

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 2017
ASX Code: AMI

<u>Results</u>	31-Dec-17 \$'000	31-Dec-16 \$'000	Percentage Increase/(Decrease)
Revenue from ordinary activities	68,963	51,312	34%
EBITDA (i)	31,320	20,668	52%
Net Profit/(Loss) from ordinary activities	18,327	4,352	321%

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

Dividends

The Directors have declared no dividend for the half-year ended 31 December 2017.

<u>Net Tangible Assets per Share</u>	31-Dec-17	31-Dec-16
Net Tangible Assets per Share (cents/share)	6.6	(5.0)

<u>Earnings per share</u>	31-Dec-17	31-Dec-16
Basic Profit/(Loss) per Share (cents per share)	4.1	1.1
Diluted Profit/(Loss) per Share (cents per share)	3.9	0.8

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 2017

COMPANY INFORMATION

Directors

Colin Johnstone – Chairman
James Simpson – Managing Director & CEO
Lawrence Conway
Paul Espie
Michael Menzies
Rune Symann

Company Secretary

Timothy Churcher

Registered Office and Principal Place of Business

Aurelia Metals Limited	Telephone:	(02) 6363 5200
Lvl 2 60-62 McNamara St	Facsimile:	(02) 6361 4711
ORANGE NSW 2800	Email:	office@aureliametals.com.au

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Stock Exchange Listing

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

Auditor

Ernst and Young
200 George Street
Sydney NSW 2000

Website

www.aureliametals.com.au

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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 2017, together with the state of affairs of the Group as at that date.

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
James Simpson -Managing Director and Chief Executive Officer
Lawrence Conway
Paul Espie
Michael Menzies
Rune Symann

Company Secretary: 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 Hera gold and base metal mine, in central west New South Wales. Key results for the six month period to 31 December 2017, relative to prior corresponding period were:

- Revenue increased by 34% to \$68.963 million, driven by increased gold production (13%) together with higher base metal production at favourable metal prices
- Reported profit increased to \$18.327 million from \$4.352 million
- Net Debt (using nominal or face value of debt) reduced by 52% to \$32.19 million (Cash of \$52.162 million, Glencore Debt \$84.352 million)

The improvement in Company performance relative to the prior year was significant. Driving this increase in performance were improvement initiatives at the Hera operation, which delivered:

- Increased processing throughput, up 8% to 197,433 tonnes, following an upgrade of screening capacity
- Increased gold recovery, up 4% from 86.6% to 89.9%.
- Increased gold production, up 13% to 25,637 oz
- Increased base metal concentrate production, up 41% to 21,445 tonnes

On the 21 November 2017, the Company announced the acquisition of Peak Mines for US\$58 million. Funding is to be provided by equity (net \$85.4 million successfully raised and completed in January 2018) and a \$115 million debt facility from the Investec Group. (See Section 3 for further information).

The equity raising was completed in January 2018 and in total the Company raised \$85.4 million (net of placement costs) for the issue of 425 million shares at \$0.21 per share. Tranche 1 of the equity raising was completed during the half-year generating \$20.7 million cash (net of placement costs) for the issue of 104 million shares at \$0.21 each. Tranche 2, and the SPP were completed during January 2018, and raised a further \$64.7 million (net of placement costs) for the issue of 321 million shares at \$0.21 each.

During the period, an early debt repayment mechanism was agreed with Glencore and \$25 million of voluntary early debt repayments were completed. The repayments were applied against the outstanding balances of Facilities C and E, and the convertible balances of Facilities B & F were reduced by the same amount, reducing total debt to \$84.3 million (\$37.5 million senior debt and \$46.8 million convertible debt).

On 31 July 2017, the Company released an updated Resources and Reserves Estimate. The updated Ore Reserve estimate represented a 51% increase in tonnage (allowing for mine depletion) and a 31% decrease in gold grade, a 4% decrease in lead grade and a 5% increase in zinc grade. The Resource and Reserve Estimate totals were:

- Total Mineral Resource Estimate of 2.934 Mt at 2.8 g/t gold, 2.6% Pb, 3.8% Zn
- Total Ore Reserve Estimate of 1.476 Mt at 3.53 g/t gold, 2.74% Pb, 4.05% Zn

At 31 December 2017, the Company's gold forward position totalled 10,000 ounces of gold at an average price of approximately A\$1,709/oz.

2. OPERATING AND FINANCIAL PERFORMANCE

Key performance metrics for the period are tabulated below.

Performance Indicators	31-Dec-17 \$'000	31-Dec-16 \$'000	Variance
Sales Revenue	68,963	51,312	34%
Profit/(Loss) for the period	18,327	4,352	321%
EBITDA (a)	31,320	20,668	52%
Net Debt (b)	32,190	93,574	66%
Net Operating Cash Flow	33,968	18,666	82%
Ore Processed t	197,433	183,092	8%
Gold grade g/t	4.49	4.44	1%
Lead grade %	3.0%	2.1%	43%
Zinc grade %	3.8%	2.8%	35%
Gold Recovery %	89.9%	86.6%	4%
Lead Recovery %	90.0%	91.9%	-2%
Zinc Recovery %	89.4%	90.7%	-1%
Gold production (oz)	25,637	22,680	13%
Concentrate production (DMT)	21,445	15,192	41%
Lead production t - contained metal	5,303	3,512	51%
Zinc production t - contained metal	6,681	4,645	44%
Gold sold oz	24,682	22,762	8%
Average gold price received A\$/oz	1,643	1,685	-2%
Concentrate sold (DMT)	20,764	15,551	34%
Average Pb price received A\$/t	3,128	2,751	14%
Average Zn price received A\$/t	4,209	3,204	31%

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

Profit/(Loss) for the period	18,327	4,352
Net Interest Cost	(3,214)	(3,128)
Depreciation & Amortisation	(9,779)	(13,188)
EBITDA	31,320	20,668

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

2.1. Sales

Sales revenue for the period was \$68.963 million, with \$40.587 million derived from gold sales and \$27.842 million derived from the sale of lead zinc concentrates. Silver sales were \$0.535 million.

