

2016 ANNUAL FINANCIAL REPORT

Aurelia Metals Limited (ACN 108 476 384) ('Aurelia' or the 'Company') is pleased to provide the Annual Financial Report for the 12 months ending 30 June 2016.

Highlights in the Report include:

- A maiden reported profit of \$10.943 million.
- A significant turnaround in the second half of the financial year, with a second half profit of \$19.566 million after a first half loss of \$8.622 million. The second half profit included a \$10.203 million gain from restructuring of debt.
- Net operating cash flow for the period of \$23.365 million.
- A successfully negotiated settlement of a dispute between Aurelia and its main financier (Glencore). The negotiation delivered a wholesale restructure of the debt facilities and included a two-year interest free period and a suspension of debt repayments across all facilities and the provision of additional financing.

The second half of the year to 30 June 2016 registered a strong performance, with improvements in ore throughput, gold grades, recovery and gold price. The table below displays the significantly improved metrics in the six months to 30 June 2016 (H2 2016) relative to six months to 31 December 2015 (H1 2016).

Performance Indicators	2016 \$'000	H2 2016 \$'000	H1 2016 \$'000
Sales Revenue	91,945	57,512	34,432
Profit/(Loss) for the period	10,943	19,566	(8,622)
EBITDA ^(a)	41,139	37,365	3,773
Net Operating Cash Flow	23,365	19,276	4,089
Ore Processed t	308,118	158,186	149,932
Gold grade g/t	6.01	6.71	5.26
Lead grade %	2.7%	2.6%	2.8%
Zinc grade %	2.6%	2.5%	2.7%
Gold Recovery %	78.2%	82.5%	73.6%
Lead Recovery %	91.0%	90.2%	91.9%
Zinc Recovery %	90.8%	92.5%	89.2%
Gold production oz	46,882	28,219	18,663
Lead production t - contained metal	7,628	3,736	3,891
Zinc production t - contained metal	7,202	3,582	3,620
Gold sold oz	46,439	27,932	18,506
Average gold price received A\$/oz	1,615	1,659	1,548
Concentrate sold (DMT)	25,406	15,265	10,141

(a) EBITDA is a non-IFRS measure. See Performance Indicators Table in the Remuneration Report of the Financial Statements for a reconciliation to Profit/(Loss) in the period.

Tim Churcher
Chief Financial Officer



ABN 37 108 476 384

Annual Financial Report

**For the Year Ended
30 June 2016**

COMPANY INFORMATION

Directors

Anthony Wehby – Chairman

Jim Simpson – Managing Director

Gary Comb

Paul Espie

Mike Menzies

Rune Symann

Company Secretary

Richard Willson

Registered Office and Principal Place of Business

Aurelia Metals Limited Telephone: (02) 6363 5200

2 Corporation Place Facsimile: (02) 6361 4711

ORANGE NSW 2800 Email: office@aureliametals.com

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

Stock Exchange Listing

Aurelia Metals Limited shares are listed on the Australian Stock Exchange (ASX Code: AMI), the home branch being Perth.

Auditor

Ernst and Young

200 George Street

Sydney NSW 2000

Website

www.aureliametals.com

CONTENTS

COMPANY INFORMATION	2
CONTENTS	3
DIRECTORS' REPORT	4
OPERATIONS AND FINANCIAL REVIEW.....	9
REMUNERATION REPORT (AUDITED)	17
AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES	24
AUDITOR'S INDEPENDENCE DECLARATION	25
FINANCIAL STATEMENTS	26
Statement of Comprehensive Income.....	26
Statement of Financial Position.....	27
Statement of Changes in Equity	28
Cash Flow Statement	29
NOTES TO FINANCIAL STATEMENTS	30
DIRECTORS' DECLARATION	68
INDEPENDENT AUDITOR'S REPORT	69

DIRECTORS' REPORT

The following report is submitted in respect of the results of Aurelia Metals Limited ('Aurelia' or 'the Company') and its subsidiaries, together the consolidated group ('Group'), for the financial year ended 30 June 2016, together with the state of affairs of the Group as at that date.

1. DIRECTORS AND OFFICERS

The names, qualifications and experience of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors and Officers were in office for this entire period unless otherwise stated.

Anthony Wehby

Independent Non-Executive Chairman

Anthony Wehby was a partner with PWC Australia (Coopers & Lybrand) for 19 years during which time he specialised in the provision of corporate finance advice to a wide range of clients including those in the mining and exploration sectors. Since 2001, Mr Wehby has maintained a financial consulting practice, advising corporate clients considering significant changes to their business activities. Mr Wehby is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Mr Wehby is Chairman of Kingston Resources Limited, a Director of Royal Rehab, and was previously Chairman of Tellus Resources Limited until December 2013.

Mr Wehby was appointed as a Director of the Company on 14 September 2006 and appointed as Chairman on 13 December 2011.

Jim Simpson

Managing Director and Chief Executive Officer

Jim Simpson is a Mining Engineer with a 30 year history in the industry, specialising in underground metalliferous mining. His previous roles include General Manager at Mt Isa Mines and at the Peak Gold Mine in Cobar and Chief Operating Officer for Peak Gold (TSX). Mr Simpson's experience ranges from mine management through to equity market participation in the C\$328m listing of Peak Gold on the TSX. In the last three years, Mr Simpson has held one directorship with TSX-listed WCB Resources from 8 April 2010 to 1 August 2016.

Mr Simpson was appointed as Managing Director of the Company on 1 August 2016 and appointed as Chief Executive Officer on 1 September 2016.

Rimas Kairaitis

Managing Director and Chief Executive Officer

(Resigned as Director on 2 August 2015 and resigned as Chief Executive Officer on 31 August 2016)

Rimas Kairaitis is a geologist with over 20 years' experience in minerals exploration and resource development in gold, base metals and industrial minerals, working with companies including Shell Minerals, Plutonic Resources, CRA (Rio Tinto) and Alkane Resources. Mr Kairaitis has a strong exploration track record, leading the geological field team to the discovery of the Tomingley Gold deposit in NSW in 2001 and the McPhillamy's Gold Deposit in 2006. He graduated with a Bachelor of Applied Science (Geology) with first class Honours and University Medal in 1992 from the University of Technology, Sydney. He is also a member of the Australian Institute of Mining and Metallurgy.

Mr Kairaitis was a founding Director of Aurelia Metals Limited from 24 March 2004 to 27 March 2007. He was appointed as Managing Director on 12 June 2008 and resigned on 2 August 2015.

In the last three years, Mr Kairaitis has held no other listed company directorships.

Gary Comb

Independent Non-Executive Director

Gary Comb is an engineer with over 30 years' experience in the Australian Mining Industry, both with mining companies and in mining contractor roles. From 2003, Mr Comb was Managing Director of Jabiru Metals Limited, taking the Jaguar Copper/Zinc Project from discovery through feasibility, construction to operations. Jabiru Metals was taken over by Independence Group Limited for A\$532 million in 2011. Prior to joining Jabiru, Mr Comb was the Chief Executive Officer of BGC Contracting Pty Ltd, the mining contracting arm of West Australian construction group BGC Pty Ltd. Mr Comb has also worked in various mining operational management roles including with Macmahon Contractors, St Barbara Mines, Metana Minerals and Central Murchison Gold. Mr Comb is currently a Non-Executive Director of Ironbark Zinc Ltd and Non-Executive Chairman at Finders Resources Ltd, he was previously a director of Jabiru Metals Ltd and Tanami Gold Ltd.

Mr Comb was appointed as a Director of the Company on 4 July 2012.

Paul Espie

Non-Executive Director

Paul Espie was the founding principal of Pacific Road Capital, a manager of private equity funds investing in the resources sector internationally, in 2006. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003) and prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Mr Espie was previously responsible for Bank of America operations in Australia, New Zealand and Papua New Guinea and Chairman of the Australian Infrastructure Fund. He is a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund, and a Director of the Menzies Research Centre.

Mr Espie was appointed as a Director of the Company on 10 December 2013.

Michael Menzies

Non-Executive Director

Michael Menzies is a law graduate who has over 35 years of experience in a variety of industrial, operational and managerial roles within the mining industry in Australia and off-shore, in base metals, gold, mineral sands and coal. He has worked with Renison Goldfields, CRA Limited and MIM Holdings where he was Executive General Manager Mining. Following a period employed in Private Equity in project evaluation and investment advice, in recent times Mr Menzies has been engaged in mining consultancy work primarily consulting to Glencore. Mr Menzies is a former Director of Australian Mines and Metals Association and former Vice-President of the Queensland Mining Council.

Mr Menzies was appointed as a Director of the Company on 15 December 2015. He was previously a Director of the Company from 26 March 2013 to 26 June 2015.

Mark Milazzo

Independent Non-Executive Director

Mark Milazzo is a mining engineer with over 30 years' experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects. Past senior roles include General Manager of the Olympic Dam Mine and Kambalda Nickel Operations with WMC Resources, and General Manager with mining contractor HWE Mining. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors. He was previously a Non-Executive Director of Red 5 Limited from May 2011 until June 2016, Mirabela Nickel Limited from June 2014 until September 2015 and Cortona Resources Limited from May 2011 until January 2013.

Mr Milazzo was appointed as a Director of the Company on 6 August 2012 and resigned on 27 June 2016.

Rune Symann

Non-Executive Director

Rune Symann is a finance professional with over 7 years of experience in mergers & acquisitions, financial advisory and project management within the resources, power & automation and financial sectors. He is currently employed by Glencore. Mr Symann's previous experience includes roles with ABB, Ernst & Young and Amundi. He holds a bachelor degree in Economics, a Master's degree in International Management from HEC Paris in France and a Master's degree in Finance & Strategic Management from Copenhagen Business School.

Mr Symann was appointed as a Director of the Company on 15 December 2015.

Mr Richard Willson

Company Secretary

Mr Willson is an accountant with more than 20 years' experience in public practice and in various senior financial management, Company Secretarial and Non-Executive Director roles, predominantly within the resources and agricultural sectors for both publicly listed and private companies. In addition to his role as Company Secretary of Aurelia Metals Limited, Mr Willson is Company Secretary of ASX listed Beston Global Food Company Limited and Wilgena Resources Limited, Non-Executive Director of ASX listed company AusTin Mining Limited, and a Non-Executive Director and Company Secretary of the not-for-profit Unity Housing Company. Mr Willson was previously a Non-Executive Director of ASX listed Crestal Petroleum Limited (previously Tellus Resources Limited, now First Wave Cloud Technology Limited) and CFO for Aurelia Metals and Beston Global Food Company.

Mr Willson was appointed as Company Secretary on 5 February 2010.

2. DIRECTORS' INTERESTS

At the date of this report the interests of the Directors in the shares and other equity securities of the Company were:

Directors	Ordinary Shares	Options	Performance Rights
Wehby, Anthony	978,125	-	-
Comb, Gary	281,250	-	-
Espie, Paul	-	-	-
Menzies, Mike	112,500	-	-
Simpson, Jim	-	-	4,500,000 ⁽¹⁾
Symann, Rune	-	-	-
	1,371,875	-	4,500,000

⁽¹⁾ Subject to shareholder approval, if required, Mr Simpson will be granted 4,500,000 Share Rights which will vest upon the achievement of various key operational performance hurdles, and provide the ability to acquire shares at nil cost.

3. MEETINGS OF DIRECTORS

During the financial year, the number of meetings of Directors attended by each Director and the number of meetings held was as follows:

			Committees of the Board					
	Directors' Meetings		Audit		Nomination		Remuneration	
	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)
Anthony Wehby	26	26	2	2	-	-	-	-
Gary Comb	24	26	-	-	-	-	-	-
Paul Espie	25	26	-	-	-	-	-	-
Mark Milazzo	26	26	2	2	-	-	-	-
Rimas Kairaitis	5	5	-	-	-	-	-	-
Michael Menzies	7	7	-	-	-	-	-	-
Rune Symann	7	7	-	-	-	-	-	-

(i) Attended - Number of Board/Board Committee Meetings attended

(ii) Eligible - Number of Board/Board Committee Meetings held which were eligible to be attended

During the year, the Remuneration Committee and the Nomination Committee were merged into a single Remuneration & Nomination Committee. The members of the Board's Committees at 30 June 2016 are:

Audit Committee: Anthony Wehby, Rune Symann

Remuneration & Nomination Committee: Gary Comb, Michael Menzies

4. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

5. INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the auditor during or since the financial year.

6. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2016.

7. CORPORATE STRUCTURE

Aurelia Metals Limited is a company limited by shares that is incorporated and domiciled in Australia. Aurelia has four wholly owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009) and Nymagee Resources Pty Ltd (incorporated 7 November 2011).

8. SHARE OPTIONS

As at the date of this report, there were 158,000,000 un-issued ordinary shares under options. The options are unlisted and have various terms as set out below.

Grant Date	Expiry Date	Exercise Price/share	Balance at start of year	Granted during the year	Exercised during the year	Expired during the year	Balance at year end	Exercisable at year end
29/11/12	29/11/15	35 cents	1,600,000	-	-	(1,600,000)	-	-
29/11/12	29/11/15	45 cents	1,100,000	-	-	(1,100,000)	-	-
28/09/15	28/09/20	1.25 cents	-	40,000,000	-	-	40,000,000	40,000,000
30/11/15	28/09/20	1.25 cents	-	10,000,000	-	-	10,000,000	10,000,000
1/04/16	30/09/20	4.0 cents	-	108,000,000	-	-	108,000,000	-
			2,700,000	158,000,000	-	(2,700,000)	158,000,000	50,000,000
Weighted average exercise price			39.07 cents	3.13 cents	-	39.07 cents	3.13 cents	1.25 cents

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

9. PERFORMANCE RIGHTS

As at the date of this report, there were 382,000 un-issued ordinary shares subject to Performance Rights. The Performance Rights are unlisted and have terms as set out below.

