

# **FY19 Full Year Results Presentation**

23 August 2019

**ASX Code: AMI** 

# Forward looking statements

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Major shareholders	
Colonial First State	8.0%
Australian Super	7.5%
Van Eck	5.7%

ASX code: AMI	
Share price (22 August 2019)	\$0.515
Shares on issue	867.9m
Market capitalisation	A\$447m

	Board and management		
-	Exec Chairman and Acting CEO	Cobb Johnstone	
11/18/8	Executive Director and Acting COO	Michael Menzies	
The Party of the P	Non-Executive Directors	Lawrie Conway Susie Corlett Paul Espie Paul Harris	
*	CFO & Company Secretary	Tim Churcher	
- ALLE	Additional Company Secretary	Gillian Nairn	
and the second	General Managers	Scott Ramsay – Hera Neal Valk – Peak	

# **Investment highlights**

Dominant position in the highly prospective Cobar Basin

Two major processing plants with a combined capacity of approx. 1.3Mtpa

High-margin gold and base metals production profile

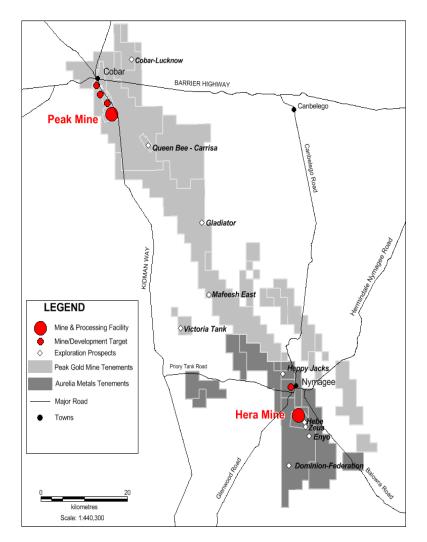
Strong balance sheet: A\$104m cash and no debt (30 June 2019) Upgrade and efficiency projects set to drive margin and operating life

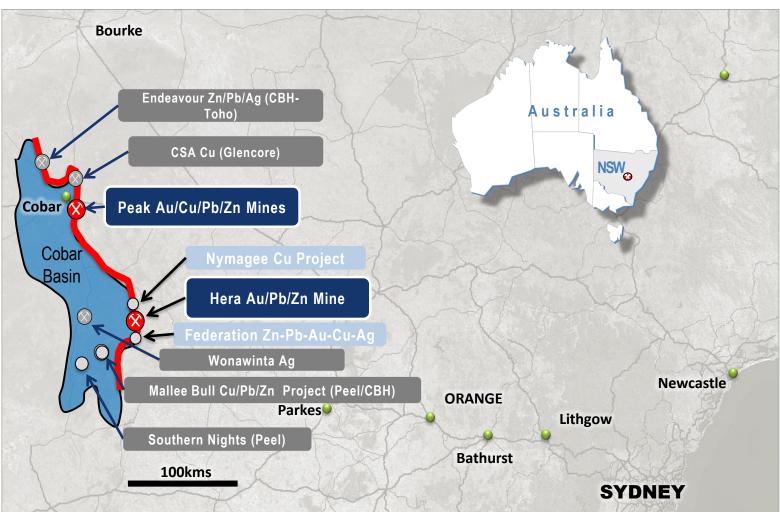
Recent drilling success highlights significant near-mine and regional upside



# **Key assets**

## Located in the highly endowed and productive Cobar Region







# **Core strategy**

### A mining-for-value approach

- 1 Optimise existing operations
  - Increased development rates and Pb/Zn circuit upgrade
  - Mine life extension and ongoing efficiencies at Hera
- 2 Focus on returns
  - Margin over volume or commodity preference
  - Accelerating access to higher margin material for FY21
- 3 Leverage extensive UG and surface infrastructure: targeted near-mine drilling
  - Identify new high-NSR material; and
  - Extend asset operating lives
- 4 Unlock exceptional prospectivity: regional exploration to deliver the next major mine



# FY19 financial results summary

### Investing in operational capacity and growth

- Gold production up 21% to 117,521 oz at higher AISC of \$1,045/oz
- Net Profit After Tax of \$36.0M
  - Revenue increased 19% to \$295M driven by higher production, offset by:
  - Higher operating costs of \$64M (12 months of Peak costs), higher D&A (up \$15M), higher tax (up \$21.8M).
  - Higher gold marked-to-market loss (up \$17M). \$12M of the derivative loss is unrealised.
  - Tax expense moves from a tax benefit in FY18 to a net tax expense in FY19.
- Cash increased 56% to \$104.3M (FY18: \$66.9M)
- Strong EBITDA of \$103.0 million
  - Hera EBITDA margin 46% (FY18: 55%)
  - Strong Peak EBITDA margin 42% (FY18: 67%)
- Maiden 2.0 cents per share fully franked dividend declared

