

Quarterly Report for the period ending 31 December 2015

DECEMBER QUARTER HIGHLIGHTS

- Settlement and Funding agreement reached with Glencore
- Record quarterly gold production of 9,432 oz gold
- Record zinc recoveries of 93%
- Positive Hera EBITDA of \$3.4 million for the quarter

HERA OPERATIONS

- Ore processed of 71,703 t, grading 5.5 g/t gold, 2.65% lead and 2.64% zinc
- Gold production of 9,432 oz and concentrate production of 6,491 dmt of Pb-Zn concentrate
- Reduced throughput with 2.5 day maintenance shutdown and instability in the back end of the process plant
- Continued positive gold grade reconciliations for each of month of quarter
- Consistent quarterly improvement in gold recoveries to 74.6% for the quarter
- Strong base metal recoveries including record zinc recovery of 93.3% and lead recoveries at 90.2%
- Site EBITDA of \$3.4 million for the quarter
- A number of new supplier agreements reached realising significant cost reductions
- Operational changes in the gold/Merrill Crowe circuit expected to realize gold recovery benefits in the March 2016 quarter
- Work commenced on gravity circuit upgrade

CORPORATE

- On 27 November the company announced it had reached a settlement and funding agreement with Glencore, with the agreement highlights including:
 - 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
- Completion of the agreements remains subject to a number of Conditions, including shareholder approval, with a general meeting of shareholders expected in early March 2016
- Mr Michael Menzies and Mr Rune Symann were appointed to the Board as Glencore nominees
- At 31 December 2015 the Company held cash in bank of \$9.36 million (\$3 million is restricted)

HERA, NSW (100%)

SUMMARY

Production for the quarter saw further steady improvement in the performance of the Hera Project, with highlights including:

- Record zinc recovery of 93.3%
- Further improvement in gold recovery for the quarter to 74.6%
- Strong positive reconciliation of gold grades

However, project performance for the quarter was hampered by periods of restricted throughput, driven by;

- Instability in the back end of the process plant, principally the Merrill Crowe circuit
- Batches of high-sulphide ore overcrowding the cleaner flotation circuit
- An extended 2.5 day planned maintenance shutdown in November

Aurelia Metals Limited Quarterly Production					
	Units	Jun Qtr FY15	Sep Qtr FY16	Dec Qtr FY16	YTD FY16
Ore Mined	t	69,319	75,280	74,946	150,226
Ore Mined Grade - Gold	g/t	2.6	5.2	5.3	5.2
Ore Mined Grade - Silver	g/t	11.6	13.0	14.6	13.8
Ore Mined Grade - Lead		2.52%	2.75%	2.70%	2.72%
Ore Mined Grade - Zinc		3.30%	2.49%	2.71%	2.60%
Ore Processed	t	75,660	78,229	71,703	149,932
Ore Processed Grade - Gold	g/t	2.73	5.03	5.50	5.26
Ore Processed Grade - Silver	g/t	12.80	14.39	14.32	14.36
Ore Processed Grade - Lead		2.50%	2.97%	2.65%	2.82%
Ore Processed Grade - Zinc		3.34%	2.79%	2.64%	2.72%
Recovery - Gold		62.1%	72.7%	74.6%	73.6%
Recovery - Silver		92.0%	79.9%	89.3%	84.4%
Recovery - Lead		86.1%	93.6%	90.2%	92.0%
Recovery - Zinc		65.8%	85.0%	93.3%	88.98%
Gold Production	oz	4,125	9,231	9,432	18,663
Silver Production	oz	2,517	519	6,002	6,521
Concentrate produced	DMT	6,234	7,693	6,491	14,184
Production - Payable Metal - Silver	oz	5,979	7,562	3,843	11,405
Production - Payable Metal - Lead	t	1,462	1,948	1,518	3,466
Production - Payable Metal - Zinc	t	1,178	1,235	1,251	2,485
Gold Sold	oz	4,384	9,592	8,914	18,506
Concentrate shipped	dmt	10,144	5,227	4,914	10,141
Payable Lead Sold	t	2,338	1,210	1,230	2,440
Payable Zinc Sold	t	1,983	874	907	1,781
Payable Silver Sold	oz	10,173	5,225	3,580	8,805

MINING

A total of 74,946 t of ore was mined during the quarter at an average grade of 5.3 g/t gold, 2.7% lead and 2.71% zinc. Lateral underground development was restricted to 34m in the quarter as development in 2015 had moved ahead of

schedule. Stope delineation drilling re-commenced in the quarter, with a focus on the lower levels of Main Lens North and Main Lens South. Drilling results are expected to be finalised in the March 2016 quarter.

Gold reconciliations continued to be strongly positive for gold, with gold grades running at approximately 150% of the predicted mine grades. Lead and zinc reconciliations were variable, running at 89% and 78% of predicted mine grades.

