aurelia METALS Ltd.

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HERA PROJECT PERFORMANCE, EXPANSION STUDY AND FINANCIAL UPDATE

Aurelia Metals Limited ("AMI" or "the Company") here provides an operational update on the Hera gold-lead-zinc project and its expansion study, together with an update on the Company's financial position, and on the Company's strategy in response.

- The Hera Project continues to show incremental operational improvement but is yet to reach design performance. Most recent plant performance, notably the fortnight of late June and early July are particularly encouraging.

- The under-performance of the Hera Project to date has had a negative impact on the Company's financial performance, cash flow and liquidity. Consequently the Company's liquidity is significantly constrained with cash at bank at 30 June of $4.85 million. In addition, the Company holds gold concentrates available for smelting with a market value of approximately $3.5 million and a concentrate receivable of $3.7 million associated with shipment#4, exported on 29 June 2015. A total of $2.8 million of this shipment was receipted on 6 July 2015.

- In response, the Company has completed a detailed cost and technical review and has finalised a detailed Scoping Study for Hera which includes process plant rectification as well as a significant project expansion from the current 350ktpa mining and process rate up to 450ktpa ('HERA EXPANSION STUDY').

- The Hera Expansion Study provides a clear and compelling investment case. The Expansion study shows the Hera Project capable of delivering:

    - Average annual gold production of 40,000 oz at an average All-in Sustaining Cost (AISC) over the life of mine of less than A$700/oz after by-product credits
    - A significantly increased average base metal production profile of 14,000 tpa zinc and 12,500 tpa lead

- The Hera Expansion Study has been based on the recently revised Hera Resource Estimate (July 2015)

- The Company has drawn debt and convertible note facilities with Glencore totalling A$117 million including capitalised and accrued interest. The first payments under these facilities are due on 13 September 2015, when a total amount of $4.2m is payable pro-rata across all facilities.

2 CORPORATION PLACE • PO BOX 7058 • ORANGE NSW 2800
Ph +61 2 6363 5200 Fx +61 2 6361 4711 Em office@aureliametals.com Wb www.aureliametals.com

- Owing to the capital investment required to deliver the Hera Expansion Study and the Company's current financial position, Aurelia has determined to source additional funding, with the optimal solution considered to be a combination of equity funding together with a restructure of its outstanding debt and Convertible Note obligations with Glencore.

- To further this strategy, the Company is in discussions with its major shareholders and lenders with regard to restructuring its financing arrangements to deliver a rectification and expansion of the Hera Mine. The steps have included:
  - a review of the Company's conversion rights under the Convertible Notes held by Glencore;
  - discussions with certain Investment Banks on capital market options; and
  - the negotiation of term sheets that the Company has received for injections of capital.

- It is the Company's commitment to deliver an optimal refinancing proposal, however no binding agreements have yet been reached there is no certainty that agreements will be concluded that will deliver the required funding. Equity funding will be required by August if the Company's plans are to be delivered as scheduled.

- Under the Convertible Note Deed Poll executed with Glencore on 11 February 2013, which covers Facility A ($23.1 million including capitalised interest) and Facility B ($55.8 million including capitalised interest), Aurelia has the right to convert these Facilities into ordinary shares on certain specified terms.

- As previously announced, the Company has received an event of default notice from its major lender, Glencore. The Company has rejected the default notice. There are no amounts currently due under the facility with the first scheduled repayment due on 13 September 2015. The Company remains engaged in discussions with Glencore with respect to the Hera Expansion Study.

- As of the date of this report, a full year review of the Company's asset carrying values has yet to be completed. However, primary indicators of impairment exist and an impairment in the range of $60-90 million is probable for the year ending 30 June 2015. The impairment is a non-cash item and therefore has no impact on the Company's cash position or conditions around the Company's debt facility with Glencore.

- The Company has appointed Treadstone Partners as financial advisors and Allens-Linklaters as legal counsel with regard to the res-structuring of its financing arrangements.

The scoping study referred to in this announcement is based on low level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised. The production target from Mining Inventory included in this announcement is partly based on inferred mineral resources (23%). There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

HERA PROJECT UPDATE

SUMMARY

Commercial production was declared on the 1 April 2015. Performance in the June 2015 quarter to date (April and May) has been below expectations with the operation not yet generating positive earnings before interest, tax and depreciation (EBITDA[1]).