Grant Date	Expiry or Test Date	Exercise Price	Balance at start of year	Granted during the year	Exercised During the year	Expired during the year	Balance at year end	Exercisable at year end
15/03/12	15/03/16	nil	570,000	-	-	(570,000)	-	-
12/04/13	12/04/16	nil	70,000	-	-	-	70,000	70,000
12/04/13	31/12/13	nil	64,000	-	-	-	64,000	64,000
9/02/15	9/02/18	nil	380,000	-	-	(180,000)	200,000	-
9/02/15	31/12/14	nil	48,000	-	-	-	48,000	48,000
			1,132,000	-	-	(750,000)	382,000	182,000

The performance rights have various share price and operational performance measures. Refer to the Remuneration Report for further details. No performance right holder has any right under the performance right to participate in any other share issue of the Company or any other entity.

10. FUTURE DEVELOPMENTS

Refer to the Operating and Financial Review for information on future prospects of the Company.

11. ENVIRONMENTAL PERFORMANCE

The Directors are not aware of any environmental incident during the year which would have a material adverse impact on the Company. During the year, there were six minor reportable incidents at the Hera Mine. The incidents included events when the timing and number of concentrate truck movements exceeded allowable limits, two discharges of storm water runoff exceeding stipulated water quality parameters, and two incidents relating to excessive dust and noise events. The impact of these events were minor and of very short duration. There have been no regulatory fines in relation to these incidents.

12. CURRENCY AND ROUNDING OF AMOUNTS

All references to dollars are a reference to A\$ unless otherwise stated. A\$ is occasionally used for clarity.

Aurelia Metals Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial/Directors' Reports are rounded to the nearest thousand dollars, except where indicated otherwise. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

OPERATIONS AND FINANCIAL REVIEW

1. OVERVIEW

Aurelia Metals Limited is an Australian gold, lead and zinc mining and exploration company. The Company operates the wholly-owned Hera gold and base metal mine in central New South Wales.

The reported profit for the year was \$10.943 million. The turnaround in the second half of the financial year was significant, with a first half loss of \$8.622 million followed by a second half profit of \$19.566 million. The second half profit included a \$10.203 million gain from extinguishment of debt. Net operating cash flow for the period was \$23.365 million.

During the year the Company successfully negotiated the settlement of a dispute with its main financier (Glencore). The dispute occurred from 26 June 2015 to 27 November 2015, with the negotiated outcome of the dispute delivering a wholesale restructure of its debt facilities. The restructure included a two-year suspension of interest and debt repayments across all facilities and the provision of additional financing.

The key financial impact of the debt restructuring in the period is a \$10.203 million gain from extinguishment of the existing debt facilities and recognition of the new debt structure. Indirectly associated with the debt restructuring, the Company issued 50 million options at a strike of 1.25 c/share and 108 million Glencore options at a strike of 4c/share (combined share based payment expense of \$0.914 million). The Glencore options are only exercisable if the Company elects to convert any of Facility A Convertible Notes into shares (for further details see Section 2.6. Borrowings).

Whilst the corporate negotiations were occurring, the operational activity focussed on the continued modification and improvement of the Hera processing facility to achieve design parameters.

Processing throughput remained below design levels during the year. However, the impact of reduced throughput was offset by strong gold grades and continued improvement in metal recovery. Increased gold production and strong and rising commodity prices, delivered a strong financial result, particularly in the second half of the financial year. Physical production data displayed below for 2015 includes production during the commission phase and from the start of commercial production on 1 April 2015.

Performance Indicators	2016 \$'000	2015 \$'000
Sales Revenue	91,945	13,220
Profit/(Loss) for the period	10,943	(118,158)
EBITDA (a)	41,139	(109,123)
Net Debt	91,759	109,804
Net Operating Cash Flow	23,365	(3,160)
Ore Processed t	308,118	223,215
Gold grade g/t	6.01	2.92
Lead grade %	2.7%	2.6%
Zinc grade %	2.6%	3.5%
Gold Recovery %	78.2%	61.7%
Lead Recovery %	91.0%	86.2%
Zinc Recovery %	90.8%	78.4%
Gold production oz	46,882	12,930
Lead production t - contained metal	7,628	5,057
Zinc production t - contained metal	7,202	5,995
Gold sold oz	46,439	3,924
Average gold price received A\$/oz	1,615	1,578
Concentrate sold (DMT)	25,406	10,144

(a) EBITDA is a non-IFRS measure. See Performance Indicators Table in the Remuneration Report for a reconciliation to Profit/(Loss) in the period.

Cost reduction activities continued during the year and included the renegotiation of the mining contract, resulting in significant savings from June 2016. Increased revenue and reduced unit mining costs increased EBITDA to \$41.139 million (2015: (\$109.123) million). The prior year was impacted by a \$92.916 million impairment charge.

On 28 June 2016, the Company released an updated Resources and Reserves Estimate. The updated Mineral Resource Estimate represented an 8% increase in tonnage (allowing for mine depletion) and an 18% increase in gold grade. The updated Ore Reserves Estimate represented a 43% increase in gold grade. The Resource and Reserve Estimate totals were:

- Total Mineral Resource Estimate of 2.698 Mt at 4.12 g/t gold, 3.67% Pb, 4.86% Zn
- Total Ore Reserve Estimate of 0.979 Mt at 5.11 g/t gold, 2.84% Pb, 3.85% Zn

On 12 July 2016, a forward gold sales program was initiated. The Company sold approximately 11,200 ounces of gold at a price of approximately A\$1,785/oz with deliveries to early 2017.

The Company announced on 29 July 2016 the retirement of Rimas Kairaitis as Chief Executive Officer on 31 August 2016. Rimas has steered the Company as Chief Executive Office since its formation in 2004 and grown the business from an exploration company focused on tin prospects to a gold and base metal producer with the successful acquisition and development of the Hera Mine.

Jim Simpson was appointed Managing Director on 1 August 2016 and Chief Executive Officer on 1 September 2016. Mr Simpson is an experienced manager, specialising in underground metalliferous mining. The Board believes that Mr Simpson has the experience and skills required to provide the next stage of growth in Aurelia.

2. OPERATING AND FINANCIAL PERFORMANCE

The second half of the year to 30 June 2016 registered a strong performance, with improvements in ore throughput, gold grades and recovery and gold price. The table below displays the significantly improved metrics in the six months to 30 June 2016 (H2 2016) relative to six months to 31 December 2015 (H1 2016).

Performance Indicators	2016 \$'000	H2 2016 \$'000	H1 2016 \$'000
Sales Revenue	91,945	57,512	34,432
Profit/(Loss) for the period	10,943	19,566	(8,622)
EBITDA	(a) 41,139	37,365	3,773
Net Operating Cash Flow	23,365	19,276	4,089
Ore Processed t	308,118	158,186	149,932
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Zinc grade %	2.6%	2.5%	2.7%
Gold Recovery %	78.2%	82.5%	73.6%
Lead Recovery %	91.0%	90.2%	91.9%
Zinc Recovery %	90.8%	92.5%	89.2%
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Lead production t - contained metal	7,628	3,736	3,891
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Concentrate sold (DMT)	25,406	15,265	10,141

(a) EBITDA is a non-IFRS measure. See Performance Indicators Table in the Remuneration Report for a reconciliation to Profit/(Loss) in the period.

2.1. Sales

Sales revenue for the period was \$91.945 million, including \$75.007 million derived from gold sales and \$16.418 million derived from the sale of lead zinc concentrates. Gold sales were derived from the sale of 46,439 oz of gold at an average price of A\$1,615/oz. Concentrate sales were derived from the sale of 25,406 dmt of lead zinc concentrate shipped.

Gold forward sales of 11,200 oz, to protect against adverse movements in price, were entered into after balance date.

2.2. Production

Gold production for the operating period was 46,882 ounces. Gold production was derived from the processing of 308,118 tonnes of ore grading 6.01 g/t gold, 2.71% lead and 2.58% zinc. Gold recovery averaged 78.15%. During the period, the Company produced 28,139 tonnes of lead zinc concentrate grading 27.11% lead and 25.60% zinc.

Processing throughput during the year remained below nameplate capacity, largely due to issues associated with plant stability and volatility in ore feed grades, particularly high base metal grades. The processing of very high sulphide ore parcels occasionally exceeded the capacity of the back end of the processing plant. Significant effort is being applied to improve throughput, including options to expand base metal production capacity.

Gold recovery improved over the year with stability of the Merrill Crowe circuit the primary driver for gold recovery above 80% during the second half of the year.

The performance of the underground mine remained positive with a total of 307,240 tonnes of ore mined during the year at an average grade of 6.03 g/t gold, 2.66% lead and 2.52% zinc. Underground lateral development of 1,287 metres was achieved during the year, comprising 623 metres of operating and 664 metres of capital development. A lower schedule of rates based on the re-tendered mining contract was applied from June 2016 which will result in significant cost savings.

2.3. Operating Costs

Total cost of sales for the period was \$78.771 million. Site production costs were \$51.264 million (mining costs of \$23.792 million, processing costs of \$23.588 million and site admin departments), transport and refining costs were \$4.618 million (gold refining charges, concentrate trucking, rail, port and shipping charges) and a credit to costs of \$2.170 million relating to an increase in inventory at year end. Depreciation charged in the period was \$23.425 million.

2.4. Corporate Administration costs

Corporate costs for the period were \$4.935 million including \$0.244 million of depreciation. Included in the period were legal, advisory and court costs of \$1.263 million associated with the Glencore dispute.

2.5. Cash flow

As at 30 June 2016, the Company held cash in bank of \$21.595 million (\$3.483 million is unavailable and held as cash deposits for environmental bonds). Operating cash flow for the period was positive \$23.365 million and is after outflows relating to the reduction of \$8.559 million in creditors during the year.

Investment cash outflows were \$10.083 million relating to mine development and processing plant capital.

Net cash flow from financing activities was positive \$3.465 million. The key inflow related to a net \$5.000 million inflow from Glencore borrowings. Outflows were related to reduction in equipment finance loans and other borrowings of \$0.886 million and other charges of \$0.648 million.

2.6. Borrowings

The debt liability to Glencore at balance date had a fair value of \$112.449 million and a face value (nominal value) of \$125.050 million. Net debt (debt less cash) reduced over the year from \$109.804 million at 30 June 2015 to \$91.759 million as at 30 June 2016 due to a positive operating surplus.

Gearing, defined as net debt/(net debt + equity), reduced from 148% to 135% over the year. The gearing level is noted to be excessive but is mitigated by the suspension of debt obligations for two years (see Section 2.7 below). The Company's aim is to reduce gearing to manageable levels through the repayment of outstanding debt and/or debt conversion into equity, if and when commercially rational and to the extent it is possible (see below Section 2.7 (f). Conversion Rights).

2.7. Debt Restructure and Fair Value of Borrowings

On 1 April 2016, the Company concluded a major restructure of its secured borrowings with Glencore. The restructuring resulted in certain changes to the loan terms of all facilities. A summary of the key terms of the new agreement and the current loan balances is detailed below:

	Face Value \$	Liability value recognised \$	End of Payment Suspension	Maturity	Convertible into Shares	Interest margin over BBSW (basis pts)
Facility A	10,080	9,087	31-Mar-18	30-Sep-20	Yes (1)	400-450
Facility B	57,061	51,442	31-Mar-19 (4)	30-Sep-21	Yes (2)	400-450
Facility C	33,441	29,913	31-Mar-18	30-Sep-20	No	400-450
Facility D	-	-	Undrawn (3)			
Facility E	5,968	5,329	31-Mar-18	30-Apr-19	No	400-450
Facility F	18,500	16,678	31-Mar-19 (4)	30-Sep-21	Yes (2)	400-450
	125,050	112,449				

(1) Convertible into shares at any time until maturity at \$0.251/share or as adjusted consistent with the Convertible Note Deed Poll.

(2) Convertible into shares within five business days prior to 31 March 2018. Conversion price is based on the 60-day volume weighted average price of the Company's ordinary shares prior to the conversion notice.

(3) \$50 million Nymagee facility remains undrawn and unavailable until approved Bankable Feasibility Study delivered for Nymagee project.

(4) Repayment date is set for all debt not converted according to (2) above.

(a) Deferral of debt and interest obligations

The restructure affected the debt obligations in the following ways:

- all repayments on current and new facilities are deferred until 31 March 2018
- all interest is suspended on current and new facilities until 31 March 2018
- The maturity date for Facility A and Facility C was reset to 30 September 2020.
- The maturity date for Facility B and Facility F was reset to 30 September 2021, for any amounts that remain unconverted into shares at 31 March 2018 (see conversion rights below).
- The maturity date for Facility E was reset to 30 April 2019.

(b) Provision of new debt

The restructure provided new funding via an additional loan facility:

- Provision of a new \$20 million debt facility (Facility F)
- \$5 million was drawn from Facility F in November 2015 as a pre-completion early advance and;
- A mandatory drawdown of \$13.5 million on 1 April 2015 from Facility F was applied against the outstanding balance of Convertible Note Facility A.
- The remaining balance of Facility F is not available for drawdown.

- A new Facility G was provided as part of the debt package. Facility G is a \$15 million facility with an availability period until 18 December 2016. If drawn, the loan is repayable from 31 March 2017 via a US\$175/dmt deduction from concentrate sales, subject to a minimum quarterly repayment of US\$1.8 million. The facility has certain mine operating covenants (processing throughput rates, metal recoveries) that operate once the facility is drawn. If a default is not cured satisfactorily, a default on Facility G is a cross default on all Glencore facilities.
- Under the current business plan, there is no requirement to draw Facility G.

(c) Interest

The original interest rates applicable to the loans are maintained. Interest rates are variable and are set at a 400-450 basis point margin over BBSW.

(d) Upside repayment

From 18 June 2016 to 31 March 2018, the Company is obligated to undertake a mandatory repayment, applied equally against all facilities, to the extent that the preceding three month Group CFADS (Cash Flow Available for Debt Service) exceeds \$10 million. The repayment is any excess greater than \$10 million in each testing period.

(e) Provision of Glencore Options

As part of the debt restructure, the Company granted 108 million options exercisable at \$0.04/share to Glencore. These options may only be exercised by Glencore if the Company converts any of Facility A into shares.

(f) Conversion Rights

The outstanding balance of Facility A, after the mandatory \$13.5 million repayment on 1 April 2016, is convertible at any time until maturity at \$0.251/share or as adjusted consistent with the Convertible Note Deed Poll. The outstanding balance of Facility A at 30 June 2016 had a liability value of \$9.087 million and a face value of \$10.080 million.