Performance Indicators	Units	FY19	FY18	Change
Sales Revenue	A\$k	295,002	248,599	19%
Profit Before Tax	A\$k	51,018	92,306	(45%)
Net Profit After Tax	A\$k	36,017	99,105	(64%)
EBITDA	A\$k	103,062	136,717	(25%)
Cash	A\$k	104,302	66,925	56%
Net Operating Cash Flow	A\$k	106,783	151,759	(30%)
EBITDA Margin	%	35	55	(36%)
AISC Margin	\$/oz	703	1,189	(41%)
AISC	\$/oz	1,045	509	105%
Earnings Per Share	cps	4.2	15.5	(73%)
Final Dividend (Fully Franked)	cps	2.0	-	

#### NOTE:

All-in Sustaining Cost (AISC) is a non-IFRS data and is not audited. Group AISC includes Site Costs (mining, processing, site administration and changes in inventory), royalty, transport & smelter expenses, by-product credits (silver, copper, lead & zinc sales), sustaining capital, corporate administration costs. Divided by gold sold in the period.



#### Maiden dividend declared

- Maiden 2.0 cents per share fully franked dividend declared
- 3.9% fully franked yield on a share price of 51.1c/share
- Payment reflects approximately 50% of net profit and net cash generation in FY19
- \$17.4M dividend to be paid on 2 October 2019
- The existence and level of future dividend payments will be dependent on the future balance sheet position taking into consideration commodity prices and growth capital requirements

#### **Dividend Dates:**

•	Dividend of	declaration	Friday,	23 August 2019
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Ex-Dividend dateFriday, 30 August 2019

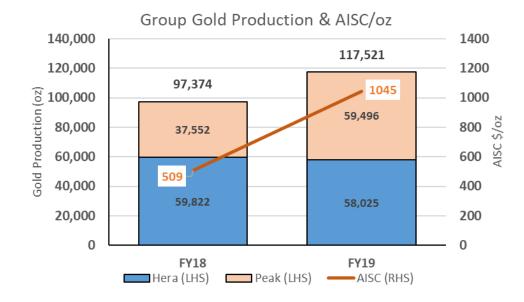
Dividend record date
 Monday, 2 September 2019

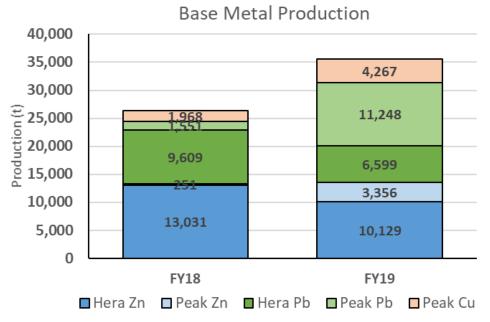
Dividend payment date
 Wednesday 2 October 2019



### Increased production at good margin

- Hera: Gold production maintained.
  - Plant throughput increased 15% to 468kt (FY18: 407kt)
  - Gold and base metal grades reduced 17% and 30% respectively
  - Lower base metal production and realised prices resulted in AISC increasing to \$809/oz (FY18: \$430/oz)
- Peak: Gold production increased (due to 12 months of production in the period v 2.7 months in prior period)
  - Gold grade reduced by 52% (depletion of extreme high gold grade Chronos last period)
  - Mining costs increased with significant ramp up in underground operating mine development
  - AISC increased to \$1,143/oz EBITDA margin remains strong at 42%
- Increased Lead and Copper production, but at lower achieved prices (Lead price down 13%, Copper price down 9% year on year)

