

Sunday 7<sup>th</sup> December, 2014

### Aurelia Metals – Hera mine officially opened, first concentrate on schedule – Maintain Spec Buy

**Aurelia Metals (ASX: AMI, Share Price: \$0.25, Market Cap: \$86m)** is our preferred emerging gold-base metals producer. We introduced the company to our Portfolio during July 2011 and our most recent coverage of the stock was in our Daily Resources Bulletin on 1 September. The company has managed an almost seamless transition to production status with respect to its Hera gold project in NSW.

Aurelia's Hera mine was formally opened by the NSW Minister for Resources and Energy on the 27<sup>th</sup> November and the first shipment of 5,734 tonnes of zinc-lead concentrate was completed on the 25<sup>th</sup> November. Importantly, the shipment was on schedule and above specifications grading 56% Pb+Zn.



### Market Significance

Aurelia's share price reflects the extreme volatility experienced by the junior end of the resources sector over the past 12 months. The company rode the crest of the wave between July and August this year, as interest grew around the imminent commissioning of the company's Hera mine. Unfortunately, momentum was lost as a result of a flight from risk in the junior resources sector during H2 2014. This is now way detracts from the company's long-term investment appeal the patience shown by Aurelia shareholders over the past few years is set to be handsomely rewarded. Upside is provided by the nearby Nymagee copper deposit, which has the potential to provide an expanded, long-life development scenario.

## Announcement Detail

Aurelia has announced the official opening of its Hera gold-zinc-lead mine by the NSW Minister for Resources and Energy, Anthony Roberts MP and Kevin Humphries MP, Member for Barwon. The opening was attended by Aurelia employees, directors, shareholders, project partners and members of the Nymagee community.



Furthermore, Aurelia completed the first shipment of 5,734 tonnes of zinc-lead concentrate from the Hera mine on the 25<sup>th</sup> November, on schedule and above specifications grading 56% Pb+Zn. The concentrate will be sold to Aurelia's off-take partner Glencore, with concentrate scheduled to be shipped approximately every six weeks.



## Technical Significance

One of the biggest risks with respect to an emerging production company is meeting production timelines. Importantly, Aurelia has met its schedules with respect to plant commissioning, underground mine development and concentrate sales, further reinforcing our confidence in the company and its management abilities.



## Project Background

The Hera - Nymagee development comprises the 95%-owned Hera gold-base metal deposit and the 95%-owned Nymagee copper deposit. Both deposits are contained within the Cobar Basin of NSW, which also hosts numerous other mineral deposits, including the CSA, Peak and Endeavor polymetallic mines.

Aurelia anticipates C1 operating costs of ~A\$400/oz (after lead-zinc credits). Hera has a current ore reserve of 423,471oz AuEq at average grade of 7g/t AuEq, providing a mining inventory of over 390Koz AuEq over the minimum life of mine of just over 7 years.

The Hera deposit and the nearby Nymagee copper mine represent typical 'Cobar-Style' ore systems, with the potential for mineralization to continue to extensive depths and evolve into world-class orebodies. The likelihood too is that ongoing exploration along the Hera-Nymagee corridor will ultimately prove the respective Hera and Nymagee systems to in fact represent one large, single mineralised system.

Aurelia has adopted a two-stage approach to development of the Hera - Nymagee Project, in order to fast-track gold revenue (initially) and to establish mining and process infrastructure with a view to self-funding the development - and eventual integration of the larger Nymagee deposit.

Stage 1 development will see establishment of the Hera gold mine and construction of a processing facility at the Hera site, whilst feasibility studies are progressing on Stage 2 to evaluate the integration of the Nymagee deposit, utilising Stage 1 infrastructure. Hera will host a shallow underground mine development and processing plant producing gold and silver doré bars and a bulk lead-zinc concentrate for sale.

The Nymagee deposit is rapidly emerging as one of the most exciting copper discoveries in Australia during recent times. The Nymagee system remains open to the north and at depth, and holds strong analogies to the world-class CSA copper system, located 90km along strike. CSA, like other Cobar Basin mineral systems, possesses extensive depth persistence and in fact extends beyond 2km in depth.

## Summary

**All of the hard work of the past few years is now set to pay off - and given the nature of Cobar-style ore-bodies, there is enormous resource upside that should translate into a long-life operation. Importantly, Aurelia will maintain aggressive exploration activity that will provide both strong news-flow and significant sharemarket 'sizzle'. The company's corporate appeal is also strong at a time when cashed-up predators are firmly on the look-out for emerging production plays in low-risk jurisdictions. We therefore maintain our Speculative Buy recommendation on Aurelia Metals around current price levels for those investors without existing exposure.**

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