Gold sales were derived from the sale of 24,682 oz of gold at an average price of A\$1,643/oz. Concentrate sales were derived from the sale of 20,764 dmt of lead zinc concentrate shipped (four shipments).

2.2. Production

Gold production for the operating period was 25,637 ounces. Gold production was derived from the processing of 197,433 tonnes of ore grading 4.49 g/t gold, 3.0% lead and 3.8% zinc. Gold recovery averaged 89.9%. During the period, the Company produced 21,445 tonnes of lead zinc concentrate.

Processing throughput during the period increased by 8%, following a screen upgrade in the processing circuit.

The upgrade of the Tailings Storage Facility was completed during the period, at a capital cost of \$0.6 million. The facility is planned to have sufficient capacity for the current known life of Hera and Nymagee.

The performance of the underground mine remained positive with a total of 193,641 tonnes of ore mined during the period at an average grade of 4.48 g/t gold, 2.99% lead and 3.78% zinc. Mine lateral development of 1,793 metres was achieved during the period (1,410 metres in the prior period), comprising 1,223 metres of operating and 670 metres of capital development.

2.3. Operating Costs

Total cost of sales for the period was \$41.204 million (2016 - \$42,559 million). Site production costs were \$28.326 million (including mining costs of \$13.455 million, processing costs of \$12.700 million and site admin costs of \$2.171 million), transport and refining costs were \$3.231 million (gold refining charges, concentrate trucking, rail, port and shipping charges), NSW Government royalty was \$1.855 million, and a credit to costs of \$1.966 million relating to an increase in inventory at year end. Depreciation charged in the period was \$9.758 million.

2.4. Corporate Administration and Transaction costs

Corporate costs for the period were \$1.750 million (2016: \$2,070 million) including \$0.020 million of depreciation. Transaction costs of \$0.611 million relate to legal, advisory and transaction costs incurred with the Peak Mines acquisition.

2.5. Capital

Total capital invested in the period was \$7.45 million, consisting of \$4.5 million of mine development, \$2.8 million of PP&E and Exploration capital of \$0.155 million.

2.6. Gain/Loss on derivatives

A loss of \$2.809 million was recorded during the period.

The loss consists primarily of \$2.239 million relating to foreign exchange losses, primarily from the marked to market valuation of a FX Forward exchange contract taken at the time of the Peak Mines acquisition agreement to lock the US\$ purchase price at AUD/USD rate of 0.75. Other losses relate to commodity derivatives.

At 31 December 2017, the Company's gold forward position was 10,000 ounces of gold at an average price of A\$1,709/ounce with deliveries to mid-2018.

2.7. Cash flow

At 31 December 2017, the Company held cash in bank of \$52.162 million. The balance includes \$20.745 million raised from Tranche 1 equity placement and is after voluntary debt repayments of \$25 million, and a deposit of \$3.978 million for the Peak acquisition.

Operating cash flow for the period was positive \$33.968 million.

Investment cash outflows were \$12.018 million relating to mine development, processing plant capital, an increase in the environmental security bond of \$1.2 million and the Peak acquisition deposit.

Net cash flow from financing activities was negative \$4.651 million. The key outflow related to the \$25.0 million voluntary debt repayment to Glencore, which was netted off against the key inflow of \$20.745 million related to equity raising.

Net cash inflow for the year was \$17.299 million.

2.8. Borrowings

The debt liability to Glencore at balance date had a carrying value of \$83.329 million and a face value (nominal value) of \$84.352 million.

Net debt (nominal value of debt less cash) reduced by 57% over the period to 31 December 2017. At 30 June 2017 the net debt position was \$74.750 million (debt of \$109.614 million less available cash of \$34.863 million) and at 31 December 2017 the position reduced, due to a positive operating surplus, equity raised and debt repayments, to \$32.190 million (debt of \$84.352 million less cash of \$52.162 million).

The Company has entered into financing commitments with Investec Group for new underwritten debt facilities which offers the flexibility to refinance the Glencore debt (see Section 3. Below "Acquisition of Peak Mines").

2.9. Debt and Carrying Value of Borrowings

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

	Face Value \$k	Liability value recognised \$k	Repayment Start Date		Maturity	Convertible into Shares	Margin over BBSW (pts)
Facility B	54,403	53,760	31-Mar-19	(2)	30-Sep-21	Yes (1)	400-450
Facility C	10,447	10,303	31-Mar-18		30-Sep-20	No	400-450
Facility D	-	-	Undrawn	(3)			
Facility E	1,864	1,836	31-Mar-18		30-Apr-19	No	400-450
Facility F	17,638	17,430	31-Mar-19	(2)	30-Sep-21	Yes (1)	400-450
	84,352	83,329					

Note: On 3 Aug 17, the Company and its major lender in Glencore agreed a mechanism to enable early debt repayments. Any early debt repayments up to 31 March 2018 are applied against the outstanding balance of Facilities C & E, with the amount of early debt repayments directly reducing the amount of convertible debt able to be converted on 31 March 2018 for Facilities B & F. During the period, two early debt repayments totalling \$25 million were completed. The repayments were applied to Facilities C & E, and the convertible amounts of Facilities B & F were reduced by the repayment amounts.

(1) Convertible into shares 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. The amount able to be converted was reduced by the \$25 million, being the total of the early repayment amounts applied to Facilities C&E.