In response, a complete review of the geological block model has been completed. Recommendations arising from this review will transfer to a recalculated block model and resource which will include results from the underground drilling once received.

This process is expected to be completed during the June quarter of 2016.

PROCESSING

A total of 71,703 t of ore was processed grading 5.5 g/t gold, 2.65% lead and 2.64% zinc. Plant utilisation improved to a record 88.9%; however average processing rates were lower than the previous quarter at 36.5 tonnes per hour.

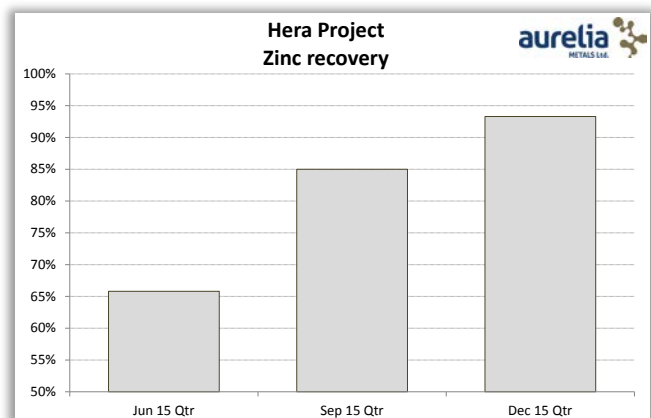
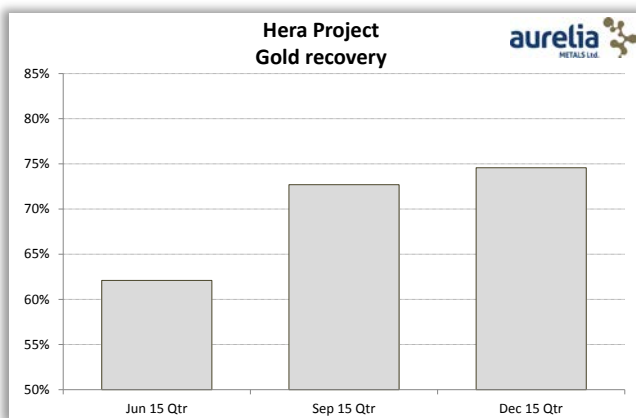
Throughput rates were restricted in response to a number of throughput constraints in the back end of the process plant, principally:

- Instability in the Merrill Crowe circuit, which recovers gold from the leach circuit to doré
- batches of high-sulphide ore overcrowding the cleaner flotation circuit
- an extended 2.5 day planned maintenance shutdown in November

Significant progress has been made in addressing these issues, in particular the stability of the Merrill Crowe circuit. These improvements are expected to be reflected in the March quarter production. Preliminary production statistics for January to date indicate a substantial improvement in Merrill Crowe performance and hence gold recoveries and gold production. Further improvements are expected through staged modifications of the gravity gold circuit.

Metal recoveries for gold and zinc each improved through the quarter, as displayed in the charts below, with zinc recovery reaching a record 93.3%. Gold recovery improved from 72.7% in the September quarter to 74.6% in the December quarter.

Lead recovery for the quarter remained strong at 90.2%.



During the quarter defects in the foundations of the primary and secondary crushers were identified that will require further investigation and remediation. A suitable contract crushing operator has been sourced and will be utilised during this period, with tendered rates indicating no material increase on current crushing costs. In addition, the contractor is capable

of delivering a finer product than the existing circuit, which may result in reduced wear rates and increased throughput in the tertiary crushing circuit.

A number of process capital projects were initiated or completed during the quarter, including:

- Commencement of the design and procurement for the gravity circuit upgrade, including the purchase and delivery of a suitable second hand tower mill. This project is expected to complete early in the June quarter
- Installation of a thickener to clarify mine water to allow for more efficient usage of underground water. This project is expected to complete in January
- Purchase of additional water licensing and installation of additional water bores within the existing borefield. This is designed to build additional contingency and provide sufficient water capacity for the Hera expansion once progressed

OPERATING COSTS

Site unit costs increased to \$189/t processed from \$176/t in the previous quarter. The increase in mining costs was primarily driven by the restart of stope delineation drilling. Process unit costs were driven by lower tonnes processed and an increase in process consumables in the month of December. Reducing costs in the processing department (operating and maintenance) remains a key focus.

