



A.C.N 108 476 384

**HALF YEAR
FINANCIAL REPORT**

31 December 2014

Corporate Directory

Directors

Mr Anthony Wehby (Chairman)

Mr Rimas Kairaitis (Managing Director)

Mr Gary Comb

Mr Paul Espie

Mr Michael Menzies

Mr Mark Milazzo

Company Secretary

Mr Richard Willson

Registered Office and Principal place of business

Aurelia Metals Limited

2 Corporation Place

ORANGE NSW 2800

Telephone: (02) 6363 5200

Facsimile: (02) 6361 4711

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

Auditors

Ernst and Young

680 George Street

Sydney NSW 2000

Website

www.aureliametals.com

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Directors' Report

Your Directors submit their report for the half year ended 31 December 2014.

DIRECTORS

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.

Mr Anthony Wehby (Chairman)

Mr Rimas Kairaitis (Managing Director)

Mr Gary Comb

Mr Paul Espie

Mr Michael Menzies

Mr Mark Milazzo

Dr Guoqing Zhang (Retired 14 November 2014)

Mr Richard Willson (Alternate for Mr Gary Comb & Mr Mark Milazzo to 22 January 2015)

Mr Yong Chen (Alternate for Dr Guoqing Zhang to 14 November 2014)

Ms Susan Corlett (Alternate for Mr Paul Espie on 17 July 2014)

REVIEW AND RESULTS OF OPERATIONS

Financial Performance

The net loss after tax of Aurelia Metals Limited ("AMI" or "Company") and its subsidiaries together ("Group" or "Consolidated Entity") for the half year period to 31 December 2014 was \$5,487,317 (2013: loss \$6,108,048). The result included an exploration impairment charge of \$3,347,093 (2013: \$101,076).

The Group completed mine construction activities, and commenced commissioning of the processing facilities at Hera. On 12 September 2014 the Group achieved its first gold pour at Hera and during the period achieved pre-production gold, silver and concentrate sales of \$9,768,615 (2013: nil) as a credit against development expenditure of \$20,531,692 (2013: \$39,869,520). Exploration expenditure for the half year ending 31 December 2014 was \$808,905 (2013: \$1,328,545), which was primarily incurred on the Hera and Nymagee projects.

At 31 December 2014 the cash balance was \$9.7 million compared to \$25.8 million at 31 December 2013.

Operational Performance

Company activities for the period were dominated by development/commissioning activities at the Hera Project and exploration activities at Hera. Other significant events included:

- Issue of 5,590,027 shares to Pybar Mining Services worth \$2 million as part payment for mining services
- Issue of 9,905,000 shares to Pacific Road Capital ("Pacific Road") to raise \$3,097,057 (after broker fees)
- Announcement of a Rights Issue to raise \$10 million before fees

Hera Project

Key activities and milestones in the period:

- Underground mine performance continued strongly with 2,163.5m of lateral advance for the period
- First gold dore and base metal concentrate sales
- Hera mine formally opened on 26 November 2014
- Hera process plant in final stages of commissioning
- Optimisation of metal recoveries, with lead and zinc recoveries to concentrate improving to >95%
- Multiple high-grade results from underground exploration drilling at Hera, outside of existing mine Reserves

Directors' Report

Hera Exploration

- Drilling 200-300m north of the Hera deposit discovered a new zone of strong gold-silver-lead-zinc mineralisation (Hera North Lens) outside of the Hera Reserve. Drill results indicate potential to add high grade extensions to the current mine life. Drill intercepts from the Hera North Lens received in the period included:
 - 17.1m @ 14.8g/t Au, 168g/t Ag, 15.9% Pb and 15.2% Zn
- High-grade results from underground exploration drilling at the Hera Project recorded further strong results on both the Hays Lens (outside of existing mine Reserves) and the Hera South Lens (to the south of existing mine Reserves):

Highlight results from the Hays Lens include:

- o 9.0m @ 32.6g/t Au, 1.3% Pb and 2.3% Zn
- o 3.1m @ 80.9g/t Au, 24g/t Ag, 1.1% Pb and 1.6% Zn
- o 4.2m @ 17g/t Au, 6g/t Ag, 0.9% Pb and 1.9% Zn
- o 7.7m @ 16.4g/t Au, 9g/t Ag and 5.1% Pb+Zn
- o 7.2m @ 10.5g/t Au, 29g/t Ag and 10.2% Pb+Zn
- o 4.0m @ 32.8g/t Au, 22g/t Ag and 4.8% Pb+Zn