All or part of Facility B and Facility F are convertible into ordinary shares if the Company makes a once-off election within five business days prior to 31 March 2018. The conversion price is based on the 60-day volume weighted average price of the Company's ordinary shares prior to the lodgement of the conversion notice.

The outstanding balance of Facility B at 30 June 2016 had a liability value of \$51.442 million and a face value of \$57.061 million.

The outstanding balance of Facility F at 30 June 2016 had a liability value of \$16.678 million and a face value of \$18.500 million.

Facility C and Facility E are not convertible.

(g) Fair value adjustment of borrowings

The Company is required under accounting standards to account for an exchange between borrower and lender with 'substantially different' terms as an extinguishment of the original facility and the recognition of a new financial liability. An assessment concluded that the debt restructured was completed on substantially different terms and required the Company to derecognise the existing liability and recognise the fair value of the new liability. The difference between the carrying amounts of the respective liabilities has been recognised in the income statement.

The gain from extinguishment on 1 April 2016, after the expensing of all borrowing costs, was \$10.203 million.

At balance date, the Company has recognised the fair value of borrowings at \$112.449 million. These borrowings are classified as non-current borrowings.

The fair value of the debt at balance date can be compared to the face value of debt at balance date of \$125.050 million payable to Glencore. As the Company approaches the March 2018 amortisation start

date, the fair value of the debt will increase to approximate the face value of debt. This unwinding of the discount on the fair value of the debt will be expensed in future periods as a finance charge.

The change in the fair value of the debt from the restructure date of 1 April 2016 to 30 June 2016 was \$1.734 million. This amount has been expensed as a finance charge in the current period.

3. MATERIAL BUSINESS RISKS

Aurelia Metals prepares its business plan using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these assumptions and forecasts, and risk that variation from them could result in actual performance being different to expected outcomes. The uncertainties arise from a range of factors, including the nature of the mining industry and general economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group as at 30 June 2016 are:

Financial solvency

The Company has significant long term financial obligations. Maintaining sufficient liquidity to operate the business is impacted by the operational and financial risk factors identified below. Additional risk factors relate to the Company's ability to reorganise its debts when required to manage any liquidity events.

The Company currently has a single source of income from one operating asset. The lack of asset diversity, together with significant debt amounts, can exacerbate overall risk to the Company.

Fluctuations in the commodity price

The Group's revenues are exposed to fluctuations in the price of gold, silver, lead and zinc. Volatility in metal prices creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained despite volatile metal prices.

Metal prices are denominated in USD\$ dollars, hence the Company has a foreign exchange price risk when the USD\$ price of a particular commodity is translated back to A\$ dollars.

Declining metal prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause substantial delays and/or may interrupt operations, which may have a material adverse effect on results of operations and financial condition.

Mineral reserves and resources

Company ore reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of metal or other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any part or all of Company's mineral resources constitute or will be converted into reserves.

Market price fluctuations of metal prices as well as increased production and capital costs may render the Company's ore reserves unprofitable to develop for periods of time or may render mineral reserves containing relatively low grade mineralisation uneconomic. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require the Company to modify its mineral reserves and resources estimates, which could have either a positive or negative impact on the Company's financial results.

Replacement of depleted reserves

The Company must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or acquiring new assets. Exploration is highly speculative in nature and as such, exploration projects involve many risks and can often be unsuccessful. Once a site with mineralisation is discovered, it may take several years from the initial discovery phase until production is possible.

As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions, or that divestitures of assets will lead to a lower reserve base. The mineral base of the Company may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine life, based on current production rates.

Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and equipment, rock failures, cave-ins, and weather conditions (including flooding and bushfires), most of which are beyond the Company's control. These risks and hazards could result in significant costs or delays that could have a material adverse effect on the Company's financial performance, liquidity and operations results.

The Company maintains insurance to cover some of these risks and hazards. The insurance is maintained in amounts that are believed to be reasonable depending on the circumstances surrounding each identified risk. However property, liability and other insurance may not provide sufficient coverage for losses related to these or other risks or hazards.

Production and cost estimates

The Company, from time to time, prepares internal estimates of future production, cash costs and capital costs of production. The Company has developed business plans which forecast improvements in metal recoveries, ore throughput and reductions in operating costs over time from continual improvements at the Hera operation. While these assumptions are considered reasonable, there can be no guarantee that the improvements will be achieved. Failure to achieve production or cost estimates could have an adverse impact on the Company's future cash flow, profitability and financial solvency.

The Company's actual production and costs may vary from estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods; and unexpected labour shortages or strikes.

Costs of production may also be affected by a variety of factors, including: ore grade metallurgy, labour costs, consumable costs, commodity costs, general inflationary pressures and currency exchange rates.

Environmental, health and safety regulations; permits

The Company's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment and the health and safety of employees, including: waste disposal, worker safety, mine development and protection of endangered and other special status species. The Company's ability to obtain permits and approvals and to successfully operate may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety or the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Company's operations, including its ability to continue operations.

While the Company has implemented health, safety and community initiatives at its operations to ensure the health and safety of its employees, contractors and members of the community affected by its operations, there is no guarantee that such measures will eliminate the occurrence of accidents or other incidents which may result in personal injuries, damage to property, and in certain instances such occurrences could give rise to regulatory fines and/or civil liability.

Community relations

The Company operates near established communities. The Company recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfaction with the Company which has the potential to disrupt production and exploration activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were:

- 1 July 2015: The Company announced it had received a notice on 26 June from Glencore Group Funding Limited ("Glencore") asserting that an event of default had occurred under its loan facility documentation. Aurelia rejected the notice and engaged in discussions with Glencore.
- 3 August 2015: Resignation of Rimas Kairaitis as Managing Director, but that he would retain the role of Chief Executive Officer.
- 16 September 2015: Discussions with Glencore on a negotiated refinancing ceased. Without consultation, on Monday 14 September Glencore attempted to appoint a voluntary administrator to the Company on the grounds of alleged insolvency. The Company successfully obtained an injunction from the Supreme Court of NSW deeming the appointment of the administrator was not effective until a court hearing on the validity of the appointment could be heard.
- 6 November 2015: The Supreme Court of NSW heard the application by the Company and its subsidiaries. The court reserved judgement.
- 27 November 2015: Resolution of all legal disputes with Glencore, together with a wholesale restructuring of all existing debt repayments.
- 1 December 2015: Aurelia issued 40M options to Pacific Road Capital Management with respect to the funding term sheet announced on 9 September 2015 as well as 10M options to Pybar Mining Services for the deferral of outstanding payments until January 2016.
- 4 April 2016: The financing agreement with Glencore was complete and final as of 1 April 2016.
- 7 April 2016: The NSW Supreme Court proceeding between Glencore and the Company were dismissed by consent of all parties. The Court's ordered that the purported appointment of voluntary administrators to Aurelia and its subsidiaries is taken to have never occurred.

Apart from the above, or as noted elsewhere in this report, no significant changes in the state of affairs of the Company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following significant events occurred after 30 June 2016:

- 12 July 2016: Implementation of a forward gold sales program of approximately 11,200 ounces for the next 6 months at a price of approximately A\$1,785 per oz.
- 29 July 2016: Retirement of Rimas Kairaitis as Chief Executive Officer effective 31 August 2016. Jim Simpson was appointed Managing Director on 1 August 2016 and Chief Executive Officer on 1 September 2016. The Board's intention is to grant, subject to shareholder approval if required, 4.5 million performance rights to Mr Simpson which will vest upon the achievement of various key operational performance hurdles, and provide the ability to acquire shares at nil cost.

FUTURE DEVELOPMENTS

Other likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Company is subject to significant environmental regulation in respect to its exploration, mining and processing activities. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so it is aware of, and is in compliance, with all environmental legislation. The Directors of the Company are not aware of any material breach of environmental legislation for the year under review.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and includes key management personnel.

1. Key Management Personnel (KMP)

The following table details the Company's KMP during the financial year.

Directors	Position	Term
Anthony Wehby	Independent Non-Executive Chairman	Full year
Gary Comb	Independent Non-Executive Director	Full year
Paul Espie	Non-Executive Director	Full year
Mark Milazzo (i)	Independent Non-Executive Director	1 July 2015 to 27 June 2016
Rimas Kairaitis (ii)	Managing Director	1 July 2015 to 2 August 2015
Michael Menzies	Non-Executive Director	From 15 December 2015
Rune Symann	Non-Executive Director	From 15 December 2015
Executives		
Rimas Kairaitis (iii)	Chief Executive Officer	Full year
Timothy Churcher	Chief Financial Officer	Full year
Richard Willson	Company Secretary	Full year

(i) Resigned 27 June 2016

(ii) Resigned as Managing Director 2 August 2015, but retained the role of Chief Executive Officer

(iii) Resigned as Chief Executive Officer on 31 August 2016

2. Remuneration Policy and Committee

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter and has established a Remuneration & Nomination Committee. The Remuneration & Nomination Committee is responsible for determining and reviewing the appointment and compensation arrangements of the KMP. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. At the Committee's discretion, the nature and amount of Executive and Director's benefits may be linked to the Company's financial and operational performance. The quantum and level of short and long-term incentives is not fixed and remains at the discretion of the Board.

No remuneration consultants were engaged during the period.

The following table shows the key performance indicators for the Group for the past five years. Performance across most metrics improved with the continued ramp up of operations at the Hera Mine in 2016. The 2015 year was impacted by an impairment of mine properties and exploration of \$92.916 million.

Performance Indicators	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Sales revenue	91,945	13,220	85	288	583
Profit (loss) for the year	10,943	(118,158)	(10,623)	536	(2,077)
EBITDA	41,139	(109,123)	(10,666)	396	(3,090)
Net Debt	91,759	109,804	84,992	13,363	(15,087)
Basic Profit/(Loss) Per Share (cents)	2.8	(33.0)	(3.5)	21.0	(0.8)
Share Price (cents)	13.5	21.5	22.9	15.9	25.4

EBITDA is a non-IFRS measure. Reconciliation to Profit (loss) for the year is:

EBITDA	41,139	(109,123)	(10,666)	396	(3,090)
Net interest cost	(6,526)	(2,376)	261	398	1,234
Depreciation & Amortisation	(23,669)	(6,659)	(218)	(258)	(220)
Profit (loss) for the year	10,943	(118,158)	(10,623)	536	(2,077)

2.1. Non-Executive Directors

Non-executive Directors' fees reflect the responsibilities and demands made of the Directors. Guidance is obtained as required from independent industry surveys and other sources to ensure that Directors' fees are appropriate and in line with the market. The Chairman's fees reflect the additional responsibilities of the role and are based on comparative positions in the industry.

The Board fees for Non-executive Directors are \$50,000 and \$90,000 for the Chairman. No fees are paid to Board sub-committee members. Statutory superannuation contributions are paid to Board members who are paid directly by the Company. The maximum total Directors' fee pool approved by shareholders which may be paid by the Company to all the non-executive Directors is \$600,000 per year.

Variable remuneration in the form of share based options have been granted to non-executive Directors in prior years. All existing Director share options expired unexercised during the 2016 year. No additional grant of share options to Directors was made during the year.

2.2. Company Executives

The Company's remuneration arrangements have been designed to maintain alignment with the shareholders' interests (both short term and long term) and to ensure remuneration remains competitive. This is to enable the Company to retain and attract talented people, who are critical to delivering the Company's strategy and ability to deliver a sustainable increase in shareholder value.

The remuneration structure for Executive comprises fixed and variable remuneration. Fixed remuneration includes base salary, superannuation and any applicable fringe benefits. Variable remuneration may include short term and long term incentive payments which are typically cash and/or share-based and contingent on achieving share price and/or performance hurdles.

In recognition of the Company's operating performance, the Board did not to grant any increase in the base salary to the Executives and KMP for the financial year. No variable remuneration, either short term or long term incentives, was granted to Executives and KMP during the financial year.

3. Remuneration of Directors and Key Management Personnel

The following tables show details of the remuneration received by Directors and KMP of the Company for the current and previous financial year.

	Short Term			Post-employment	Share based payment	Total	Remuneration at risk
	Base Salary and Fees	Non-Monetary Benefits	Other Benefits	Super-annuation	Amortised Value		
2016 - Directors	\$	\$	\$	\$	\$	\$	%
Wehby, Anthony	90,000	-	-	8,550	-	98,550	0%
Kairaitis, Rimas (i)	319,734	32,436	-	31,139	-	383,309	0%
Comb, Gary	50,000	-	-	4,750	-	54,750	0%
Espie, Paul	50,000	-	-	-	-	50,000	0%
Menzies, Mike (ii)	27,329	-	-	-	-	27,329	0%
Milazzo, Mark (iii)	50,000	-	-	4,750	-	54,750	0%
Symann, Rune (ii)	25,846	-	-	-	-	25,846	0%
2016 - Executives							
Churcher, Timothy	312,454	14,499	-	26,996	-	353,949	0%
Willson, Richard	150,000	-	-	14,250	5,724	169,974	3%
Total 2016	1,075,363	46,934	-	90,435	5,724	1,218,456	0%

(i) Resigned as Managing Director 2 August 2015

(ii) Appointed 15 December 2015

(iii) Resigned 27 June 2016

	Short Term			Post-employment	Share based payment	Total	Remuneration at risk
	Base Salary and Fees	Non-Monetary Benefits	Other Benefits	Super-annuation	Amortised Value		
2015 - Directors							
Wehby, Anthony	75,000	-	-	7,125	9,563	91,688	10%
Kairaitis, Rimas	322,329	34,733	-	28,541	9,563	395,166	2%
Comb, Gary	50,000	-	-	4,750	7,969	62,719	13%
Espie, Paul	50,000	-	-	-	-	50,000	0%
Menzies, Mike (v)	49,450	-	-	-	-	49,450	0%
Milazzo, Mark	50,000	-	-	4,750	7,969	62,719	13%
Zhang, Guoqing	18,390	-	-	1,747	-	20,137	0%
2015 - Executives							
Churcher, Timothy (iv)	205,474	5,957	-	19,520	-	230,951	0%
Willson, Richard	206,521	-	68,188	26,097	27,320	328,126	8%
Fredericksen, Dean (vi)	280,299	19,595	147,597	26,629	48,533	522,653	9%
Pearce, Sean (vi)	233,465	12,858	155,643	22,179	44,533	468,678	10%
Total 2015	1,540,928	73,143	371,428	141,338	155,450	2,282,287	7%

(iv) Commenced employment on 29 September 2014

(v) Resigned 29 June 2015

(vi) Terminated employment 30 June 2015

Executives are employed under executive employment agreements with the Company. The key terms of these agreements with the Executives during the year are outlined below:

Executive	Total Fixed Remuneration	Notice period by Executive	Notice period by Company	Termination Benefit
Rimas Kairaitis Chief Executive Officer	\$358,886 ⁽¹⁾	3 months	3 months	Accrued entitlements With notice served: 9 months TFR Without notice: 12 months TFR at AMI's election
Timothy Churcher Chief Executive Officer	\$339,450 ⁽¹⁾	3 months	3 months	Accrued entitlements With notice served: 9 months TFR Without notice: 12 months TFR at AMI's election
Richard Willson Company Secretary	\$164,250	3 months	3 months	Accrued entitlements With notice served: 9 months TFR Without notice: 12 months TFR at AMI's election

⁽¹⁾ Mr Kairaitis and Mr Churcher are entitled to the private use of a company motor vehicle as part of their remuneration package

4. Long Term Incentive Plans

The Company had two long term incentive plans active during the financial year, one relating to Director Options and one relating to Employee Performance Rights Plans.

