

## ASX APPENDIX 4D

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Aurelia Metals Limited ABN 37 108 476 384

Financial Report for the half-year ended 31 December 2016

ASX Code: AMI

|                                                   | 31-Dec-16    | 31-Dec-15      | Percentage          |
|---------------------------------------------------|--------------|----------------|---------------------|
| <u>Results</u>                                    | \$'000       | \$'000         | Increase/(Decrease) |
| Revenue from ordinary activities                  | 51,312       | 34,432         | 49%                 |
| EBITDA (i)                                        | 20,668       | 5,330          | 288%                |
| <b>Net Profit/(Loss) from ordinary activities</b> | <b>4,352</b> | <b>(8,622)</b> | <b>(ii)</b>         |

(i) Earnings before Interest, Tax, Depreciation & Amortisation

(ii) No percentage movement has been reported due to the non-comparability of prior year loss and current year profit.

#### Dividends

The Directors have declared no dividend for the half-year ended 31 December 2016.

| <u>Net Tangible Assets per Share</u>        | 31-Dec-16 | 31-Dec-15 |
|---------------------------------------------|-----------|-----------|
| Net Tangible Assets per Share (cents/share) | (5.0)     | (11.1)    |

| <u>Earnings per share</u>                         | 31-Dec-16 | 31-Dec-15 |
|---------------------------------------------------|-----------|-----------|
| Basic Profit/(Loss) per Share (cents per share)   | 1.1       | (2.2)     |
| Diluted Profit/(Loss) per Share (cents per share) | 0.8       | (2.2)     |

This interim financial report has been subject to review by the Company's external auditors.

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



ABN 37 108 476 384

# Financial Report

For the Half-Year Ended  
31 December 2016

## COMPANY INFORMATION

### Directors

Colin Johnstone – Chairman  
James Simpson – Managing Director  
Gary Comb  
Paul Espie  
Michael Menzies  
Rune Symann

### Company Secretary

Timothy Churcher

### 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).

### Auditor

Ernst and Young  
200 George Street  
Sydney NSW 2000

### Website

[www.aureliametals.com](http://www.aureliametals.com)

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## 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 half-year ended 31 December 2016, together with the state of affairs of the Group.

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

Colin Johnstone – Chairman (Appointed 28 November 2016)  
Anthony Wehby - Chairman (Resigned 28 November 2016)  
James Simpson - Managing Director (Appointed 01 August 2016)  
Gary Comb  
Paul Espie  
Michael Menzies  
Rune Symann

The Company Secretary was Richard Willson during the half-year period to 20 December 2016. From this date, and up to the date of this report, the Company Secretary is Timothy Churcher.

## OPERATIONS AND FINANCIAL REVIEW

### 1. OVERVIEW

Aurelia Metals Limited is an Australian gold, silver, lead and zinc mining and exploration company. The Company operates the wholly-owned gold and base metal mine Hera, in central west New South Wales. Key results for the six month period to 31 December 2016, relative to the prior corresponding period, were:

- Sales revenue increased by 49% to \$51.312 million
- EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) increased by 288% to \$20.668 million
- Reported profit increased to \$4.352 million (relative to a loss in the prior corresponding period)
- Net Debt (using nominal or face value of debt) reduced by 21% to \$93.574 million

The improvement in Company performance relative to the prior corresponding period was significant. Driving this increase in performance were improvement initiatives at the Hera processing facility, which delivered:

- Increased processing throughput, up 22% to 183,092 tonnes
- Increased gold recovery, up 18% from 73.6% to 86.6%.
- Increased gold production, up 22% to 22,680 oz, despite a 16% reduction in head grade

Activity was also focussed on increasing mine life through successful exploration. During the period the Company commenced detailed drilling of the North Pod, at the northern end of the mine. The drilling intersected high grade gold and base metals and highlights the potential for the North Pod to be a high grade source of ore in future periods. Exploration is ongoing to test the potential of the North Pod, structural targets to the north, and at depth beneath the Hera mine.

Early debt reduction commenced in the period with a voluntary \$10.080 million debt repayment made in December 2016. This repayment reduced the nominal value of outstanding debt to \$114.970 million. The repayment had the consequential benefit of cancelling 108 million Glencore Options.

As previously disclosed to ASX, James Simpson was appointed Managing Director on 1 August 2016 and CEO on 1 September 2016, and on 28 November 2016, Colin Johnstone was appointed Director and Chairman.

## 2. OPERATING AND FINANCIAL PERFORMANCE

Key performance metrics for the interim period are tabulated below. Note that income, cash flow and operating metrics are shown for the six month period, whereas balance sheet items are stated as at the date indicated.

| Performance Indicators              | 31-Dec-16<br>\$'000 | 31-Dec-15<br>\$'000 |
|-------------------------------------|---------------------|---------------------|
| Sales Revenue                       | 51,312              | 34,432              |
| Profit/(Loss) for the period        | 4,352               | (8,622)             |
| EBITDA (a)                          | 20,668              | 5,330               |
| Net Debt (b)                        | 93,574              | 118,710             |
| Net Operating Cash Flow             | 18,666              | 3,981               |
| Ore Processed t                     | 183,092             | 149,932             |
| Gold grade g/t                      | 4.44                | 5.26                |
| Lead grade %                        | 2.1%                | 2.8%                |
| Zinc grade %                        | 2.8%                | 2.7%                |
| Gold Recovery %                     | 86.6%               | 73.6%               |
| Lead Recovery %                     | 91.9%               | 92.0%               |
| Zinc Recovery %                     | 90.7%               | 89.0%               |
| Gold production oz                  | 22,680              | 18,663              |
| Lead production t - contained metal | 3,512               | 3,891               |
| Zinc production t - contained metal | 4,645               | 3,620               |
| Gold sold oz                        | 22,762              | 18,506              |
| Average gold price received A\$/oz  | 1,685               | 1,548               |
| Concentrate sold (DMT)              | 15,551              | 10,141              |

(a) EBITDA is a non-IFRS measure. The table below reconciles EBITDA to reported Profit/(Loss) for the period:

|                              |          |         |
|------------------------------|----------|---------|
| Profit/(Loss) for the period | 4,352    | (8,622) |
| Net Interest Cost            | (3,128)  | (5,449) |
| Depreciation & Amortisation  | (13,188) | (8,503) |
| EBITDA                       | 20,668   | 5,330   |

(b) Net debt is stated using the nominal or face value of debt.