Highlight results from the Hera South Lens include:

- o 11.25m @ 6.2g/t Au, 13g/t Ag and 2.8% Pb+Zn
- o 23.7m @ 6.9g/t Au, 14g/t Ag and 5.9% Pb+Zn, including 7.7m @ 19.6g/t Au, 11g/t Ag and 6.2% Pb+Zn
- o 8.95m @ 11.8g/t Au, 39g/t Ag and 7.5% Pb+Zn

Nymagee Exploration

- Assay results from massive sulphide intersected at the Nymagee Copper Project (hole NMD092) were received in the period confirming the strong tenor of the Nymagee North mineralisation, with results including:
 - 6.25m @ 0.5% Cu, 3.7% Pb, 8.6% Zn and 107g/t Ag from 957.75m

Competent Persons Statement – Exploration Results

The information in this presentation that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report

Corporate

Share Issues announced 22 September 2014:

- AMI reached agreement with its underground mining contractor, Pybar Mining Services ("Pybar"), whereby the Company will issued Pybar \$2 million worth of ordinary AMI shares as part payment for mining services rendered to the Company during months of strong over-performance of the Hera underground development in July & August 2014.
- AMI and Pacific Road agreed an amendment to the Share Subscription Agreement ('SSA') announced to the ASX on 6th December 2013, which will see Pacific Road subscribe to \$3.2 million, on the terms summarised below:
 - 2,778,050 shares at \$0.2434 to raise \$676,177 being the remaining Phase 1 shares under the SSA and;
 - 7,126,950 shares at \$0.3578 to raise \$2,552,032 being shares issued under Phase 2 of the amended SSA.

Rights Issue

On 16 December 2014 Aurelia announced a fully underwritten, non-renounceable rights issue to raise \$10 million where eligible shareholders were invited to subscribe for 1 new share for every 8 shares held at \$0.234 per share (Rights Issue). The Rights Issue proceeds will be allocated to an expanded exploration drilling campaign, working capital and the pursuit of potential company growth transactions.

The Rights Issue was fully underwritten by Key Pacific Advisory Partners Pty Ltd and fully sub-underwritten by Aurelia's largest shareholder, Pacific Road.

The Rights Issue closed on 21 January 2015 with applications for \$4.23 million received from eligible shareholders.

The balance of 24.6 million shares (\$5.77 million) have been allotted to the underwriter / sub-underwriter, subsequent to balance date.

Directors' Report

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the Directors of Aurelia Metals Limited with an Auditor's Independence Declaration in relation to the review of the half-year financial report. The Independence Declaration is set out on page 7 and forms part of this Directors' Report for the half year ended 31 December 2014.

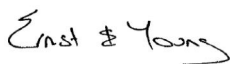
Signed in accordance with a resolution of the Directors.

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

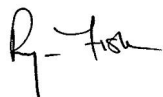
Mr. Anthony Wehby
Chairman
6 March 2015

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

In relation to our review of the financial report of Aurelia Metals Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Ryan Fisk
Partner
6 March 2015

Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated	
		31-Dec-14	31-Dec-13
		\$	\$
Income			
Interest income		169,830	52,740
Other income		770	-
Total income		<u>170,600</u>	<u>52,740</u>
Loss on revaluation of financial assets	2	605,934	4,239,878
Compliance costs		200,685	119,253
Consultants and contractors		184,279	181,926
Employee costs	2(c)	795,217	1,077,100
Company promotional costs		64,561	39,278
Administration expense		273,985	191,161
Travel costs		81,859	98,574
Capitalised exploration costs written off	5	3,347,093	101,076
Depreciation and amortisation		<u>104,304</u>	<u>112,542</u>
Expenses		<u>5,657,917</u>	<u>6,160,788</u>
Loss before income tax		<u>(5,487,317)</u>	<u>(6,108,048)</u>
Income tax expense		-	-
Loss after income tax		<u>(5,487,317)</u>	<u>(6,108,048)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(5,487,317)</u>	<u>(6,108,048)</u>
Earnings per share for loss attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)		(1.63)	(2.24)
Diluted loss per share (cents per share)		(1.63)	(2.24)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Statement of Financial Position

