



A.C.N 108 476 384

**HALF YEAR
FINANCIAL REPORT**

31 December 2015

Corporate Directory

Directors

Mr Anthony Wehby (Chairman)

Mr Gary Comb

Mr Paul Espie

Mr Michael Menzies

Mr Mark Milazzo

Mr Rune Symann

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

CONTENTS

	Page No
Directors' Report	3
Auditor's Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Financial Statements	12
Directors' Declaration	28
Independent Review Report	29

Directors' Report

Your Directors submit their report for the half year ended 31 December 2015.

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 Gary Comb

Mr Paul Espie

Mr Michael Menzies (Appointed 15 December 2015)

Mr Mark Milazzo

Rune Symann (Appointed 15 December 2015)

Mr Rimantas Kairaitis (Managing Director – resigned 02 August 2015)

OPERATIONS AND FINANCIAL REVIEW

1. Overview

Continued improvements at the Hera operation yielded improved performance during the six months to 31 December 2015. The highlights for the period included:

- Hera operations delivered EBITDA of \$8.995 million
- Gross profit of \$0.641 million after \$8.354 million of depreciation and amortisation
- Net loss of \$8.622 million after corporate, finance and other charges
- Gold production of 18,663 ounces
- Payable lead and zinc production of 3,466 t and 2,485 t respectively
- Gold recovery improved from 61% in June 2015 to an average of 74% over the period
- Zinc recovery improved from 80% in June 2015 to an average of 89% over the period
- Lead recovery improved from 91% in June 2015 to an average of 92% over the period
- Strong positive reconciliation on gold grades

Project performance for the period was affected by periods of restricted throughput, driven by:

- Management of wear rates in the tertiary crushing circuit
- Instability in the back end of the process plant, principally the Merrill Crowe circuit
- An extended 2.5 day planned maintenance shutdown in November

A primary focus at Hera is on increasing gold recovery, particularly gravity gold recovery. The Company is planning to implement several process capital improvements over the next 12 months designed to increase gravity recovery. Increased gravity gold recovery is anticipated to enhance total gold recovery and reduce costs, particularly reagent costs, in the processing department. The funding for these process improvements is planned to be derived from internally generated funds and from the early draw down of a new facility provided by Glencore (as agreed in the settlement and funding agreement on 27 November 2015 – see below).

On 27 November 2015, the Company announced it had reached a settlement and funding agreement with its primary financier (Glencore). The key features of the new agreement are:

- All legal disputes with Glencore are settled
- All existing debt repayments are deferred for at least two years
- All interest is suspended on the current and new senior finance facilities for two years
- Glencore to provide additional funding of a net \$21.5 million to support the business through additional loans and credit support
- Additional funding includes an advance payment of \$5 million, which has been received
- Aurelia maintains conversion rights to convert up to \$77 million of the facilities at the end of the two year deferral period
- Formal agreements were executed on 18 December 2015

Directors' Report

Completion of the agreement remains subject to a number of conditions, including shareholder approval by the Company's shareholders, with a general meeting of shareholders planned for 18 March 2016. The going concern basis upon which these accounts are prepared relies on completion of the Glencore funding agreement by 31 March 2016. Detail on the current financing position with Glencore and how this may affect the Company's position as a going concern are detailed in Note 1(i) of the Accounts.

During the period, and as previously discussed in our Financial Statements for the 12 months to 30 June 2015, the Company announced a Hera Expansion Study. This study estimated that with the investment of some \$17 million in plant capital (including revised crushing circuit ball mill installation) the project could be capable of delivering enhanced revenues from higher production (increased processing rate to 450,000 t/y), higher gold recovery and lower operating costs.

The delivery of the Hera Expansion Project is contingent on funding and an amendment to the existing project approval for increased mining rates, an increase in groundwater extraction, and an extension to the Hera Mining Lease. The revised funding agreement with Glencore was developed with consideration of the required investment for the Hera Expansion Study. The required project approvals and licences are being progressed.

The Expansion Study was developed in recognition that a step change in certain aspects of the operation would enhance the sustainability of the business. Whilst this remains the case, the current operating strategy is to continue to optimise the existing circuit, with incremental capital improvements, during calendar 2016. This approach will enable significant operating experience to inform the final expansion design.

There was no change in the number of shares on issue during the period. During the period Aurelia issued 40 million share options to Pacific Road, for provision of a finance agreement, and 10 million to Pybar, for revised payment terms on amounts owed. The issue of these options generated a \$0.854 million share based payment expense in this half year. This expense, along with some \$1.1 million of legal fees in Corporate costs, was a direct and indirect consequence of the financial dispute resolution with Glencore during the period.

2. Operating and Financial Performance

Hera operations generated EBITDA in the period of \$8.995 million, which after depreciation and amortisation of \$8.354 million, delivered a Gross profit of \$0.641 million in the period (nil earnings in the prior corresponding period as Hera was in the construction phase).

Gross profit less corporate costs, finance charges and other items delivered a net loss of \$8.622 million compared to a net loss of \$5.487 million in the prior corresponding period. Net cash increased by \$4.512 million to \$9.360 million, following the drawdown of \$5.000 million additional funding from the new Glencore Facility F.

2.1 Sales

Sales revenue for the period was \$34.432 million, with \$28.655 million derived from gold sales and \$5.643 million derived from the sale of lead zinc concentrates. Gold sales were 18,506 oz of gold at an average price of A\$1,548/oz. Concentrate sales to Glencore proceeded largely as planned with 10,141 t of concentrate shipped in the period. A shipment planned for late December was delayed into early January 2016 due to weather conditions at Newcastle port.

No commodity price hedging was undertaken in the period.

2.2 Production

Gold production for the operating period was 18,663 ounces derived from the processing 149,932 tonnes of ore grading 5.26 g/t gold, 2.8% lead and 2.7% zinc. Gold recovery averaged 73.6%. During the period the Company produced 14,184 t of lead zinc concentrate grading 27% lead and 26% zinc.

The performance of the underground mine was positive. A total of 150,226 tonnes of ore was mined during the period at an average grade of 5.25 g/t gold and 2.7% lead and 2.6% zinc. Underground lateral development was limited to 85m of operating development. Discussions are continuing with our mining contractor with a view to achieving a significant reduction in mining cost.