Aurelia Metals Limited Quarterly Unit Cost Summary					
Gold Production - unit costs/t processed	Units	Jun Qtr FY15	Sep Qtr FY16	Dec Qtr FY16	YTD FY16
Mining	\$/t	72	72	83	77
Processing	\$/t	83	75	79	77
Site Administration	\$/t	17	11	13	12
Concentrate Transport	\$/t	18	17	14	16
Total Site Unit Costs	\$/t	191	176	189	182
Royalties	\$/t	1	8	6	7
Net Inventory adjustments	\$/t	72	(21)	(11)	(16)
Total By-Product Credits	\$/t	(151)	(66)	(74)	(69)
Third party smelting, refining	\$/t	54	28	34	31
Total Unit Costs	\$/t	167	126	144	135

A number of key logistics and supplier contracts were re-negotiated during December that will realise cost savings from January 2016.

CORPORATE

GLENCORE SETTLEMENT AND FUNDING AGREEMENT

Background and Settlement

At the start of the quarter, the Company had drawn funding facilities provided by Glencore of approximately \$120 million (including capitalised interest as detailed in the table below). Prior to quarter end, as part of a settlement agreement with Glencore, detailed below, the Company drew a further \$5 million of debt as an early advance.

Since 26 June 2015, Aurelia has been in dispute with Glencore, with the dispute being heard by the NSW Supreme Court on the 4th and 5th November 2015. Following the court hearing the court reserved judgment. During and after the court proceedings, Aurelia and Glencore maintained discussions with a view to reaching a negotiated outcome to the dispute.

On 25 November, Aurelia and Glencore reached a settlement and funding agreement on the terms detailed in the ASX release dated 27 November 2015. On reaching that agreement, the parties jointly approached the court for an adjournment of judgment until the earlier of the completion of the Agreement or 2 March 2016. On Completion the parties will jointly apply to have the court proceedings formally dismissed.

Agreement

The Agreement highlights 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

**Except the A\$15m Pre-Export Finance Loan, where repayments commence 12 months after drawdown

The Agreement was reached under a binding term sheet which was subsequently restated in a more complete and precise manner in formal agreements executed on 18 December 2015. The Agreement is subject to a number of conditions precedent which must be satisfied or waived on or before 2 March 2016, including:

- Aurelia obtaining any necessary shareholder approvals;
- Glencore obtaining any necessary regulatory approvals;
- Aurelia committing not to draw down on the Pacific Road Facilities (ASX announcement 9 September 2015);
- Aurelia and Glencore jointly agreeing a 12 month business plan; and
- Aurelia cancelling any dilutive settlement arrangements with creditors.

In the view of the Aurelia Directors, the Agreement reached represents the best outcome for Aurelia in the context of the current and foreseeable commercial environment as well as the legal and financial circumstances of the Company.

With the suspension of the existing funding facility obligations and the provision of \$21.5m net new funding, the Agreement provides the opportunity to stabilise and rectify the issues associated with the Hera processing plant and work collectively through the business plan to deliver a sustainable Hera operation.

Revised Funding Profile

On Completion of the Agreement, the key changes in Aurelia's debt facilities will be as follows:

	Facility A: Converting Note	Facility B: Converting Note	Facility C: Debt	Facility D: Debt	Facility E: Debt			Total
Original Loan Terms								
Facility Size	A\$ 20,000,000	50,000,000	30,000,000	50,000,000	5,000,000	-	-	155,000,000
Current Balance at 23 Nov 2015	A\$ 23,579,871	57,061,144	33,441,105	Undrawn (7)	5,967,687			120,049,807
First Repayment Due	15-Sep-15	15-Sep-15	15-Sep-15		15-Sep-15			
Qtly Repayments from	15-Oct-15	15-Oct-15	15-Oct-15		15-Oct-15			
Maturity	15-Mar-18	15-Mar-18	15-Mar-18		15-Oct-16			
Loan term from first repayment	Yrs 2.5	2.5	2.5		1.1			
Remaining term from 23 Nov 15	Yrs 2.3	2.3	2.3		0.9			

	Facility A: Converting Note	Facility B: Converting Note	Facility C: Debt	Facility D: Debt	Facility E: Debt	ASCL(6)	Pre-Export Finance Loan	Total
Revised Loan Terms								
Facility Size (1)	A\$ See Note (1)	50,000,000	30,000,000	50,000,000	5,000,000	20,000,000	15,000,000	170,000,000
New Loan Balances (2)	A\$	57,061,144	33,441,105	Undrawn (7)	5,967,687	20,000,000	15,000,000	131,469,936
First Qtly Repayment Due (3)(4)		2-Mar-18	2-Mar-18		2-Mar-18	2-Mar-18	2-Mar-17	
Maturity		2-Sep-20	2-Sep-20		2-Apr-19	2-Sep-20	2-Sep-18	
Loan term from first repayment (5)	Yrs	2.5	2.5		1.1	2.5	1.6	
Remaining term from 23 Nov 15	Yrs	4.8	4.8		3.4	4.8	2.8	

(1) The Revised Loan Terms assumes the full repayment/conversion of Facility A upon drawdown of the ASCL