AS AT 31 DECEMBER 2014

		Consolidated	
		31-Dec-14	30-Jun-14
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	9,675,797	21,590,959
Trade and other receivables		2,076,427	915,788
Inventories	4	10,544,040	2,437,235
Financial assets		1,019,927	-
Prepayments		173,973	117,253
Total current assets		23,490,164	25,061,235
Non current assets			
Property, plant and equipment		816,203	939,283
Financial assets		2,010,317	3,940,884
Exploration and evaluation assets	5	16,690,883	19,228,531
Mine properties	6	159,731,850	143,408,631
Total non current assets		179,249,253	167,517,329
Total assets		202,739,417	192,578,564
LIABILITIES			
Current liabilities			
Trade and other payables		15,166,307	8,739,703
Provisions		1,782,856	1,344,163
Borrowings	7	8,689,131	397,653
Total current liabilities		25,638,294	10,481,519
Non current liabilities			
Provisions		8,026,625	8,248,049
Borrowings	7	101,944,029	106,185,245
Total non current liabilities		109,970,654	114,433,294
Total liabilities		135,608,948	124,914,813
Net assets		67,130,469	67,663,751
Equity			
Contributed equity	8	90,458,217	85,361,160
Reserves		2,754,450	2,897,472
Retained losses		(26,082,198)	(20,594,881)
Total equity		67,130,469	67,663,751

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Consolidated

	Issued Share Capital	Share Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at 1 July 2013	70,180,671	2,396,118	(9,971,440)	62,605,349
Total comprehensive loss for the period	-	-	(6,108,048)	(6,108,048)
Transactions with owners in their capacity as owners				
Shares issued for the period	15,983,823	-	-	15,983,823
Share issue costs	(803,334)	-	-	(803,334)
Share based payment expense during the period	-	410,706	-	410,706
Balance as at 31 December 2013	<u>85,361,160</u>	<u>2,806,824</u>	<u>(16,079,488)</u>	<u>72,088,496</u>
 Balance as at 1 July 2014	 85,361,160	 2,897,472	 (20,594,881)	 67,663,751
Total comprehensive loss for the period	-	-	(5,487,317)	(5,487,317)
Transactions with owners in their capacity as owners				
Shares issued for the period	5,226,057	-	-	5,226,057
Share issue costs	(129,000)	-	-	(129,000)
Share based payment expense during the period	-	(143,022)	-	(143,022)
Balance as at 31 December 2014	<u>90,458,217</u>	<u>2,754,450</u>	<u>(26,082,198)</u>	<u>67,130,469</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31-Dec-14	31-Dec-13
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,390,388)	(1,240,220)
Research and Development Refund	85,286	-
Interest received	221,436	264,633
Net GST on purchases refunded from ATO	2,024,125	3,428,198
Net cash flows used in operating activities	940,459	2,452,611
Cash flows from investing activities		
Payments for property, plant and equipment	(6,771)	(8,974)
Exploration and evaluation expenditure	(1,090,548)	(1,005,132)
Mine properties expenditure	(23,908,382)	(35,964,053)
Receipts from pre-production sales to customers	9,053,847	-
Receipts from sale of gold put options	304,705	-
Net cash flows used in investing activities	(15,647,149)	(36,978,159)
Cash flows from financing activities		
Proceeds from issue of shares	3,226,057	14,323,823
Borrowings	-	30,000,000
Loan repayments	(195,324)	-
Interest on borrowings	(70,205)	-
Share issue costs	(129,000)	(146,697)
Facility establishment costs	(40,000)	(120,000)
Net cash flows from financing activities	2,791,528	44,057,126
Net (decrease)/increase in cash and cash equivalents	(11,915,162)	9,531,578
Cash and cash equivalents at beginning of period	21,590,959	16,312,989
Cash and cash equivalents at end of period	9,675,797	25,844,567

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

CORPORATE INFORMATION

The general purpose financial report of Aurelia Metals Limited for the half year ended 31 December 2014 was authorised for issue in accordance with a resolution of Directors on 6 March 2015.

Aurelia Metals Limited ("Aurelia Metals", "the Company", "AMI") is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. Aurelia Metals is a for profit entity.

The principal activity of the Company and its subsidiaries (together the "Consolidated Entity") is mineral exploration and production. The address of the registered office is 2 Corporation Place, Orange NSW.

This general purpose financial report is presented in Australian Dollars (\$AUD).