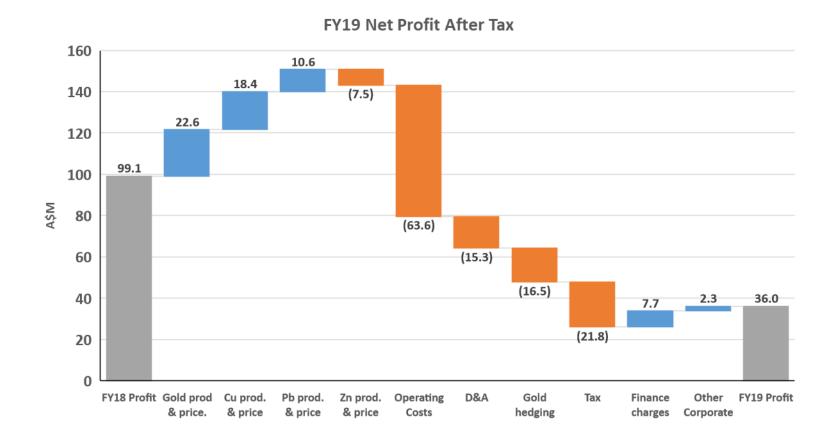






### Key profit contributions

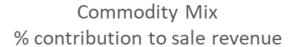
- Increased revenue from higher Gold, Copper and Lead production (Gold at 3% higher prices, base metals at 9-13% lower prices).
- Inclusion of a full year of Peak operating costs (at lower but still strong EBITDA margin of 42%, relative to the prior period).
- Increased Depreciation & Amortisation expense, Increased loss on gold hedge book (\$12M of which is unrealised at 30 June 2019 (56,000 oz at \$1,809/oz)) and a change from tax benefit to tax expense this year.

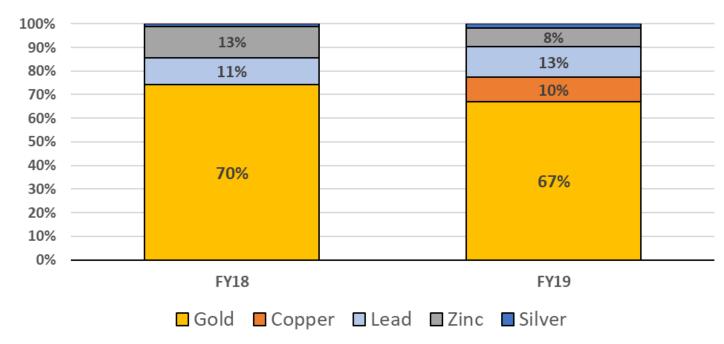




### Revenue contribution

- Gold revenue remains dominant (67% of total revenue).
- Relatively even by-product contribution from copper, lead and zinc.
- Proportion of base metal revenue expected to increase in FY20 production outlook.

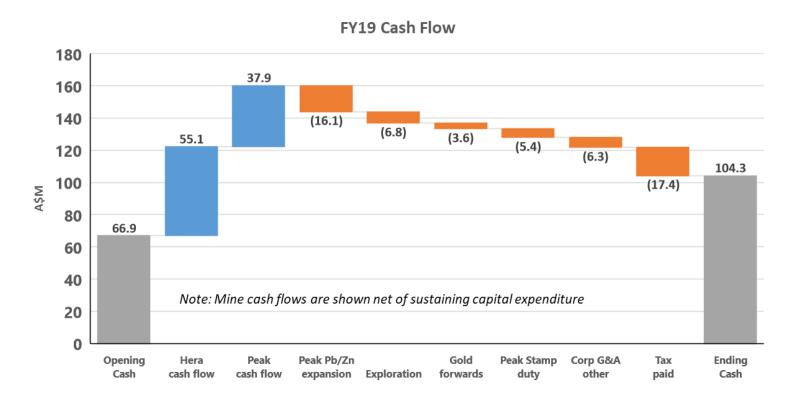






### Cash flow

- Strong Hera cash flow of \$55.1M, with lower sustaining capital but reduced base metal grades and realised prices.
- Peak cash flow strong \$37.9M, despite large increase in sustaining mine development of \$34M this year.
- Investment in growth of \$22.9M (Peak Pb/Zn expansion and Exploration).
- First year of significant tax payments, \$17.4M paid during the year.
- Stamp duty of \$5.4M relating to Peak Mines acquisition paid during the year.





# A look at the year ahead: FY20 by mine

### Higher base metals output, lower gold production

#### Peak

- Gold production expected to be 52 59koz.
- AISC expected to be higher than FY19; lower Au grade and increased development
- Processed throughput expected to be 580 610ktpa
- Increased underground development rates
- Mining up-dip of Chronos higher Pb/Zn, lower Au
- Pb/Zn circuit upgrade target completion in Mar 2020 Quarter
- Increased mine and mill throughput from Jun 2020 Quarter
- Accelerated access to base of Kairos (Peak Deeps) high margin tonnes, open
- Forecast reduction in unit opex per tonne from higher throughput, offset by impact of significantly increased operating underground development metres
- Exploring line-of-lode targets for Chronos and Perseverance style deposits

#### Hera

- Gold production expected to be 33 36koz
- AISC expected to be lower than FY19; lower Au grade forecast to be offset by lower operating costs and higher expected base metal credits
- Processed throughput expected to be similar to FY19
- Reduced gold grades countered by higher base metals content
- Reduced unit costs and lower sustaining development
- Testing highly encouraging targets to extend operating life (Federation / Dominion and Main Southeast)



# A look at the year ahead: FY20 group level

### Investing in the business

	FY19 actual	FY20 outlook
Gold (koz)	118	85 – 95
Lead (kt)	17.8	20 – 24
Zinc (kt)	13.5	25 – 30
Copper (kt)	4.3	4 – 6
Group AISC (A\$/oz)	1,045	1,050 – 1,250

Group AISC is the total of on-site mining, processing and administrative costs, inventory adjustments, royalties, sustaining capital, corporate general and administration expense, less by-product credits, divided by gold oz sold. By-product credits include silver, lead, zinc and copper sales forecast over the outlook period.