2.3 Costs

Total cost of sales for the period was \$33.791 million. Site production costs were \$25.731 million (mining, processing and site admin departments), transport and refining costs were \$2.124 million (gold refining charges, concentrate trucking, rail, port and shipping charges) and royalties were \$0.582 million. There was a credit to

Directors' Report

costs of \$3.000 million relating to increased inventory at 31 December 2015, largely related to the delayed sale of concentrate (Shipment #7) which occurred in early January 2016.

Depreciation and amortisation charged in the period was \$8.354 million.

Corporate costs were \$3.238 million, inclusive of approximately \$1.1 million related to legal, advisory and other fees to resolve the Glencore dispute. Corporate costs are planned to reduce in following periods.

Share based payment expense of \$0.893 includes \$0.854 million relating to the cost of options issued to PacRoad and Pybar in the period for services received.

2.4 Cash flow

As at 31 December 2015, the Company held cash in bank of \$9.360 million (\$3.020 million which is unavailable and held as cash deposits for environmental bonds). Operating cash flow for the period was positive \$4.089 million. Investment cash outflows were \$3.807 million and related primarily to \$1.712 million of payments for expenditure on PP&E in the current period, and \$1.536 million payment for mine development capital undertaken in the prior period. Net cash flow from financing activities was positive \$4.230 million, with the key inflow being \$5.000 million additional funding from Glencore.

2.5 Borrowings

At balance date, the Company held \$123.207 million of borrowings (\$127.097 million before facility establishment costs). This total includes all current and non-current debt associated with the Company's secured lender (Glencore), finance leases and insurance premium funding less the amortised amount of facility establishment costs, currently \$3.890 million. The classification between current and non-current borrowings is based on the existing loan agreements and includes capitalised interest up to 31 December 2015. For further detail on debt classifications, see *Note 1(ii) Classification of Non-Current borrowings*.

The total borrowings from the Company's secured lender (Glencore) at balance date, excluding the deduction of the facility establishment costs, was \$125.778 million, consisting of \$37.676 million of current borrowings and \$88.103 million of non-current borrowings.

If the Company successfully meets all conditions precedent to the revised financing agreement with Glencore the debt classification would change to reflect the terms of the new agreement. Under this scenario, the total borrowings from Glencore, excluding facility establishment costs, would reduce to \$125.050 million reflecting the cessation of interest charges from 27 November 2015. A total of \$23.580 million would be classified as current borrowings (Facility A) and \$101.470 million would be classified as non-current borrowings. All of Facility A would be classified as a current liability due to the obligation to refinance \$13.5 million of this facility with drawdowns from new Facility F and the current intention to repay the remainder with a debt to equity conversion as agreed in the New Agreement.

3. Material business risks

Aurelia Metals prepares its business plan using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these assumptions and forecasts, and risks 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, the cyclical nature of the price of the Group's commodity products, and general economic factors.

The primary business risks faced by the Group are detailed in the Financial Statements for the 12 months to 30 June 2015. Material risks that could impact on the operating and financial prospects of the Group as at 31 December 2015, in addition to those highlighted in the Financial Statements for the 12 months to 30 June 2015, are:

Financial solvency

The Company has significant short and long term financial obligations with a single lender in Glencore (Glencore Group Funding Limited). The Company and Glencore had a major dispute in 2015, as detailed in the overview section and in the financial statements: Note 1(i) Going Concern. While agreement to settle the dispute has been reached with Glencore the new arrangements remain subject to a number of conditions precedent, including shareholder approval. Refer to Note 1(i) Going Concern, which details the financial risks around completion of the revised financing agreement with Glencore.

Directors' Report

Whilst the Company successfully negotiated the 2015 dispute with Glencore, subject to completion, there can be no assurance that further disputes will not arise between Glencore and the Company, the outcome of which cannot be assessed at this time.

Mineral reserves and resources

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

The gold mineralisation in the Hera orebody has a "nugget effect". A nugget effect exists when a significant portion of the gold metal exists as relatively large particles in the rock mass leading to a high level of gold grade variability over short distances. A nugget effect can make it challenging to provide accurate estimates of gold grades with drill hole sampling. The nugget effect can lead to the actual grade being higher or lower than predicted.

Production and cost estimates

The Company 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. Further, the Company is anticipating a material reduction in contract mining rates. Whilst 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.

Fluctuations in the commodity price and exchange rate

The Group's revenues are exposed to fluctuations in the US\$ price of gold, silver, lead and zinc and the US\$ to A\$ exchange rate. Volatility in the A\$ price of metal sold creates revenue uncertainty which can materially impact on financial solvency.

The ability for the Company to protect itself against volatility in commodity prices through normal accepted hedging practices is greatly restricted by the security arrangements under the existing loan agreements.

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 2015.

Signed in accordance with a resolution of the Directors.



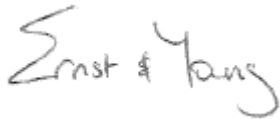
Mr. Anthony Wehby
Chairman
24 February 2016

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

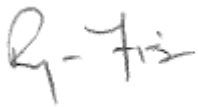
As lead auditor for the review of Aurelia Metals Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- 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 year.



Ernst & Young



Ryan Fisk
Partner
24 February 2016

Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated	
		31-Dec-15	31-Dec-14
		\$	\$
Operating sales revenue	2(a)	34,432,294	-
Cost of sales	2(b)	(33,790,970)	-
Gross profit / (loss)		641,324	-
Corporate administration expenses	2(c)	(3,237,660)	(1,847,912)
Exploration and evaluation costs written off	7	(66,981)	(3,347,093)
Other income		97,852	770
Share based expenses	2(d)	(893,643)	143,022
Gain on foreign exchange		149,437	-
Gain / (loss) on revaluation of financial assets	2(e)	136,400	(605,934)
Loss before interest and income tax		(3,173,271)	(5,657,147)
Finance income		77,757	169,830
Finance costs	2(f)	(5,526,698)	-
Loss before income tax		(8,622,212)	(5,487,317)
Income tax expense		-	-
Loss after income tax		(8,622,212)	(5,487,317)
Other comprehensive income		-	-
Total comprehensive loss for the period		(8,622,212)	(5,487,317)
Earnings per share for loss attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)		(2.22)	(1.63)
Diluted loss per share (cents per share)		(2.22)	(1.63)