4.1. 2012 Directors Options (ESOP)

On 29 November 2012, the Company issued two series of Director Options:

Series 1: 1,850,000 options exercisable at \$0.35/share, with an expiry date of 29 November 2015.

Series 2: 1,850,000 options exercisable at \$0.45/share, with an expiry date of 29 November 2015.

All outstanding Director Options expired on 29 November 2015 unexercised, to give a nil balance at year end. The movement in options over ordinary shares in the Company held during the financial year by each Director and KMP, are set out below.

The movement in options issued to Executives in the prior financial year relate to earlier option issues that are no longer in operation.

2016	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at year end
Directors					
Wehby, Anthony	600,000	-	-	(600,000)	-
Comb, Gary	500,000	-	-	(500,000)	-
Espie, Paul	-	-	-	-	-
Menzies, Mike	-	-	-	-	-
Milazzo, Mark	500,000	-	-	(500,000)	-
Symann, Rune	-	-	-	-	-
Executives					
Kairaitis, Rimas	600,000	-	-	(600,000)	-
Churcher, Timothy	-	-	-	-	-
Willson, Richard	-	-	-	-	-
	2,200,000	-	-	(2,200,000)	-

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at year end
Directors					
Wehby, Anthony	600,000	-	-	-	600,000
Comb, Gary	500,000	-	-	-	500,000
Espie, Paul	-	-	-	-	-
Menzies, Mike	-	-	-	-	-
Milazzo, Mark	500,000	-	-	-	500,000
Zhang, Guoqing	-	-	-	-	-
Chen, Yong	-	-	-	-	-
Corlett, Susan	-	-	-	-	-
Executives					
Kairaitis, Rimas	600,000	-	-	-	600,000
Churcher, Timothy	-	-	-	-	-
Fredericksen, Dean	340,000	-	-	(340,000)	-
Pearce, Sean	500,000	-	-	(500,000)	-
Willson, Richard	100,000	-	-	(100,000)	-
	3,140,000	-	-	(940,000)	2,200,000

4.2. Employee Performance Rights Plans

Two Performance Rights Issues were in existence during the year.

(a) 2012 Employee Performance Rights (2012 PR)

On 15 March 2012, the Company granted 840,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company's share price achieved a 5-day VWAP of \$0.80/share by 15 March 2016. All Performance Rights expired unvested on 15 March 2016.

(b) 2015 Class C Employee Performance Rights (2015 Class C)

On the 9 February 2015, the Company granted 490,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company's share price achieved a 5-day VWAP of \$0.40/share by 9 February 2018. These rights remain untested with 200,000 unvested Performance Rights remaining in existence at year end.

Performance Rights Issued in prior years, of which there remains unexercised performance rights, are:

(c) 2013 Class A Employee Performance Rights (2013 Class A)

On the 12 April 2013, the Company granted 595,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company's share price achieved a 5-day VWAP of \$0.40/share by 12 April 2016. The price hurdle was achieved on 2 February 2015 and a total of 445,000 Performance Rights vested on that date. A total of 375,000 Performance Rights were subsequently exercised and converted to shares. There remains 70,000 unexercised performance rights associated with this issue.

(d) 2013 Class B Employee Performance Rights (2013 Class B)

On the 12 April 2013, the Company granted 1,075,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company achieved certain operating performance vesting conditions by 31 December 2013. The Board assessed an 80% vesting amount and 869,000 Performance Rights vested on 31 December 2013. A total of 805,000 Performance Rights were subsequently exercised and converted to shares. There remains 64,000 unexercised performance rights associated with this issue.

(e) 2015 Class D Employee Performance Rights (2015 Class D)

On the 9 February 2015, the Company granted 1,240,000 Performance Rights to various employees. These Performance Rights were structured to vest if the Company achieved certain operating performance vesting conditions by 31 December 2014. The Board assessed a 60% vesting amount and 774,000 Performance Rights vested on 31 December 2014. A total of 696,000 Performance Rights were subsequently exercised and converted to shares. There remains 48,000 unexercised performance rights associated with this issue.

A summary of movements of Performance Rights within the various plans are tabulated below.

2016	Balance at start of year Number	Granted during the year Number	Exercised During the year Number	Expired during the year Number	Balance at year end Number	Exercisable at year end Number
2012 PR	570,000	-	-	(570,000)	-	-
2013 Class A	70,000	-	-	-	70,000	70,000
2013 Class B	64,000	-	-	-	64,000	64,000
2015 Class C	380,000	-	-	(180,000)	200,000	-
2015 Class D	48,000	-	-	-	48,000	48,000
Total	1,132,000	-	-	(750,000)	382,000	182,000

2015	Balance at start of year Number	Granted during the year Number	Exercised During the year Number	Expired during the year Number	Balance at year end Number	Exercisable at year end Number
2012 PR	700,000	-	-	(130,000)	570,000	-
2013 Class A	465,000	-	(375,000)	(20,000)	70,000	70,000
2013 Class B	189,000	-	(125,000)	-	64,000	64,000
2015 Class C	-	490,000	-	(110,000)	380,000	-
2015 Class D	-	1,240,000	(696,000)	(496,000)	48,000	48,000
Total	1,354,000	1,730,000	(1,196,000)	(756,000)	1,132,000	182,000

The numbers of performance rights held during the financial year by each director, executive and key management personnel of Aurelia Metals Limited and specified executive of the Group, including their personally related parties, are set out below.

2016	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at year end
Executives					
Kairaitis, Rimas	250,000	-	-	(250,000)	-
Churcher, Timothy	-	-	-	-	-
Willson, Richard	100,000	-	-	(50,000)	50,000
	350,000	-	-	(300,000)	50,000

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at year end
Executives					
Kairaitis, Rimas	250,000	-	-	-	250,000
Churcher, Timothy	-	-	-	-	-
Fredericksen, Dean	160,000	250,000	(200,000)	(210,000)	-
Pearce, Sean	195,000	220,000	(265,000)	(150,000)	-
Willson, Richard	50,000	150,000	(60,000)	(40,000)	100,000
	655,000	620,000	(525,000)	(400,000)	350,000

5. Shareholdings of Directors and Key Management Personnel

The shareholdings of Directors and KMPs presented below include shares held directly, indirectly, and beneficially by the Directors and other KMPs.

2016	Balance at the start of the year	Granted during the year as compensation	On Exercise of share options	Other changes during the year	Balance at year end
Directors					
Wehby, Anthony	978,125	-	-	-	978,125
Comb, Gary	281,250	-	-	-	281,250
Espie, Paul	-	-	-	-	-
Menzies, Mike	112,500	-	-	-	112,500
Milazzo, Mark	225,000	-	-	-	225,000
Symann, Rune	-	-	-	-	-
Executives					
Kairaitis, Rimas	4,473,544	-	-	-	4,473,544
Churcher, Timothy	-	-	-	-	-
Willson, Richard	180,000	-	-	-	180,000
	6,250,419	-	-	-	6,250,419

2015	Balance at the start of the year	Granted during the year as compensation	On Exercise of share options	Other changes during the year	Balance at year end
Directors					
Wehby, Anthony	845,000	-	-	133,125	978,125
Comb, Gary	250,000	-	-	31,250	281,250
Espie, Paul	-	-	-	-	-
Menzies, Mike	100,000	-	-	12,500	112,500
Milazzo, Mark	200,000	-	-	25,000	225,000
Zhang, Guoqing	-	-	-	-	-
Chen, Yong	-	-	-	-	-
Corlett, Susan	-	-	-	-	-
Executives					
Kairaitis, Rimas	4,468,544	-	-	5,000	4,473,544
Churcher, Timothy	-	-	-	-	-
Willson, Richard	37,574	-	60,000	82,426	180,000
	5,901,118	-	60,000	289,301	6,250,419

All equity transactions with KMPs other than those arising from exercise of remuneration options and performance rights have been entered into under terms and agreements no more favourable than those the Company would have adopted if dealing at arm's length.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

During the year the Company's auditor, Ernst & Young Australia provided non-audit services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The amounts received or due to be received by Ernst & Young Australia for non-audit services are contained in Note 21.

On 8 July 2015 the Board resolved that in accordance with Section 324DAA of the Corporations Act 2001, and the recommendation of the Audit Committee, Mr Ryan Fisk's rotation period as Audit Lead Partner be extended for two years to 30 June 2017. The directors are satisfied that the extension is consistent with maintaining independence, the preservation of knowledge on the engagement, the quality of the audit provided to the Company, and would not give rise to a conflict of interest.

The Company has obtained an independence declaration from its auditor, Ernst and Young, which forms part of this report. A copy of that declaration is included on the following page.

Signed on behalf of the Board in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'Anthony Wehby', with a stylized flourish at the end.

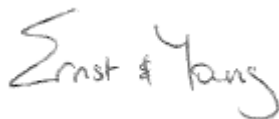
Mr Anthony Wehby
Non-Executive Chairman
16 September 2016

Auditor's Independence Declaration to the Directors of Aurelia Metals Limited

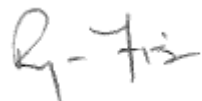
As lead auditor for the audit of Aurelia Metals Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aurelia Metals Limited and the entities it controlled during the financial period.



Ernst & Young



Ryan Fisk
Partner
16 September 2016

FINANCIAL STATEMENTS

Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Operating sales revenue	3(a)	91,945	13,220
Cost of sales	3(b)	(78,771)	(26,445)
Gross profit		13,174	(13,225)
Corporate administration expenses	3(c)	(4,935)	(4,194)
Gain/(Loss) on debt restructure	3.1	10,203	-
Share based expenses	3(d)	(973)	(163)
Exploration and evaluation costs written off	9	(174)	(3,347)
Impairment of exploration and evaluation assets	9	-	(17,884)
Impairment of mine properties	10	-	(75,031)
Gain/(Loss) on commodity derivatives		(92)	(1,675)
Gain/(Loss) on revaluation of investments	3(e)	205	(287)
Other income/(expenses)	3(f)	61	25
Profit/(Loss) before interest and income tax		17,469	(115,782)
Finance income		223	280
Finance costs	3(g)	(6,749)	(2,656)
Profit/(Loss) before income tax		10,943	(118,158)
Income tax expense	4	-	-
Profit/(Loss) after income tax		10,943	(118,158)
Other comprehensive income		-	-
Total Comprehensive Profit/(Loss) for the year		10,943	(118,158)

Earnings per share for Profit/(Loss) attributable to the ordinary equity holders of the parent

Basic Profit/(Loss) per share (cents per share)	20	2.8	(33.0)
Diluted Profit/(Loss) per share (cents per share)	20	2.4	(33.0)

The above Statement should be read in conjunction with the accompanying notes.

All amounts in this Financial Report are rounded to the nearest thousand dollars, except where indicated otherwise. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

Statement of Financial Position

as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	17(b)	21,595	4,848
Trade and other receivables	5	3,400	6,185
Inventories	6	5,445	2,693
Prepayments		358	145
Total current assets		30,798	13,870
Non-current Assets			
Property, plant and equipment	7	50,508	57,459
Financial Assets	8	477	273
Exploration and Evaluation Assets	9	106	116
Mine Properties	10	30,006	33,307
Total non- current assets		81,097	91,155
Total assets		111,895	105,025
LIABILITIES			
Current liabilities			
Trade and other payables	11	5,791	16,395
Provisions	12	2,590	1,886
Borrowings	13	329	22,737
Total current liabilities		8,709	41,017
Non-current Liabilities			
Provisions	12	14,008	7,856
Borrowings	13	113,025	91,915
Total non - current liabilities		127,032	99,771
Total liabilities		135,742	140,789
Net assets/(liabilities)		(23,847)	(35,764)
EQUITY			
Contributed Equity	14	99,929	99,929
Reserves	15	4,034	3,061
Retained losses	16	(127,810)	(138,753)
Total equity		(23,847)	(35,764)

The above Statement should be read in conjunction with the accompanying notes.

All amounts in the Financial Report are rounded to the nearest thousand dollars, except where indicated otherwise. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

Statement of Changes in Equity

for the year ended 30 June 2016

	Not e	Issued Share Capital \$000's	Share Based Payments Reserve \$000's	Accumulated Losses \$000's	Total \$000's
Balance at 1 July 2014		85,361	2,897	(20,595)	67,664
Total Profit/(Loss) for the period		-	-	(118,158)	(118,158)
Transactions with owners in their capacity as owners					-
Shares issued for the period		15,283	-	-	15,283
Cost of share issue		(715)	-	-	(715)
Share based payments		-	163	-	163
Balance at 30 June 2015		99,929	3,061	(138,753)	(35,764)
Balance at 1 July 2015		99,929	3,061	(138,753)	(35,764)
Total Profit/(Loss) for the period		-	-	10,943	10,943
Transactions with owners in their capacity as owners					-
Shares issued for the period		-	-	-	-
Cost of share issue		-	-	-	-
Share based payments		-	973	-	973
Balance at 30 June 2016	14,15	99,929	4,034	(127,810)	(23,847)

The above Statement should be read in conjunction with the accompanying notes.

