

Chairman's Address 2018 AGM

Before we move on to the formal business of the meeting I would like to take this opportunity to talk about our progress during the last twelve months.

The 2018 financial year has been a year of transformation for the company. Our major focus at the start of the 2018 financial year was to reduce our debt position and grow our mine life. The results exceeded our expectations far beyond what we had envisaged at that time.

At our last AGM we had just acquired the Peak Mine and following the completion of a placement, with the strong support of new and existing shareholders, we were able to not only secure the Peak, but following a strong March quarter at Hera, were also able to repay the Glencore debt. The structure of the Peak acquisition was such that we had a "locked box" mechanism in place from the 1st of January 2018 and the mine performed so strongly during the first six months of our 2018, due largely to the very high grade Chronos orebody, that we were not only able to repay the Investec Debt Facility, put in place to help acquire the Peak, but finished the year strongly cash positive. We finished the year in the enviable position of being debt free and having cash in the bank of \$67m and with two quality high margin operations.

Delivering high levels of safety performance is also critical for the business. Hera delivered a 30% reduction in TFIFR in the year, with a key focus of working with our contractors to improve performance. Despite the uncertainty created at Peak with the transition of ownership, I am pleased to report that its safety performance was maintained.

Commodity price markets remained largely in our favour, with a healthy gold price underpinning the business and strong base metal prices reducing our All-in Sustaining Costs (AISC) to \$509/oz (\$US376/oz), which positioned us as one of Australia's lowest cost gold producers.

The financial and operational results were outstanding, with the delivery of a Net Profit of \$99 million, compared to the previous year's result of \$19 million. The increased profit and cash flow were delivered through an almost doubling of our gold production at significantly lower cost along with the strong metal prices.

The Hera mine performed strongly in 2018 with increased mill throughput, reduced unit costs and higher grades resulting in record gold production at an extremely low AISC. I would like to thank all our Hera employees for the great results achieved. I would also like to welcome all our new employees at the Peak we look forward to working closely with them and the Cobar community and believe we can build an exciting future for the operation.

The acquisition of Peak brought operational and cash flow diversity while extending our mine life. That having been said there are still significant challenges ahead of us. There is no doubt the Peak has been a fantastic acquisition for the Group with the mine virtually achieving pay back in the first six months. However, there is a lot of hard work to be done over the coming year if we are to realise the full potential of this mine. Access to drill the high grade Chronos orebody is difficult, and while we hope it continues further towards the surface, we can't afford to assume that this is the case. The bulk of the Resource at the Peak is lower grade than the material mined in those first six months and over the next six to twelve months we need to accelerate mine development, upgrade the processing circuit to be able to treat the higher margin lead and zinc ore, and lower the cost base dramatically. We are making progress in all these areas.

Having worked successfully with Pybar at Hera, we are transitioning to a contract with them for underground mining and development at the Peak, and have just finalised the scope for the mill

upgrade to enable us to treat Pb/Zn ore. We believe this will enable us to access and treat ore at a higher rate driving down unit costs. The increased development and plant upgrade will incur significant capital over the next twelve months.

Extending the mine life at both operations remains a priority going forward. We have two key development projects in Nymagee and Great Cobar and we are focused on feasibility and permitting work to progress these projects towards development and production. For possibly the first time we are now well positioned to expand the exploration effort across our very prospective land holding in the Cobar basin and are determined to do this justice. While still prioritising at the Peak, we've made a strong start at Hera and are very excited by what we are seeing, particularly at the new Dominion prospect.

A major result of the corporate activity during year was the departure of Glencore as our key debt provider and Pacific Road as our key shareholder. The Board would like to acknowledge the strong technical support that Glencore provided to Hera during the period of indebtedness, and for Pacific Road, who provided unwavering support over the last five years. I would also like to thank the Board for their strong support and guidance throughout a particularly busy year. This of course includes Clifford Tuck who provided excellent support before retiring from the Board after nearly twelve months as a Pacific Road Nominee.

Finally, our MD Jim Simpson and CFO Tim Churcher, together with our Orange Head Office team, had a great year completing a complex acquisition, with minimal support, and driving the improved operating performance.

Cobb Johnstone
Non-Executive Chairman

Further Information

Tim Churcher

Chief Financial Officer & Company Secretary +61 2 6363 5200