(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 until 31 March 2018
- all interest is suspended until 31 March 2018

- Until 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. During this six month period, one upside repayment of \$8.4 million was generated (CFADS for the quarter ended 31 December 17) which is payable on 31 March 2018.
- Once repayments commence on a facility, the originally agreed cash sweep mechanism starts. The cash sweep mechanism operates on each quarterly interest date whereby 80% of any available cash is swept and repaid against those facilities. Available cash is the cash balance after payment of all operating costs and mandatory principal and interest debt servicing requirements.

(b) Carrying value adjustment of borrowings

At balance date, the Company has recognised the carrying value of borrowings of \$83.329 million (30 June 2017: \$105.018 million). Repayments have been deferred until March 2018 and amounts due within the next 12 months (including the upside repayment generated on CFADS for the quarter ended 31 December 2017) have been shown as a current liability (\$10.4 million).

The carrying value of the debt at balance date can be compared to the face value of debt at balance date of \$84.352 million payable to Glencore. As the Company approaches the 31 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 now rather than in the in future periods, as a finance charge.

3. ACQUISITION OF PEAK MINES

During the period, the Company announced that it had entered into a binding agreement with TSX-listed New Gold Inc. ("New Gold") to acquire a 100% interest in Peak Mines ("Peak") in Cobar, NSW, for US\$58 million.

A funding requirement of A\$140M was identified at the time, with \$70M to be sourced via equity and the remainder via a syndicated debt facility with Investec Group.

With the successful capital raisings (see below) and the passing of all resolutions at the Company's EGM (held on 5 January 2018), the remaining material condition precedent is NSW Ministerial consent for the change in control of exploration licences. The Ministerial consent is pending, with receipt anticipated within the March 2018 quarter.

3.1 Equity Raising

Part of the funding plan to support the acquisition of Peak Mines was provided by equity placements to institutions and major shareholders, together with a Share Purchase Plan for smaller shareholders.

Tranche 1 of the equity raising was completed during the period and raised \$20.7 million (net of placement costs) for the issue of 104.0 million shares at \$0.21/share.

Tranche 2 (Institutional placement plus Pacific Road and Glencore placements) was completed on 12 January 2018, and raised \$56.4 million (net of placement costs) for the issue of 281.2 million shares at \$0.21/share.

The Share Purchase Plan raised \$8.3M for the issue of 39.8 million shares at \$0.21.

In total, the Company raised \$85.4M (net of placement costs) for the issue of 425.0 million shares at \$0.21/share. This amount exceeded the Company's expected raising of \$70M, with additional funds providing extra working capital to assist with the Peak Mines integration and provide flexibility to restructure its existing debt.

Debt Raising

Aurelia has entered into financing commitments with Investec Group for new underwritten debt facilities which will be used to settle the Transaction and provide flexibility to restructure its current debt obligations in the first half of 2018. The new facilities proposed will include:

- Senior Debt Facility of A\$45 million which is senior secured over the Peak assets. This will be refinanced by 30 June 2018 through the Corporate Amortising Loan referred to below;
- Guarantee Facility of A\$25 million initially to fund the Performance Bonds required to be provided in relation to Peak's rehabilitation obligations. This Guarantee Facility increases to A\$30 million once draw down of the Corporate Amortising Loan mentioned below occurs, to facilitate refinancing of Aurelia's current cash backed Performance Bond for Hera; and
- Corporate Amortising Loan for A\$85 million. This facility will be used, following satisfaction of the conditions precedent, to refinance the Senior Debt Facility used to fund the Transaction and provide additional debt capacity to restructure existing debt obligations during the first half 2018. As part of this structure, additional banks may be brought into the facility.

From initial drawdown of the Senior Debt Facility to acquire Peak, the maturity of the combined facility is 30 months.

Drawdown of the Debt Facilities is conditional upon satisfying conditions precedent usual for financings of this nature.

4. STANNUM PTY LTD

During the period a binding Heads of Agreement was entered into for the sale of Stannum Pty Ltd which is a 100% owned subsidiary of the Group. There are conditions precedent outstanding, primarily Ministerial Consent, and the transaction is incomplete at 31 December 2017. The carrying value of the company is immaterial.

5. SUBSEQUENT EVENTS

The following significant events occurred after 31 December 2017:

12 January 2018: Tranche 2 (Institutional placement plus Pacific Road and Glencore placements) were completed and raised \$56.4 million (net of placement costs) for the issue of 281.2 million shares at \$0.21/share.

6. 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:

Peak Mines Acquisition

Completion risk: There is no certainty that the acquisition will complete. Completion of the acquisition remains subject to receipt of Ministerial consent to the change in control and foreign acquisition of substantial control in PGMPL in relation to various Exploration Licences.

Integration risks: An important factor which may impact the long-term success of Aurelia is likely to be the successful integration of the businesses of Peak Mines into Aurelia. Whilst all effort will be made to ensure a successful integration, difficulties may be encountered in connection with this process which could result in the failure of Aurelia to realise some of the anticipated benefits of the acquisition or could result in those benefits being realised later than expected. Responsibility for the management of the operations at Peak

Mines is expected to be transferred from New Gold to Aurelia upon completion of the acquisition. The methods adopted by Aurelia in respect of operating Peak Mines may differ from the methods employed prior to the implementation of the acquisition. This may result in revisions to reserves and resources, life of mines, methodology for calculating cash costs, production forecasts and exploration and development targets for Peak Mines.

Due diligence risks. Aurelia undertook a targeted due diligence investigation process in respect of the Peak Mine acquisition and as part of that process reviewed certain information provided by or on behalf of New Gold. This information was largely provided by New Gold. Consequently, Aurelia has not been able to verify the accuracy, reliability or completeness of all the information which it reviewed against independent data and there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Peak Mines acquisition have been identified. Only limited contractual representations or warranties have been obtained in respect of the adequacy or accuracy of the materials disclosed during the due diligence process. If any of the data or information provided to and relied upon by Aurelia in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Peak Mines and Aurelia may be materially different to the financial position and performance expected by Aurelia and reflected in this presentation. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on Aurelia.