All amounts in this Financial Report are rounded to the nearest thousand dollars, except where indicated otherwise.
Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

Cash Flow Statement

for the year ended 30 June 2016

	Note	2016 \$000's	2015 \$000's
Cash flows from operating activities			
Receipts from customers		94,750	8,207
Payments to suppliers and employees		(71,182)	(12,045)
Research and development refund		0	85
Interest received		238	355
Interest paid		(441)	(150)
Receipt from close out of gold hedge		-	388
Net cash flows from operating activities		23,365	(3,160)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,221)	(658)
Sale of property, plant and equipment		-	31
Exploration & evaluation expenditure		(164)	(2,450)
Mine capital expenditure		(4,591)	(43,128)
Profit/(loss) on exchange and derivatives		106	-
Receipts from pre-production sales		-	19,595
Receipts from sale of gold put options		-	1,120
Deferred acquisition (Hera Royalty)		(1,214)	(212)
		(10,083)	(25,702)
Cash flows from financing activities			
Proceeds from issue of shares		-	13,283
Repayment of Glencore loans		(13,500)	-
Drawdown of Glencore loans		18,500	-
Repayment of other borrowings		(886)	(398)
Share Issue costs		-	(727)
Other finance costs - taxes, facility fees		(648)	(40)
		3,465	12,118
Net increase in cash and cash equivalents		16,747	(16,743)
Cash and cash equivalents at the beginning of the year		4,848	21,591
Cash and cash equivalents at end of the year		21,595	4,848

The above Statement should be read in conjunction with the accompanying notes.

(a) Interest paid in 2015 of \$0.150 million has been reclassified in this cash flow statement from Financing Activities to Operating Activities

(b) Payments to suppliers and employees is displayed inclusive of GST in the 2016 Statement of Cash Flow and exclusive in the 2015 Statement of Cash Flows (2015 now restated for comparative purposes)

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Aurelia Metals Limited and its subsidiaries for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 16 September 2016.

Aurelia Metals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Company is a for-profit entity.

Aurelia Metals has four 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009) and Nymagee Resources Pty Ltd (incorporated 7 November 2011).

The current nature of the operations and principal activities of the Group are gold, lead and zinc production and mineral exploration.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted by Aurelia Metals Limited are as follows:

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except deferred acquisition costs which are measured at fair value.

The financial report is presented in Australian dollars, which is the functional currency of the Company.

(i) Going concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the full year ended 30 June 2016, the Group reported a net profit of \$10.943 million (2015: net loss of \$118.158 million) and net operating cash inflows of \$23.365 million (2015: outflows of \$3.160 million). At 30 June 2016, the Group is in a net current asset position of \$22.089 million (2015: net current liability position of \$27.147 million) and net total liability position of \$23.847 million (2015: net liability of \$35.764 million).

The improvement in the net liability position during the year reflects the restructured loan arrangements with the Company's main financiers and improved operating performance during 2016.

The Company believes that the new debt agreement with the Company's main financier, which includes a deferral of debt obligations and the ability to convert a significant portion of debt into equity (see Operations and Finance Review Section 2.7), combined with improved operating performance and generally positive commodity price environment will enable the business to continue to improve its net liability position and support the going concern basis upon which these financial statements are prepared.

(ii) Debt Restructure

On 1 April 2016, the Company concluded a major restructure of its secured borrowings with Glencore. The restructuring resulted in certain changes to the loan terms of all facilities, including the extension of the maturity dates, the introduction of a two-year interest free and debt amortisation free period and partial repayment of Facility A with the drawdown of a new facility (Facility F). For details see the Operations and Finance Review and Note 13.

(b) Compliance with IFRS

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted new and amended Australian Accounting Standards and AASB interpretations where applicable from 1 July 2015, which were assessed to have no material impact on the Company, as follows:

Reference	Title	Application date of standard	Application date for Group
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2015	1 July 2015
AASB 2015-3	Amendments relating to withdrawal of AASB 1031 Materiality	1 January 2015	1 July 2015

(d) Accounting standards and interpretations issued but not yet effective

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet mandatory and which have not been early adopted by the Company for the annual reporting period ending 30 June 2016. The Company is the process of assessing the impact of the new standards.

Reference	Title	Application date of standard	Application date for Group
AASB 16	<i>Leases</i>	1 January 2019	1 July 2019
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018	1 July 2018

All other new Australian Accounting Standards that have been issued but are not yet effective are not expected to have a material impact on the group.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Aurelia Metals Limited and its subsidiaries (as outlined in Note 1).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the

statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

(f) Foreign Currency

Functional and Presentation Currency

Both the functional and presentation currency of Aurelia Metals Limited and its controlled entities is Australian Dollars (\$) or A\$).

Transactions and Balances

Transactions in foreign currency are initially recorded in the foreign currency at the exchange rates ruling at the date of transaction. The subsequent payment of receipt of funds related to a transaction is translated at the rate applicable on the date of payment or receipt. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences in the consolidated financial statements are taken to the Income Statement as gain or loss on exchange.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(h) Trade and other receivables

Trade receivables comprising base metal concentrates and gold bullion awaiting settlement are initially recorded at the fair value of contracted sale proceeds expected to be received only when there has been a passing of significant risks and awards of ownership to the customer. Collectability of debtors is reviewed on an ongoing basis.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Other collectables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

(i) Inventories / Materials on hand

Gold bullion, metal in concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted. Until mine properties are in production, any differences in cost and net realisable value are capitalised to the respective asset in development.

If the ore stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies on hand are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(j) Property, Plant and Equipment and Mine Properties

Items of property, plant and equipment and producing mines are stated at cost, less accumulated depreciation, amortisation and accumulated impairment losses.

Initial recognition

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves and the portion of mineral resources considered to be probable of economic extraction, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. The unit of account for run of mines (ROM) costs is Gold Metal Equivalent units mined (measured in ounces), whereas the unit of account for post-ROM costs is Gold Metal Equivalent units processed (measured in ounces). Rights and concessions are depleted on the unit-of-production (UOP) basis over the economically recoverable reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with planned future development expenditure.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

Other plant and equipment, is calculated on a straight-line basis over their estimated useful lives as follows:

- Plant and equipment over three to five years
- Land – not depreciated
- Motor vehicles – three to five years
- Leasehold improvements – three to five years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Derecognition

Items of property, plant and equipment and producing mines are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- It is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- Exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

If facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the entity must perform impairment tests on those assets in accordance with AASB 136 'Impairment of Assets'. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

Mines under construction

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties under construction'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Producing mines

Upon completion of the mine construction phase, assets are transferred into 'Property, Plant and Equipment' or 'Mine Properties'.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(o) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(q) Income recognition

Income, including management fees, is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the income can be reliably measured. The following specific recognition criteria must also be met before income can be recognised:

Gold and Silver Bullion Sales

Revenue from gold and silver bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reasonably estimated.

Zinc, Lead and Silver in Concentrate Sales

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (quotation period). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between one and three months.

Interest

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(r) Share-based payment transactions

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model or Trinomial Barrier Option model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Aurelia ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(t) Other taxes

Income, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown directly in equity as a deduction, net of tax, from proceeds.

(v) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn income and incur expenses (including income and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn income. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'all other segments'.

(w) Profit/(loss) per share

Basic profit/(loss) per share

Basic profit / (loss) per share is calculated by dividing the profit / (loss) attributable to equity holders of the company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted profit/(loss) per share

Diluted earnings per share is calculated as net profit / (loss) attributable to members of the Company, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in income or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(x) Financial instruments

(i) Financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent valuation

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- Loans and receivables as defined in paragraph, which shall be measured at amortised cost using the effective interest method;
- Held-to-maturity investments as defined in paragraph, which shall be measured at amortised cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities may include trade and other payables, loans and borrowings, including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer Note 13.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(y) Comparative information

Where necessary, the prior year financial data was restated for comparability purposes.

2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, income and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(a) Significant accounting judgements

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised when either, costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively by its sale: or exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Costs incurred on mining tenements are allocated to specific geological structures within the mining tenement. Where specific geological structures within tenement are yet to be identified, the costs are allocated across the entire tenement on a proportional basis. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made and in the event that these assumptions no longer hold valid then this expenditure may, in part or full, be expensed through the income statement in future periods – see Note 9 for disclosure of carrying values.

(b) Significant accounting estimates and assumptions

(i) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes or Trinomial Barrier Option Model formula taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Deferred acquisition costs in relation to Hera

The Company measures the deferred acquisition costs by reference to the fair value of net present value of future cash outflows. The following assumptions have been taken into account: risk free bond rate, gold price, timing and possibility of payment.

(iii) Fair Value of Debt

The Company is required under accounting standards to account for an exchange between borrower and lender with 'substantially different' terms as an extinguishment of the original facility and the recognition of a new financial liability. It is noted that there is significant judgement in determining the fair value of borrowings. Refer to Note 3.1 Significant Items for further detail on the fair value of debt.

(iv) Unit of Production Method of Depreciation/Amortisation

The Company uses the unit-of production basis where depreciating/amortising specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

Effective 1 January 2016, a change in estimate was made in regards to the units of production measure from ore tonnes mined/processed to gold equivalent metal mined/processed. This change was made to more accurately reflect the pattern of consumption of the high-grade polymetallic Hera orebody.

This change increased the cost of sales depreciation in the year by \$6.170 million. The impact of the change in estimate on future years is not practical to determine.

(v) Impairment of Assets

The Company assesses each Cash-Generating Unit (CGU), annually to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value costs of disposal and value in use calculated in accordance with accounting policy Note 2(j). These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, gold multiple values, future operating development and sustaining capital requirements and operating performance.

(vi) Rehabilitation

The Group makes full provision for the future cost of rehabilitating the Hera mine site and related production facilities at the time of developing the mine and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to July 2020. These provisions have been created based on Aurelia's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future gold, lead and zinc prices, which are inherently uncertain.

3. REVENUE AND EXPENSES

Profit before income tax includes the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Group:

	2016 \$'000	2015 \$'000
(a) Operating sales revenue		
Gold	75,007	6,187
Base metal concentrate	16,418	6,988
Silver	519	46
Total operating sales revenue	91,945	13,220
(b) Cost of sales		
Site production costs	51,264	13,161
Transport and refining	4,618	1,368
Royalty	1,634	81
Inventory movement	(2,170)	5,381
	55,346	19,992
Depreciation and amortisation	23,425	6,453
Total cost of sales	78,771	26,445
(c) Corporate administration costs		
Corporate costs	4,691	3,988
Corporate depreciation	244	206
Total corporate administration costs	4,935	4,194

(d) Share based expenses

Share based payments expense - employees	59	163
Share based payments expense - other (i)	914	-
Total share based expenses	973	163

(i) Relates to share options issued to Pybar, Pacific Road and Glencore.

(e) Gain/(loss) on revaluation of financial assets

Gain/(Loss) on revaluation of shares held	205	68
Gain/(Loss) on revaluation of options held	-	(355)
	205	(287)

(f) Other income/(expenses)

Gain/(Loss) on disposal of plant and equipment	(354)	20
Sundry income	415	5
Total other income/(expenses)	61	25

(g) Finance costs

Interest expense	3,329	1,845
Finance charge on FV debt adjustment	1,734	-
Withholding tax incurred on borrowings	893	569
Amortisation of capitalised borrowing costs	753	243
Unwind of discount - Rehabilitation provision	40	-
Total finance costs	6,749	2,656

(h) Depreciation and amortisation

Property, plant and equipment	10,818	2,252
Mine development	12,851	4,444
	23,669	6,696
Less: Capitalised to mine under construction	-	(37)
Total depreciation and amortisation	23,669	6,659

Represented by:

Cost of sales depreciation	23,425	6,453
Corporate depreciation	244	206
Total depreciation and amortisation	23,669	6,659

(i) Employee benefits expense

Salaries, on-costs and other employee benefits	8,123	3,680
Superannuation expense	633	350
Share based payments expense - employees	59	163
Total employee benefits expense	8,815	4,194

(j) Other items

Operating lease rentals	90	76
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3.1. Significant Items

The Company is required under accounting standards to account for an exchange between borrower and lender with 'substantially different' terms as an extinguishment of the original facility and the recognition of a new financial liability. An assessment concluded that the restructure of the Company's debt facilities with Glencore were completed on substantially different terms and required the Company to derecognise the existing liability and recognise the fair value of the new liability and the difference to be recognised in the income statement.

At balance date, the Company has recognised the fair value of borrowings at \$112.449 million. Refer to Note 25.6 Fair Value, for disclosure on the judgements taken in determining the fair value of borrowings.