### 2.1 Sales

Sales revenue for the period was \$51.312 million, with \$38.730 million derived from gold and silver sales and \$12.582 million derived from the sale of lead zinc concentrates. Gold sales were derived from the sale of 22,762 oz of gold at an average price of A\$1,685/oz. Concentrate sales were derived from the sale of 15,551 dmt of lead zinc concentrate shipped.

During the period, gold forward sales of 18,450 oz were entered into, with 12,050 oz closed out during the period for a gain of \$1.013 million. At 31 December 2016, the Company's hedge position consisted of 5,450 ounces of gold at a price of A\$1,753/ounce with deliveries to March 2017. The hedge book had a marked-to-market value at balance date of \$0.813 million. At favourable pricing levels, Aurelia will look to increase forward sales to cover a modest proportion of production over the next year.

### 2.2 Production

Gold production for the operating period was 22,680 ounces. Gold production was derived from the processing of 183,092 tonnes of ore grading 4.44 g/t gold, 2.1% lead and 2.8% zinc. Gold recovery averaged 86.6%. During the period, the Company produced 15,192 tonnes of lead zinc concentrate.

Processing throughput during the six months to 31 December 2016 was 183,092 t which was above nameplate capacity, due to improvements in plant stability and lower base metal grades. The December 2016 quarter achieved a throughput rate of +390,000 t/y, 11% above design rates of 350,000 t/y.

Gold recovery continued to improve in the period, with improvements in the gravity circuit a primary driver for an increase in total gold recovery to 86.6%. Improvements to the gravity gold circuit delivered an increase in average gravity recovery over the period to 50.5%, with the month of December 2016 producing

a record gravity recovery rate of 65.7%. The gravity recovery performance has now achieved the Definitive Feasibility Study target level of 58%.

The performance of the underground mine remained positive with a total of 185,878 tonnes of ore mined during the six months to 31 December 2016 at an average grade of 4.46 g/t gold, 2.1% lead and 2.7% zinc. Underground lateral development of 1,410 metres was achieved during the period, comprising 671 metres of operating and 739 metres of capital development.

## **2.3 Operating Costs**

Total cost of sales for the period was \$42.559 million. Site production costs were \$26.565 million (including mining costs of \$11.852 million and processing costs of \$12.853 million), transport and refining costs were \$2.885 million (gold refining charges, concentrate trucking, rail, port and shipping charges) and a credit to costs of \$1.170 million relating to an increase in inventory at period end. Depreciation charged in the period was \$13.152 million.

## **2.4 Corporate Administration costs**

Corporate administration costs for the period were \$2.070 million, including \$0.036 million of depreciation.

## **2.5 Capital**

Total capital invested in the period was \$4.671 million, consisting of \$3.104 million of mine development, \$0.877 million of PP&E and \$0.690 million of exploration capital.

## **2.6 Cash flow**

At 31 December 2016, the Company held cash in bank of \$21.396 million, after a voluntary \$10.080 million debt repayment made in December 2016.

Operating cash flow for the period was positive \$18.666 million.

Investment cash outflows were \$5.002 million relating to mine development, processing plant capital and exploration.

Net cash flow from financing activities was negative \$10.380 million. The key outflow related to the voluntary debt repayment of Facility A (\$10.080 million).

Net cash inflow for the period was \$3.284 million.

## **2.7 Borrowings**

The debt liability to Glencore at balance date had a carrying value of \$106.395 million and a face value (nominal value) of \$114.970 million.

Net debt (nominal value of debt less cash) reduced by 12.5% over the six months to 31 December 2016. At 30 June 2016 the net debt position was \$106.938 million (debt of \$125.050 million less available cash of \$18.112 million) and at 31 December 2016 the position reduced, due to a positive operating surplus, to \$93.574 million (debt of \$114.970 million less cash of \$21.396 million).

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 prudent and to the extent it is possible (see below Section 2.8).

## **2.8 Debt Restructure and Fair Value of Borrowings**

The Company's secured borrowings with Glencore have the following structure and terms.

|            | Face Value<br>\$'000 | Liability<br>value<br>recognised<br>\$'000 | Repayment<br>Start Date | Maturity  | Convertible<br>into Shares | Margin over<br>BBSW (pts) |
|------------|----------------------|--------------------------------------------|-------------------------|-----------|----------------------------|---------------------------|
| Facility B | 57,061               | 52,912                                     | 31-Mar-19 (2)           | 30-Sep-21 | Yes (1)                    | 400-450                   |
| Facility C | 33,441               | 30,835                                     | 31-Mar-18               | 30-Sep-20 | No                         | 400-450                   |
| Facility D | -                    | -                                          | Undrawn (3)             |           |                            |                           |
| Facility E | 5,968                | 5,494                                      | 31-Mar-18               | 30-Apr-19 | No                         | 400-450                   |
| Facility F | 18,500               | 17,155                                     | 31-Mar-19 (2)           | 30-Sep-21 | Yes (1)                    | 400-450                   |
|            | 114,970              | 106,395                                    |                         |           |                            |                           |

(1) 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.

(2) Repayment Start Date is reset to 31-Mar-18 and Maturity date is reset to 30-Sep-20, if any portion of debt is converted according to (1) above.

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

**(a) Key terms**

The debt has the following key terms:

- all repayments on current facilities are deferred for a two year period until 31 March 2018
- all interest is suspended for a two year period until 31 March 2018
- From 18 June 2016 to 31 March 2018, the Company is obligated to undertake a mandatory upside 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 upside repayment is any excess greater than \$10 million over the quarterly CFADS testing period.

As part of the debt restructure, the Company granted 108 million options exercisable at \$0.04/share to Glencore on 1 April 2016. These options were cancelled with the repayment of Facility A in December 2016.

**(b) Carrying value adjustment of borrowings**

At balance date, the Company has recognised the carrying value of borrowings at \$106.395 million. Due to a strong operating surplus in the December 2016 quarter, the Company will make a mandatory "CFADS sweep" debt repayment of \$2.626 million by the end of the March 2017 quarter. This amount has been shown as a current liability, with all other amounts, having an unconditional right to defer payments until March 2018, are classified as non-current borrowings at 31 December 2016 (\$103.786 million).

The carrying value of the debt at balance date can be compared to the face value of debt at balance date of \$114.970 million payable to Glencore. As the Company approaches the March 2018 amortisation start date, the carrying value of the debt will increase, through the unwinding of the discount, to approximate the face value of debt. This unwinding of the discount on the carrying value of the debt is expensed in future periods as a finance charge.

