery		87.7%	92.0%	89.8%	89.9%	89.9%
Silver recovery		89.3%	88.8%	89.8%	89.9%	89.9%
Lead recovery		93.1%	90.6%	90.0%	90.0%	90.0%
Zinc recovery		88.9%	88.0%	87.6%	91.0%	89.4%
Gold Production	oz	12,488	10,510	11,111	14,527	25,637
Silver Dore Production	oz	11,995	7,968	12,259	15,706	27,965
Concentrate produced	dmt	9,370	7,747	10,832	10,613	21,445
Concentrate grade (Pb+Zn)		60%	55%	53%	58%	56%
Gold Dore sold	oz	11,917	11,380	10,613	14,069	24,682
Silver Dore sold	oz	10,427	10,141	8,220	16,473	24,693
Concentrate sold	dmt	10,590	5,235	10,389	10,375	20,764
Payable Lead in concentrate sold	t	2,291	1,185	2,305	2,315	4,620
Payable Zinc in concentrate sold	t	2,534	1,238	2,096	2,484	4,580
Payable Silver in concentrate sold	oz	2,138	0	0	0	0

MINING

A total of 97,366 tonnes of ore was mined during the quarter at an average grade of 4.87 g/t gold, 2.79% lead and 3.96% 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 878 metres (815 metres in the prior quarter). Capital development remained focused on incline/decline development to the North Pod.

The first development drive into the North Pod was completed in the quarter. Access on two additional levels is being progressed, with first stope production expected in the March 2018 quarter.

PROCESSING

A total of 103,208 tonnes of ore was processed during the quarter grading gold at 4.86 g/t, lead 2.80% and zinc 3.81%.

Total process throughput was a record as a result of previous initiatives to de-constrain the filter press and an upgrade to the ore screening capacity. A monthly record throughput rate of 56/tph was achieved in November 2017.

Gold recovery averaged 89.9% for the quarter, with a record recovery rate of 92.8% achieved in November 2017. Increasing the gold recovery remains a key priority.

The lead and zinc circuit continues to perform strongly, with 10,613 tonnes of concentrate produced. Two shipments and sales of concentrate were achieved during the quarter, with 10,375 tonnes of concentrate sold.

EXPLORATION DRILLING

Exploration drilling continued throughout the quarter, with the main objective being to increase the confidence in the Resources and Reserves and extend the depth of the Hera orebodies. Drilling totaled 6,192 metres (4,922 metres infill and 1,270 metres exploration) compared to 6,473 metres in the previous quarter.

Drilling targeted the lower Far West, Far West Deeps and North Pod Deeps. Exploration drilling at the Kershaws prospect east of Hera commenced in late December and is currently ongoing.

The Company announced to ASX (11 January 2018) that recent drilling at North Pod has successfully extended the gold and base metal mineralisation at least 100 metres vertically below the previous known extent of the mineralisation. Best results from this program included (see ASX release on 11 January 18 for full details):

- HRUD553 12 metres at **19.4g/t Au**, 4.8% Pb+Zn & 25g/t Ag, *including 4 metres at **53.4g/t Au**, 2.0% Pb+Zn & 21g/t Ag*
- HRUD554 15 metres at **9.8g/t Au**, 2.7% Pb+Zn & 21g/t Ag, *including 7 metres at **16.8g/t Au**, 3.0% Pb+Zn & 21g/t Ag*

CORPORATE

ACQUISITION OF PEAK MINES

During the quarter, the Company announced that it had entered into a binding agreement with TSX-listed New Gold Inc. ("New Gold") to acquire a 100% interest in Peak Mines ("Peak") in Cobar, NSW, for US\$58 million.

A funding requirement of A\$140M was identified at the time, with \$70M to be sourced via equity and the remainder via a syndicated debt facility with Investec Group.

With the successful capital raisings (see below) and the passing of all resolutions at the Company's EGM (held on 5 January 2018), the remaining material condition precedent is NSW Ministerial consent for the change in control of exploration licences. The Ministerial consent is pending, with receipt anticipated within the March 2018 quarter.

For further details please refer to ASX release dated 21 November 2017 titled "AMI-Acquisition of Peak Mines".

EQUITY RAISING

Part of the funding plan to support the acquisition of Peak Mines was provided by equity placements to institutions and major shareholders, together with an SPP for smaller shareholders.

Tranche 1 of the equity raising was completed during the current quarter 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 SPP raised \$8.3M for the issue of 39.8 million shares at \$0.21.

In total, the Company raised \$85.4M (net of placement costs) for the issue of 425.0 million shares at \$0.21/share. This amount exceeded the Company's expected raising of c.\$70M, with additional funds providing extra working capital to assist with the Peak Mines integration and provide flexibility to restructure its existing debt (see commentary below under "Debt").