Significant items are those items where their nature or amount is considered material to the financial report. Such items included within the consolidated results for the year are:

	Note	2016 \$'000	2015 \$'000
(a) Movements in Glencore Debt Liability			
Opening Balance of Glencore liability	13,(a)	112,865	104,479
Debt repaid during the year	(b)	(13,500)	-
Debt drawn during the year	(b)	18,500	-
Capitalisation of interest accrued during the year		2,804	7,413
Borrowing costs amortised during the year	3(g),(d)	753	974
New borrowing costs incurred prior to 31 March		(20)	-
New borrowing costs incurred in debt restructure		(484)	-
Interim Balance of Glencore liability at 31 March 2016		120,919	NA
<u>Transactions under debt extinguishment</u>			
Fair Value Gain/(Loss) on debt at 1 April 2016		14,335	NA
Existing Borrowing costs expensed under extinguishment		(3,648)	NA
New Borrowing costs expensed	(c)	(484)	NA
Net Gain/(Loss) on debt extinguishment at 1 April 2016		10,203	NA
<u>Balances at 1 April after debt extinguishment</u>			
Glencore liability balance at 1 April		110,715	NA
Interest accrued to 30 June 2016	(e)	(1,734)	NA
Closing Liability Balance at 30 June 2016	13	112,449	112,865

Note: "NA" means prior year comparison is not applicable or relevant

(a) Prior year opening balances displayed in the 2014 Financial Statements of the Company

(b) Refer to Cash Flow Statement of this report

(c) Borrowing costs incurred during the year directly attributable to the formation of new debt facilities

(d) Of the \$0.974 million borrowing costs in 2015, \$0.243 million was expensed with the remainder capitalised to mines under construction

(e) The difference in fair value of borrowings from 1 April to 30 June is expensed as an interest charge

4. INCOME TAX

The Group is a tax consolidated group at balance date.

a) Income Tax Expense	2016	2015
	\$'000	\$'000
Deferred Tax	(3,623)	5,485
Previously unrecognised tax loss now recognised	3,623	(5,485)
Income tax expense reported in the income statement	-	-

b) Numerical reconciliation of income tax expense to prima facie tax payable

Accounting profit/(loss) before income tax	10,943	(118,158)
Tax at the Australian tax rate of 30%	3,283	(35,448)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share based payments and other non-assessable items	(8,018)	(176)
Previously unrecognised tax expense/(benefit) now recognised	4,735	35,623
Income tax expense	-	-

c) Deferred tax balances

	2016	2015
	\$'000	\$'000
Deferred Tax Assets		
Carry forward losses not recognised	37,703	12,764
Provisions	4,682	2,923
Other	23,070	-
Total	65,455	15,686

Deferred Tax Liabilities

Temporary differences:		
Fixed assets	(17,801)	(15,710)
Provisions	-	-
Other	(22,398)	24
Total	(40,199)	(15,686)

d) Deferred Tax Assets not recognised

Deferred tax assets have not been recognised in respect of:

Revenue losses and temporary differences with a tax effect of \$25.26 million.

e) Tax Losses

The Group has available tax losses of \$125.68 million (2015 \$77.43 million). These tax losses have not been recognised due to the uncertainty of their recoverability in future periods.

5. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$'000	\$'000
Trade debtors	2,724	5,312
GST receivable	656	838
Accrued interest	20	35
Closing balance	3,400	6,185

All of the above are non-interest bearing and generally receivable on 30-90 day terms. Due to the short term nature their carrying value approximates their fair value.

As balance date, no material amount of trade receivables were past due or impaired.

6. INVENTORIES

	2016	2015
	\$'000	\$'000
Stores inventory (materials on hand)	2,060	1,477
Ore stockpiles	641	24
Metal in circuit	92	515
Finished concentrate	1,569	472
Finished gold dore	1,083	205
Total current inventory	5,445	2,693

All inventory is held at Cost (2015: Finished concentrate and Stores inventory were held at cost, all other inventory held at Net Realisable Value). The result of the NRV/cost adjustment of inventories has been recognised through cost of sales during the period.

7. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	\$'000	\$'000
Plant and equipment at cost	64,271	60,440
Property at cost (1)	275	275
Accumulated depreciation and impairment	(14,038)	(3,256)
Total property, plant and equipment	50,508	57,459

Movement in Property, Plant & Equipment

Opening balance	57,459	939
Additions/expenditure during the year	4,278	598
Reclassifications/transfers (2)	-	58,182
Assets scrapped/written off	(411)	
Depreciation for the year	(10,818)	(2,252)
Disposals of assets	-	(8)
Closing balance	50,508	57,459

(1) Property assets include land only, are held at cost and are not depreciated.

(2) Represents reclassification/transfer from mines under development upon declaration of commercial production.

8. FINANCIAL ASSETS

	2016	2015
	\$'000	\$'000
Carrying value of financial assets		
Shares in Aus Tin Mining Limited (i)	477	273
Gold put options	-	-
	<u>477</u>	<u>273</u>
(i) Movement in carrying value		
Opening balance	273	205
Gain/(Loss) on revaluation	205	68
Closing balance	<u>477</u>	<u>273</u>

9. EXPLORATION AND EVALUATION ASSETS

	2016	2015
	\$'000	\$'000
At cost	22,782	23,188
Accumulated write offs	(22,676)	(23,072)
Total exploration and evaluation assets	<u>106</u>	<u>116</u>
Opening balance	116	19,228
Expenditure during the year	174	2,119
Expenditure written off during the year	(174)	(3,347)
Impairment losses during the year	-	(17,884)
Disposal of assets	(10)	-
Closing balance	<u>106</u>	<u>116</u>

No impairment charge was recognised in 2016 (2015: \$17.884 million).

The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

10. MINE PROPERTIES

	2016 \$'000	2015 \$'000
Mines under construction:		
Opening balance	-	143,409
Development expenditure	-	40,793
Change in deferred acquisition costs	-	(528)
Amortisation of loan establishment costs	-	731
Interest on project borrowings	-	6,019
Sales during commissioning	-	(22,801)
Treatment charges during commissioning	-	3,341
	-	170,964
Less: Transfers to property, plant and equipment	-	(58,182)
Less: Transfers to producing mines	-	(112,782)
Closing balance	-	-
Producing mines:		
Opening balance	33,307	-
Transfers from mines under construction	-	112,782
Impairment of mine properties	-	(75,031)
Mine assets scrapped	57	-
Development expenditure during the year	9,493	-
Amortisation for the year	(12,851)	(4,444)
Closing balance	30,006	33,307

10.1. Impairment losses

Impairment tests are performed when there are indicators for impairment. The Group conducts a review of indicators for impairment at each reporting date. Indicators reviewed include, but are not limited to, the operating performance of the CGU or Cash Generating Unit, future business plans, assumptions around future commodity prices, exchange rates, production rates and production costs.

2016

A review of indicators for impairment was conducted at 30 June 2016. There were no indicators identified that warranted a full impairment test at 30 June 2016.

2015

A comprehensive impairment review was conducted at 30 June 2015. As a result of the review, a total impairment loss of \$92,915,777 was recognised in year to 30 June 2015. The impairment charge to mine properties was \$75,031,403 and the impairment to Exploration and Evaluation Assets was \$17,884,374.

Given the nature of the Company's activities, an assessment of Fair Value Less Cost of Disposal (FVLCD) for each CGU was determined based on the net present value of the future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs (based on the most recent life of mine plans), including any expansion projects, and its eventual disposal, using assumptions a market participant may take into account. These cash flows were discounted using a real post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU. The determination of FVLCD for each CGU uses Level 3 valuation techniques.

Inputs into the FVLCD calculation included: forecast payable production of approximately 196,000 oz gold, 57,000 tonnes of lead and 60,000 tonnes of zinc based on the Company's expanded life of mine plan; long term commodity prices of US\$1207/oz gold, \$2000/t lead and US\$2750/t zinc; average A\$/US\$ exchange rate of 0.78; cash flows discounted using an after tax real discount rate of 10%.

Mine properties: Total impairment losses of \$75,031,403 were recognised in respect of the Hera CGU mine property. The triggers for the impairment test were primarily the effect of recent operating experience, which resulted in higher costs of extraction and lower than expected gold recovery relative to the feasibility study estimates. The recoverable amount of Hera was based on management's estimate of FVLCD.

Exploration and evaluation (E&E) assets: Total impairment losses of \$17,884,374 were recognised in respect of Hera, Nymagee and regional exploration properties. The triggers for impairment of the Hera E & E asset is related to the Hera CGU impairment, whereby increased forecast operating costs have rendered certain inferred resource uneconomic and unlikely to be recoverable. At Nymagee, it was management's view that the focus on improving performance at Hera meant that the timeline for development of Nymagee was deferred to an indefinite future date. Management's expectation that the book value of E&E assets at Nymagee, together with smaller E&E assets in the regional exploration portfolio, will be recouped through successful development was uncertain. As such, those assets were impaired to a nominal value representing security deposits recoverable upon relinquishment of tenements.

11. TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Trade payables	1,887	6,102
Accrued expenses	3,904	10,293
	<u>5,791</u>	<u>16,395</u>

Trade payables are non-interest bearing and generally payable on 7 to 30 day terms and due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

12. PROVISIONS

2016	Rehabilitation \$'000	Deferred Acquisition Costs \$'000	Employee \$'000	Other \$'000	Total \$'000
Opening balance	1,516	7,683	543	-	9,742
Reclassification from payables	-	-	-	2,717	2,717
Re-measurement of provision	829	4,091	610	893	6,423
Discount unwind charged to Income Statement	40	-	-	-	40
Paid/utilised during the year	-	(1,214)	(461)	(648)	(2,323)
Closing Balance	<u>2,384</u>	<u>10,560</u>	<u>692</u>	<u>2,961</u>	<u>16,598</u>
<u>Comprising:</u>					
Current 2016	-	1,971	619	-	2,590
Non-current 2016	<u>2,384</u>	<u>8,589</u>	<u>73</u>	<u>2,961</u>	<u>14,008</u>
Total provisions 2016	<u>2,384</u>	<u>10,560</u>	<u>692</u>	<u>2,961</u>	<u>16,598</u>
Current 2015	-	1,382	503	-	1,886
Non-current 2015	<u>1,516</u>	<u>6,301</u>	<u>39</u>	<u>-</u>	<u>7,856</u>
Total provisions 2015	<u>1,516</u>	<u>7,683</u>	<u>543</u>	<u>-</u>	<u>9,742</u>

13. BORROWINGS

On 1 April 2016, the Company concluded a major restructure of its secured borrowings with Glencore. The restructuring resulted in certain changes to the loan terms of all facilities, including the extension of the maturity dates, the introduction of a two-year interest free and debt amortisation free period ("payment suspension") and partial repayment of Facility A with the drawdown of a new facility (Facility F). A summary of the restructured terms is shown in the Operations and Finance Review, Section 2.6.

	2016	2015
	\$'000	\$'000
Current		
Finance leases (a)	329	427
Insurance funding	-	80
Glencore borrowings (b)	-	22,230
Total current borrowings	329	22,737
Non-current		
Finance leases (a)	575	1,280
Glencore borrowings (b)	112,449	90,635
Total Non-current borrowings	113,025	91,915
Total Current and Non-current borrowings		
Finance leases	904	1,707
Glencore borrowings	112,449	112,865
Total borrowings	113,353	114,652

(a) Finance leases have been used to fund light vehicles, and some fixed and mobile plant for the crushing/screening circuit of the processing mill. Terms: Fixed monthly repayments in advance; Period three-five years; Fixed interest rates ranging between 6.7%-7.1%; Nil residual.

(b) The Glencore borrowings are fully secured against all mine property, plant and equipment assets. The Fair value of Glencore borrowings post the debt restructure has been recognised and recorded at period end.

Summary of Glencore Borrowings	2016	2015
<u>Glencore Liability Balance</u>	\$'000	\$'000
Facility A	9,087	23,055
Facility B	51,442	55,774
Facility C	29,913	32,592
Facility D	-	-
Facility E	5,329	5,825
Facility F	16,678	-
Glencore facilities drawn	112,449	117,246
Less Facility Establishment Costs	-	(4,381)
Current and Non-Current Glencore Liability Balance	112,449	112,865
Face Value of Glencore Borrowings (undiscounted value)		
Facility A	10,080	23,055
Facility B	57,061	55,774
Facility C	33,441	32,592
Facility D	-	-
Facility E	5,968	5,825
Facility F	18,500	-
Face Value of Current and Non-Current Glencore Borrowings	125,050	117,246

14. CONTRIBUTED EQUITY

(a) Movement in ordinary shares on Issue

2016	Date	Number	\$'000
Opening balance	1-Jul-15	387,991,188	99,929
Nil		-	-
Closing balance	30-Jun-16	387,991,188	99,929
2015			
Opening balance	1-Jul-14	328,322,918	85,361
Issue of shares	(i) 3-Oct-14	5,590,027	2,000
Issue of shares	(ii) 3-Oct-14	9,905,000	3,226
Issue of shares	(iii) 28-Jan-15	42,977,243	10,056
Less: Share issue costs			(714)
Exercise of Performance Rights	2-Feb-15	500,000	-
Exercise of Performance Rights	28-Apr-15	696,000	-
Closing balance	30-Jun-15	387,991,188	99,929

Note: The Financial Report for the 12 months to 30 June 2015 showed 386,795,188 shares on issue. The table above for 2015 has been corrected to display an additional 1,196,000 shares issued prior to 30 June 2015 from exercise of Performance Rights.

(i) During the period AMI reached an agreement with its primary underground contractor, Pybar Mining Services Pty Ltd, to issue shares as part payment for mining services rendered to the Company during July and August 2014.

(ii) During the period AMI and Pacific Road agreed an amendment to the Share Subscription Agreement ('SSA') announced to the ASX on 6 December 2013, and issued 2,778,050 shares at \$0.2434 to raise \$676,177 being the remaining Phase 1 shares under the SSA and 7,126,950 shares at \$0.3578 to raise \$2,549,880 being shares issued under Phase 2 of the amended SSA.

(iii) Fully underwritten 1 for 8 rights issue at \$0.234 per share.

14.1. Ordinary shares

Ordinary shares which have no par value have the right to receive dividends as declared and, in the event of a winding up of the Parent, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

14.2. Capital management

The entity does not have a defined share buy-back plan or a dividend reinvestment plan. No dividends were paid in the year ending 30 June 2016.

15. RESERVES

	2016 \$'000	2015 \$'000
Share based Payments Reserve	4,034	3,061

(a) Movement in Reserves	2016 \$'000	2015 \$'000
Opening balance	3,061	2,898
Share based payment expense	973	163
Closing balance	4,034	3,061

(b) Movement in options on issue		2016 Number	2015 Number
Opening balance	Date 1-Jul-15	2,700,000	3,990,000
40 million option issue at \$0.0125	(i) 28-Sep-15	40,000,000	-
10 million option issue at \$0.0125	(ii) 30-Nov-15	10,000,000	-
108 million option issue at \$0.04	(iii) 1-Apr-16	108,000,000	-
Expiry of options	-	(2,700,000)	(1,290,000)
Closing balance	30-Jun-16	158,000,000	2,700,000

(i)&(ii) Relate to share options issued to Pybar and Pacific Road as announced to ASX on 28 September 2015. The options expire on 28 September 2020 with a strike price of 1.25c/share. Calculation of the option value and related expense is based on Black Scholes methodology using a risk free rate of 2.68% and the following assumptions:

(i) Pacific Road: 40 million options - grant date of 28 September 2015, share price at grant date of 1.3c/share, volatility of 107%, fair value per option 1.02c/share

(ii) Pybar: 10 million options - grant date of 30 November 2015, share price at grant date of 4.46c/share, volatility of 111%, fair value per option 4.46c/share

(iii) Relates to share options granted to Glencore on 1 April 2016. These options can only be exercised by Glencore if the Company elects to convert any of Facility A into shares prior to maturity of Facility A in September 2020, as per the Convertible Note Deed Poll. Glencore may exercise any options within a 24 month period after the date Facility A is converted in part or full. The valuation was derived from a share price at grant date of 7.3c/share, volatility of 90%, and the application of modifying factors to estimate a fair value per option at grant date of 0.056c/share.