Aurelia Metals Limited Quarterly Financial Summary 2015				To date
	Units	April	May	June Qtr
Revenue				
Gold/Silver Revenue	$k	2,489	2,418	4,907
Net Base Metal Revenue	$k	3,632	(2)	3,630
Other	$k	1	2	3
Total Revenue	**$k**	**6,122**	**2,418**	**8,541**
Operating Costs				
Mining	$k	1,475	1,775	3,250
Processing	$k	2,077	2,087	4,164
Site Administration	$k	515	418	933
Concentrate Transport	$k	574	242	817
Net Inventory adjustments	$k	3,417	(1,360)	2,057
Royalties	$k	32	108	140
Total Operating	**$k**	**8,091**	**3,270**	**11,361**
Site EBITDA[1]	**$k**	**(1,968)**	**(852)**	**(2,820)**

(1) EBITDA is a non-IFRIS financial term and is not subject to audit review.

The slower ramp up in operating performance, combined with lower than expected gold recovery have reduced expected revenues. Together with reduced revenues, processing costs have been high, primarily due to increased reagent consumption and crusher maintenance costs. The higher processing cost is related to increased reagent dosing due to ore oxidation and lower gravity gold recovery. Increased maintenance costs are related to the operating strategy adopted to overcome the inefficiency of the current tertiary crushing configuration.

To deliver a step change in performance, certain sections of the plant require rectification, particularly the tertiary crushing circuit which will require replacement with a cone crusher and ball mill. The rectification of the process plant is planned to deliver increased stability of the processing circuit, deliver lower operating costs (particularly maintenance costs) and deliver increased metal recoveries. Importantly, this rectification step is planned to also deliver enhanced throughput capacity of up to 450,000 t/y (as detailed in the Expansion Study Section).

OPERATING PERFORMANCE

Process plant performance has improved since the last project update in April, but only incrementally during the June quarter. Final June month end data is not currently available hence the "To date June Qtr" includes April and May data only.

Aurelia Metals Limited Production				To date
	Units	April	May	June Qtr
Ore Mined	t	15,882	25,754	41,636
Ore Mined Grade - Gold	g/t	3.89	1.67	2.52
Ore Mined Grade - Silver	g/t	7.5	10.2	9.2
Ore Mined Grade - Lead		1.90%	2.30%	2.15%
Ore Mined Grade - Zinc		2.90%	3.20%	3.09%
Ore Processed	t	23,182	28,836	52,018
Ore Processed Grade - Gold	g/t	3.80	1.93	2.76
Ore Processed Grade - Silver	g/t	10.02	12.45	11.37
Ore Processed Grade - Lead		2.19%	2.27%	2.23%
Ore Processed Grade - Zinc		3.13%	3.30%	3.22%
Recovery - Gold	%	78.4%	75.1%	76.6%
Recovery - Silver	%	89.1%	94.3%	92.0%
Recovery - Lead	%	85.0%	83.3%	84.1%
Recovery - Zinc	%	57.6%	61.0%	59.5%
Gold Production	**oz**	**2,220**	**1,344**	**3,564**
Silver Production	oz	928	1,424	2,353
Concentrate produced	DMT	1,424	2,159	3,583
Production - Payable Metal - Silver	oz	1,841	1,630	3,472
Production - Payable Metal - Lead	t	389	481	871
Production - Payable Metal - Zinc	t	304	408	712
Gold Sold	oz	1,557	1,507	3,064
Concentrate shipped	dmt	4,968	0	4,968
Payable Lead Sold	t	1,012	0	1,012
Payable Zinc Sold	t	1,041	0	1,041
Payable Silver Sold	oz	3,915	0	3,915

Mining

Mining activity is proceeding satisfactorily, with development activity in the June quarter reduced to take advantage of the development moving ahead of schedule in previous quarters.

Gold grades

Gold grades in the June quarter underperformed the reserve model with a reconciled grade of grade of 2.52 g/t Au. Although early in the life of the mine, the potential overcall by the resource block model prompted a detailed review of modelling parameters.

The conclusion of this work is embodied within the revised resource estimate (July 2015 resource statement) and within the revised mine plan and schedule. The revised model is considered a better predicator of mining performance to date and is planned to provide a more robust estimate of future grade.

Throughput

Design throughput rates were achieved in May, but have since reduced back to 80% of design in June due to various issues relating to the filter press and power supply during the month, which have since been rectified.

Design throughput rates are largely being achieved through the reconfiguration of the primary and secondary crushing circuit to reduce the load on the under-performing tertiary VSI (Vertical Shaft Impact) crushers. This has a consequential impact on processing maintenance costs as other elements of the crushing circuit are taking the load and experiencing higher wear rates than design.