### **3. SUBSEQUENT EVENTS**

The following significant events occurred after 31 December 2016:

31 January 2016: Pacific Road Capital Management Pty Ltd ("PacRoad") acquired 11.6 million shares from Pybar Holdings Pty Ltd which increased their relevant interest in the Company from 24.2% to 27.1%.

9 February 2016: PacRoad exercised 40 million Options (expiring 28 September 2020) at an exercise price of 1.25 c/share, raising \$500,000. With the conversion of the 40 million Options, PacRoad's interest in the Company's listed securities increased from 105.0 million shares to 145.0 million shares and its voting interest increased from 27.1% to 33.9%.

### **4. 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 period end 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 foreseen or unforeseen 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 USD\$ 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 AUD\$ 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 our results of operations and financial condition.

## **Ore 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 some of the Company's ore reserves unprofitable to develop for periods of time or may render some low margin ore reserves uneconomic. Reserves may have to be reestimated based on actual production and cost experience. Any of these factors may require the Company to modify its ore reserves, 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, acquiring new assets or achieving higher levels of conversion from resource to reserve with improvements in production costs and or metal prices. Exploration is highly speculative in nature and as such, the Company's exploration projects involve many risks and can often be unsuccessful. Once a prospect 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 divestures 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, 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.

## **5. 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 in this document may not add up precisely to the totals provided.

## **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

During the period 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 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.



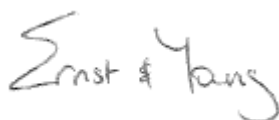
Colin Johnstone  
Non-Executive Chairman  
21 February 2017

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

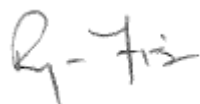
As lead auditor for the review of Aurelia Metals Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; 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  
21 February 2017

## FINANCIAL STATEMENTS

### Statement of Comprehensive Income

For the half-year ended 31 December 2016

|                                                                                                       | Note | 31-Dec-16<br>\$'000 | 31-Dec-15<br>\$'000 |
|-------------------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| Operating sales revenue                                                                               | 3(a) | 51,312              | 34,432              |
| Cost of sales                                                                                         | 3(b) | (42,559)            | (33,791)            |
| <b>Gross profit</b>                                                                                   |      | <b>8,753</b>        | <b>641</b>          |
| Corporate administration expenses                                                                     | 3(c) | (2,070)             | (3,238)             |
| Share based expenses                                                                                  | 3(d) | (64)                | (894)               |
| Exploration and evaluation costs written off                                                          |      | (71)                | (67)                |
| Other income/(expenses)                                                                               | 3(e) | (217)               | 98                  |
| Gain/(Loss) on debt repayment                                                                         |      | (746)               | -                   |
| Gain/(Loss) on revaluation/disposal of financial assets                                               | 3(f) | 1,895               | 286                 |
| Profit/(Loss) before interest and income tax                                                          |      | 7,480               | (3,173)             |
| Finance income                                                                                        |      | 204                 | 78                  |
| Finance costs                                                                                         | 3(g) | (3,332)             | (5,527)             |
| Profit/(Loss) before income tax                                                                       |      | 4,352               | (8,622)             |
| Income tax expense                                                                                    |      | -                   | -                   |
| Profit/(Loss) after income tax                                                                        |      | 4,352               | (8,622)             |
| Other comprehensive income                                                                            |      | -                   | -                   |
| <b>Total Comprehensive Profit/(Loss) for the year</b>                                                 |      | <b>4,352</b>        | <b>(8,622)</b>      |
| <u>Earnings per share for Profit/(Loss) attributable to the ordinary equity holders of the parent</u> |      |                     |                     |
| Basic Profit/(Loss) per share (cents per share)                                                       |      | 1.1                 | (2.2)               |
| Diluted Profit/(Loss) per share (cents per share)                                                     |      | 0.8                 | (2.2)               |

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 31 December 2016

|                                        | Note | 31-Dec-16<br>\$'000 | 30-Jun-16<br>\$'000 |
|----------------------------------------|------|---------------------|---------------------|
| <b>ASSETS</b>                          |      |                     |                     |
| <b>Current Assets</b>                  |      |                     |                     |
| Cash and cash equivalents              | 2(e) | 21,396              | 18,112              |
| Trade and other receivables            |      | 3,686               | 3,400               |
| Inventories                            | 4    | 6,925               | 5,445               |
| Prepayments                            |      | 561                 | 358                 |
| Financial Assets                       | 6    | 813                 | -                   |
| <b>Total current assets</b>            |      | <b>33,381</b>       | <b>27,315</b>       |
| <b>Non-current Assets</b>              |      |                     |                     |
| Property, plant and equipment          | 5    | 45,511              | 50,508              |
| Financial Assets                       | 6    | 3,853               | 3,960               |
| Exploration and Evaluation Assets      | 7    | 725                 | 106                 |
| Mine Properties                        | 8    | 25,783              | 30,006              |
| <b>Total non- current assets</b>       |      | <b>75,872</b>       | <b>84,580</b>       |
| <b>Total assets</b>                    |      | <b>109,253</b>      | <b>111,895</b>      |
| <b>LIABILITIES</b>                     |      |                     |                     |
| <b>Current liabilities</b>             |      |                     |                     |
| Trade and other payables               | 9    | 6,982               | 5,791               |
| Provisions                             | 10   | 1,972               | 2,590               |
| Borrowings                             | 11   | 3,250               | 329                 |
| <b>Total current liabilities</b>       |      | <b>12,204</b>       | <b>8,709</b>        |
| <b>Non-current Liabilities</b>         |      |                     |                     |
| Provisions                             | 10   | 12,279              | 14,008              |
| Borrowings                             | 11   | 104,201             | 113,025             |
| <b>Total non - current liabilities</b> |      | <b>116,480</b>      | <b>127,032</b>      |
| <b>Total liabilities</b>               |      | <b>128,684</b>      | <b>135,742</b>      |
| <b>Net assets/(liabilities)</b>        |      | <b>(19,432)</b>     | <b>(23,847)</b>     |
| <b>EQUITY</b>                          |      |                     |                     |
| Contributed Equity                     |      | 99,929              | 99,929              |
| Reserves                               | 12   | 4,097               | 4,034               |
| Retained losses                        |      | (123,458)           | (127,810)           |
| <b>Total equity</b>                    |      | <b>(19,432)</b>     | <b>(23,847)</b>     |