(c) Movement in Performance Rights on Issue

		2016	2015
	Date	Number	Number
Opening balance	1-Jul-15	1,132,000	1,354,000
Grant of performance rights	-	-	1,730,000
Exercise of performance rights	-	-	(1,196,000)
Expiry of performance rights	-	(750,000)	(756,000)
Closing balance	30-Jun-16	382,000	1,132,000

(i) The Company Performance Right Plan imposes various restrictions on the sale of the shares upon the exercise of performance rights.

(d) Total Movement in Options & Rights

	2016	2015
	Number	Number
Opening balance	3,832,000	5,344,000
Net movement in options	155,300,000	(1,290,000)
Net movement in performance rights	(750,000)	(222,000)
Closing balance	158,382,000	3,832,000

Note: The Financial Report for the 12 months to 30 June 2015 showed an opening balance for the 2015 year of 5,560,000 options and performance rights on issue. The tables above for 2016 have been corrected to display an opening balance of 5,344,000. The correction relates to 216,000 performance rights which expired in the year prior to 30 June 2015.

Note: The Financial Report for the 12 months to 30 June 2015 showed a closing balance for the 2015 year of 4,212,000 options and performance rights on issue. The tables above for 2016 have been corrected to display a closing balance of 3,832,000. The correction relates to a correction in the opening balance, referred to above, and the inclusion of an additional 164,000 performance rights which expired in the year to 30 June 2015.

16. RETAINED LOSSES**Movements in retained losses were as follows:**

	2016	2015
	\$'000	\$'000
Opening balance	(138,753)	(20,595)
Profit/(Loss) attributable to members of Aurelia Metals Limited	10,943	(118,158)
Closing balance	(127,810)	(138,753)

17. CASHFLOW STATEMENT

	2016 \$'000	2015 \$'000
(a) Reconciliation of the Profit/(Loss) after tax to the net cash flows used in operating activities		
Net Profit/(Loss) after tax	10,943	(118,158)
Adjustments for:		
Share based payments	973	163
(Gain)/Loss on debt restructure	(10,203)	-
Exploration and evaluation assets written off	174	3,347
Impairment of exploration and evaluation assets	-	17,884
Impairment of producing mine assets	-	75,031
Depreciation and amortisation	23,669	6,659
(Gain)/Loss on revaluation of investments	(205)	287
(Gain)/Loss on revaluation of commodity derivatives	92	2,261
(Gain)/Loss on scrapping of plant and equipment	354	(20)
Interest and amortisation of borrowing costs	5,292	2,656
GST not included in net loss	-	4,278
Changes in assets and liabilities:	-	-
(Increase)/decrease in receivables	2,785	(5,420)
(Increase)/decrease in prepayments	(213)	(28)
Increase/(decrease) in trade and other payables	(8,559)	7,329
Increase/(decrease) in provisions	433	476
Movement in inventory	(2,170)	94
Net cash flow from operating activities	23,365	(3,160)
(b) Reconciliation of cash		
Cash at bank and in hand	18,112	1,828
Short term deposits	3,483	3,020
Total cash	21,595	4,848

The above Statement should be read in conjunction with the accompanying notes.

Of the cash at bank held at 30 June 2016, \$12.840 million (2015: \$1.259 million) is held within Hera Resources Limited and subject to existing loan agreements is restricted for use by Hera Resources.

Of the \$3.483 million short term deposits held at 30 June 2016 (2015: \$3.020 million), \$3.483 million (2015: \$3.02 million) has been pledged as security, and cannot currently be withdrawn.

18. EXPENDITURE COMMITMENTS

18.1. Operating lease commitments

The Group has entered into commercial leases on certain services and items of plant and machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	2016	2015
	\$'000	\$'000
Within one year	1,465	2,057
Between one and five years	1,403	2,192
More than five years	-	-
Closing balance	2,868	4,249

18.2. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery.

Future minimum rentals payable under finance leases and hire purchase contracts together with the present value (PV) of the net minimum lease payments are as follows:

	2016		2015	
	\$'000		\$'000	
	Minimum payments	PV of payments	Minimum payments	PV of payments
Within one year	380	329	531	427
Between one and five years	614	575	1,408	1,280
More than five years	-	-	-	-
Total Payments	994	904	1,939	1,707
Less: Finance charges	(90)		(233)	
PV of lease payments	904	904	1,707	1,707

18.3. Commitments

At 30 June 2016, the Group had commitments of \$2,821,227 (2015: \$4,326,113), including \$1,393,583 relating to annual exploration/mining lease minimum annual expenditures (2015:\$1,406,000)

19. SUBSEQUENT EVENTS

The key events after the balance date affecting the Company were:

- 12 July 2016: Implementation of a forward gold sales program of approximately 11,200 ounces for the next 6 months at a price of approximately A\$1,785 per oz.
- 29 July 2016: Retirement of Rimas Kairaitis as Chief Executive Officer effective 31 August 2016. Jim Simpson was appointed Managing Director on 1 August 2016 and Chief Executive Officer on 1 September 2016. The Board's intention is to grant, subject to shareholder approval if required, 4.5 million performance rights to Mr Simpson which will vest upon the achievement of various key operational performance hurdles, and provide the ability to acquire shares at nil cost.

20. PROFIT/(LOSS) PER SHARE

	2016	2015
	\$'000	\$'000
Profit/(Loss) used in calculating basic and dilutive EPS	10,943	(118,158)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	387,991,188	358,286,457
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	452,835,101	362,829,624
Basis Profit/(Loss) per share (cents per share)	2.82	(33.0)
Diluted Profit/(Loss) per share (cents per share)	2.42	(33.0)

21. AUDITOR'S REMUNERATION

The Auditor of Aurelia Metals Limited is Ernst & Young.

	2016	2015
	\$'000	\$'000
Audit Services		
Audit and Review of Financial Statements	140	122
Non-Audit Services		
Tax compliance services	32	-
Total Audit and Non-Audit Services	172	122

There were no other services provided by Ernst & Young other than as disclosed above.

22. HERA PROJECT DEFERRED ACQUISITION COSTS

On 18 June 2009, the Company reached agreement to purchase a 100% interest in the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited (CBH). The total cost of the acquisition was an initial cash purchase price of \$12,000,000 and a 5% gold royalty on gravity gold dore production from the Hera deposit, capped at 250,000 ounces gold. The royalty was commercially negotiated post acquisition down to 4.5%.

The Consolidated Entity has recorded deferred consideration of \$10,560,066 (\$7,683,245 at 30 June 2015) representing the net present value of projected royalty payments due under the revised terms of the acquisition, calculated based on information available as at 30 June 2016. The deferred consideration is revalued at each reporting date through the carrying value of the asset in accordance with the transitional requirements of AASB 3 Business combinations.

23. OPERATING SEGMENTS**23.1. Identification of reportable segments**

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates entirely in the industry of exploration for and development of minerals in Australia. The operating segments are identified by management based on the size of the exploration tenement. The reportable segments are split between the Hera – Nymagee project, being the most significant current project of the Company, and all other tenements. Financial information about each of these segments is reported to the Managing Director and Board of Directors on a monthly basis.

Corporate office activities are not allocated to operating segments and form part of the reconciliation to net loss after tax.

23.2. Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in note 2A to the accounts. The following items are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- Interest and other income
- Share based payment expense
- Gain/(Loss) recorded on the sale of financial assets, investment revaluations, debt restructuring, foreign exchange and commodity derivative transactions.

23.3. Profit/(Loss) of reportable segments

	Hera- Nymagee project \$000's	Other exploration projects \$000's	Corporate \$000's	Total \$000's
Year ended 30 June 2016				
Sales	91,945	-	-	91,945
Site EBITDA	36,599	-	(4,691)	31,908
Depreciation and amortisation	(23,425)	-	(244)	(23,669)
Exploration costs written off	(109)	(64)	-	(174)
Segment Profit/(Loss) after tax	13,064	(64)	(4,935)	8,065
Reconciliation of Profit/(Loss) before income tax expense				
Interest and other income				284
Gain/(Loss) on debt restructure				10,203
Gain/(Loss) on foreign exchange, hedging and derivatives				(92)
Gain/(Loss) on revaluation of investments				205
Interest, finance and other charges				(6,749)
Share based expenses				(973)
Profit/(Loss) before Income Tax Expense				10,943

	Hera- Nymagee project \$000's	Other exploration projects \$000's	Corporate \$000's	Total \$000's
Year ended 30 June 2015				
Sales	13,220	-	-	13,220
Site EBITDA	(6,565)	-	(4,357)	(10,923)
Depreciation and amortisation	(6,453)	-	(206)	(6,659)
Impairment of mine properties	(75,031)	-	-	(75,031)
Impairment of exploration assets	(17,884)	-	-	(17,884)
Exploration costs written off	-	(3,347)	-	(3,347)
Segment Profit/(Loss) after tax	(105,934)	(3,347)	(4,564)	(113,845)

Reconciliation of Profit/(Loss) before income tax expense

Interest and other income	304
Gain/(Loss) on debt restructure	-
Gain/(Loss) on foreign exchange, hedging and derivatives	(1,675)
Gain/(Loss) on revaluation of investments	(287)
Interest, finance and other charges	(2,656)
Profit/(Loss) before Income Tax Expense	(118,158)

23.4. Asset and Liability position of reportable segments

	Hera- Nymagee project \$000's	Other exploration projects \$000's	Corporate \$000's	Total \$000's
Segment assets at 30 June 2016				
Cash and cash equivalents	12,840	-	8,755	21,595
Trade and other receivables	2,724	-	676	3,400
Inventories and materials on hand	5,445	-	-	5,445
Prepayments	163	-	195	358
Property, plant and equipment	50,224	-	284	50,508
Mine properties	30,006	-	-	30,006
Financial assets	-	-	477	477
Exploration and evaluation assets	19	87	-	106
Total assets at 30 June 2016	101,420	87	10,387	111,895
Segment liabilities at 30 June 2016				
Trade and other payables	5,478	-	312	5,791
Deferred acquisition costs - current	1,971	-	-	1,971
Deferred acquisition costs - non - current	8,589	-	-	8,589
Hera Rehabilitation provision	2,384	-	-	2,384
Provisions	3,318	-	335	3,653
Borrowings	96,675	-	16,678	113,353
Total liabilities at 30 June 2016	118,416	-	17,326	135,742

	Hera- Nymagee project \$000's	Other exploration projects \$000's	Corporate \$000's	Total \$000's
Segment assets at 30 June 2015				
Cash and cash equivalents	1,259	-	3,589	4,848
Trade and other receivables	5,310	-	875	6,185
Inventories and materials on hand	2,693	-	-	2,693
Prepayments	45	-	100	145
Property, plant and equipment	56,956	-	503	57,459
Mine properties	33,307	-	-	33,307
Financial assets	-	-	273	273
Exploration and evaluation assets	43	73	-	116
Total assets at 30 June 2015	99,612	73	5,340	105,025
Segment liabilities at 30 June 2015				
Trade and other payables	16,371	-	24	16,395
Deferred acquisition costs - current	1,382	-	-	1,382
Deferred acquisition costs - non - current	6,301	-	-	6,301
Hera Rehabilitation provision	1,516	-	-	1,516
Provisions	134	-	409	543
Borrowings	114,651	-	-	114,651
Total liabilities at 30 June 2015	140,355	-	433	140,789

(1) Geographic and revenue diversity information

During the period the \$75.526 million (2015: \$6.232 million) of gold and silver revenue was derived from customers in Australia and base metal revenue of \$16.418 million (2015: \$6.988 million) was derived from countries outside of Australia.

During the period approximately 18% of revenue relied on the sale and purchase of base metal concentrate from Glencore under a base metal offtake agreement.

24. PARENT COMPANY INFORMATION

Information relating to the parent entity of the Group, Aurelia Metals Limited:

	2016 \$000's	2015 \$000's
Current assets	9,626	4,564
Non-current assets	761	777
Total assets at 30 June 2016	10,387	5,341
Current liabilities	574	427
Non-current liabilities	16,751	39
Total liabilities	17,325	466
Net (liabilities)/assets	(6,938)	4,875
Issued capital	99,929	99,929
Reserves	4,034	3,061
Accumulated losses	(110,901)	(98,115)
Total shareholders' equity	(6,938)	4,875
Profit/(Loss) for the year	(4,137)	(4,411)

Commitments

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	Parent 2016 \$000's	Parent 2015 \$000's
Within one year	77	203
After one year but not longer than five years	-	76
	<u>77</u>	<u>279</u>

Commitments include lease of head office premises, lease of office equipment, and telecommunications services contract.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's management of financial risk aims to ensure cash flows are sufficient to:

- Withstand significant changes in cash flow at risk scenarios and still meet all financial commitments as and when they fall due; and
- Maintain the capacity to fund project development, exploration and acquisition strategies.

The Group continually monitors and tests its forecast financial position against these criteria. The key financial risk exposures are liquidity risk, credit risk, and market risk (including foreign exchange risk, commodity price risk and interest rate risk).

The Directors are responsible for monitoring and managing financial risk exposures of the Group. The Group's financial instruments consist mainly of borrowings, deposits with banks, derivatives, payables and receivables. The Group holds the following financial instruments:

Financial Assets	2016 \$'000	2015 \$'000
Cash at bank	18,109	1,828
Term deposits	3,486	3,020
Receivables	3,400	6,185
Other financial assets	477	273
Balance at year end	<u>25,472</u>	<u>11,305</u>
 Financial Liabilities		
Trade and other payables	5,791	16,395
Borrowings	113,353	114,652
Deferred acquisition royalty	10,560	7,683
Closing balance	<u>129,704</u>	<u>138,730</u>

25.1. Liquidity Risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company has significant short and long term financial obligations. The primary risk factor relates to the Company's ability to reorganise its debts when required to manage any foreseen or unforeseen liquidity events.