#### **All-In-Sustaining Cost (AISC)**

- Significant quarterly variation expected driven by expected throughput increases at Peak in 2H FY20 coupled with higher levels of base metal production from both operations.
- Dec 2019 quarter expected to be particularly weak due to lower forecast grades at Peak combined with partly restricted throughput from planned tie-ins for the Pb/Zn plant upgrade.
- Jun 2020 quarter should benefit from expected strong lift in Peak throughput following targeted plant upgrade completion in Mar 2020 quarter, with concurrent increase in high-grade Chronos Pb/Zn ore processed.

Estimated FY20 Group AISC of A\$1,050 to A\$1,250/oz is based on reference base and silver metal prices equivalent to those used for the Company's June 2019 Ore Reserves estimation: lead A\$3,000/t, zinc A\$3,421/t, copper A\$8,553/t and silver A\$22/oz. Final AISC results will depend on the actual sales volumes, actual operating costs and actual prices of base metals received over the outlook period.

#### **Capex and exploration**

- Growth capital: approx. A\$40M, strongly weighted to 1H FY20 being predominantly the Pb/Zn plant upgrade at Peak (approx. A\$38M capital in FY20).
- Sustaining capital: A\$45-50M, with the majority associated with Peak mine development.
- Exploration: current group FY20 budget of A\$15M.

#### Hedging

- 56koz gold hedged at an average of A\$1,809/oz for FY20:
  - 35koz at avg. A\$1,748/oz to Nov 2019.
  - 21koz at avg. A\$1,911/oz over remaining months to Jun 2020.



# A look at the year ahead: FY20 group level

### D&A and impact of AASB16 - Leases

- D&A (Depreciation & Amortisation) in FY19 was \$51.9M
- Based on asset values and planned mining and production levels, D&A for fixed assets in FY20 is expected to be 10-20% higher (excluding AASB 16 Leases impact)
- AASB16 Leases Impact (adopted from 1 July 2019)
  - Supply contract have been reviewed to determine if right to control the use of an 'identified asset' exists. For each 'identified asset' the Company recognises a "Right of Use Asset" (ROUA) which is in simple terms is the present value of future lease payments implicit in the supply contract, and a "Lease Liability" which is essentially the present value of future lease payments. The Company has identified ROUAs totalling \$18M, of which the majority relates to underground mining equipment owned by the mine contractor.
  - The ROUA is amortised over the term of the lease (increasing reported depreciation) and the lease payment is removed from operating costs and is applied against the lease liability (reducing reported Cost of Goods Sold). The 'unwinding' of the present value of the lease liability is a finance charge, increasing reported finance costs.
  - The forecast impact is additional D&A associated with the ROUA of \$6-7M over the next 2 years, offset by reduced operating costs of \$5-6M and increased finance charges of \$0.3-0.6M. See Appendix 4E and FY19 Financial statements for further detail.
- Reported AISC/oz is not expected to materially change based on the inclusion of lease costs in the calculation of AISC



## A look further ahead

### FY21 and beyond

- Annual throughput at Peak in FY21 expected to be approaching nameplate 800ktpa capacity.
- Accelerated UG development expected to deliver access to the base of Kairos towards end of FY20; strong potential for prioritisation and mining of high margin tonnes from Kairos in FY21.
- Growth capital expenditure in FY21 expected to reduce sharply following expected completion of the Peak Pb/Zn upgrade in 3Q FY20.





For further information please see Appendix 4E and FY19
Financial Statements released to ASX on 23 August 2019

#### **CORPORATE INFORMATION: Aurelia Metals Limited ABN 37 108 476 384**

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**Share Registry:** 

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Tel: +61 (0)8 9315 2333

**Issued capital:** 

868M ord. shares, 9.2M unlisted perf. Rights

**Substantial** 

**Shareholders:** 

Colonial 8.0%, Australian Super 7.5%, Van Eck Global 5.7%

Interim Exec.

**Chairman & Acting** 

Gobb Johnstone

CEO:

**Director & Interim** 

COO:

Mike Menzies

**Non-Executive** 

**Directors** 

Lawrie Conway, Susie Corlett, Paul Espie, Paul Harris