Precious Metal Recovery

Gold recovery has progressively increased since January 2015. Recovery has averaged 77% in the first two months of the June quarter and approximately 79% in the month of June (month end reconciliations are not yet finalised).

Whilst gold recovery of 80%-90% is achievable under stable process conditions, instability in the circuit, particularly in the Merrill Crowe circuit, is delivering periods of poor performance.

The process circuit is designed to recover gold by gravity separation and by cyanide leach extraction. To date, gravity gold recovery has been below design level (approx. 30% in June), which has meant that additional gold is reporting to the leach circuit for recovery. Peroxide/oxygen sparging, and increasing cyanide dosing have been employed to enhance gold recovery in the leach circuit. These actions have contributed to the currently high processing operating cost.

Changes in process design to both enhance precious metal recovery and reduce operating costs are in progress. The installation of additional gravity infrastructure, being a Knelson concentrator on the rougher concentrate, (now installed) and hydro-cyclone ahead of the gravity circuit (due for installation in July) are expected to make material improvements in gravity gold recovery. In addition, a more efficient and effective oxygen sparging system in the leach circuit has now been installed. With the current plant configuration, gold recoveries are forecast to increase to a monthly average of 85%. The Company notes preliminary recovery rates for the most recent 2 weeks of process plant performance (to 4th July) shows gold recoveries reaching 90%.

Lead and Zinc Recovery

Lead and zinc recovery were both at design level in the December quarter at circa 90%. These levels reduced to mid- 80% in the March quarter, with lead recovery remaining steady in the mid-80% level with zinc reducing further into the June quarter.

Zinc recovery has been affected by a concerted effort to reduce silica content in the final concentrate product (see comment below on product sales). Further work is ongoing to resolve this issue and continuous improvement in the zinc recovery is underway.

Lead flotation performance is very satisfactory however recovery was partially affected by the focus on silica content reduction in the June quarter.

Product Sales

As at 2 July 2015, the Company has made four shipments of concentrate totalling 19,800 t. The offtake agreement specifies that the Company expects the concentrate to have a typical assay of 2.5 to 4.0% silica. Shipments to date have ranged from 5.24% to 6.95% silica. The Company appreciates the importance of maintaining low impurities in the product and is focused on reducing silica levels to the 4% level. To date, no parcels have been rejected or any additional penalties, beyond the contract penalty range, applied. Glencore has reserved its rights around product quality and continues to work in good faith with the Company on this matter.

During June, the site gold furnace, used for smelting intermediate product into gold dore bars, was temporarily de-commissioned due to ongoing failures of the unit. A larger replacement furnace has been ordered to better manage the larger volumes of material generated from the Merrill Crowe circuit. The site furnace is now operational for smelting gravity gold, however until the larger furnace is installed, planned for the September quarter, the Company has also made arrangements for smelting gold at third party sites. This has created temporary delays around timing of gold receipts in June.

Operating Costs

Processing costs are currently significantly higher than originally planned with the key areas of cost overrun in the Processing Department (Repairs & Maintenance, Reagents and Labour).

Aurelia Metals Limited Quarterly Cost Summary 2015				To date
	Units	**April**	**May**	**June Qtr**
Mining	$/t	64	62	62
Processing	$/t	90	72	81
Site Administration	$/t	22	14	18
Total On-Site Unit Costs	$/t	**175**	**148**	**161**
Concentrate Transport	$/t	25	8	16
Net Inventory adjustments	$/t	147	(47)	40
Royalties	$/t	1	4	3
Third party smelting, refining	$/t	85	0	38
Total By-Product Credits	$/t	(243)	(1)	(108)
Total Unit Cash Costs	**$/t**	**197**	**110**	**149**

The June Qtr to date processing unit cost of $81/t is comprised of $31/t repairs and maintenance, $14/t Reagents, $19/t labour and other of $17/t.

The Repairs & Maintenance cost, as previously discussed, is a direct result of reconfiguring the primary and secondary crushers to unload the under-performing Tertiary VSI crushers to increase throughput, resulting in higher wear rates. This is unlikely to materially reduce until the processing circuit is rectified under the expansion plan. Aurelia has lodged a number of defect claims with the EPC Contractor with respect of some of these issues.

Reagent consumption, particularly cyanide and as previously discussed, has been materially higher than planned. This is planned to reduce with optimisation projects underway (see Precious Metal Recovery) and is expected to further reduce under the expansion plan.

High labour costs are as a result of increased metallurgical management and maintenance planning during the commissioning and ramp-up period. Specialist skills are being applied to overcome the processing issues associated with mechanical instability, metal recovery and the tertiary crushing circuit. Labour costs are planned to reduce as operations move to steady over the course of the year.