Acquisition liability risks. If the acquisition completes, Aurelia may become directly or indirectly liable for any liabilities that Peak Mines has incurred in the past, which were not identified during its due diligence or which are greater than expected, and for which the protections (for example, representations and warranties and indemnities) negotiated by Aurelia in the agreement to acquire Peak Mines turns out to be inadequate in the circumstances. From completion, Aurelia will be exposed to the risks associated with owning and operating Peak Mines.

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. However, this risk reduces with the acquisition of Peak Mines, as the Group will be transformed from a single mine company to a business with two operating mines, two complimentary process facilities, two sources of cash flow from a diversified commodity mix (which will include copper along with gold, silver, lead and zinc).

Fluctuations in the commodity price

The Group's revenues are exposed to fluctuations in the US\$ 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 US\$, hence the Company has a foreign exchange price risk when the US\$ price of a particular commodity is translated back to A\$ amounts.

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 the 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 re-estimated 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.

7. CURRENCY AND ROUNDING OF AMOUNTS

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

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

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.



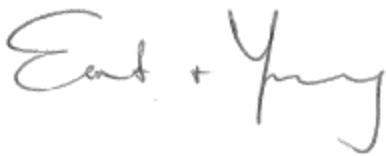
Colin Johnstone
Non-Executive Chairman
19 February 2018

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 2017, 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



Scott Jarrett
Partner
19 February 2018

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the half-year ended 31 December 2017

	Note	31-Dec-17 \$'000	31-Dec-16 \$'000
Operating sales revenue	3(a)	68,963	51,312
Cost of sales	3(b)	(41,204)	(42,559)
Gross profit		27,759	8,753
Corporate administration expenses	3(c)	(1,750)	(2,070)
Transaction costs	3(d)	(611)	-
Share based expenses	3(e)	(194)	(64)
Exploration and evaluation costs written off		(69)	(71)
Gain/(Loss) on derivatives	3(f)	(2,809)	1,895
Other income/(expense)	3(g)	(784)	(217)
Profit/(Loss) before interest and income tax		21,541	8,226
Finance income		242	204
Finance costs	3(h)	(3,456)	(4,078)
Profit/(Loss) before income tax		18,327	4,352
Income tax expense		-	-
Profit/(Loss) after income tax		18,327	4,352
Other comprehensive income		-	-
Total Comprehensive Profit/(Loss) for the year		18,327	4,352
Earnings per share for Profit/(Loss) attributable to the ordinary equity holders of the parent			
Basic Profit/(Loss) per share (cents per share)		4.1	1.1
Diluted Profit/(Loss) per share (cents per share)		3.9	0.8

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 2017

	Note	31-Dec-17 \$'000	30-Jun-17 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		52,162	34,863
Trade and other receivables		3,387	2,266
Inventories	4	7,822	6,090
Prepayments and other assets	5	4,558	286
Financial Assets	6	970	2,970
Total current assets		68,899	46,476
Non-current Assets			
Mine Properties	7	29,762	28,559
Property, plant and equipment	8	40,976	44,796
Exploration and Evaluation Assets	9	370	1,581
Financial Assets	6	4,742	3,625
Total non-current assets		75,850	78,561
Total assets		144,749	125,036
LIABILITIES			
Current liabilities			
Trade and other payables	10	7,298	6,934
Provisions	11	3,485	3,326
Financial Liabilities	12	1,821	-
Borrowings	13	11,173	3,344
Total current liabilities		23,778	13,605
Non-current Liabilities			
Provisions	11	12,426	12,910
Borrowings	13	73,059	102,302
Total non-current liabilities		85,485	115,212
Total liabilities		109,263	128,817
Net assets/(liabilities)		35,486	(3,780)
EQUITY			
Contributed Equity	14	121,210	100,465
Reserves	15	4,425	4,231
Retained losses		(90,149)	(108,476)
Total equity		35,486	(3,780)

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

Statement of Changes in Equity

For the half-year ended 31 December 2017

	Note	Issued Share Capital \$000's	Share Based Payments Reserve \$000's	Accumulated Losses \$000's	Total \$000's
Balance at 1 July 2016		99,929	4,034	(127,810)	(23,847)
Total Profit/(Loss) for the period		-	-	4,352	4,352
Transactions with owners in their capacity as owners					-
Shares issued for the period		-	-	-	-
Share based payments			64		64
Balance at 31 December 2016		99,929	4,097	(123,458)	(19,432)
Balance at 1 July 2017		100,465	4,231	(108,476)	(3,780)
Total Profit/(Loss) for the period		-	-	18,327	18,327
Transactions with owners in their capacity as owners					-
Shares issued for the period	14	21,840	-	-	21,840
Cost of share issue		(1,095)	-	-	(1,095)
Share based payments	18		194		194
Balance at 31 December 2017	14,15	121,210	4,425	(90,149)	35,486

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 2017

	31-Dec-17 \$000's	31-Dec-16 \$000's
Cash flows from operating activities		
Receipts from customers	67,933	51,800
Payments to suppliers and employees	(34,137)	(33,307)
Interest received	237	206
Interest paid	(65)	(33)
Net cash flows from operating activities	33,968	18,666
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,930)	(877)
Sale of property, plant and equipment	-	29
Exploration & evaluation expenditure	(224)	(690)
Mine capital expenditure	(3,834)	(3,786)
Profit /(loss) on foreign exchange and derivatives	(450)	-
Receipts from settlement of gold forwards	1,462	969
Increase in security deposits	(1,232)	(27)
Proceeds from sale of investments	180	211
Peak Acquisition deposit	(3,978)	-
Deferred acquisition (Hera Royalty)	(1,012)	(832)
	(12,018)	(5,002)
Cash flows from financing activities		
Proceeds from issue of shares	21,840	-
Share Issue Costs	(1,095)	-
Repayment of Glencore loans	(25,000)	(10,080)
Repayment of other borrowings	(192)	(272)
Other finance costs - withholding tax	(204)	(29)
	(4,651)	(10,380)
Net increase in cash and cash equivalents	17,299	3,284
Cash and cash equivalents at the beginning of the year	34,863	18,112
Cash and cash equivalents at end of the year	52,162	21,396

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 2017 was authorised for issue in accordance with a resolution of the Directors on 19 February 2018.