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This interim general purpose financial report for the half year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and The Corporations Act 2001. The half year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the Half Year Financial Report be read in conjunction with the Annual Report for the year ended 30 June 2014 and considered together with any public announcements made by Aurelia Metals Limited during the half year ended 31 December 2014 in accordance with continuous disclosure obligations of the ASX listing rules.

The Group is in a current net liability position as at 31 December 2014. The Directors believe there is sufficient evidence to support the going concern assumption, given that the Glencore debt relating to facility A and B is convertible, combined with current cash levels and the capital raising subsequent to the half year.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014, except for the mandatory adoption of new and revised Standards and Interpretations issued by the AASB. The adoption of the new and revised Standards and Interpretations had no material impact on these financial statements or on the financial position and performance of the group.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

2. REVENUE AND EXPENSES

		Consolidated	
		31-Dec-14	31-Dec-14
Loss on revaluation of financial assets			
Loss on revaluation of investments	(a)	287,230	68,200
Unrealised loss on revaluation of gold put options	(b)	265,704	4,171,678
Realised loss on revaluation of gold put options	(b)	53,000	-
		<u>605,934</u>	<u>4,239,878</u>

- (a)** Loss on revaluation of investments relates to revaluation of shares held in Aus Tin Mining to the ASX market value at 31 December 2014.
- (b)** Loss on revaluation of financial assets relates to realised and unrealised gains/losses on gold put options for which further detail can be found in Note 11.

		Consolidated	
		31-Dec-14	31-Dec-13
		\$	\$

Loss before income tax includes the following specific expenses:

(c) Employee benefits expense

Salaries and on-costs	938,239	666,394
Employee options and performance rights	(143,022)	410,706
	<u>795,217</u>	<u>1,077,100</u>

		Consolidated	
		31-Dec-14	30-Jun-14
		\$	\$

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

Cash at bank and in hand	3,705,797	9,420,959
Short-term deposits	5,970,000	12,170,000
	<u>9,675,797</u>	<u>21,590,959</u>

Of the \$9,675,797 (30 June 2014: \$21,590,959) cash at 31 December 2014, \$2,947,915 (30 June 2014: \$11,265,799) is held in Hera Resources Pty Limited. Under the terms of the Glencore loan facilities, funds held in Hera Resources Pty Ltd are only available for use in the development and operation of the Hera – Nymagee Project.

		Consolidated	
		31-Dec-14	31-Dec-14
		\$	\$
4. INVENTORIES			
Stores	1,129,237	87,464	
Ore and concentrate	9,414,803	2,349,771	
	<u>10,544,040</u>	<u>2,437,235</u>	

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31-Dec-14	30-Jun-14
	\$	\$
5. EXPLORATION AND EVALUATION ASSETS		
(a) Net book value:		
At cost	21,878,940	21,131,532
Accumulated impairment	(5,188,057)	(1,903,001)
Total exploration and evaluation	16,690,883	19,228,531
(b) Movements in accumulated impairment:		
Balance at start of period	(1,903,001)	(1,222,311)
Tenements relinquished during the period	62,037	107,601
Impairment charge recognised in the period i	(3,347,093)	(788,291)
Balance at end of period	(5,188,057)	(1,903,001)
i) Impairment of exploration assets in the current period relate to regional exploration projects where the level of current exploration activity is low or has ceased.		
6. MINE PROPERTIES		
Balance at start of period	143,408,631	57,934,018
Development expenditure during the period	20,531,692	78,257,231
Income from ore mined during commissioning	(9,768,615)	-
Increase / (Reduction) in deferred acquisition costs	86,071	754,065
Amortisation of project loan facility costs	490,763	633,030
Interest on project borrowings	4,983,308	5,830,287
Balance at end of period	159,731,850	143,408,631
7. BORROWINGS		
Current:		
Glencore borrowings – current	8,277,218	-
Finance leases – current	411,913	397,653
Total current borrowings	8,689,131	397,653
Non current:		
Glencore borrowings:		
Facility A	20,000,000	20,000,000
Facility B	50,000,000	50,000,000
Facility C	30,000,000	30,000,000
Facility E	5,000,000	5,000,000
Glencore facilities drawn	105,000,000	105,000,000
Interest accrued on borrowings	8,588,060	4,833,236
Total Glencore borrowings	113,588,060	109,833,236
Less: Facility establishment costs	(4,863,755)	(5,354,518)
Net Glencore borrowings	108,724,305	104,478,718
Less: Current portion of Glencore borrowings	(8,277,218)	-
Net Glencore borrowings – non current	100,447,087	104,478,718
Add: Finance leases – non current	1,496,942	1,706,527
Total non current borrowings	101,944,029	106,185,245