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

Statement of Financial Position

AS AT 31 DECEMBER 2015

		Consolidated	
		31-Dec-15	30-Jun-15
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	9,360,121	4,847,638
Trade and other receivables	4	1,136,063	6,184,999
Inventories	5	6,037,290	2,692,563
Prepayments		576,308	145,234
Total current assets		17,109,782	13,870,434
Non current assets			
Property, plant and equipment	6	54,790,653	57,459,043
Financial assets		409,200	272,800
Exploration and evaluation assets	7	116,000	116,000
Mine properties	8	32,284,170	33,306,747
Total non current assets		87,600,023	91,154,590
Total assets		104,709,805	105,025,024
LIABILITIES			
Current liabilities			
Trade and other payables	9	12,084,562	16,394,713
Provisions	10	2,191,997	1,885,698
Borrowings	11	38,256,264	22,737,009
Total current liabilities		52,532,823	41,017,420
Non current liabilities			
Provisions	10	10,718,383	7,856,432
Borrowings	11	84,950,748	91,914,752
Total non current liabilities		95,669,131	99,771,184
Total liabilities		148,201,954	140,788,604
Net assets / (liabilities)		(43,492,149)	(35,763,580)
Equity			
Contributed equity	12	99,929,152	99,929,152
Reserves		3,954,240	3,060,597
Retained losses		(147,375,541)	(138,753,329)
Total equity		(43,492,149)	(35,763,580)

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 2015

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
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>
 Balance as at 1 July 2015	 99,929,152	 3,060,597	 (138,753,329)	 (35,763,580)
Total comprehensive loss for the period	-	-	(8,622,212)	(8,622,212)
Transactions with owners in their capacity as owners				
Shares issued for the period	-	-	-	-
Share issue costs	-	-	-	-
Share based payment expense during the period	-	893,643	-	893,643
Balance as at 31 December 2015	<u>99,929,152</u>	<u>3,954,240</u>	<u>(147,375,541)</u>	<u>(43,492,149)</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 2015

	Consolidated	
	31-Dec-15	31-Dec-14
	\$	\$
Cash flows from operating activities		
Receipts from customers	39,144,142	-
Payments to suppliers and employees	(38,415,969)	(1,390,388)
Government grants and rebates	92,000	85,286
Interest received	81,836	221,436
Receipt from close-out of gold forwards	198,060	-
GST on purchases refunded from ATO	2,989,350	2,024,125
Net cash flows used in operating activities	4,089,419	940,459
Cash flows from investing activities		
Payments for property, plant and equipment	(1,711,898)	(6,771)
Exploration and evaluation expenditure	(125,854)	(1,090,548)
Mine development expenditure	(1,536,887)	(23,908,382)
Receipts from pre-production sales to customers	-	9,053,847
Receipts from sale of gold put options	-	304,705
Deferred acquisition (Hera royalty)	(432,030)	-
Net cash flows used in investing activities	(3,806,669)	(15,647,149)
Cash flows from financing activities		
Proceeds from issue of shares	-	3,226,057
Borrowings	5,000,000	-
Loan repayments	(642,138)	(195,324)
Interest on borrowings	(108,129)	(70,205)
Share issue costs	-	(129,000)
Facility establishment costs	(20,000)	(40,000)
Net cash flows from financing activities	4,229,733	2,791,528
Net increase/(decrease) in cash and cash equivalents	4,512,483	(11,915,162)
Cash and cash equivalents at beginning of period	4,847,638	21,590,959
Cash and cash equivalents at end of period	9,360,121	9,675,797

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 2015

CORPORATE INFORMATION

The general purpose financial report of Aurelia Metals Limited for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of Directors on 24 February 2016.

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

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

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 2015 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 2015 and considered together with any public announcements made by Aurelia Metals Limited (the "Company" or "Group") during the half year ended 31 December 2015 in accordance with continuous disclosure obligations of the ASX listing rules.

(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 2015, the Group reported a net loss of \$8.622 million (2014: \$5.487 million). At 31 December 2015, the Group is in a net current liability position of \$35.423 million and net liability position of \$43.492 million.

The net liability position reflects the outstanding loan arrangements with the Company's main financier (Glencore or Glencore Group Funding Limited). During the period June to November 2015, the Company was in dispute with Glencore around the conversion of a significant amount of debt into equity, under the terms of the existing loan agreements. On 1 July 2015, Glencore lodged a notice of default, which if proved valid, would bar the debt to equity conversion. The notice of default was given on the grounds that the secured lender believed the Company to be insolvent. The notice was rejected by the Company and without consultation, Glencore appointed a voluntary administrator to the Company and certain of its subsidiaries on 14 September 2015.

The Company sought and received from the Supreme Court of NSW on the 15 September 2015 a standstill. Under the standstill, the Company cannot exercise its rights to convert debt into equity (under the terms of the Convertible Notes Deed Poll), all debt repayment obligations are suspended, and the secured lender is restrained from exercising its rights to enforce its security by appointing a voluntary administrator. The matter was heard by the NSW Supreme Court on 4-5 November 2015.

Prior to Judgment being issued, the Company announced on 27 November 2015 that it had entered into a binding agreement to both settle all legal disputes with Glencore and undertake a wholesale restructure of the existing debt facilities ("New Agreement"). On reaching this agreement, the parties jointly approached the court for an adjournment of judgment until the earlier of the completion of the New Agreement or 31 March 2016

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

(revised from 2 March 2016). On Completion, the parties will jointly apply to have the court proceedings formally dismissed.

Until completion of the New Agreement, the existing court ordered standstill remains active.

The New Agreement remains subject to certain conditions precedent, with the primary condition being approval by the Company's shareholders at a general meeting planned for 18 March 2016. The planned completion date for the New Agreement is currently 31 March 2016, at which point, the New Agreement will be approved and implemented or the conditions precedent to the New Agreement will not be achieved and the New Agreement will not be completed.