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 Changes in Equity

For the half-year ended 31 December 2016

|                                                             | Note | Issued<br>Share<br>Capital<br>\$000's | Share Based<br>Payments Reserve<br>\$000's | Accumulated<br>Losses<br>\$000's | Total<br>\$000's |
|-------------------------------------------------------------|------|---------------------------------------|--------------------------------------------|----------------------------------|------------------|
| Balance at 1 July 2015                                      |      | 99,929                                | 3,061                                      | (138,753)                        | (35,764)         |
| Total Profit/(Loss) for the period                          |      | -                                     | -                                          | (8,622)                          | (8,622)          |
| <b>Transactions with owners in their capacity as owners</b> |      |                                       |                                            |                                  |                  |
| Shares issued for the period                                |      | -                                     | -                                          | -                                | -                |
| Cost of share issue                                         |      | -                                     | -                                          | -                                | -                |
| Share based payments                                        |      | -                                     | 894                                        | -                                | 894              |
| Balance at 31 December 2015                                 |      | 99,929                                | 3,954                                      | (147,376)                        | (43,492)         |
| Balance at 1 July 2016                                      |      | 99,929                                | 4,034                                      | (127,810)                        | (23,847)         |
| Total Profit/(Loss) for the period                          |      | -                                     | -                                          | 4,352                            | 4,352            |
| <b>Transactions with owners in their capacity as owners</b> |      |                                       |                                            |                                  |                  |
| Shares issued for the period                                |      | -                                     | -                                          | -                                | -                |
| Cost of share issue                                         |      | -                                     | -                                          | -                                | -                |
| Share based payments                                        |      | -                                     | 64                                         | -                                | 64               |
| Balance at 31 December 2016                                 |      | 99,929                                | 4,097                                      | (123,458)                        | (19,432)         |

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 half-year ended 31 December 2016

|                                                        | Note | 31-Dec-16<br>\$000's | 31-Dec-15<br>\$000's |
|--------------------------------------------------------|------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>            |      |                      |                      |
| Receipts from customers                                |      | 51,800               | 39,144               |
| Payments to suppliers and employees                    |      | (33,307)             | (35,427)             |
| Government rebates & grants                            |      | -                    | 92                   |
| Interest received                                      |      | 206                  | 82                   |
| Interest paid                                          |      | (33)                 | (108)                |
| Receipt from close out of gold put options             |      | -                    | 198                  |
| Net cash flows from operating activities               |      | 18,666               | 3,981                |
| <b>Cash flows from investing activities</b>            |      |                      |                      |
| Purchase of property, plant and equipment              |      | (877)                | (1,712)              |
| Sale of property, plant and equipment                  |      | 29                   | -                    |
| Exploration & evaluation expenditure                   |      | (690)                | (126)                |
| Mine capital expenditure                               |      | (3,786)              | (1,537)              |
| Increase in security deposits                          |      | (27)                 | -                    |
| Proceeds from settlement of forward contracts          |      | 969                  | -                    |
| Proceeds from sale of investments                      |      | 211                  | -                    |
| Deferred acquisition (Hera Royalty)                    |      | (832)                | (432)                |
|                                                        |      | (5,002)              | (3,807)              |
| <b>Cash flows from financing activities</b>            |      |                      |                      |
| Repayment of Glencore loans                            |      | (10,080)             | -                    |
| Drawdown of Glencore loans                             |      | -                    | 5,000                |
| Repayment of other borrowings                          |      | (272)                | (642)                |
| Other finance costs - taxes, facility fees             |      | (29)                 | (20)                 |
|                                                        |      | (10,380)             | 4,338                |
| Net increase in cash and cash equivalents              |      | 3,284                | 4,512                |
| Cash and cash equivalents at the beginning of the year |      | 18,112               | 4,848                |
| Cash and cash equivalents at end of the year           |      | 21,396               | 9,360                |

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

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of Aurelia Metals Limited and its subsidiaries for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 21 February 2017.

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.

### 2. 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 interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

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 half year ended 31 December 2016, the Group reported a net profit of \$4.352 million (2015: net loss of \$8.622 million) and net operating cash inflows of \$18.666 million (Dec 2015: \$3.981 million). At 31 December 2016, the Group is in a net current asset position of \$21.177 million (Dec 2015: \$35.423 million) and net total liability position of \$19.432 million (Dec 2015: net liability of \$43.492 million).

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

The Company believes that the current debt agreement, 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.

#### (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.

**(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 half yearly reporting period ending 31 December 2016. The Company is in 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                |
| AASB 9      | <i>Financial Instruments</i>                                                                                              | 1 January 2018               | 1 July 2018                |
| AASB 2016-5 | <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</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) Cash and cash equivalents**

At balance date, cash security deposits supporting environmental bonds (\$3.510M) have been reclassified from Cash and cash equivalents to non-current assets under Financial Assets. The balances of Cash and cash equivalents and Financial Assets at 30 June 2016 have been restated accordingly.

|                                      | Cash & equivalents<br>\$'000 | Financial Assets<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|------------------------------|----------------------------|-----------------|
| As previously presented - 30 June 16 | 21,595                       | 477                        | 22,072          |
| As currently presented - 30 June 16  | 18,112                       | 3,960                      | 22,072          |

**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:

|                                                | 31-Dec-16<br>\$'000 | 31-Dec-15<br>\$'000 |
|------------------------------------------------|---------------------|---------------------|
| <b>(a) Operating sales revenue</b>             |                     |                     |
| Gold                                           | 38,349              | 28,655              |
| Base metal concentrate                         | 12,582              | 5,643               |
| Silver                                         | 381                 | 135                 |
| <b>Total operating sales revenue</b>           | <b>51,312</b>       | <b>34,432</b>       |
| <b>(b) Cost of sales</b>                       |                     |                     |
| Site production costs                          | 26,565              | 25,731              |
| Transport and refining                         | 2,885               | 2,125               |
| Royalty                                        | 1,128               | 582                 |
| Inventory movement                             | (1,170)             | (3,000)             |
|                                                | 29,407              | 25,437              |
| Depreciation and amortisation                  | 13,152              | 8,354               |
| <b>Total cost of sales</b>                     | <b>42,559</b>       | <b>33,791</b>       |
| <b>(c) Corporate administration expenses</b>   |                     |                     |
| Corporate expenses                             | 2,034               | 3,089               |
| Corporate depreciation                         | 36                  | 149                 |
| <b>Total corporate administration expenses</b> | <b>2,070</b>        | <b>3,238</b>        |