It is currently considered that a processing cost in the mid $40/t range will be achievable under the current plant configuration, which could further reduce under the expansion plan.

Mining costs remain within budget as per schedule of rates contract, notwithstanding, the Company is working with its primary contractor to reduce mining costs in the immediate term.

RESOURCE ESTIMATE

As per separate release dated 7 July 2015, the Hera Resource estimate as released to the ASX on 21 April 2015 has now been revised.

The revised resource followed an independent review of the estimate conducted by resource consultant Mr Lynn Widenbar.

The July 2015 Hera Resource Revision has adopted a more conservative set of estimation parameters, particularly with respect to gold top-cuts, with reduction and tonnes and gold grade, but an increase in lead and zinc grades, in comparison to the April 2015 release.

Competent Persons Statement –Hera Resource Estimate

The Resource Estimation for the Hera deposit has been completed by:

- *Mr Lynn Widenbar, BSc (Hons), MSc, DIC, MAusIMM, MAIG , is a geologist and a Director and Principal of Widenbar and Associates*

  And co-authored by:

- *Mr Stuart Jeffrey, Senior Project Geologist – Hera Project BSc (Hons), MSc (Econ Geology), MAusIMM*

Mr Widenbar is a full time employee of Widenbar and Associates Pty Ltd. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context that the information appears.

Mr Jeffrey is a full time employee of Aurelia Metals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Jeffrey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

2 CORPORATION PLACE • PO BOX 7058 • ORANGE NSW 2800
Ph +61 2 6363 5200 **Fx** +61 2 6361 4711 **Em** office@aureliametals.com **Wb** www.aureliametals.com

HERA PROJECT EXPANSION STUDY

EXPANSION STUDY - INTRODUCTION

The Company has completed a Scoping Study on expanding mine and mill production from current 350,000 tpa to an annualised 450,000 tpa (**'Hera Expansion Study'**) with the objective of both addressing the existing process issues and substantially improving Aurelia's forward projection of expected financial performance.

The Hera Expansion Study provides the Company with a clear an attractive path forward. The Expansion study shows the Hera Project capable of delivering:

- A five year mine life assuming no additional exploration success
- Average annual gold production of 40,000 oz
- An All-in Sustaining Cost (AISC) over the life of mine of less than A$700/oz, after base metal credits
- A significantly increased average base metal production profile of :
    - 14,000 tpa zinc,
    - 12,500 tpa lead

The Study finds the Hera Expansion can be delivered with a relatively modest process capital expenditure of $16.8 million, staged sequentially through to July 2016.

The study has included a detail mining study integrated with the existing mining schedule, to deliver a schedule at the increased 450 ktpa rate .

The scoping study includes a detailed review of site performance and costs to date, and projects a continued improvement in process plant performance as capital and operating initiatives take effect.

The study also estimates a steady improvement in costs driven by a cost reduction programme run by experienced site management.

EXPANSION STUDY - UNDERGROUND MINING

The recently revised (7 July 2015) Hera Resource estimate has been used as the resource base to build an expanded life of mine plan (ELOMP) and schedule. The ELOMP shows the underground mine is capable of delivering an increased mining rate of 450,000tpa, it assumes mining of all Mineral Resource Categories.

The July 2015 Hera Resource is shown below:

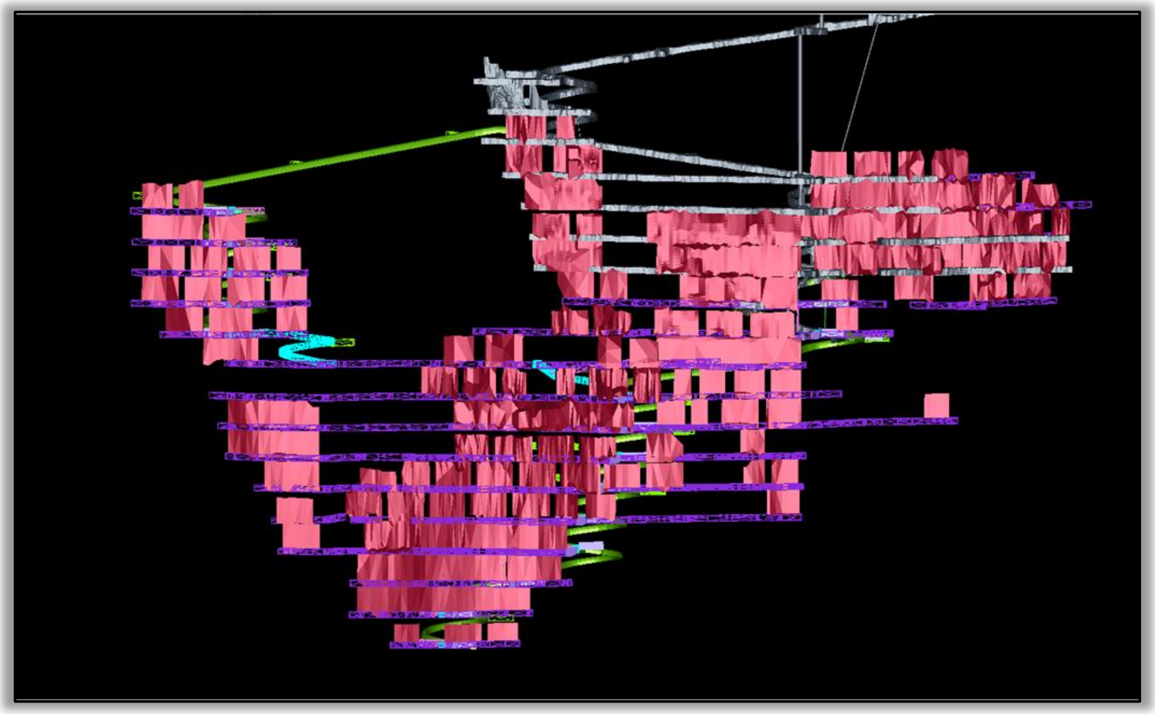
Category	Tonnes	NSR ($/t)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Measured	658,000	277.9	5.14	15.59	0.24	2.96	3.40
Indicated	958,000	220.0	3.37	17.97	0.15	3.02	4.51
Inferred	890,000	224.9	2.37	73.91	0.10	4.85	6.02
Total	**2,506,000**	**236.9**	**3.48**	**37.21**	**0.15**	**3.65**	**4.76**

A detailed mine plan was then developed using design parameters as per the existing Hera mine. A detailed mine schedule was then developed to define a final Mining Inventory and to provide mine physicals to the financial model.

The Mining Inventory as used in the Study is as per the table below:

Category	Tonnes	Pb	Zn	Au	Ag	Cu	NSR
Stopes							
Measured	652,075	2.75	3.12	4.44	14.39	0.23	244
Indicated	787,738	2.67	4.11	2.73	15.85	0.13	186
Inferred	508,194	4.43	5.42	2.36	68.25	0.08	213
Development							
Measured	7,274	1.68	1.21	4.32	11.32	0.18	207
Indicated	118,510	2.64	3.88	2.67	16.06	0.16	181
Inferred	108,562	4.22	5.29	2.15	61.03	0.08	199
Total Inventory							
Measured	659,349	2.74	3.10	4.44	14.35	0.23	244
Indicated	906,248	2.67	4.08	2.72	15.87	0.13	185
Inferred	616,756	4.39	5.40	2.32	66.98	0.08	211
Total	**2,182,354**	**3.18**	**4.16**	**3.13**	**29.86**	**0.15**	**210**

The Mining inventory is shown in long section below, looking east.



Importantly the Mining Inventory developed from the revised July 2015 resource is not materially different to that developed, for the same purpose, from the previous (April 2015) resource estimate.

Mine Operating Costs

For the purposes of the study, the Company has estimated mining costs based on its standing contractual arrangement with Pybar Mining Services and on expected revised mining rates going forward.

EXPANSION STUDY - PROCESSING

Processing Costs

The Hera expansion scoping study builds on previously identified areas for cost improvement and reductions. The Company forecasts the key costs of:

- Repairs and maintenance;
- Reagent costs;
- Metallurgical labour costs;

to steadily reduce as the process plant reaches expanded throughput rates and target metal recoveries. The expansion capital projects, and the introduction of a ball mill circuit in particular, is forecast to further reduce repairs and maintenance cost.

The life of mine unit cost in the Study is planned to be approximately $160/t (detailed in the table below), with unit costs over the next three years ranging from $165-175/t, before reducing in the final two years of the currently scheduled life of mine.

Unit Cost Summary (processed)		LOM
Mining	$/t	65
Processing	$/t	50
Admin	$/t	10
Transport and Selling Costs	$/t	21
Royalty	$/t	11
Total Operating Unit Cost	$/t	158

Process Physicals

Process physicals have been adjusted to reflect benefits gained from our operating experience and improvements expected from the capital projects as they are completed.