If the New Agreement is approved and finalised, then all existing (Facilities A, B, C and E) will each have their repayment profile and interest accrual suspended and deferred for 24 months from the completion date of the New Agreement. Details of the New Agreement were released to ASX on 27 November 2015.

Under the New Agreement, Glencore will also provide a new Facility F (formerly referred to as the Additional Secured Convertible Loan or ASCL) of \$20 million to the Company, on substantially the same terms as the restructured Facility B. On completion, a total of \$13.5 million of Facility F will be immediately set-off against the balance of Facility A, with the balance of Facility A (\$10.2 million), remaining convertible in all or part at the Company's election at a conversion price consistent with the existing contract price adjusted in accordance with the Convertible Notes Deed Poll. An early advance of \$5.0 million was drawn from Facility F on 27 November 2015.

Under the New Agreement, all or part of Facility B and F remain convertible into ordinary shares at the Company's election at a 60 day VWAP within 5 days of the expiry of the 24 month debt deferral period starting from the completion date.

If the New Agreement does not reach completion, then in all likelihood the parties will return to court, with Glencore claiming the Company to be insolvent at certain dates in 2015, and therefore challenging the Company's solvency and going concern. If the Court finds that the Company was solvent on the relevant dates, the Company would in all likelihood push for conversion of the existing debt facilities as per the original convertible notes deed poll or proceed with other commercially rational outcomes with Glencore.

While the Company and Glencore are working cooperatively towards completion of the New Agreement, the going concern basis upon which the financial statements have been prepared is reliant on the outcome of achieving all conditions precedent to the New Agreement. One of the primary conditions precedent, being approval by the Company's shareholders, is not in the direct control of the Company or Glencore.

Until the New Agreement is finalised and all conditions precedent are either met or waived, there remains uncertainty as to whether the New Agreement will be completed and whether the Group will continue to operate as a going concern. If the Company does not complete the New Agreement and is unable reach an alternative agreement with Glencore or refinance the borrowings or raise significant new equity, then it may be unable to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

(ii) Classification of non-current borrowings

At balance date, the Company recorded \$123.207 million of total borrowings in the balance sheet, consisting of \$38.256 million of current borrowings and \$84.951 million of non-current borrowings. This total includes all current and non-current debt associated with the Company's secured lender (Glencore), finance leases and insurance premium funding less the amortised amount of facility establishment costs, currently \$3.890 million.

At balance date, the Company held gross borrowings (including capitalised interest) of \$125.778 million from Glencore, consisting of \$37.676 million of current borrowings and \$88.103 million of non-current borrowings. The Glencore debt balance and classification between current and non-current is displayed in the table below.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

As at 31 Dec 2015	Current	Non-current	Total
Glencore borrowings			
Facility A	5,511,296	18,205,053	23,716,349
Facility B	13,337,675	44,057,599	57,395,274
Facility C	7,821,953	25,840,011	33,661,964
Facility E	6,004,870	-	6,004,870
Facility F	5,000,000	-	5,000,000
Total	37,675,794	88,102,663	125,778,457
Other borrowings			
Finance Leases	326,073	738,316	1,064,389
Insurance Funding	254,397	-	254,397
Facility establishment costs	-	(3,890,231)	(3,890,231)
Total Borrowings	38,256,264	84,950,748	123,207,012

The Company has classified its debt in accordance with the existing debt amortisation profile, as classified in the 30 June 2015 accounts, adjusted for the additional \$5.0 million drawn under Facility F (see section (i) and below) with adjustment for the standstill agreement and timing of debt obligations under the existing loan agreements.

This position has been taken as on the 18 December 2015, both parties requested and received a stay in court proceedings until 2 March 2016 (latter agreed to be extended to 31 March 2016), with the directions hearing on 18 December being vacated. As at 31 December 2015, the parties remained in the same court ordered stand still that existed at 30 June 2015. The rights of either party remained similar to that at 30 June 2015, with the Glencore purported acceleration event being upheld, and to no effect, and the Company's right to convert debt into equity being upheld and to no effect. With the rights of either party remaining similar to 30 June 2015 and the original loan agreements remaining in place until the New Agreement is finalised, the debt classification selected at 30 June 2015 remains relevant.

At 31 December 2015 the Company has not finalised the New Agreement and has not applied the deferral of certain facilities (Facilities A, B, C and E and the new Facility F) for 24 months from completion date that will be available under the New Agreement. If completion is achieved, the debt classification will change in the Company's financial statements to reflect the terms of the New Agreement.

At 31 December 2015, the Company has not been required to make two amortisation payments under the existing loan agreement due to the standstill. The first repayment date across all facilities was 15 September 2015 with a repayment obligation of approximately \$4.23 million. The second repayment date was 15 October 2015 with a repayment of approximately \$4.84 million. Repayments are then quarterly from 15 October 2015 until maturity. The classification of current debt liabilities includes the two 'suspended' debt payments in addition to any future debt amortisation payments occurring within 12 months from balance date required under the existing loan agreements.

In addition, the Company has classified the \$5.00 million 'early advance' drawn from Facility F on 27 November 2015 as a current liability, as the Company does not have an unconditional right to defer repayment for more than 12 months. The early advance will become immediately repayable if the New Agreement is not completed.

The debt classification selected is the legal position at 31 December 2015 and reflects the suspension of payment obligations under the standstill and accurately reflects the timing of debt obligations on the existing loan agreements if the standstill is lifted. The debt classification in the Financial Statements is appropriate and provides a true and fair view as at 31 December 2015 until the New Agreement is completed.

If the New Agreement does not proceed and the dispute returned to court and the purported default by Glencore was upheld by the courts, then all debt amounts owed to Glencore would be immediately due and payable (acceleration event). This would change the classification of all debt amounts owed to Glencore as a current liability, and it would then challenge the going concern assumption upon which the accounts are prepared.

If the Company successfully meets all conditions precedent and the New Agreement with Glencore is approved, then the debt classification would change to reflect the new terms of the New Agreement with Glencore. All of Facility A, some \$23.580 million would be classified as a current liability due to the obligation to refinance \$13.5 million of this facility with draw downs from new Facility F and the current intention to repay the remainder with a

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

debt to equity conversion as agreed in the New Agreement. All other debt amounts would be classified as non-current. This new classification would be displayed in the Company's next set of financial statements.