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

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

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

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2017 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 at 30 June 2017.

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 2017, the Group reported a net profit of \$18.327 million (Dec 2016: \$4.352 million) and net operating cash inflows of \$33.968 million (Dec 2016: inflows of \$18.666 million). At 31 December 2017, the Group is in a net current asset position of \$45.121 million (June 2017: \$32.871 million) and net total asset position of \$35.486 million (June 2017: net liability of \$3.780 million).

The improvement in the net asset position during the year reflects debt repayments (\$25.0 million) to the Company's main financiers and improved operating performance during the period.

The Company believes that the positive combination of the Peak acquisition, the current debt agreement with the Company's main financier, which includes a deferral of debt obligations and the ability to convert a significant portion of debt into equity, combined with improved operating performance and generally positive commodity price environment will enable the business to continue to improve its net asset 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 2017. The Company is the process of assessing the impact of the new standards.

Reference	Title	Application date of standard	Application date for Group
AASB 16	<i>Leases</i>	1 January 2019	1 July 2019
AASB 15	<i>Revenue from Contracts with Customers (i)</i>	1 January 2018	1 July 2018
AASB 9	<i>Financial Instruments</i>	1 January 2018	1 July 2018
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017	1 July 2017
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	1 July 2018
AASB 22	<i>Foreign Currency transactions and Advance Consideration</i>	1 January 2018	1 July 2018

- (i) AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of total control. The standard has an effective date for the Group of 1 July 2018. The Group plans to adopt the new standard on the effective date.

During the half-year reporting period ending 31 December 2017, the Group continued its preliminary assessment of AASB 15 and the key issues identified are set out below. These are based on the Group's current interpretation of AASB 15 and may be subject to changes as more detailed analysis is completed and as interpretations evolve more generally. The Group is considering and will continue to monitor any further development.

The Groups revenue is derived from bullion and base metal sales:

Bullion sales: For the sale of bullion, ownership and control are passed onto the customer at delivery. We do not anticipate the sales to be materially affected by the new standard.

Base metal sales: For base metal sales, the point of revenue recognition is dependent on the sales contract which is on Cost, Insurance and Freight (CIF) incoterms. As the transfer of title passes to the Buyer upon date of the Holding and Title Certificate and risk passes onto the Buyer once the material has been loaded into the carrying vessel at the Loadport, the timing and amount of revenue recognised for the sale of concentrate is unlikely to be materially affected.

AASB 15 introduces the concept of performance obligations that are defined as "distinct" promised goods or services. For CIF Incoterms, the seller must contract for and pay the costs and freight necessary to deliver the goods to the port of destination. Consequently the freight service on export concentrate represents a separate performance obligation as defined under the new standard. This means a portion of the revenue earned under these contracts, representing the cost of the freight services, will be deferred and recognised at the time the obligation is fulfilled. Based on the preliminary assessment performed the impact of this change on the amount of revenue recorded is not expected to be material.

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

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

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

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-17 \$'000	31-Dec-16 \$'000
(a) Operating sales revenue		
Gold	40,587	38,349
Base metal concentrate	27,842	12,582
Silver	535	381
Total operating sales revenue	68,963	51,312
(b) Cost of sales		
Site production costs	28,326	26,565
Transport and refining	3,231	2,885
Royalty	1,855	1,128
Inventory movement	(1,966)	(1,170)
	31,446	29,407
Depreciation and amortisation	9,758	13,152
Total cost of sales	41,204	42,559
(c) Corporate administration expenses		
Corporate expenses	1,730	2,034
Corporate depreciation	20	36
Total corporate administration expenses	1,750	2,070
(d) Transaction costs		
Transaction costs	(i) 611	-
(i) Relates to legal, consulting and other transaction costs pertaining to the Peak Mines acquisition		
(e) Share based expenses		
Share based payments expense - employees	194	64
Total share based expenses	194	64

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	31-Dec-17 \$'000	31-Dec-16 \$'000
(f) Gain/(Loss) on derivatives		
Gain/(Loss) on foreign exchange contracts	(1,821)	36
Other foreign exchange losses	(417)	
Gain on gold forward contracts	(364)	1,826
Embedded derivatives and hedging on base metals	(207)	33
Total gain/(loss) on derivatives	(2,809)	1,895
(g) Other income/(expenses)		
Plant and equipment written off	(1,100)	19
Sundry income	251	(237)
Gain/(Loss) on disposal of financial assets	65	-
Total other income/(expenses)	(784)	(217)
(h) Finance costs		
Interest expense	3,394	4,087
Unwind of discount - Rehabilitation provision	62	(9)
Total finance costs	3,456	4,078
(i) Depreciation and amortisation		
Property, plant and equipment	5,097	5,862
Mine properties	4,682	7,326
Total depreciation and amortisation	9,779	13,188
Represented by:		
Cost of sales depreciation	9,758	13,152
Corporate depreciation	20	36
Total depreciation and amortisation	9,779	13,188
(j) Employee benefits expense		
Salaries, on-costs and other employee benefits	5,431	5,451
Superannuation expense	4	290
Share based payments expense - employees	194	64
Total employee benefits expense	5,630	5,805

4. INVENTORIES

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Stores inventory (materials on hand)	2,234	2,469
Ore stockpiles	639	378
Metal in circuit	188	117
Finished concentrate	3,957	2,559
Finished gold dore	804	568
Total current inventory	<u>7,822</u>	<u>6,090</u>

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

5. PREPAYMENTS AND OTHER ASSETS

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Prepayments	579	286
Deposit paid for Peak Acquisition (i)	3,978	-
Closing balance	<u>4,558</u>	<u>286</u>

(i) Being US\$3 million deposit paid to Newgold for the acquisition of Peak Mines. Refer to Section 3 of the OFR in the Directors report for further details.