A summary of process physicals in the study is provided below:

Mine Production Summary		FY16	FY17	FY18	FY19	FY20	FY21	FY22	LOM
Ore processed	t/h	48	58	60	60	60	20	-	58
Plant Utilisation	%	81.8%	86.0%	86.0%	86.0%	86.0%	86.0%	0.0%	85.3%
Ore Processed	t	**347,588**	**438,581**	**452,016**	**452,016**	**453,254**	**12,488**	**-**	**2,155,943**
Ore Processed Grade - Gold	g/t	**3.7**	**4.1**	**3.0**	**2.7**	**2.6**	**2.6**	**-**	**3.2**
Ore Processed Grade - Silver	g/t	**13**	**16**	**34**	**55**	**42**	**40**	**-**	**33**
Ore Processed Grade - Lead	%	**2.4%**	**2.9%**	**3.4%**	**3.9%**	**3.8%**	**3.9%**	**0.0%**	**3.3%**
Ore Processed Grade - Zinc	%	**2.4%**	**3.6%**	**4.3%**	**5.3%**	**5.6%**	**4.3%**	**0.0%**	**4.3%**
% Recovery - Total Gold	%	**83%**	**90%**	**90%**	**90%**	**90%**	**90%**	**0%**	**89%**
% Recovery - Lead	%	**91%**	**91%**	**91%**	**91%**	**91%**	**91%**	**0%**	**91%**
% Recovery - Zinc	%	**85%**	**88%**	**88%**	**88%**	**88%**	**88%**	**0%**	**88%**
Total Payable Metal Produced		-	-	-	-	-	-	-	-
Gold	oz	**33,885**	**51,909**	**39,718**	**35,248**	**34,585**	**925**	**-**	**196,271**
Silver	oz	**39,599**	**62,263**	**250,794**	**475,128**	**315,423**	**8,699**	**-**	**1,151,906**
Lead	t	**6,723**	**10,338**	**12,437**	**14,061**	**13,415**	**396**	**-**	**57,368**
Zinc	t	**4,984**	**10,295**	**12,395**	**15,798**	**16,751**	**338**	**-**	**60,560**
		-	-	-	-	-	-	-	-
Concentrate sold	DMT	26,825	42,920	59,015	64,380	69,745	6,612	-	269,497

EXPANSION STUDY - CAPITAL EXPENDITURE

Process Capital

A key element of the study is the relatively modest pre-expansion process plant capital expenditure of **$16.8 million** required to realise the initial process improvements (**optimisation capital**) and then to deliver the expansion benefits (**expansion capital**). The key elements of the process plant expansion capital are:

- installation of a ball mill and tertiary cone crusher to replace the underperforming VSI's tertiary crushers, and
- Upgrade of the cleaner flotation circuit

A summary breakdown of the key process plant capital expenditure items is shown below:

Capital Item	Estimated Cost $
Optimisation Capital	3,249,043
Expansion Capital	
Crushing	500,000
Grinding	7,178,931
Flotation Circuit	1,595,867
Ancillaries	240,000
Project Management	1,530,000
Other	400,000
Contingency	2,174,512
Total	**16,868,353**

EXPANSION STUDY - METAL PRICES AND EXCHANGE RATE

Metal price assumptions used in the forecast have factored an increase in zinc price from calendar year 2016 reflecting broad commentator consensus regarding zinc supply shortages form 2016 forward.

		FY16	FY17	FY18	FY19	FY20	FY21	LOM
Gold Price - Achieved	A$/oz	1542	1549	1549	1549	1549	1549	1548
Lead Price - Final	US$/t	1960	2000	2000	2000	2000	2000	1995
Zinc Price - Final	US$/t	2387	2750	2750	2750	2750	2750	2720
FX		0.78	0.78	0.78	0.78	0.78	0.78	0.78

EXPANSION STUDY - POWER

The study concluded the expansion can be delivered without further additions to the existing installed power station.

EXPANSION STUDY - LICENSING

The study includes allowances for timing and cost for additional licence and permit requirements for the study. These include:

- An amendment to the existing project approval for increase annual mining rates and total ore mines
- An increase in groundwater extraction licences, and
- An extension to the existing Hera Mining Lease.

EXPANSION STUDY - CONCLUSIONS

With the current Hera Project operating issues and the required rectification well understood, the Hera Expansion study represents an attractive and compelling investment case for adoption, capable of delivering substantially improved financial returns over the original Hera DFS (2011).

The assumptions and costings within the Study are robust and in many cases are considered conservative. These assumptions, combined and the learning curve inputs from operational experience to date provide considerable confidence that the expansion case can be delivered with its attendant benefits for shareholders and financiers.