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

7. BORROWINGS (CONTINUED)

A summary of the Glencore Funding Arrangement which amounts to \$155 million is set out below:

Facility A	Limit:	A\$20 million Converting Note Facility
	Conversion:	Convertible at AMI's option at \$0.251 per share
	Interest Rate:	3M AUD BBSW + 4%
	Use of Funds:	Hera Development, Nymagee feasibility study and development, working capital
	Maturity Date:	60 months after date of shareholder approval
	Drawdown Period:	12 months from date of shareholder approval
Facility B	Limit:	A\$50 million Converting Note Facility
	Conversion:	Convertible at AMI's option at 60 day VWAP Price prior to conversion
	Interest Rate:	3M AUD BBSW + 4%
	Use of Funds:	Hera Development, Nymagee feasibility study and development, working capital
	Maturity Date:	60 months after date of shareholder approval
	Drawdown Period:	12 months from date of shareholder approval
Facility C	Limit:	A\$30 million Debt Facility
	Interest Rate:	3M AUD BBSW + 4.5%
	Use of Funds:	Hera Development, Nymagee feasibility study and development, working capital
	Maturity Date:	60 months after date of shareholder approval
	Drawdown Period:	18 months from date of shareholder approval
Facility D	Limit:	A\$50 million Debt Facility
	Interest Rate:	3M AUD BBSW + 4.5%
	Use of Funds:	Nymagee development
	Maturity Date:	42 months after first drawdown
	Drawdown Period:	12 months after completion of approved Nymagee bankable feasibility study or earlier with Glencore consent
Facility E	Limit:	A\$5 million Debt Facility
	Interest Rate:	3M AUD BBSW + 4.5%
	Use of Funds:	Purchase of precious and/or base metal option cover.
	Maturity Date:	42 months after first drawdown
	Drawdown Period:	12 months from date of shareholder approval

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

8. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31-Dec-14	30-Jun-14
	\$	\$
Ordinary shares fully paid	90,458,217	85,361,160

(b) Movements in ordinary shares on issue

Details	Ref	Date	Number of shares	\$
Opening balance		1-Jul-2014	328,322,918	85,361,160
Issue of shares	i	3-Oct-2014	5,590,027	2,000,000
Issue of shares	ii	3-Oct-2014	9,905,000	3,226,057
Less: share issue costs			-	(129,000)
Closing balance			343,817,945	90,458,217

- i) During the period AMI reached an agreement with its primary underground contractor, Pybar Mining Services Pty Ltd, to issue shares as part payment for mining services rendered to the Company during July and August 2014.
- ii) During the period AMI and Pacific Road agreed an amendment to the Share Subscription Agreement ('SSA') announced to the ASX on 6 December 2013, on the terms summarised below:
 - Issue 2,778,050 shares at \$0.2434 to raise \$676,177 being the remaining Phase 1 shares under the SSA and;
 - Issue 7,126,950 shares at \$0.3578 to raise \$2,549,880 being shares issued under Phase 2 of the amended SSA.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. SEGMENT INFORMATION

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 in the industry of exploration and development of mineral resources in Australia. The operating segments are split between the Hera and Nymagee projects, being the most significant current projects 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.

Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in Note 1 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 revenue
- Corporate costs
- Depreciation and amortisation of non-project specific property, plant and equipment

The following represents profit and loss and asset information for reportable segments for the half year ended 31 December 2014 and 31 December 2013.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. SEGMENT INFORMATION (CONTINUED)

	Hera and Nymagee Projects	Other Exploration Projects	Total
	\$	\$	\$

Segment Results

Half year ended 31 December 2014

Segment loss	(318,704)	-	(318,704)
Exploration and evaluation assets written-off	-	(3,347,093)	(3,347,093)
Segment Net Loss After Tax	(318,704)	(3,347,093)	(3,665,797)

Reconciliation of segment net loss after tax to net loss after tax

Interest revenue	169,830
Losses on revaluation of investments	(287,230)
Corporate operating costs	(1,599,816)
Corporate asset depreciation and amortisation	(104,304)
Net loss after tax per the statement of comprehensive income	(5,487,317)