6. FINANCIAL ASSETS

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Current		
Gold Forward Contracts	375	2,202
Embedded Derivatives - provisionally priced sales	595	769
	<u>970</u>	<u>2,970</u>

Non-current

Shares in Aus Tin Mining Limited (i)	-	115
Term Deposits	4,742	3,510
	<u>4,742</u>	<u>3,625</u>

(i) Movement in carrying value

Opening balance	115	477
Gain/(Loss) on revaluation	-	26
Sale of investments	(115)	(389)
Closing balance	<u>-</u>	<u>115</u>

7. MINE PROPERTIES

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Opening balance	28,559	30,006
Transfer from Exploration	1,365	-
Development expenditure during the year	4,520	10,163
Amortisation for the year	(4,682)	(11,610)
Closing balance	<u>29,762</u>	<u>28,559</u>

Impairment losses

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

31 Dec 2017

A review of indicators for impairment was conducted at 31 December 2017. There were no indicators identified that warranted a full impairment test at 31 Dec 17.

30 Jun 2017

A review of indicators for impairment was conducted at 30 June 2017. There were no indicators identified that warranted a full impairment test at 30 June 2017.

8. PROPERTY, PLANT AND EQUIPMENT

	30-Dec-17 \$'000	30-Jun-17 \$'000
Plant and equipment at cost	69,091	68,111
Property at cost (i)	275	275
Accumulated depreciation and impairment	(28,390)	(23,591)
Total property, plant and equipment	40,976	44,796

Movement in Property, Plant & Equipment

Opening balance	44,796	50,508
Additions/expenditure during the year	2,379	4,486
Assets scrapped/written off	(1,102)	(336)
Disposals of assets	-	(10)
Depreciation for the year	(5,097)	(9,852)
Closing balance	40,976	44,796

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

9. EXPLORATION AND EVALUATION ASSETS

	31-Dec-17 \$'000	30-Jun-17 \$'000
At cost	25,128	24,866
Transfer to mine development	(1,365)	-
Accumulated write offs	(23,392)	(23,285)
Total exploration and evaluation assets	370	1,581
Opening balance	1,581	106
Expenditure during the year	224	2,084
Expenditure written off during the year	(69)	(609)
Transfer to mine development	(1,365)	-
Closing balance	370	1,581

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

10. TRADE AND OTHER PAYABLES

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Trade payables	1,788	2,481
Accrued expenses	5,510	4,453
	<u>7,298</u>	<u>6,934</u>

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

11. PROVISIONS

31-Dec-17	Rehabilitation (i) \$'000	Deferred Acquisition Costs (ii) \$'000	Employee \$'000	Other (iii) \$'000	Total \$'000
Opening balance	4,152	9,386	583	2,115	16,237
Re-measurement of provision	(2)	849	375	(29)	1,192
Discount unwind charged to Income Statement	(62)	-	-	-	(62)
Paid/utilised during the year	-	(1,012)	(286)	(156)	(1,454)
Closing Balance	<u>4,088</u>	<u>9,222</u>	<u>672</u>	<u>1,930</u>	<u>15,912</u>
<u>Comprising:</u>					
Current 31-Dec-17	-	2,847	639	-	3,485
Non-current 31-Dec-17	<u>4,088</u>	<u>6,376</u>	<u>33</u>	<u>1,930</u>	<u>12,426</u>
Total provisions 31-Dec-17	<u>4,088</u>	<u>9,222</u>	<u>672</u>	<u>1,930</u>	<u>15,912</u>
Current 30-Jun-17	-	2,774	552	-	3,326
Non-current 30-Jun-17	<u>4,152</u>	<u>6,612</u>	<u>31</u>	<u>2,115</u>	<u>12,910</u>
Total provisions 30-Jun-17	<u>4,152</u>	<u>9,386</u>	<u>583</u>	<u>2,115</u>	<u>16,237</u>

(i) Rehabilitation provision represents the present value of the estimated future rehabilitation cost relating to the mine sites. Timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. The Company holds a term deposit of \$4.175 million (30 June 2017: \$2.933 million) as security over the rehabilitation costs.

(ii) 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 2.36%. The deferred consideration is revalued at each reporting period through the carrying value of the asset in accordance with the transitional requirements of AASB 3 Business Combinations.

(iii) Other provisions represent withholding tax which is payable when accrued interest on the Glencore debt is capitalised and/or paid.

12. FINANCIAL LIABILITIES

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Current		
Foreign Exchange Forward contract	1,821	-

Relates to FX forward contract taken on US\$45 million for the funding of the Peak Mines acquisition.

13. BORROWINGS

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Current		
Finance leases (a)	322	343
Glencore borrowings (b)	10,402	3,001
Insurance Funding	449	-
Total current borrowings	11,173	3,344

Non-current		
Finance leases (a)	132	285
Glencore borrowings (b)	72,927	102,017
Total Non-current borrowings	73,059	102,302

Total Current and Non-current borrowings

Finance leases	454	628
Glencore borrowings	83,329	105,018
Insurance Funding	449	-
Total borrowings	84,232	105,646

(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. Under the current agreement with Glencore on each CFADS (Cash Flow Available for Debt Service) 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. Total CFADS sweep repayments of \$8.4 million was generated during the year and is payable 31 Mar 18. Voluntary repayments of \$25 million was made during the period. All interest is suspended until 31 March 2018.