The study has not yet included the substantial value of the planned Stage 2 integration of the Nymagee copper deposit, nor has it included any further exploration success and attendant mine life additions. The Company has confidence that each of these will be delivered in time providing additional uplift to the Hera Expansion Study as delivered.

<u>*Cautionary Statement – Scoping Study and production targets*</u>

The scoping study referred to in this report is based on low level technical and economic assessments, and is insufficient to support an estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised. However, based on the Company's existing operational experience on the existing Hera mine operations, the Company believes the Mining Inventory disclosed in this announcement has reasonable prospects for eventual economic extraction. The Mining Inventory used in this study includes measured, indicated and inferred mineral resources. Reporting the general results of a scoping study needs to be undertaken with care to ensure there is no implication that Ore Reserves have been established or that economic development is assured. In this regard it may be appropriate to indicate the mineral resource inputs to the scoping study and the processes applied, but it is not appropriate to report the diluted tonnes and grade as if they were Ore Reserves. While initial mining and processing cases may have been developed during a scoping study, it must not be used to allow an Ore Reserve to be developed.
The production target from Mining Inventory included in this announcement is partly based on inferred mineral resources (23%). There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

<u>*Forward looking statements*</u>

Some statements in this announcement regarding estimates or future events are forward looking statements. These include indications of and guidance on, future earnings, cash flow, costs and financial performance. Forward looking statements include, but are not limited to, statements preceded by words such as "planned', "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "could", "nominal", "conceptual" and similar expressions. Forward-looking statements, opinions and estimates included in this announcement are based on assumptions which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables, known and unknown risks and uncertainties, that could cause actual results to differ from estimated results, and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include but are not limited to liabilities inherent in mine development and production, geological, mining and processing technical problems, the inability to obtain mine licences, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions, changes in commodity prices and exchange rates; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions; the demand for and availability of transportation services; the ability to secure adequate financing and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be correct.

The Company has concluded that it has a reasonable basis for providing forward looking statements in this announcement, including production targets, based on the information contained in the announcement and in particular:

a. *The Company's existing operational experience on the existing Hera mine operations, and*
b. *The qualifications of its management team*

FINANCIAL

FINANCIAL POSITION

As at 30 June 2015, the Company held cash in bank of $4.85 million ($3 million which is unavailable and held as cash deposits for environmental bonds). This is a $7.6 million reduction from the March quarter closing balance due in part to delayed gold sales, a reduction in creditors and an increase in inventory and receivables at 30 June 2015. At 30 June, Aurelia had gold concentrate available for smelting with a market value of approximately $3.5 million and concentrate receivables of $3.7 million associated with shipment#4, exported on 29 June 2015. A total of $2.8 million of this shipment was receipted on 6 July 2015.

Total cash inflow for the June quarter was $10.5 million. Gold receipts totalled $6.0 million, concentrate receipts from ship#3 totalled $3.5 million and funds from the closure out of all commodity hedge positions totalled $1.2 million. Total cash outflows consisted of $18.1 million in the payment of trade and corporate creditors.

Trade creditors and other payables as at 30 June is estimated at $16.1 million (final year end positions are not yet complete), which is a $2.6 million reduction in the creditor position from 31 March 2015. Of the balance of outstanding creditors, $6.1 million is payable to Hera's mining contractor.

Site specific issues associated with gold smelting (see Production Sales in the Operating Performance Section) and the normal production cycle with concentrates has led to a significant increase in inventory and receivables at year end.

Asset Impairment

Accounting standards require an entity to assess at each reporting date whether there is an indication that the book value of an asset may be impaired. Where indicators are present, a full review of the recoverable amount of the assets at the cash generating unit ("CGU") level is required. Any excess of asset book value at the reporting period, over the recoverable value, is impaired.

As of the date of this report, a full year review of the Company's asset carrying values has yet to be completed. However, primary indicators of impairment exist with the reduction in the 2015 Hera resource estimate and lower than planned operating performance, particularly gold grade and gold recovery.

Despite the incomplete nature of the impairment review, it is highly probable that upon completion of the review, an impairment loss will be recognised in the financial statements ending 30 June 2015.

As at 31 May 2015, Aurelia held Exploration and Evaluation and Mine Development assets on the balance sheet totalling approximately $190 million. Directors believe that a prudent view of the carrying value of assets is more likely to range between $100-130 million, indicating an asset impairment in the range of $60-90 million is likely to be recorded in the year ending 30 June 2015.

Directors wish to highlight that this is a prudent view, based on incomplete work, on the appropriate book value for the assets under valuation. The book value does not incorporate Directors' view on the option value of the asset or the ability to significantly increase mine life through exploration success.