|                                                                          | 31-Dec-16<br>\$'000 | 31-Dec-15<br>\$'000 |
|--------------------------------------------------------------------------|---------------------|---------------------|
| <b>(d) Share based expenses</b>                                          |                     |                     |
| Share based payments expense - employees                                 | 64                  | 40                  |
| Share based payments expense - other (i)                                 | -                   | 854                 |
| <b>Total share based expenses</b>                                        | <b>64</b>           | <b>894</b>          |
| (i) Relates to share options issued to Pybar, Pacific Road and Glencore. |                     |                     |
| <b>(e) Other income/(expenses)</b>                                       |                     |                     |
| Gain/(Loss) on disposal of plant and equipment                           | 19                  | -                   |
| Other income                                                             | 230                 | 98                  |
| R&D repayment of refund                                                  | (467)               | -                   |
| <b>Total other income/(expenses)</b>                                     | <b>(217)</b>        | <b>98</b>           |
| <b>(f) Gain/(loss) revaluation/sale of financial assets</b>              |                     |                     |
| Gain/(Loss) on revaluation of financial assets                           | 892                 | 286                 |
| Gain/(Loss) on disposal of financial assets                              | 1,003               | -                   |
| <b>Total Gain/(Loss) on revaluation/sale of financial assets</b>         | <b>1,895</b>        | <b>286</b>          |
| <b>(g) Finance costs</b>                                                 |                     |                     |
| Interest expense                                                         | 3,341               | 3,892               |
| Withholding tax incurred on borrowings                                   | -                   | 1,124               |
| Amortisation of capitalised borrowing costs                              | -                   | 511                 |
| Unwind of discount - Rehabilitation provision                            | (9)                 | -                   |
| <b>Total finance costs</b>                                               | <b>3,332</b>        | <b>5,527</b>        |
| <b>(h) Depreciation and amortisation</b>                                 |                     |                     |
| Property, plant and equipment                                            | 5,862               | 4,225               |
| Mine development                                                         | 7,326               | 4,278               |
| <b>Total depreciation and amortisation</b>                               | <b>13,188</b>       | <b>8,503</b>        |
| <b>Represented by:</b>                                                   |                     |                     |
| Cost of sales depreciation                                               | 13,152              | 8,354               |
| Corporate depreciation                                                   | 36                  | 149                 |
| <b>Total depreciation and amortisation</b>                               | <b>13,188</b>       | <b>8,503</b>        |
| <b>(i) Employee benefits expense</b>                                     |                     |                     |
| Salaries, on-costs and other employee benefits                           | 5,451               | 3,904               |
| Superannuation expense                                                   | 290                 | 311                 |
| Share based payments expense - employees                                 | 64                  | 40                  |
| <b>Total employee benefits expense</b>                                   | <b>5,805</b>        | <b>4,254</b>        |

#### 4. INVENTORIES

|                                      | 31-Dec-16<br>\$'000 | 30-Jun-16<br>\$'000 |
|--------------------------------------|---------------------|---------------------|
| Stores inventory (materials on hand) | 2,369               | 2,060               |
| Ore stockpiles                       | 761                 | 641                 |
| Metal in circuit                     | 42                  | 92                  |
| Finished concentrate                 | 2,325               | 1,569               |
| Finished gold dore                   | 1,427               | 1,083               |
| <b>Total current inventory</b>       | <b>6,925</b>        | <b>5,445</b>        |

All inventory is held at Cost. Adjustments to inventory are recognised through cost of sales during the period.

**5. PROPERTY, PLANT AND EQUIPMENT**

|                                                    | 31-Dec-16<br>\$'000 | 30-Jun-16<br>\$'000 |
|----------------------------------------------------|---------------------|---------------------|
| Plant and equipment at cost                        | 65,053              | 64,271              |
| Property at cost (i)                               | 275                 | 275                 |
| Accumulated depreciation and impairment            | (19,817)            | (14,038)            |
| Total property, plant and equipment                | 45,511              | 50,508              |
| <u>Movement in Property, Plant &amp; Equipment</u> |                     |                     |
| Opening balance                                    | 50,508              | 57,459              |
| Additions/expenditure during the year              | 877                 | 4,278               |
| Assets scrapped/written off                        | -                   | (411)               |
| Depreciation for the year                          | (5,862)             | (10,818)            |
| Disposals of assets                                | (11)                | -                   |
| Closing balance                                    | 45,511              | 50,508              |

(i) Property assets are held at cost and are not depreciated.

**6. FINANCIAL ASSETS**

|                                       |      | 31-Dec-16<br>\$'000 | 30-Jun-16<br>\$'000 |
|---------------------------------------|------|---------------------|---------------------|
| <b>Current</b>                        |      |                     |                     |
| Gold Forward Contracts                | (ii) | 813                 | -                   |
| <b>Non-current</b>                    |      |                     |                     |
| Shares in Aus Tin Mining Limited      | (i)  | 343                 | 477                 |
| Term Deposits                         |      | 3,510               | 3,483               |
|                                       |      | 3,853               | 3,960               |
| <b>(i) Movement in carrying value</b> |      |                     |                     |
| Opening balance                       |      | 477                 | 273                 |
| Sale of investments                   |      | (177)               | -                   |
| Gain on revaluation                   |      | 43                  | 204                 |
| Closing balance                       |      | 343                 | 477                 |

(ii) Gold forward contracts are accounted for at fair value through the profit and loss and at balance date, \$0.813 million gain was recognised on the outstanding balance of gold forward contracts (5,450 oz).

**7. EXPLORATION AND EVALUATION ASSETS**

|                                         | 31-Dec-16<br>\$'000 | 30-Jun-16<br>\$'000 |
|-----------------------------------------|---------------------|---------------------|
| At cost                                 | 23,472              | 22,782              |
| Accumulated write offs                  | (22,747)            | (22,676)            |
| Total exploration and evaluation assets | 725                 | 106                 |
| Opening balance                         | 106                 | 116                 |
| Expenditure during the year             | 690                 | 174                 |
| Expenditure written off during the year | (71)                | (174)               |
| Disposal of assets                      | -                   | (10)                |
| Closing balance                         | 725                 | 106                 |

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.