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

DEBT RAISING

Aurelia has entered into financing commitments with Investec Group for new underwritten debt facilities which will be used to settle the Transaction and provide flexibility to restructure its current debt obligations in the first half of 2018. The new facilities proposed will include:

- Senior Debt Facility of A\$45 million which is senior secured over the Peak assets. This will be refinanced by 30 June 2018 through the Corporate Amortising Loan referred to below;
- Guarantee Facility of A\$25 million initially to fund the Performance Bonds required to be provided in relation to Peak's rehabilitation obligations. This Guarantee Facility increases to A\$30 million once draw down of the Corporate Amortising Loan mentioned below occurs, to facilitate refinancing of Aurelia's current cash backed Performance Bond for Hera; and
- Corporate Amortising Loan for A\$85 million. This facility will 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. As part of this structure, additional banks may be brought into the facility.

From initial drawdown of the Senior Debt Facility to acquire Peak, the maturity of the combined facility is 30 months.

Drawdown of the Debt Facilities is conditional upon completion of documentation and satisfying conditions precedent usual for financings of this nature. Documentation is substantially complete with execution of the agreements planned for January 2018.

FINANCIAL PERFORMANCE

Financial performance of the Hera operation is summarised in the table below. The reduced AISC of \$452/oz was achieved through strong gold production combined with high levels of by-product credits associated with two concentrate shipments and high base metal prices. A further by-product credit of \$0.5 million has been recognised this quarter as a result of quotational period pricing adjustments on the two parcels shipped in the prior quarter.

Aurelia Metals Dec-17 Qtr Summary		Mar 17 Qtr	Jun 17 Qtr	Sep 17 Qtr	Dec 17 Qtr	YTD
	Units	FY17	FY17	FY18	FY18	FY18
Mining	\$/oz	418	521	559	535	545
Processing	\$/oz	530	546	579	466	515
Site Administration	\$/oz	81	97	105	66	82
Concentrate Transport & Refining	\$/oz	128	90	163	107	131
Net Inventory adjustments	\$/oz	115	(38)	(159)	(20)	(80)
Royalties	\$/oz	124	91	114	129	123
Third party smelting, refining	\$/oz	366	7	264	203	229
Total By-Product Credits	\$/oz	(1,383)	(576)	(1,442)	(1,319)	(1,372)
Cash Cost*	\$/oz	377	736	181	168	174
Corporate admin and other**	\$/oz	59	83	91	96	94
Sustaining mining & process capital	\$/oz	231	403	298	188	233
AISC (All-in Sustaining Cost)*	\$/oz	666	1,222	570	452	500

* 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 \$600K for the 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 sales of \$39 million, split approximately 60% gold and 40% base metal sales.

Gold sales were \$23.4 million from the sale of 14,069 oz at an average spot price of A\$1,662/oz. Silver dore sales generated \$0.3 million.

Net concentrate sales were \$15.3 million reflecting the two shipments and the sale of 10,375 dmt of concentrate in the period (parcel numbers 18 and 19) and a pricing adjustment on previous quarter shipments of \$0.5 million.

Hera quarterly EBITDA was \$21.2 million, compared with \$15.3 million in the prior quarter.

Cash at bank increased during the quarter by \$20.2 million to \$52.2 million as at 31 December 2017. The balance includes \$20.7M cash generated from equity raising (Tranche 1) and is after a voluntary early debt repayment of \$15M and the Peak acquisition deposit of \$3.9M.

The \$20.2M positive cash flow was generated by Site EBITDA of \$21.2 million, plus equity raising of \$20.7 million, less corporate admin of \$1.3 million, \$2.3 million of mine and process capital, Peak acquisition deposit of \$3.9 million, a \$15 million debt repayment, and a net inflow of \$0.8 million from changes in working capital.

Corporate costs for the quarter increased to \$1.3 million, of which \$0.6 million consist of legal, consulting and other transactional costs relating to the Peak Mines acquisition.

CAPITAL EXPENDITURE

Total quarterly sustaining capital of \$2.6M was lower than the previous quarter as several major projects were completed.

Mining capital was \$1.6M, consisted of \$1.5M of decline development (235 m) and \$0.1M of underground infrastructure (pump station and electrical sub-station).

Processing capital was \$1.0M, consisting largely of \$0.7M for the onsite laboratory.

Growth capital of \$0.5M related to the primary screen upgrade.

DEBT

On 24 October 2017 an early debt repayment of \$15 million to Glencore was completed. As per the early debt repayment mechanism agreement on 3 August 2017, the repayment was applied to Facilities C & E, and the convertible amounts of Facilities B & F were reduced by the repayment amounts.

Net debt reduced in the quarter by 52% to \$32.1M (Cash of \$52.2M, Glencore Debt \$84.3M), compared to prior quarter balance of \$67.5 million (cash of \$32 million and debt of \$99.5 million). At 31 December 2017 the debt to Glencore of \$84.3M consists of senior debt of \$37.5M and convertible debt of \$46.8M.

A CFADS sweep obligation of \$8.3M was generated in the quarter, payable at the end of the March 2018 quarter. However, as previously highlighted, the sourcing of appropriate equity and debt capital will provide flexibility to restructure its current debt obligations in the first half of 2018.

GOLD FORWARD SALES

During the quarter, the Company closed 20,000 oz of gold forwards for a cash inflow of \$1 million. A further 10,000 oz hedging was taken and the position at quarter end was 10,000 oz of gold forwards at an average delivery price of A\$1709/oz.

CORPORATE INFORMATION: Aurelia Metals Limited ABN 37 108 476 384

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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	