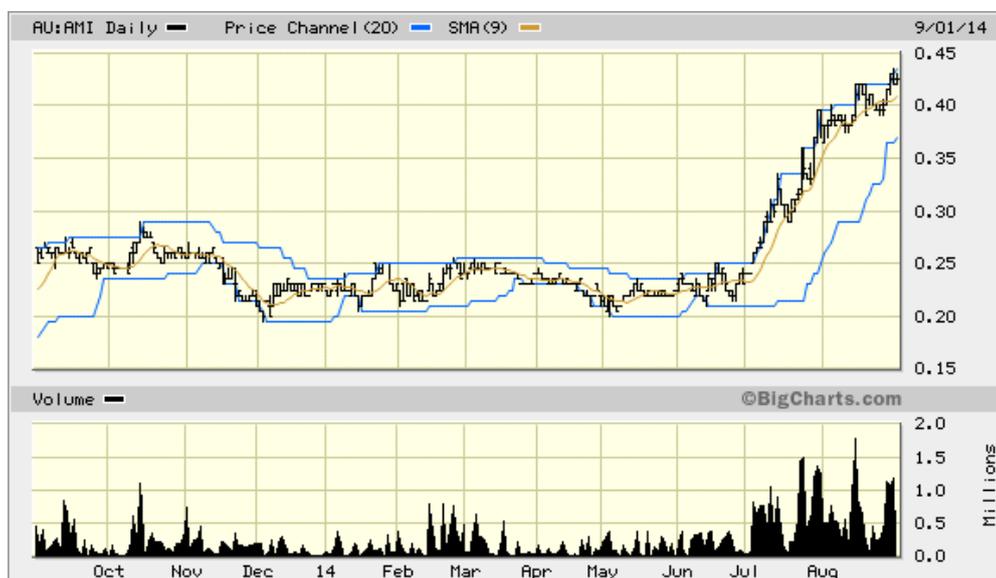


Monday 1st September, 2014

Aurelia Metals – Hera commissioning remains on schedule for Q3 2014 – Maintain Spec Buy

Aurelia Metals (ASX: AMI, Share Price: \$0.425, Market Cap: \$139m) 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 just last week in MLW 181. The company is now in full-scale development mode with respect to its Hera gold project in NSW, with first production scheduled for Q3 2014.

Aurelia has provided another detailed update with respect to development progress at Hera, with underground development continuing to progress strongly and first concentrate produced.



Market Significance

Aurelia's share price has doubled from around \$0.20 during May to a high of \$0.435 during Monday morning's trade, on the back of strengthening trading volumes. The improvement is a direct result of growing market awareness of the company's emerging production status, with project commissioning in line with all proposed timelines. Importantly, the patience shown by Aurelia shareholders over the course of the past few years (in what has been an extremely difficult market environment) is set to be handsomely rewarded. Upside is provided by the nearby Nymagee copper deposit, which has the potential to provide an expanded and long-life development scenario.

Announcement Detail

The company has provided an update on development and exploration activities at its Hera-Nymagee Project, near Cobar in NSW. Importantly, underground development continues to progress strongly, with underground advance of 373 metres for the month of August against a budget of 280 metres. The first production stopes were fired on the 14th August. Ore development on the 335 and 310 levels on the Hera Main Lens continue to produce high grade ore to the stockpile.

***High grade gold ore from the Hera underground***

With respect to the commissioning of the processing plant, following around 20 days of waste rock trials, low-grade commissioning ore was introduced to the process plant on the 12th August. The crushing, grinding, gravity and flotation areas of the plant have seen throughput rates steadily ramped up and they have now completed a number of >10 hour ore trials at the 40 tonnes per hour target throughput rate.

Key milestones now achieved:

- Crushing circuit achieving throughput rates well above design capacity
- Grinding and gravity circuit performing well
- Flotation circuit operating well
- First lead-zinc concentrate production delivered to the concentrate shed on the 24th August, producing a concentrate grade of >55% Pb + Zn in line with concentrate sale specifications



First lead-zinc concentrates from Hera in shed

The gold leaching components of circuit, cyanide detox and gold room have commenced commissioning this week ahead of the introduction of high-grade ore. Performance trials, required prior to the formal handover of the process plant to the company, are forecast to commence in the coming week. Aurelia remains on target to achieve first gold sales during the current quarter and first concentrate sales in the December quarter.



Technical Significance

One of the biggest risks with respect to an emerging production company is meeting production timelines. Importantly, Aurelia is well on schedule with respect to plant commissioning and underground mine development, 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 for 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 high, 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.

Disclaimer: Gavin Wendt, who is a Financial Services Representative of Summit Equities Ltd ACN 097 771 634, and is a director of Mine Life Pty Ltd ACN 140 028 799, compiled this document. In preparing the general advice of this report, no account was taken of the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of the advice in this report, investors and prospective investors need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor or the prospective investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission in that information.



 **Summit Equities Ltd**

From active trading to access to quality capital raisings. If you wish to take advantage of high returns offered by share market Summit Equities offers you wealth of experience and dedication to help you achieve your investment objectives.

Summit Equities Trading Team

www.summitequities.com.au

Level 38, Australia Square Tower, 264-278 George Street, SYDNEY
Telephone (02) 8243 7510, Fax (02) 8243 7599