Half year ended 31 December 2013

Segment loss	(4,171,678)	-	(4,171,678)
Exploration and evaluation assets written-off	-	(101,076)	(101,076)
Segment Net Loss After Tax	(4,171,678)	(101,076)	(4,272,754)

Reconciliation of segment net loss after tax to net loss after tax

Interest revenue	52,740
Losses on revaluation of investments	(68,200)
Corporate operating costs	(1,707,292)
Corporate asset depreciation and amortisation	(112,542)
Net loss after tax per the statement of comprehensive income	(6,108,048)

Segment assets for the half year ended 31 December are as follows:

Segment assets at 31 December 2014

Cash and cash equivalents	2,947,916	-	2,947,916
Trade and other receivables	797,306	-	797,306
Property, plant and equipment	290,071	-	290,071
Financial assets	2,757,444	-	2,757,444
Inventory – ore / product in circuit	9,414,803	-	9,414,803
Materials on hand	1,129,237	-	1,129,237
Exploration and evaluation assets	16,606,883	84,000	16,690,883
Mines under development	159,731,850	-	159,731,850
	193,675,510	84,000	193,759,510

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. SEGMENT INFORMATION (CONTINUED)

	Hera and Nymagee Projects		Other Exploration Projects		Total
	\$		\$		\$
Reconciliation of segment assets to total assets					
Cash and cash equivalents					6,727,881
Trade and other receivables					1,279,121
Prepayments					173,973
Corporate plant and equipment					526,132
Financial assets					272,800
Total assets per the balance sheet at 31 December 2014					202,739,417

Segment liabilities at 31 December 2014

Trade and other payables	14,662,227	-	14,662,227
Deferred acquisition costs – current	1,418,179	-	1,418,179
Deferred acquisition costs – non current	6,484,260	-	6,484,260
Hera rehabilitation provision	1,519,000	-	1,519,000
Provisions	27,740	-	27,740
Borrowings – current	8,689,131	-	8,689,131
Borrowings – non current	101,944,029	-	101,944,029
	134,744,566	-	134,744,566

Reconciliation of segment liabilities to total liabilities

Trade and other payables	504,080
Provisions	360,302
Total liabilities per the balance sheet at 31 December 2014	135,608,948

Segment assets and liabilities for the year ended 30 June 2014 are as follows:

Segment assets at 30 June 2014

Cash and cash equivalents	11,265,799	-	11,265,799
Trade and other receivables	22,630	-	22,630
Property, plant and equipment	315,002	-	315,002
Financial Assets	3,380,853	-	3,380,853
Inventory – Ore / product in circuit	2,349,771	-	2,349,771
Materials on hand	87,464	-	87,464
Exploration and evaluation assets	15,913,268	3,315,263	19,228,531
Mines under development	143,408,631	-	143,408,631
	176,743,418	3,315,263	180,058,681

Reconciliation of segment assets to total assets

Cash and cash equivalents	10,325,160
Trade and other receivables	893,158
Prepayments	117,253
Corporate plant and equipment	624,281
Financial assets	560,031
Total assets per the balance sheet at 30 June 2014	192,578,564

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. SEGMENT INFORMATION (CONTINUED)

	Hera and Nymagee Projects		Other Exploration Projects		Total	
	\$		\$		\$	
Segment liabilities at 30 June 2014						
Trade and other payables	8,054,198		-		8,054,198	
Deferred acquisition costs – current	1,013,319		-		1,013,319	
Deferred acquisition costs – non current	6,803,049		-		6,803,049	
Hera rehabilitation provision	1,445,000		-		1,445,000	
Borrowings	106,582,898		-		106,582,898	
	<u>123,898,464</u>		<u>-</u>		<u>123,898,464</u>	

Reconciliation of segment liabilities to total liabilities

Trade and other payables	685,505
Provisions	330,844
Total liabilities per the balance sheet at 30 June 2014	<u>124,914,813</u>

10. 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 as at 31 Dec 2014 are as follows:

	Dec'14	Jun'14
	\$	\$
Within one year	2,057,208	2,057,208
After one year but not more than 5 years	3,220,796	4,256,179
More than 5 years	-	-
	<u>5,278,004</u>	<u>6,313,387</u>