**8. MINE PROPERTIES**

|                                         | 31-Dec-16 | 30-Jun-16 |
|-----------------------------------------|-----------|-----------|
|                                         | \$'000    | \$'000    |
| Opening balance                         | 30,006    | 33,307    |
| Mine assets scrapped                    | -         | 57        |
| Development expenditure during the year | 3,104     | 9,493     |
| Amortisation for the year               | (7,326)   | (12,851)  |
| Closing balance                         | 25,783    | 30,006    |

**9. TRADE AND OTHER PAYABLES**

|                  | 31-Dec-16 | 30-Jun-16 |
|------------------|-----------|-----------|
|                  | \$'000    | \$'000    |
| Trade payables   | 1,768     | 1,887     |
| Accrued expenses | 5,214     | 3,904     |
|                  | 6,982     | 5,791     |

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.

**10. PROVISIONS**

| As at 31 December 2016                      | Rehabilitation<br>\$'000 | Deferred Acquisition<br>Costs<br>\$'000 | Employee<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------|--------------------------|-----------------------------------------|--------------------|-----------------|-----------------|
| Opening balance                             | 2,384                    | 10,560                                  | 692                | 2,961           | 16,598          |
| Reclassification to payables                | -                        | -                                       | -                  | (810)           | (810)           |
| Re-measurement of provision                 | -                        | (500)                                   | 100                | -               | (399)           |
| Discount unwind charged to Income Statement | (9)                      | -                                       | -                  | -               | (9)             |
| Paid/utilised during the year               | -                        | (832)                                   | (297)              | -               | (1,128)         |
| Closing Balance                             | 2,375                    | 9,228                                   | 496                | 2,152           | 14,251          |
| Comprising:                                 |                          |                                         |                    |                 |                 |
| Current 31-Dec-16                           | -                        | 1,504                                   | 468                | -               | 1,972           |
| Non-current 31-Dec-16                       | 2,375                    | 7,725                                   | 28                 | 2,152           | 12,279          |
| Total provisions 31-Dec-16                  | 2,375                    | 9,228                                   | 496                | 2,152           | 14,251          |
| Current 30-Jun-16                           | -                        | 1,971                                   | 619                | -               | 2,590           |
| Non-current 30-Jun-16                       | 2,384                    | 8,589                                   | 73                 | 2,961           | 14,008          |
| Total provisions 30-Jun-16                  | 2,384                    | 10,560                                  | 692                | 2,961           | 16,598          |

Deferred acquisition costs are valued at fair value by using the discounted cash flow methodology based on the five year Australian government bond rate of 2.27%.

**11. BORROWINGS**

|                                                 | 31-Dec-16      | 30-Jun-16      |
|-------------------------------------------------|----------------|----------------|
|                                                 | \$'000         | \$'000         |
| <b>Current</b>                                  |                |                |
| Finance leases (a)                              | 306            | 329            |
| Insurance funding                               | 318            | -              |
| Glencore borrowings (b)                         | 2,626          | -              |
| <b>Total current borrowings</b>                 | <b>3,250</b>   | <b>329</b>     |
| <b>Non-current</b>                              |                |                |
| Finance leases (a)                              | 433            | 575            |
| Glencore borrowings (b)                         | 103,768        | 112,449        |
| <b>Total Non-current borrowings</b>             | <b>104,201</b> | <b>113,024</b> |
| <b>Total Current and Non-current borrowings</b> |                |                |
| Finance leases                                  | 738            | 904            |
| Insurance funding                               | 318            | -              |
| Glencore borrowings                             | 106,395        | 112,449        |
| <b>Total borrowings</b>                         | <b>107,451</b> | <b>113,353</b> |

(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 carrying value of Glencore borrowings post the debt restructure has been recognised and recorded at period end. Under the current agreement with Glencore on each CFADS testing date, if the total CFADS for the preceding three months is > \$10 million, then a mandatory upside repayment is made equally against all drawn facilities. The mandatory repayment equals the quarterly CFADS less \$10 million. Double counting is excluded. CFADS equal revenue less all costs relating to mining, processing, site admin, corporate admin, discovery costs and all working capital. It excludes any inflows from any equity issue and excludes debt servicing costs. The first CFADS testing date was 18 June 2016, then every month thereafter. The mandatory repayment date is the final day of the calendar quarter following the testing date. Cumulative CFADS for the Dec 16 quarter was \$12,626k. This generated a CFADS sweep amount of \$2,626k payable at 31 March 2017 and this portion is classified as a current liability.

| <b>Summary of Glencore Borrowings</b>                     | 31-Dec-16      | 30-Jun-16      |
|-----------------------------------------------------------|----------------|----------------|
| <u>Glencore Liability Balance</u>                         | \$'000         | \$'000         |
| Facility A                                                | -              | 9,087          |
| Facility B                                                | 52,912         | 51,442         |
| Facility C                                                | 30,835         | 29,913         |
| Facility D                                                | -              | -              |
| Facility E                                                | 5,494          | 5,329          |
| Facility F                                                | 17,155         | 16,678         |
| <b>Current and Non-Current Glencore Liability Balance</b> | <b>106,395</b> | <b>112,449</b> |

Face Value of Glencore Borrowings (undiscounted value)

|                                                                  |                |                |
|------------------------------------------------------------------|----------------|----------------|
| Facility A                                                       | -              | 10,080         |
| Facility B                                                       | 57,061         | 57,061         |
| Facility C                                                       | 33,441         | 33,441         |
| Facility D                                                       | -              | -              |
| Facility E                                                       | 5,968          | 5,968          |
| Facility F                                                       | 18,500         | 18,500         |
| <b>Face Value of Current and Non-Current Glencore Borrowings</b> | <b>114,970</b> | <b>125,050</b> |

**12. RESERVES**

|                              | 31-Dec-16 | 30-Jun-16 |
|------------------------------|-----------|-----------|
|                              | \$'000    | \$'000    |
| Share based Payments Reserve | 4,097     | 4,034     |

| <b>(a) Movement in Reserves</b> |        | 31-Dec-16 | 30-Jun-16 |
|---------------------------------|--------|-----------|-----------|
|                                 | Date   | \$'000    | \$'000    |
| Opening balance                 | 1-Jul  | 4,034     | 3,061     |
| Share based payment expense     |        | 64        | 973       |
| Closing balance                 | 31-Dec | 4,097     | 4,034     |

| <b>(b) Movement in options on issue</b> |                | 31-Dec-16     | 30-Jun-16   |
|-----------------------------------------|----------------|---------------|-------------|
|                                         | Date           | Number        | Number      |
| Opening balance                         | 1-Jul          | 158,000,000   | 2,700,000   |
| 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 options at \$0.04           | (iii) 1-Apr-16 | -             | 108,000,000 |
| Expiry of options                       | (iii) 9-Dec-16 | (108,000,000) | (2,700,000) |
| Closing balance                         | 31-Dec         | 50,000,000    | 158,000,000 |