Refer to Section 2.9 of the Operating and Financial Report for further details regarding the maturity dates, convertibility and interest rates of the Glencore borrowings.

Summary of Glencore Borrowings		31-Dec-17	30-Jun-17
<u>Carrying Value of Glencore Borrowings</u>		\$'000	\$'000
Facility B	(i)	53,760	52,204
Facility C		10,303	30,461
Facility D		-	-
Facility E		1,836	5,427
Facility F	(i)	17,430	16,925
Current and Non-Current Glencore Liability Balance		83,329	105,018

	31-Dec-17	30-Jun-17
<u>Face Value of Glencore Borrowings (undiscounted value)</u>	<u>\$'000</u>	<u>\$'000</u>
Facility B	54,403	54,403
Facility C	10,447	31,883
Facility D	-	-
Facility E	1,864	5,690
Facility F	17,638	17,638
Face Value of Current and Non-Current Glencore Borrowings	84,352	109,614

(i) Convertible into shares 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. The amount able to be converted has been reduced by \$25 million being the early repayments during the period. The convertible amounts at Balance date are: Fac B - \$35.3 million and Fac F - \$11.4 million. 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.

14. CONTRIBUTED EQUITY

31-12-17	Date	Number	\$'000
Opening balance	01-Jul-17	430,858,188	100,465
Issue of shares (i)	27-Nov-17	104,000,000	21,840
Cost of share issue		-	(1,095)
Closing balance	31-Dec-17	534,858,188	121,210

30-06-17	Date	Number	\$'000
Opening balance	01-Jul-16	387,991,188	99,929
Issue of shares	08-Feb-17	40,000,000	500
Issue of shares	23-Feb-17	2,867,000	36
Closing balance	30-Jun-17	430,858,188	100,465

(i) Issue related to Tranche 1 placement of 104,000,000 ordinary shares at \$0.21/share.

14.1 Ordinary shares

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

14.2 Capital management

The entity does not have a defined share buy-back plan or a dividend reinvestment plan. No dividends were paid in the year ending 30 June 2017.

15. RESERVES

	31-Dec-17	30-Jun-17
	<u>\$'000</u>	<u>\$'000</u>
Share based Payments Reserve	4,425	4,231

(a) Movement in Reserves	31-Dec-17	30-Jun-17
	\$'000	\$'000
- Opening balance	4,231	4,034
Share based payment expense	194	197
Closing balance	<u>4,425</u>	<u>4,231</u>

(b) Movement in options on issue		31-Dec-17	30-Jun-17
	Date	Number	Number
Opening balance	01-Jul-17	10,000,000	158,000,000
Expiry of options - Glencore	(i) 09-Dec-16	-	(108,000,000)
Exercise of options	(ii) 09-Feb-17	-	(40,000,000)
Closing balance	31-Dec-17	<u>10,000,000</u>	<u>10,000,000</u>

(i) 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.

(ii) Relates to exercise of options by PacRoad Capital Management Pty Ltd.

(c) Movement in Performance Rights on Issue		31-Dec-17	30-Jun-17
	Date	Number	Number
Opening balance	01-Jul-17	6,570,000	382,000
Grant of performance rights	28-Nov-16	-	4,500,000
Grant of performance rights	20-Dec-16	-	2,000,000
Expiry of performance rights	various	-	(312,000)
Closing balance	31-Dec-17	<u>6,570,000</u>	<u>6,570,000</u>

(d) Total Movement in Options & Rights		31-Dec-17	30-Jun-17
		Number	Number
Opening balance		16,570,000	158,382,000
Net movement in options		-	(148,000,000)
Net movement in performance rights		-	6,188,000
Closing balance		<u>16,570,000</u>	<u>16,570,000</u>

16. EXPENDITURE COMMITMENTS

16.1 Operating lease commitments

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	31-Dec-17	30-Jun-17
	\$'000	\$'000
Within one year	2,760	2,853
Between one and five years	933	2,178
More than five years	-	-
Closing balance	<u>3,693</u>	<u>5,032</u>

16.2 Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. Future minimum rentals payable under finance leases and hire purchase contracts together with the present value (PV) of the net minimum lease payments are as follows:

	31-Dec-17 \$'000		30-Jun-17 \$'000	
	Minimum payments	PV of payments	Minimum payments	PV of payments
Within one year	341	322	373	343
Between one and five years	133	132	293	285
More than five years	-	-	-	-
Total Payments	475	454	667	628
Less: Finance charges	(21)		(38)	
PV of lease payments	454	454	628	628

16.3 Commitments

At 31 December 2017, the Group had commitments of USD58 million in relation to the Peak Mines acquisition (refer to Section 3 of the OFR in the Directors' report for further detail), and \$2.329 million from normal business operations (30 June 2017: \$2.808 million), of which \$1.440 million relates to annual exploration/mining lease minimum annual expenditures (30 June 2017:\$1.271 million).

17. OPERATING SEGMENTS

17.1 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 and Corporate activities. 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.