The debt classification, according to the New Agreement, assuming completion by 31 March 2016, is displayed in the table below. The capitalised interest will be reversed for the period 27 Nov 2015 to 31 Dec 2015, and the debt will be restated and reclassified between current and non-current as displayed below.

Classification at 31 Dec 2015 assuming completion of New Agreement	Current	Non-current	Total
Glencore borrowings			
Facility A	23,579,871	-	23,579,871
Facility B	-	57,061,144	57,061,144
Facility C	-	33,441,105	33,441,105
Facility E	-	5,967,687	5,967,687
Facility F	-	5,000,000	5,000,000
Total	23,579,871	101,469,936	125,049,807
Other borrowings			
Finance Leases	326,073	738,316	1,064,389
Insurance Funding	254,397	-	254,397
Facility establishment costs	-	(3,890,231)	(3,890,231)
Total Borrowings	24,160,341	98,318,021	122,478,362

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 2015, except for the mandatory adoption of the new and revised Standards and Interpretations issued by the AASB that are applicable to the Group, being AASB 2013-9 (*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*). The adoption of this Standard had no material impact on these financial statements or on the financial position and performance of the group.

(a) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments

On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard is not applicable until 1 January 2018 and will become effective for the Group on 1 July 2018 but is available for early adoption. The Group is currently assessing the full impact of the standard on its accounting policy, financial position and financial performance. The Group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In December 2015, the Australian Accounting Standards Board deferred the application of this standard to annual periods beginning on or after 1 January 2018. (i.e. this will be effective for the Group on 1 July 2018). The Group is currently assessing the impact of AASB 15 and has not yet decided when to adopt it.

IFRS 16 Leases

In January 2016, the International Accounting Standards Board issued IFRS 16 Leases which replaces IAS 17. The new standard requires that lessees to have a single balance sheet accounting model to be adopted for all leases, except for leases of 'low value assets'. The lease accounting for lessor's is substantially unchanged. There will also be additional disclosure requirements for both lessors and lessees. The new standard is not effective until annual periods beginning on or after 1 January 2019. However, early adoption is permitted if an entity early adopts IFRS 16. The corresponding Australian accounting standard has not yet been issued by the Australian and Accounting Standards Board.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

(b) Voluntary change of Accounting Policy

During the year ended 30 June 2015 the Group changed the presentation of the Statement of Comprehensive income, to a 'by function' rather than 'by nature' presentation. This change in accounting policy was introduced to better reflect the change in the business due to the commencement of commercial production on 1 April 2015.

The presentation of each line item in the Statement of Comprehensive Income for the prior period (31 December 2014) compared to current presentation is as follows:

Statement of Comprehensive Income (consolidated) Six months to 31 December 2014	As previously presented \$	As currently presented \$	Changes \$
Revenue/(expenses):			
Operating sales revenue	-	-	-
Cost of sales	-	-	-
Compliance costs	(200,685)	-	200,685
Consulting and legal costs	(184,279)	-	184,279
Audit fees	-	-	-
Employee benefits expense	(795,217)	-	795,217
Directors fees	-	-	-
Promotion	(64,561)	-	64,561
Administration expense	(273,985)	-	273,985
Travel expenses	(81,859)	-	81,859
Depreciation and amortisation	(104,304)	-	104,304
Corporate administration expenses	-	(1,847,912)	(1,847,912)
Write-back of share based expenses	-	143,022	143,022
Capitalised exploration costs written off	(3,347,093)	(3,347,093)	-
Other income/(expenses)	770	770	-
Loss on commodity derivatives	-	-	-
Loss on revaluation of investments	(605,934)	(605,934)	-
Finance income	169,830	169,830	-
Total comprehensive loss for the period	(5,487,317)	(5,487,317)	-

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

2. REVENUE AND EXPENSES

		Consolidated	
		31-Dec-15	31-Dec-14
		\$	\$
Loss before income tax includes the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Group:			
(a) Operating sales revenue			
Base metal concentrate (net of treatment charges)		5,642,927	-
Gold		28,654,688	-
Silver		134,679	-
Total operating sales revenue		34,432,294	-
(b) Cost of sales			
Site production costs		25,730,883	-
Transport and refining		2,124,541	-
Royalty		581,619	-
Inventory movement		(2,999,881)	-
		25,437,162	-
Depreciation and amortisation		8,353,808	-
Total cost of sales		33,790,970	-
(c) Corporate administration expenses			
Corporate costs		3,088,578	1,743,608
Corporate depreciation		149,082	104,304
Total corporate administration expense		3,237,660	1,847,912
(d) Share based expenses			
Employee performance rights expense / (write back)		39,643	(143,022)
Option expense other	(i)	854,000	-
Total share based expenses		893,643	(143,022)
(i) Relates to share options issued to Pybar and Pacific Road as announced to ASX on 28 September 2015. The options expire on 28 September 2020 with a strike price of 1.25c/share. Calculation of the option value and related expense is based on Black Scholes methodology using a risk free rate of 2.68% and the following assumptions: a) Pybar: 10 million options - grant date of 30 November 2015, share price at grant date of 4.46c/share, volatility of 111%, fair value per option 4.46c/share b) Pacific Road: 40 million options - grant date of 28 September 2015, share price at grant date of 1.3c/share, volatility of 107%, fair value per option 1.02c/share			
		31-Dec-15	31-Dec-14
		\$	\$
(e) Gain / (loss) on revaluation of financial assets			
Gain / (loss) on revaluation of investments	(ii)	136,400	(287,230)
Unrealised loss on revaluation of gold put options		-	(265,704)
Realised loss on revaluation of gold put options		-	(53,000)
Total gain / (loss) on revaluation of financial assets		136,400	(605,934)
(ii) Gain on revaluation of shares held in Aus Tin Mining Limited.			
(f) Finance costs			
Interest expense		3,892,461	-
Withholding tax incurred on borrowings		1,123,474	-
Amortisation of capitalised borrowing costs		510,763	-
Total finance costs		5,526,698	-