The Company's operation remains in a state of ramp-up after commencement of production in 2015. Liquidity risk is managed through maximising operational cash flow, negotiation of its current debt commitments and a reliance on equity funding from its shareholders or other market participants.

25.2. Maturities of financial liabilities

The table below shows the Group's financial arrangements at 30 June 2016 in their relevant contractual maturity groupings. The contractual maturity of debt for 2015 exclude \$4.381 million of facility establishment costs.

Payables: Trade and other payables are expected to be settled within 12 months.

Maturity Profile of financial liabilities

2016	<1 Yr \$'000	1-2 Yrs \$'000	2-3 Yrs \$'000	3-4 Yrs \$'000	4-5 Yrs \$'000	Contracted cash flow of liability \$'000	Carrying value of liability \$'000
Facility A	-	672	1,671	3,165	4,572	10,080	9,087
Facility B	-	3,804	9,461	17,917	25,879	57,061	51,442
Facility C	-	2,229	5,545	10,500	15,167	33,441	29,913
Facility E	-	918	5,050	-	-	5,968	5,329
Facility F	-	1,233	3,067	5,809	8,390	18,499	16,678
Sub-total Debt	-	8,856	24,794	37,391	54,008	125,049	112,449
Equipment Loans	329	290	285	-	-	904	904
Insurance Loan	-	-	-	-	-	-	-
Total	329	9,146	25,079	37,391	54,008	125,953	113,353

2015	<1 Yr \$'000	1-2 Yrs \$'000	2-3 Yrs \$'000	3-4 Yrs \$'000	4-5 Yrs \$'000	Contracted cash flow of liability \$'000	Carrying value of liability \$'000
Facility A	3,264	4,853	14,937	-	-	23,054	23,054
Facility B	7,897	11,741	36,137	-	-	55,775	55,775
Facility C	4,614	6,861	21,117	-	-	32,592	32,592
Facility E	2,174	3,651	-	-	-	5,825	5,824
Sub-total Debt	17,949	27,106	72,191	-	-	117,246	117,246
Equipment Loans	427	449	419	411	-	1,706	1,707
Insurance Loan	80	-	-	-	-	80	80
Total	18,456	27,555	72,610	411	-	119,032	119,033

25.3. Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the entity which have been recognised in the Consolidated Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is managed through the maintenance of procedures which ensure, to the extent possible, that counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment. No receivables are considered past due or impaired.

25.4. Market Risk Exposures

a) Foreign Currency Risk

The Group undertakes transactions impacted by foreign currencies; hence exposures to exchange rate fluctuations arise. Although the majority of the Group costs, including development expenditure, are in Australian dollars many of these costs are affected either directly or indirectly by movements in exchange rates. Revenue during the year from the sale of commodities is largely affected by movements in the USD:AUD exchange rate.

Currently the Group does not hedge against this risk. The group considers the effects of foreign currency risk on its financial position and financial performance and assesses its option to hedge based on current economic conditions and available market data.

The majority of sales, 100% in the case of gold and 75% to 80% in the case of base metals, are immediately converted to Australian dollars at the time of sale. The foreign currency exposure to revenue not converted at time of sale in the period to a 5% change in US\$ exchange rate was an approximately \$187,939 increase/decrease in revenue.

b) Commodity Price Risk

The Group's revenue is exposed to commodity price fluctuations, particularly gold, lead and zinc prices. Price risk relates to the risk that the fair value of future cash flows of commodity sales will fluctuate because of changes in market prices largely due to supply and demand factors for commodities. The Group is exposed to commodity price risk due to the sale of gold, lead, zinc and copper on physical prices determined by the market at the time of sale.

Gold price risk is managed, from time to time and as required and deemed appropriate by the Board, with the use of hedging strategies through the purchase of put options or forward sale contracts. These contracts can establish a minimum commodity price denominated in either US\$ or A\$ over part of the group's future metal production.

Gold put options, gold forward sales and base metal quotational period hedging was not utilised during the year. At balance date, there are no hedging products in existence.

During the financial year, gold sales were 46,882 ounces. The effect on the income statement with an A\$50/oz increase/decrease in gold price would have been an increase/decrease in gold revenue of \$2.3 million.

During the financial year, the company sold bulk concentrate containing payable lead of 6,220 tonnes and payable zinc of 4,402 tonnes. An increase/decrease of US\$50/t in the price of lead and zinc, would increase/decrease revenue by \$440,821.

c) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The group has long term financial liabilities on which it pays interest and also holds cash and short term deposits on which it receives interest.

The Group's interest rate risk arises from variable interest rates on interest bearing liabilities. As at 30 June 2016, the Group held variable interest rate debt with a face value of \$125.050 million. Interest ceased accruing on this loan on 23 November 2015 and remains in a payment suspension until 31 March 2018. An increase/decrease in the variable interest rates of 0.25% during the year would have resulted in a \$120,318 increase/decrease in interest expense relating to interest bearing liabilities.

The Group has not entered in any hedging activities to cover interest rate risk. The Group continually analyses its exposure to interest rate risk. Consideration is given to alternative financing options, potential renewal of existing positions, alternative investments and the mix of fixed and variable interest rates.

25.5. Capital risk management

The Group's capital structure consists of borrowings and equity. The capital management strategy is to maximise shareholder value through having an appropriate balance of debt and equity in recognition of the maturity and operational risk of the business. The current debt position of the Company is high in absolute and relative terms. The Group has sought to reduce the financial risk of the debt amounts by ensuring a significant part of the debt be convertible to equity, and by having, when commercially possible, commodity price protection.

The Group continues to monitor the capital of Aurelia by assessing the financial risks and adjusting the capital structure in response to changes in the risks. The Group is continually evaluating financing and capital raising opportunities.

The Group is not subject to any externally imposed capital requirements.

Aurelia's capital structure consists of:

Capital Structure	2016 \$'000	2015 \$'000
Total Borrowings	113,353	114,652
Cash and cash equivalents	21,595	4,848
Net Borrowings	91,758	109,804
Equity	(23,847)	(35,764)
Total Capital (Net Borrowings and equity)	67,911	74,040
Gearing (Net Borrowings/Net Borrowings and equity)	135%	148%

Gearing reduced over the year but is noted to be excessive. Gearing levels are mitigated by the suspension of all debt obligations until 31 March 2018. The aim is to reduce gearing to manageable levels through the repayment of outstanding debt and/or debt conversion into equity, if and when commercially rational and to the extent it is possible (see Section 2.6 (f) of the Operations and Financial Review: Conversion Rights).

25.6. Fair Value

The Directors consider the carrying values of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

At balance date, the Company has recognised the fair value of Glencore borrowings at \$112.449 million. It is noted that there is significant judgement in determining the fair value of borrowings due to the applicable interest rate a market participant might expect to receive on the present borrowings relative to the actual interest rate obtained by the Company at inception of the borrowings. Given this uncertainty and the lack of reliable inputs to arrive at an alternate interest rate, the rate applicable to the loans is deemed to be the most reasonable assessment of a market interest rate.

The fair value is estimated based on parameters such as interest rates, creditworthiness and the risk characteristics of the financing.

a) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. The following financial instruments are carried at fair value in the statement of financial position, and measured at fair value through profit or loss.

	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
2016			
Assets			
Shares in AusTin Mining	477	-	-
Liabilities			
Deferred Acquisition Costs	-	-	10,560
Glencore Borrowings	-	-	112,449
2015			
Assets			
Shares in AusTin Mining	273	-	-
Liabilities			
Deferred Acquisition Costs	-	-	7,683

During the current reporting period, there were no transfers between level 1 and level 2 fair value measurements. The addition of Glencore Borrowings to Level 3 occurred during the year.

The techniques and inputs used to value the financial assets and liabilities are as follows:

- Shares – market value of shares listed on the Australian Stock Exchange (ASX).
- Options – revalued each period using a Black-Scholes methodology, with revaluation adjustments appearing as gains/(losses) in the statement of comprehensive income. Inputs include: current share price, strike price, years to maturity, risk-free rate and volatility.
- Deferred acquisition costs – revalued each period to fair value by using the discounted cash flow methodology. Inputs include forecast gravity gold production applicable to the royalty of 138,000 ounces. Future royalty revenue is estimated using an assumed future average gold price of A\$1690/oz. The discount rate used was the five year government bond rate of 1.56%.
- Glencore borrowings – revalued each period to fair value by using the discounted cash flow methodology. Inputs include the agreed payment suspense period, repayment schedule and interest payment schedule applicable to each of the restructured loans (see Note 13 and Operations and Finance Review for further details). The discount rate used to fair value the cash flows was the applicable interest rate of each loan at balance date, which ranged from 6.2% to 6.8%.

26. SHARE BASED PAYMENT ARRANGEMENTS

Recognised share based payments expenses for employee services received in the reporting period is shown in the table below.

Share based payments	2016 \$'000	2015 \$'000
Expense from share based payments to employees	59	163
Expense from share based payments to third parties	914	-
Total	973	163

26.1. Type of share based payment plan

a) Employee Share Option Plan and Performance Rights Plan

The Company has established an Employee Share Option Plan (ESOP) and a Performance Rights Plan, as detailed in the Remuneration Report to these Financial Statements. The objective of these is to assist in the recruitment, reward, retention and motivation of employees of Aurelia Metals. An individual may receive the options or nominate a relative or associate to receive the options. The plans are open to Directors and eligible employees of Aurelia Metals.

b) Summary of movements of Options on issue

The following table illustrates the number and weighted average exercise price ("WEAP") of, and movements in, share options during the year.

Options on Issue	30 June 2016		30 June 2015	
	Number	WAEP (c)	Number	WAEP (c)
Opening balance issued	2,700,000	39.07	3,990,000	40.56
Granted during the year	158,000,000	3.13	-	-
Exercised during the year	-	-	-	-
Expired during the year	(2,700,000)	39.07	(1,290,000)	43.68
Closing balance issued	158,000,000	3.13	2,700,000	39.07
Exercisable at 30 June	50,000,000	1.25	2,700,000	39.07

(1) The weighted average remaining contractual life of Options at balance date was 4.25 years (2015: 0.42 years) with exercise prices ranging from 1.25 c to 4c/share.

(2) Closing balance detail:

Number	WAEP (c)	
40,000,000	1.25	Pacific Road Options
10,000,000	1.25	Pybar Options
108,000,000	4.00	Glencore Options
158,000,000	3.13	

c) Summary of movements of Performance Rights on issue

The following table illustrates the number and weighted average exercise price ("WEAP") of, and movements in, Performance Rights during the year. All Performance Rights have a zero weighted average exercise price.

Performance Rights on Issue	30 June 2016		30 June 2015	
	Number	WAEP (c)	Number	WAEP (c)
Opening balance issued	1,132,000	-	1,354,000	-
Granted during the year	-	-	1,730,000	-
Exercised during the year	-	-	(1,196,000)	-
Lapsed during the year	(750,000)	-	(756,000)	-
Closing balance issued	382,000	-	1,132,000	-
Exercisable at 30 June	182,000	-	182,000	-

(1) The 750,000 performance rights expiring during the year relate to the expiry of 570,000 March 12 Performance Rights and 180,000 2015 Class C Performance Rights.

(a) March 12 Performance Rights: 570,000 Performance Rights were tested on 15 March 2016. As a consequence of the price hurdle, all performance rights lapsed and expired.

(b) 2015 Class C Performance Rights: 180,000 2015 Class C Performance Rights lapsed due to the termination of employment. The testing date for these rights is 9 February 2018.

(2) Closing balance is comprised of:

2013 Class A Perf. Rights	70,000	Vested	Exercisable
2013 Class B Perf. Rights	64,000	Vested	Exercisable
2015 Class D Perf. Rights	48,000	Vested	Exercisable
2015 Class C Perf. Rights	200,000	Un-vested	Not Exercisable
	<u>382,000</u>		

d) Fair Value Determination

There were no Options or Performance Rights granted during the period that required fair value determination.

27. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

28. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2016. The balance of the Company's franking account is nil (2015: Nil).

29. RELATED PARTY TRANSACTIONS

Details of Key Management Personnel compensation during the year is contained in the table below.

KMP Compensation	2016	2015
	\$'000	\$'000
Short-term employee benefits	1,122	1,985
Post-employment benefits	90	141
Share based payments	6	155
Total	1,218	2,282

Detailed remuneration disclosures are contained in the Remuneration Report of these Financial Statements.

a) Transactions with other related parties

Directors fees in the amount of \$50,000 were paid to Pacific Road Capital Management Pty Ltd, a company of which Paul Espie is a Director, for services provided during the period (2015:\$50,000).

Directors fees in the amount of \$28,329 were paid to Kilorin Pty Ltd, a company of which Mike Menzies is a Director, for services provided during the period (2015:Nil).

Directors fees in the amount of \$25,846 were paid to Glencore International AG, a company of which Rune Symann is an Executive, for services provided during the period (2015:Nil).

Fees in the amount of \$77,976 were paid to Pacific Road Capital Management Pty Ltd, a company of which Paul Espie is a Director, for reimbursement of legal fees associated with corporate funding activity (2015:Nil).

During the year, Aurelia issued 40 million options, with an expiry date of 28 September 2020 and a strike price of 1.25c/share, to Pacific Road Capital Management, a company of which Paul Espie is a Director, in respect to the funding term sheet announced on 9 September 2015.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Aurelia Metals Limited, we state that:

In the opinion of the Directors:

The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

The Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2A (b); and there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the Financial Year Ending 30 June 2016.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'Anthony Wehby', with a stylized flourish at the end.

Anthony Wehby

Non-Executive Chairman

16 September 2016

Independent auditor's report to the members of Aurelia Metals Limited

Report on the financial report

We have audited the accompanying financial report of Aurelia Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

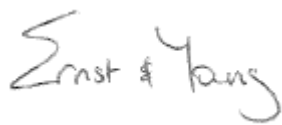
- a. the financial report of Aurelia Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

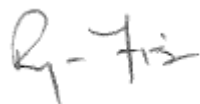
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Aurelia Metals Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
16 September 2016