(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 were cancelled on 9 December 2016 with the full repayment of Facility A.

| <b>(c) Movement in Performance Rights on Issue</b> |        | 31-Dec-16 | 30-Jun-16 |
|----------------------------------------------------|--------|-----------|-----------|
|                                                    | Date   | Number    | Number    |
| Opening balance                                    | 1-Jul  | 382,000   | 1,132,000 |
| Grant of performance rights                        | -      | 6,500,000 | -         |
| Exercise of performance rights                     | -      | -         | -         |
| Expiry of performance rights                       | -      | (312,000) | (750,000) |
| Closing balance                                    | 31-Dec | 6,570,000 | 382,000   |

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

| <b>(d) Total Movement in Options &amp; Rights</b> |  | 31-Dec-16     | 31-Dec-15   |
|---------------------------------------------------|--|---------------|-------------|
|                                                   |  | Number        | Number      |
| Opening balance                                   |  | 158,382,000   | 3,832,000   |
| Net movement in options                           |  | (108,000,000) | 155,300,000 |
| Net movement in performance rights                |  | 6,188,000     | (750,000)   |
| Closing balance                                   |  | 56,570,000    | 158,382,000 |

### 13. EXPENDITURE COMMITMENTS

#### 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 at balance date are as follows:

|                            | 31-Dec-16 | 30-Jun-16 |
|----------------------------|-----------|-----------|
|                            | \$'000    | \$'000    |
| Within one year            | 1,006     | 1,465     |
| Between one and five years | 1,129     | 1,403     |
| Closing balance            | 2,135     | 2,868     |

#### 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:

|                            | 31-Dec-16        |                | 30-Jun-16        |                |
|----------------------------|------------------|----------------|------------------|----------------|
|                            | \$'000           |                | \$'000           |                |
|                            | Minimum payments | PV of payments | Minimum payments | PV of payments |
| Within one year            | 346              | 306            | 380              | 329            |
| Between one and five years | 454              | 433            | 614              | 575            |
| Total Payments             | 799              | 738            | 994              | 904            |
| Less: Finance charges      | (61)             |                | (90)             |                |
| PV of lease payments       | 738              | 738            | 904              | 904            |

#### Commitments

At balance date, the Group had commitments of \$2,830k (June 16: \$2,821k), including \$1,232k relating to annual exploration/mining lease minimum annual expenditures (June 16: \$1,394k)

### 14. OPERATING SEGMENTS

#### 14.1 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.

#### 14.2 Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in Note 2 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.

**14.3 Profit/(Loss) of reportable segments**

|                                         | <b>Hera-<br/>Nymagee<br/>project<br/>\$000's</b> | <b>Other<br/>exploration<br/>projects<br/>\$000's</b> | <b>Corporate<br/>\$000's</b> | <b>Total<br/>\$000's</b> |
|-----------------------------------------|--------------------------------------------------|-------------------------------------------------------|------------------------------|--------------------------|
| <b>Half-year ended 31 December 2016</b> |                                                  |                                                       |                              |                          |
| Sales                                   | 51,312                                           | -                                                     | -                            | 51,312                   |
| Site EBITDA                             | 21,906                                           | -                                                     | (2,034)                      | 19,872                   |
| Depreciation and amortisation           | (13,152)                                         | -                                                     | (36)                         | (13,188)                 |
| Exploration costs written off           | (35)                                             | (36)                                                  | -                            | (71)                     |
| Segment Profit/(Loss) after tax         | 8,718                                            | (36)                                                  | (2,070)                      | 6,612                    |

**Reconciliation of Profit/(Loss) before income tax expense**

|                                                          |              |
|----------------------------------------------------------|--------------|
| Interest and other income                                | 453          |
| Gain/(Loss) on repayment of debt                         | (746)        |
| Gain/(Loss) on foreign exchange, hedging and derivatives | 1,818        |
| Gain/(Loss) on revaluation of investments                | 77           |
| Interest, finance and other charges                      | (3,800)      |
| Share based expenses                                     | (64)         |
| <b>Profit/(Loss) before Income Tax Expense</b>           | <b>4,352</b> |

|                                         | <b>Hera-<br/>Nymagee<br/>project<br/>\$000's</b> | <b>Other<br/>exploration<br/>projects<br/>\$000's</b> | <b>Corporate<br/>\$000's</b> | <b>Total<br/>\$000's</b> |
|-----------------------------------------|--------------------------------------------------|-------------------------------------------------------|------------------------------|--------------------------|
| <b>Half-year ended 31 December 2015</b> |                                                  |                                                       |                              |                          |
| Sales                                   | 34,432                                           | -                                                     | -                            | 34,432                   |
| Site EBITDA                             | 8,995                                            | -                                                     | (3,238)                      | 5,757                    |
| Depreciation and amortisation           | (8,354)                                          | -                                                     | -                            | (8,354)                  |
| Impairment of mine properties           | -                                                | -                                                     | -                            | -                        |
| Impairment of exploration assets        | -                                                | -                                                     | -                            | -                        |
| Exploration costs written off           | (59)                                             | (8)                                                   | -                            | (67)                     |
| Segment Profit/(Loss) after tax         | 583                                              | (8)                                                   | (3,238)                      | (2,663)                  |

**Reconciliation of Profit/(Loss) before income tax expense**

|                                                          |                |
|----------------------------------------------------------|----------------|
| Interest and other income                                | 176            |
| Gain/(Loss) on foreign exchange, hedging and derivatives | 149            |
| Gain/(Loss) on revaluation of investments                | 136            |
| Interest, finance and other charges                      | (6,420)        |
| <b>Profit/(Loss) before Income Tax Expense</b>           | <b>(8,622)</b> |

*(1) Geographic and revenue diversity information*

During the period the \$38.730 million (Dec 15: \$28.789million) of gold and silver revenue was derived from customers in Australia and base metal revenue of \$12.582million (Dec 15: \$5.643 million) was derived from countries outside of Australia.