Finance lease and hire purchase commitments

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

	Dec'14		Jun'14	
	\$		\$	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	531,059	411,913	531,059	397,653
After one year but not more than five years	1,673,909	1,496,942	1,939,439	1,706,527
More than five years	-	-	-	-
Total minimum lease payments	<u>2,204,968</u>	<u>1,908,855</u>	<u>2,470,498</u>	<u>2,104,180</u>
Less: amounts representing finance charges	(296,113)	-	(366,318)	-
Present value of minimum lease payments	<u>1,908,855</u>	<u>1,908,855</u>	<u>2,104,180</u>	<u>2,104,180</u>

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

10. EXPENDITURE COMMITMENTS (CONTINUED)

Commitments

At 31 December 2014, the Group has commitments of \$ 3,253,929 (Jun'14: \$11,880,359) including \$1,125,000 relating to annual exploration/mining lease minimum annual expenditures (Jun'14: \$1,171,000).

11. FAIR VALUE

The carrying values of financial assets and financial liabilities recorded in the financial statements approximate their fair values, including the value of borrowings which are adjusted for capitalised transaction costs. Capitalised transaction costs are determined in accordance with the accounting policies disclosed in Note 1.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments carried at fair value in the statement of financial position, and measured at fair value through profit or loss:

	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	
31 December 2014				
Assets				
Shares in Aus Tin Mining Limited	272,800	-	-	272,800
Gold put options	-	2,757,444	-	2,757,444
Total assets	272,800	2,757,444	-	3,030,244
Liabilities				
Deferred acquisition costs	-	7,902,439	-	7,902,439
30 June 2014				
Assets				
Shares in Aus Tin Mining Limited	204,600	-	-	204,600
Options in Aus Tin Mining Limited	-	355,431	-	355,431
Gold put options	-	3,380,853	-	3,380,853
Total assets	204,600	3,736,284	-	3,940,884
Liabilities				
Deferred acquisition costs	-	7,816,368	-	7,816,368

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

11. FAIR VALUE (CONTINUED)

During the reporting period ended 31 Dec 2014, and 30 June 2014, there were no transfers between level 1 and level 2 fair value measurements.

Technique and inputs used to value financial assets and liabilities:

Shares – market value of shares listed on the Australian Stock Exchange (ASX).

Options – revalued each period using a Black-Scholes methodology, with revaluation adjustments appearing as gains / (losses) in the statement of comprehensive income. Inputs include: current share price, strike price, years to maturity, risk-free rate and volatility.

Gold put options – revalued each period using a Black-Scholes methodology, with revaluation adjustments appearing as gains / (losses) in the statement of comprehensive income. Inputs include: current gold price, strike price, years to maturity, gold lease rate, risk-free rate and volatility.

Deferred acquisition costs – revalued each period by reference to the fair value of net present value of future cash outflows. Inputs include: risk free bond rate, foreign exchange rate and gold price.

12. HERA PROJECT DEFERRED ACQUISITION COSTS

On 18 June 2009, the Company reached agreement to purchase a 100% interest in the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited (CBH).

The total cost of the acquisition comprised:

- Initial purchase price of \$12,000,000 paid in cash.
- 5% gold royalty on gravity gold dore production from the Hera deposit, capped at 250,000 oz Au.

On 27 February 2013, the Consolidated Entity made a payment of \$1,000,000 to amend the terms of the acquisition, which includes reducing the gold royalty from 5% to 4.5%.

The Consolidated Entity has recorded deferred consideration of \$7,902,439 (\$7,816,368 at 30 June 2014) representing the net present value of projected royalty payments due under the terms of the acquisition, calculated based on information available as at 31 December 2014. The deferred consideration is revalued at each reporting date with a corresponding adjustment to mine properties (Note 6).

13. DIVIDENDS

No dividends were paid or proposed during the period (2013: nil).

14. EVENTS AFTER THE BALANCE SHEET DATE

Rights Issue completion

On 28 January 2015, Aurelia completed the Rights Issue which was announced on 16 December 2014. Aurelia issued 42,977,243 shares raising \$10,056,675 (before costs).

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

DIRECTORS' DECLARATION

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

In the opinion of the Directors;

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2014 and its performance, for the half year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

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

Mr Anthony Wehby
Chairman
6 March 2015

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 Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and 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 2014 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 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.

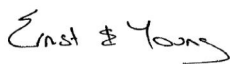
Independence

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.

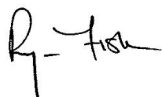
Conclusion

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 Limited 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 2014 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
6 March 2015