(2) The \$11.420m increase in loan balances reflects the additional \$35.000m of new facilities less the \$23.579m of FacA repaid/converted

(3) First repayment date is 24 months from Completion Date. Completion Date can be no later than 2 March 2016

(4) First repayment of Pre-Export Finance Loan is 12 mths from first drawdown. First drawdown assumed to be 2 March 2016

(5) Loan term for Pre-Export Finance Loan is based min repayment of US\$7.2m per annum using an USD exchange rate of 0.71

(6) Additional Secured Convertible Loan

(7) Facility D is only available once a bankable feasibility study has been completed for the Nymagee copper project

FINANCIAL POSITION

During the quarter, cash at bank increased from \$6.69 million to \$9.36 million as at 31 December 2015 (\$3 million of cash in bank is unavailable and held as cash deposits for environmental bonds). This is inclusive of \$5m received during the quarter as part of the settlement and funding agreement.

Total drawn debt from the Glencore Finance Facility is \$125 million (including capitalised interest).

FINANCIAL PERFORMANCE

Hera EBITDA was positive \$3.4 million in the December quarter as compared with positive \$5.0 million in the previous quarter. December quarter EBITDA was reduced by the delayed sale of concentrate shipment #7 due to weather conditions at the Port of Newcastle. Revenue of approximately A\$3.2 million was recorded on the sale of this shipment on 5 January 2016.

Hera EBITDA of \$3.4 million less \$1.3 million of capital and royalties in the quarter, generated approximately \$2.1 million of net cash.

Corporate administration costs were \$2.0 million in the quarter, of which approximately \$1.1 million related to legal, advisory and other fees involved in the preparation and attendance at court to resolve the Glencore dispute. These costs will substantially reduce into the March quarter.

Further cash out flow related to a single loan repayment of \$0.45 million made against an Equipment Finance Lease reducing its balance from \$1.50 million to \$1.05 million. Trade and other payables reduced in the quarter by \$1.8 million to \$11.6 million. Some \$5.16 million of this total relates to amounts payable for prior claims to Hera's mining contractor (Pybar). Pybar continues to work constructively with the Company to allow the repayment of this claim over future periods.

Cash inflow of \$4.98 million was related to the drawdown of \$4.98 million in new funds from Glencore (early advance net of stamp duty). The net impact of these changes and other minor timing differences during the quarter was a net increase in cash of \$2.67 million.

In the December 2015 quarter (Q2 FY16), the Company generated sales of \$16.58 million (excluding interest). Gold sales totaled \$13.71 million from the sale of 8,914 oz of gold at an average price of A\$1538/oz. Silver dore sales generated \$0.07 million. Net concentrate sales were \$2.8 million from the sale of 4,914 dmt of concentrate in the period.

Aurelia Metals Limited Quarterly Financial Summary					
	Units	Jun Qtr FY15	Sep Qtr FY16	Dec Qtr FY16	YTD FY16
Revenue summary⁽¹⁾					
Gold/Silver Revenue	\$k	6,968	15,011	13,778	28,789
Net Base Metal Revenue	\$k	7,243	2,844	2,798	5,643
Other	\$k	6	0		
Total Revenue	\$k	14,217	17,856	16,576	34,432
Operating Costs⁽²⁾					
Mining	\$k	5,481	5,650	5,931	11,582
Processing	\$k	6,261	5,877	5,670	11,546
Site Administration	\$k	1,320	854	943	1,797
Concentrate Transport	\$k	1,368	1,348	987	2,335
Royalties	\$k	74	657	459	1,116
Net Inventory adjustments	\$k	5,441	(1,606)	(793)	(2,399)
Total Operating	\$k	19,944	12,780	13,197	25,977
Site EBITDA⁽³⁾	\$k	(5,727)	5,076	3,379	8,455

All financials are preliminary and subject to change

(1) Final revenue will be adjusted due to quotational period pricing, product inventory and smelter payable adjustments, where applicable

(2) Cost data is preliminary and subject to final review and adjustment

(3) EBITDA excludes corporate costs and interest and is a non-IFRS term and not subject to audit

Financial performance has been driven by consistent gold and zinc recoveries, positive gold grade reconciliations and reduced mine development.

SHARE OPTIONS

During the quarter Aurelia issued 50m share options with a 5 year term at a 1.25c strike as per below:

- 10m options to Pybar Mining Services in consideration for revised payment terms on outstanding liabilities and
- 40m options to Pacific Road Capital Management (PRCM) as a commitment fee with respect to funding arrangements announced on 9 September 2015

Shareholder approval for the Pybar options was obtained at the Annual General Meeting held on 30 November 2015. Shareholder approval for the Pacific Road options will be sought at a General Meeting of Shareholders to be held in March 2016.