The Company has base metal concentrate offtake agreements with Glencore. During the period approximately 25% of revenue relied on the sale and purchase of base metal concentrate from Glencore.

## 14.4 Asset and Liability position of reportable segments

|                                           | Hera-<br>Nymagee<br>project<br>\$000's | Other<br>exploration<br>projects<br>\$000's | Corporate<br>\$000's | Total<br>\$000's |
|-------------------------------------------|----------------------------------------|---------------------------------------------|----------------------|------------------|
| <b>Segment assets at 31 December 2016</b> |                                        |                                             |                      |                  |
| Cash and cash equivalents                 | 17,089                                 | -                                           | 4,307                | 21,396           |
| Trade and other receivables               | 2,502                                  | -                                           | 1,184                | 3,686            |
| Inventories and materials on hand         | 6,925                                  | -                                           | -                    | 6,925            |
| Prepayments                               | 143                                    | -                                           | 419                  | 561              |
| Property, plant and equipment             | 45,179                                 | -                                           | 332                  | 45,511           |
| Mine properties                           | 25,783                                 | -                                           | -                    | 25,783           |
| Financial assets                          | 813                                    | -                                           | 3,853                | 4,666            |
| Exploration and evaluation assets         | 639                                    | 86                                          | -                    | 725              |
| <b>Total assets at 31 December 2016</b>   | <b>99,073</b>                          | <b>86</b>                                   | <b>10,094</b>        | <b>109,253</b>   |

**Segment liabilities at 31 December 2016**

|                                              |                |          |               |                |
|----------------------------------------------|----------------|----------|---------------|----------------|
| Trade and other payables                     | 6,803          | -        | 179           | 6,982          |
| Deferred acquisition costs - current         | 1,504          | -        | -             | 1,504          |
| Deferred acquisition costs - non-current     | 7,725          | -        | -             | 7,725          |
| Hera Rehabilitation provision                | 2,375          | -        | -             | 2,375          |
| Provisions                                   | 2,549          | -        | 98            | 2,648          |
| Borrowings                                   | 89,978         | -        | 17,473        | 107,451        |
| <b>Total liabilities at 31 December 2016</b> | <b>110,934</b> | <b>-</b> | <b>17,750</b> | <b>128,684</b> |

|                                       | Hera-<br>Nymagee<br>project<br>\$000's | Other<br>exploration<br>projects<br>\$000's | Corporate<br>\$000's | Total<br>\$000's |
|---------------------------------------|----------------------------------------|---------------------------------------------|----------------------|------------------|
| <b>Segment assets at 30 June 2016</b> |                                        |                                             |                      |                  |
| 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              |
| <b>Total assets at 30 June 2016</b>   | <b>101,421</b>                         | <b>87</b>                                   | <b>10,387</b>        | <b>111,895</b>   |

**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        |
| <b>Total liabilities at 30 June 2016</b> | <b>118,416</b> | <b>-</b> | <b>17,326</b> | <b>135,742</b> |

## 14.5 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 carrying value of Glencore borrowings at \$106.395 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<br>prices in active<br>markets<br>(Level 1)<br>\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$'000 |
|----------------------------|--------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| <b>31-Dec-16</b>           |                                                              |                                                            |                                                              |
| <b>Assets</b>              |                                                              |                                                            |                                                              |
| Shares in AusTin Mining    | 343                                                          | -                                                          | -                                                            |
| Gold Forward Contracts     | -                                                            | 813                                                        | -                                                            |
| Term Deposits              | 3,510                                                        | -                                                          | -                                                            |
| <b>Liabilities</b>         |                                                              |                                                            |                                                              |
| Deferred Acquisition Costs | -                                                            | -                                                          | 9,228                                                        |
| Glencore Borrowings        | -                                                            | -                                                          | 106,395                                                      |
| <b>30-Jun-16</b>           | <b>Level 1</b>                                               | <b>Level 2</b>                                             | <b>Level 3</b>                                               |
| <b>Assets</b>              | <b>\$'000</b>                                                | <b>\$'000</b>                                              | <b>\$'000</b>                                                |
| Shares in AusTin Mining    | 477                                                          | -                                                          | -                                                            |
| Term Deposits              | 3,483                                                        | -                                                          | -                                                            |
| <b>Liabilities</b>         |                                                              |                                                            |                                                              |
| Deferred Acquisition Costs | -                                                            | -                                                          | 10,560                                                       |
| Glencore Borrowings        | -                                                            | -                                                          | 112,449                                                      |

During the current reporting period, there were no transfers between level 1 and level 2 fair value measurements. 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).
- Gold Forward Contracts – marked-to-market value based on spot gold prices at balance date and future delivery prices and volumes, as provided by hedge counterparty.
- Term Deposits – Face value of cash deposits
- 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 125,000 ounces. Future royalty revenue is estimated using an assumed future average gold price of A\$1628/oz. The discount rate used was the five year government bond rate of 2.27%.
- 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 loan facilities. 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%.

## 15. 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                           | 31-Dec-16<br>\$'000 | 31-Dec-15<br>\$'000 |
|------------------------------------------------|---------------------|---------------------|
| Expense from share based payments to employees | 64                  | 163                 |
| Total                                          | 64                  | 163                 |

## 16. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

## 17. RELATED PARTY TRANSACTIONS

Directors fees in the amount of \$32,058 were paid to Glencore International AG, a company of which Rune Symann is an Executive, for services provided during the period (2015:\$2,561).

Directors fees in the amount of \$32,058 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:\$25,000).

Directors fees in the amount of \$32,058 were paid to Kilorin Pty Ltd, a company of which Michael Menzies is a Director, for services provided during the period (2015:\$24,450).

## 18. 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. (2015: nil).

## 19. SUBSEQUENT EVENTS

All Subsequent Events after balance date are disclosed in the Directors' Report, Section 3.0 Subsequent Events.

## 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 Balance Sheet date and of its performance for the period 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 2; 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 period.

On behalf of the Board



Colin Johnstone

Non-Executive Chairman

21 February 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Aurelia Metals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurelia Metals Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, 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 half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Aurelia Metals Ltd and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

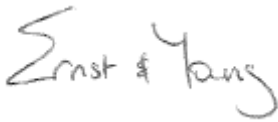
### Independence

In conducting our review, 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.

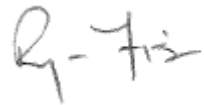
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurelia Metals Ltd is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001



Ernst & Young



Ryan Fisk  
Partner  
Sydney  
21 February 2017