The impairment is a non-cash item and therefore has no impact on the Company's cash position or conditions around the Company's debt facility with Glencore.

Owing to underperformance of the Hera Project to date, cash flow generation has been weaker than anticipated and currently the Company is not yet generating consistent positive cashflow.

The changes to the Hera Project as identified in the expansion study is planned to address this situation, however, the capital requirement for delivery of the expansion study is in excess of currently available internal funds. Consequently, Aurelia requires additional capital, in the form of equity funding together with a restructure of its financing facilities, to address both short term and longer term liquidly needs.

Balance Sheet Restructure

The Company has drawn facilities and capitalised interest of A$117 million as at 30 June 2015. The drawn facilities are in tranches, as per the following table:

Facilities (by seniority)	Drawn Amount	Capitalised	Total Outstanding
Glencore A – Converting Note Facility	A$20m out of A$20m	A$3.1m	A$23.1m
Glencore B – Converting Note Facility	A$50m out of A$50m	A$5.8m	A$55.8m
Glencore C – Debt Facility	A$30m out of A$30m	A$2.6m	A$32.6m
Glencore D – Debt Facility	Nil out of A$50m	Nil	Nil
Glencore E – Debt Facility	A$5m out of A$5m	A$0.8m	A$5.8m
Total	**A$105m out of A$155m**	**A$12.2m**	**A$117.2m**

To this point the facilities have been capitalising interest as per their contracted schedule. The first payments due under the facilities occur in September 2015. The current repayment schedule under all facilities is shown below (with interest capitalised up until the initial repayment date the total outstanding debt increases to $118.7 million):

Principal Repayment Schedule	A$
Sep 2015	4,215,465
Oct 2015	4,215,465
Jan 2016	4,605,685
Apr 2016	5,142,865
Jul 2016	6,076,316
Sep 2016	2,465,685
Oct 2016	5,413,296
Jan 2017	6,186,624
Apr 2017	7,311,464
Jul 2017	9,139,330
Oct 2017	12,795,061
Jan 2018	25,590,122
Feb 2018	25,590,122
	118,747,500

Facility A and B, representing total outstanding liabilities of $78.8 million, are in the form of Converting Notes and have original terms of 60 months. A key feature of these securities is the ability convert these Notes into ordinary equity of the Company based on certain pricing formulae. The decision to convert the Notes in accordance with the Converting Note Deed Poll is at the election of Aurelia, subject to satisfaction of certain conditions, namely:

- FIRB approval
- No Event of Default is continuing
- The Security Trustee (a Glencore entity) has not commenced enforcement proceedings

Facility C and E represent total outstanding debt of $38.4 million and have original terms of 60 months and 42 months respectively.

If the Company were to exercise conversion rights in respect of both Facility A and Facility B, the Company could reduce debt including accrued interest)from $117 million to $38.4 million (or $38.9 million assuming further capitalisation of interest up to the initial repayment date in September 2015). This would then reduce the company's debt payment profile to:

Principal Repayment Schedule	A$
Sep 2015	1,555,429
Oct 2015	1,555,429
Jan 2016	1,741,031
Apr 2016	2,029,110
Jul 2016	2,651,186
Sep 2016	2,465,685
Oct 2016	1,585,209
Jan 2017	1,811,667
Apr 2017	2,141,061
Jul 2017	2,676,326
Oct 2017	3,746,856
Jan 2018	7,493,713
Feb 2018	7,493,713
	38,946,415

As previously announced, the Company has received an Event of Default notice from its major lender, Glencore. The Company has rejected the default notice. As described above, the absence of an Event of Default is a condition to the Company's ability to convert the Notes.

Equity Raising

The Company has been in discussions with a number of parties regarding raising equity. The Company is considering options for raising capital in the public equity markets or through private markets, in conjunction with the broader balance sheet re-structure. The Company continues to evaluate these options and is in discussion with its major shareholders.

The Company is in receipt of a term sheet from its major shareholder Pacific Road, to provide liquidity to address its near term funding needs.

The negotiation of this term sheet, its conditions and the Company's other equity raising options are ongoing and prospective. No binding agreement has reached and the Company can give no assurances that any agreement will be reached with any of the parties.

The Company will update the market of developments in accordance with its continuous disclosure requirements.

2 CORPORATION PLACE • PO BOX 7058 • ORANGE NSW 2800
Ph +61 2 6363 5200 Fx +61 2 6361 4711 Em office@aureliametals.com Wb www.aureliametals.com