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31-Dec-15	31-Dec-14
	\$	\$
(g) Depreciation and amortisation		
Property plant and equipment	4,225,090	129,235
Mine development	4,277,800	-
	8,502,890	129,235
Less: Capitalised to mine under construction	-	(24,931)
Total depreciation and amortisation	8,502,890	104,304
Represented by:		
Cost of sales depreciation	8,353,808	-
Corporate depreciation	149,082	104,304
Total depreciation and amortisation	8,502,890	104,304
(h) Employee benefits expense		
Salaries, on-costs and other employment benefits	4,214,838	938,239
Options and performance rights expense	39,643	(143,022)
Total employee benefits expense	4,254,481	795,217

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents are comprised of the following:		
Cash at bank	6,340,121	1,827,638
Short-term deposits	3,020,000	3,020,000
	9,360,121	4,847,638

Of the \$6,340,121 cash at bank on 31 December 2015 (30 June 2015: \$1,827,638), \$3,808,304 (30 June 2015: \$1,258,560) is held in Hera Resources Pty Limited and subject to existing loan agreements is restricted for use by Hera Resources. Of the \$3,020,000 short-term deposits held at 31 December 2015 (\$3,020,000 at 30 June 2015), \$3,020,000 (30 June 2015: \$3,020,000) has been pledged as security and cannot currently be withdrawn.

4. TRADE AND OTHER RECEIVABLES

Trade debtors	549,251	5,311,548
GST receivable	555,200	838,291
Accrued interest	31,612	35,160
	1,136,063	6,184,999

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
5. INVENTORIES		
Stores inventory (Materials on hand)	1,821,637	1,476,792
Ore stockpiles	619,848	23,830
Metal in circuit	111,781	515,378
Finished concentrate	2,364,104	471,691
Finished gold dore	1,119,920	204,872
Total current inventory	6,037,290	2,692,563

Ore, metal in circuit and finished concentrate are held at Net Realisable Value (NRV). Finished gold dore is held at cost. Stores inventory is held at cost. The result of the NRV/cost adjustment of inventories has been recognised through cost of sales during the period.

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	61,996,967	60,440,267
Property at cost ⁽¹⁾	275,000	275,000
Accumulated depreciation and impairment	(7,481,314)	(3,256,224)
Total property, plant and equipment	54,790,653	57,459,043
Movements during the period		
Carrying amount at 1 July	57,459,043	939,283
Additions/expenditure during the period	1,556,700	598,029
Reclassification/transfers ⁽²⁾	-	58,181,590
Depreciation for the period	(4,225,090)	(2,252,044)
Disposals of assets	-	(7,815)
Carrying amount at end of period	54,790,653	57,459,043

⁽¹⁾ Property assets are held at cost and are not depreciated.

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

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
7. EXPLORATION AND EVALUATION ASSETS		
(a) Net book value:		
At cost	22,685,154	23,188,430
Accumulated write offs	(4,684,780)	(5,188,056)
Accumulated impairment	(17,884,374)	(17,884,374)
Total exploration and evaluation	116,000	116,000
(b) Movements during the period:		
Balance at start of period	116,000	19,228,531
Exploration expenditure during the period	66,981	2,118,936
Exploration and evaluation assets written off	(66,981)	(3,347,093)
Exploration and evaluation assets impaired	-	(17,884,374)
Balance at end of period	116,000	116,000

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
8. MINE PROPERTIES:		
At 1 July	33,306,747	-
Transfers from mines under construction	-	112,782,190
Adjustment to purchase consideration – CBH Royalty	3,112,543	-
Mine Capital – WIP	142,680	-
Impairment of mine properties	-	(75,031,403)
Amortisation for the year	(4,277,800)	(4,444,040)
Producing mines 30 June	<u>32,284,170</u>	<u>33,306,747</u>

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
9. TRADE AND OTHER PAYABLES		
Trade payables	5,252,491	6,101,969
Accrued expenses	6,832,071	10,292,744
	<u>12,084,562</u>	<u>16,394,713</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.

10. PROVISIONS

Balance as at 31 December 2015:	Current	Non-current	Total
Rehabilitation	-	1,987,000	1,987,000
CBH Royalty	1,714,611	8,688,422	10,403,033
Other	477,386	42,961	520,347
Total	2,191,997	10,718,383	12,910,380

Balance as at 30 June 2015:	Current	Non-current	Total
Rehabilitation	-	1,516,000	1,516,000
CBH Royalty	1,382,232	6,301,013	7,683,245
Other	503,466	39,419	542,885
Total	1,885,698	7,856,432	9,742,130

Movements during the period:	Rehabilitation	CBH Royalty	Other	Total
At 1 July 2015	1,516,000	7,683,245	542,885	9,742,130
Adjustments	471,000	3,112,543	(22,538)	3,561,005
Paid during the period	-	(392,755)	-	(392,755)
At 31 December 2015	1,987,000	10,403,033	520,347	12,910,380

The Group makes full provision for the future cost of rehabilitating the Hera mine site and related production facilities at the time of developing the mine and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2023. These provisions have been created based on Aurelia's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future gold, lead and zinc prices, which are inherently uncertain.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31-Dec-15	30-Jun-15
	\$	\$
11. BORROWINGS		
Current		
Finance leases ^(a)	326,073	426,685
Insurance funding	254,397	80,407
Glencore borrowings ^(b)	37,675,794	22,229,917
Total current borrowings	38,256,264	22,737,009
Non-current		
Glencore borrowings ^(c) :		
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
Facility F	5,000,000	-
Glencore facilities drawn	110,000,000	105,000,000
Add: Interest accrued on borrowings	15,778,457	12,245,821
Total Glencore borrowings	125,778,457	117,245,821
Less: Facility establishment costs	(3,890,231)	(4,380,994)
Net Glencore borrowings	121,888,226	112,864,827
Less: Current portion of Glencore borrowings	(37,675,794)	(22,229,917)
Net Glencore borrowings – non-current	84,212,432	90,634,910
Add: Finance leases – non-current ^(a)	738,316	1,279,842
Total non-current borrowings	84,950,748	91,914,752

a) Finance leases have been used to fund certain light vehicles and fixed and mobile plant for crushing/screening in the processing circuit. Terms: Fixed monthly repayments in advance; Period three-five years; Fixed interest rates ranging between 6.66% - 7.13%; Nil residual.

b) The Glencore borrowings are fully secured against all mine property, plant and equipment assets. Refer to Note 1 (ii) for detailed disclosure of debt classification.

c) Maturity dates under the existing loan agreements is detailed below. Additional disclosure on the revised loan terms agreed with the Company's primary lender, subject to certain conditions precedent, are detailed in Note 1 (i) Going Concern and as released to ASX on 27 November 2015.