17.2 Accounting policies and inter-segment transactions

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

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

17.3 Profit/(Loss) of reportable segments

	Hera- Nymagee project \$000's	Corporate \$000's	Total \$000's
Year ended 31 December 2017			
Sales	68,963	-	68,963
EBITDA	37,601	(2,424)	35,176
Depreciation and amortisation	(9,758)	(20)	(9,779)
Exploration costs written off	(62)	(7)	(69)
Segment Profit/(Loss) after tax	27,780	(2,452)	25,328

Reconciliation of Profit/(Loss) before income tax expense

Interest and other income	242
Gain/(Loss) on foreign exchange, hedging and derivatives	(2,809)
Other income/ expenses	(784)
Interest, finance and other charges	(3,456)
Share based expenses	(194)
Profit/(Loss) before Income Tax Expense	18,327

	Hera - Nymagee project \$000's	Corporate \$000's	Total \$000's
Year ended 31 December 2016			
Sales	51,312	-	51,312
EBITDA	21,906	(2,034)	19,872
Depreciation and amortisation	(13,152)	(36)	(13,188)
Exploration costs written off	(35)	(36)	(71)
Segment net profit /(loss) after tax	8,718	(2,106)	6,612

Reconciliation of Profit/(Loss) before income tax expense

Interest and other income	453
Gain/(Loss) on debt restructure	(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)
Profit/(Loss) before Income Tax Expense	4,352

17.3.1 Asset and Liability position of reportable segments

	Hera- Nymagee project \$000's	Corporate \$000's	Total \$000's
Segment assets at 31 December 2017			
Cash and cash equivalents	31,487	20,675	52,162
Trade and other receivables	2,834	554	3,387
Inventories and materials on hand	7,822	-	7,822
Prepayments	83	4,474	4,558
Property, plant and equipment	40,683	293	40,976
Mine properties	29,762	-	29,762
Financial assets	970	4,742	5,712
Exploration and evaluation assets	191	179	370
Total assets at 31 December 2017	113,831	30,918	144,749
Segment liabilities at 31 December 2017			
Trade and other payables	6,554	744	7,298
Deferred acquisition costs - current	2,847	-	2,847
Deferred acquisition costs - non - current	6,376	-	6,376
Hera Rehabilitation provision	4,088	-	4,088
Provisions	2,450	152	2,602
Financial Liabilities	-	1,821	1,821
Borrowings	66,353	17,879	84,232
Total liabilities at 31 December 2017	88,667	20,596	109,263
	Hera- Nymagee project \$000's	Corporate \$000's	Total \$000's
Segment assets at 30 June 2017			
Cash and cash equivalents	29,825	5,038	34,863
Trade and other receivables	1,576	690	2,266
Inventories and materials on hand	6,090	-	6,090
Prepayments	54	232	286
Property, plant and equipment	44,470	325	44,796
Mine properties	28,559	-	28,559
Financial assets	2,970	3,625	6,595
Exploration and evaluation assets	1,411	170	1,581
Total assets at 30 June 2017	114,956	10,080	125,036
Segment liabilities at 30 June 2017			
Trade and other payables	6,572	362	6,934
Deferred acquisition costs - current	2,774	-	2,774
Deferred acquisition costs - non - current	6,612	-	6,612
Hera Rehabilitation provision	4,152	-	4,152
Provisions	2,570	129	2,698
Borrowings	88,720	16,925	105,646
Total liabilities at 30 June 2017	111,400	17,416	128,817

(1) Geographic and revenue diversity information

During the period the \$41.122 million (2016: \$38.730 million) of gold and silver revenue was derived from customers in Australia and base metal revenue of \$27.842 million (2016: \$12.582 million) was derived from countries outside of Australia.

The Company has base metal concentrate offtake agreements with Glencore. During the period approximately 40% of revenue relied on the sale of base metal concentrate from Glencore.

All gold and silver sales were to Perth Mint.

17.4 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 \$83.329 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.

31-Dec-17	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
Assets			
Gold Forwards	375	-	-
Embedded derivatives on concentrate sales	-	595	-
Term Deposits	4,742	-	-
Liabilities			
Deferred Acquisition Costs	-	-	9,222
FX Forward contract	-	1,821	-
30-Jun-17	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
Shares in AusTin Mining	115	-	-
Gold Forwards	2,202	-	-
Embedded derivatives on concentrate sales	-	769	-
Term Deposits	3,510	-	-
Liabilities			
Deferred Acquisition Costs	-	-	9,386

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\$1605/oz. The discount rate used was the five year government bond rate of 2.36%.
- FX Forward Contract - marked-to-market value based on spot USD/AUD exchange rate at balance date.

18. 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-17 \$'000	31-Dec-16 \$'000
Expense from share based payments to employees	194	64
Total	194	64

19. RELATED PARTIES TRANSACTIONS

Directors fees in the amount of \$35,587 were paid to Pacific Road Capital Management Pty Ltd, a company of which Paul Espie is a Director, for services provided during the period (2016: \$32,058).

Directors fees in the amount of \$35,587 were paid to Kilorin Pty Ltd, a company of which Mike Menzies is a Director, for services provided during the period (2016: \$32,058).

Directors fees in the amount of \$35,587 were paid to Glencore International AG, a company of which Rune Symann is a Director, for services provided during the period (2016: \$32,058).

Directors fees in the amount of \$54,750 were paid to Lazy 7 Pty Ltd, a company of which Colin Johnstone is a Director, for services provided during the period (2016: nil).

20. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

21. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The balance of the Company's franking account is nil (30 June 2017: Nil).

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

19 February 2018

Independent Auditor's Review Report to the Members of Aurelia Metals Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Aurelia Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

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 control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

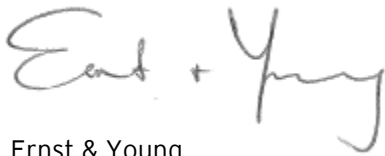
Auditor's Responsibility

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, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

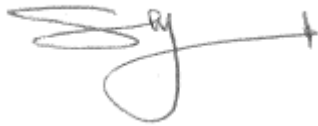
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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*.



Ernst & Young



Scott Jarrett
Partner
Sydney
19 February 2018