Facilities A and B are secured converting note facilities with maturity dates of 15 March 2018. Under the New Agreement (see Note 1) if completed, maturity dates will be extended to September 2020 (subject to the commitment to repay \$13.5 million of Facility A on completion with drawings from Facility F).

Facility C is a secured debt facility with maturity of 15 March 2018. Under the New Agreement (see Note 1) if completed, the maturity date will be extended to September 2020.

Facility E is a secured debt facility with maturity of 15 October 2016. Under the New Agreement (see Note 1) if completed, the maturity date will be extended to April 2019.

Facility F is part of the New Agreement (see Note 1 (i) Going Concern for detailed disclosure) and is either repayable if the new loan agreement is not approved by the Company's shareholders on 18 March 2016, or if the New Agreement is completed, the maturity date will reset to September 2020.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	31-Dec-15 \$	30-Jun-15 \$
12. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		

Ordinary shares fully paid	99,929,152	99,929,152
----------------------------	------------	------------

(b) Movements in ordinary shares on issue

Details	Ref	Date	Number of shares	\$
Opening balance	(i)	1-Jul-2015	387,991,188	99,929,152
Issue of shares			-	-
Less: share issue costs			-	-
Closing balance			387,991,188	99,929,152

- (i) Annual Financial Report at 30 June 2015 shows 386,795,188 shares on issue at 30 June 2015. An additional 1,196,000 shares were issued prior to 30 June 2015 (from exercise of Performance Rights for nil consideration), however were not included, bringing the total shares on issue to 387,991,188.

13. 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 entirely in the industry of mining and exploration for 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 mine, being the most significant current project of the Company, and all other tenements. Financial information about each of these segments is reported to the Managing Director and Board of Directors on a monthly basis.

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

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
- Gain or loss on sale of financial assets
- Research and development refund
- Corporate costs
- Depreciation of non-project specific property, plant and equipment

The following represents profit and loss and asset and liability information for reportable segments for the half year ended 31 December 2015 and 31 December 2014.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Segment Results	Hera Mine \$	Other Exploration Projects \$	Total \$
Half year ended 31 December 2015			
Sales	34,432,294	-	34,432,294
Site EBITDA	8,995,132	-	8,995,132
Depreciation and amortisation	(8,353,808)	-	(8,353,808)
Exploration costs written-off	(58,643)	(8,338)	(66,981)
Segment net profit / (loss) after tax	582,681	(8,338)	574,343

Reconciliation of segment net profit / (loss) after tax to net profit / (loss) after tax:

Interest income			77,757
Other income			97,852
Gain on revaluation of investments			136,400
Corporate administration expenses			(3,237,660)
Share based expenses			(893,643)
Gain on foreign exchange			149,437
Interest and finance charges			(5,526,698)
Net loss after tax per the statement of comprehensive income			(8,622,212)

Half year ended 31 December 2014

Segment loss	(318,704)	-	(318,704)
Deferred exploration costs written-off	-	(3,347,093)	(3,347,093)
Segment net profit after tax	(318,704)	(3,347,093)	(3,665,797)

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

Interest income			169,830
Other income			770
Loss on revaluation of investments in associates			(287,230)
Corporate administration expenses			(1,847,912)
Share based expenses			143,022
Net loss after tax per the statement of comprehensive income			(5,487,317)

Segment assets and liabilities for the year ended 31 December 2015 are as follows:

Segment assets at 31 December 2015

Cash and cash equivalents	3,808,304	-	3,808,304
Trade and other receivables	547,369	-	547,369
Prepayments	219,903	-	219,903
Property, plant and equipment	54,411,562	-	54,411,562
Inventory – Ore / product in circuit	4,215,653	-	4,215,653
Materials on hand	1,821,637	-	1,821,637
Deferred exploration and evaluation expenditure	43,000	73,000	116,000
Mine Properties	32,284,170	-	32,284,170
	97,351,598	73,000	97,424,598

Reconciliation of segment assets to total assets

Cash and cash equivalents		5,551,817
Trade and other receivables		588,694
Prepayments		356,405
Corporate plant and equipment		379,091
Financial assets		409,200
Total assets per the balance sheet at 31 December 2015		104,709,805

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Segment Results	Hera Mine \$	Other Exploration Projects \$	Total \$
Segment liabilities at 31 December 2015			
Trade and other payables	11,743,646	-	11,743,646
Deferred acquisition costs – current	1,714,611	-	1,714,611
Deferred acquisition costs – non current	8,688,422	-	8,688,422
Hera rehabilitation provision	1,987,000	-	1,987,000
Provisions	186,806	-	186,806
Borrowings	122,952,614	-	122,952,614
	<u>147,273,099</u>	-	<u>147,273,099</u>

Reconciliation of segment liabilities to total liabilities

Trade and other payables	340,916
Borrowings	254,398
Provisions	333,541
Total liabilities per the balance sheet at 31 December 2015	<u>148,201,954</u>

Segment assets and liabilities for the year ended 30 June 2015 are as follows:

Segment assets at 30 June 2015

Cash and cash equivalents	1,258,560	-	1,258,560
Trade and other receivables	5,309,666	-	5,309,666
Prepayments	45,180	-	45,180
Property, plant and equipment	56,956,173	-	56,956,173
Inventory – Ore / product in circuit	1,215,770	-	1,215,770
Materials on hand	1,476,792	-	1,476,792
Deferred exploration and evaluation expenditure	43,000	73,000	116,000
Mine properties	33,306,747	-	33,306,747
	<u>99,611,888</u>	<u>73,000</u>	<u>99,684,888</u>

Reconciliation of segment assets to total assets

Cash and cash equivalents	3,589,079
Trade and other receivables	875,333
Prepayments	100,054
Corporate plant and equipment	502,870
Financial assets	272,800
Total assets per the balance sheet at 30 June 2015	<u>105,025,024</u>

Segment liabilities at 30 June 2015

Trade and other payables	16,370,763	-	16,370,763
Deferred acquisition costs – current	1,382,232	-	1,382,232
Deferred acquisition costs – non current	6,301,013	-	6,301,013
Hera rehabilitation provision	1,516,000	-	1,516,000
Provisions	133,692	-	133,692
Borrowings	114,651,761	-	114,651,761
	<u>140,355,461</u>	-	<u>140,355,461</u>

Reconciliation of segment liabilities to total liabilities

Trade and other payables	23,950
Provisions	409,193
Total liabilities per the balance sheet at 30 June 2015	<u>140,788,604</u>

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

14. 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 2015 are as follows:

	31-Dec-15	30-Jun-15
	\$	\$
Within one year	2,095,402	2,057,208
After one year but not more than 5 years	1,627,654	2,192,192
More than 5 years	-	-
	<u>3,723,056</u>	<u>4,249,400</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:

	31-Dec-15		30-Jun-15	
	\$		\$	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	388,892	326,072	531,060	426,686
After one year but not more than five years	799,279	738,317	1,408,379	1,279,841
More than five years	-	-	-	-
Total minimum lease payments	1,188,171	1,064,389	1,939,439	1,706,527
Less: amounts representing finance charges	(123,782)	-	(232,912)	-
Present value of minimum lease payments	<u>1,064,389</u>	<u>1,064,389</u>	<u>1,706,527</u>	<u>1,706,527</u>

Commitments

At 31 December 2015, the Group has commitments of \$3,699,720 (30 June 2015: \$4,326,113) including \$1,380,000 relating to annual exploration/mining lease minimum annual expenditures (30 June 2015: \$1,406,000).

15. FAIR VALUE

The Directors consider the carrying values of financial assets and financial liabilities recorded in the financial statements approximate their fair values. It is noted that there is significant judgement in determining the fair value of borrowings which could be expected to be less than the carrying value of borrowing due to the higher interest rate a market participant would expect to receive on the present borrowings relative to the actual interest rate obtained by the Company at inception of the borrowings given the notice of default issued by Glencore. Given this uncertainty and the lack of reliable inputs to arrive at an alternate valuation the Company has not disclosed an alternative fair value. Borrowings are adjusted for capitalised transaction costs. Capitalised transaction costs are determined in accordance with the accounting policies referred to in Note 1 of the financial statements. The fair value is estimated based on parameters such as interest rates, specific country risk factors, individual creditworthiness and the risk characteristics of the financing.

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.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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 2015				
Assets				
Shares in Aus Tin Mining Limited	409,200	-	-	409,200
Gold put options	-	-	-	-
Total assets	409,200	-	-	409,200
Liabilities				
Deferred acquisition costs	-	-	10,403,033	10,403,033
30 June 2015				
Assets				
Shares in Aus Tin Mining Limited	272,800	-	-	272,800
Options in Aus Tin Mining Limited	-	-	-	-
Gold put options	-	-	-	-
Total assets	272,800	-	-	272,800
Liabilities				
Deferred acquisition costs	-	-	7,683,245	7,683,245

During the reporting period ended 31 Dec 2015, and 30 June 2015, 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).

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 149,761 ounces. Future royalty revenue is estimated using the US\$ gold price and future exchange rate delivering an average gold price of AUD\$1,604/oz. The discount rate used was the five year government bond rate of 2.12%.

The deferred acquisition cost is considered a Level 3 financial instrument as its valuation contains an unobservable input being the forecast gravity gold production applicable to the royalty. The fair value is sensitive to changes in this unobservable input. An increase of 10% in the forecast gravity gold production could result in an increase in the deferred acquisition costs of \$1.012 million and a decrease of 10% in the forecast gravity gold production could result in a decrease in the deferred acquisition costs of \$1.012 million.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

16. 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.
- During the reporting period ending 30 June 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 \$10,403,033 (\$7,683,245 at 30 June 2015) 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 2015. The royalty (the deferred consideration) is revalued at each reporting date, with any change in fair value recognised as a change in the cost of the asset acquired.

17. DIVIDENDS

No dividends were paid or proposed during the period (2014: nil).

18. EVENTS AFTER THE BALANCE SHEET DATE

On 3 February 2016, the Company announced that it reached a revised agreement with its underground mining contractor Pybar Mining Services for the settlement of all outstanding amounts in cash, with the previous agreement expiring on the 31 January 2016. It was agreed to make a single repayment of \$500k on 2 February 2016 together with weekly repayments of \$100k commencing 1 February 2016. On receipt of AMI Shareholder approval for the Glencore Funding & Settlement Agreement expected on 18 March 2016, the Company will pay \$1 million on 1 April 2016, \$1 million on 29 April 2016 and a bullet repayment all outstanding amounts (including interest) on 31 May 2016. On 3 February, the outstanding amounts payable to Pybar was \$4.3 million.

On 8 February 2016, the Company announced that by mutual agreement with Glencore, the sunset date for completion of all conditions precedent to the new financing agreement was extended to 31 March 2016.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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 2015 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
24 February 2016

To the members of Aurelia Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurelia Metals Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Aurelia Metals Ltd and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

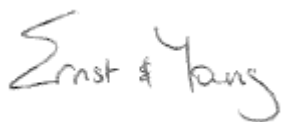
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurelia Metals Ltd is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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

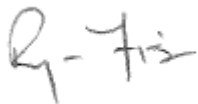
Emphasis of matters

Without qualifying our conclusion, we draw attention to Note 1(i) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

We also draw attention to Note 1(ii) of the financial statements which describes the uncertainty relating to the completion of the agreement with Glencore, status of the court proceedings and the possible impacts of these outcomes on the classification of the entity's non-current borrowings and consequential impact on solvency. The financial report does not include any adjustments that may be required if the completion of the agreement with Glencore does not occur, and the decision of the Court results in the entity being required to repay any or all of the non-current borrowings in less than twelve months.



Ernst & Young



Ryan Fisk
Partner
Sydney
24 February 2016