

Quarterly Report

for the period ending 30 September 2015

SEPTEMBER QUARTER SUMMARY

- Record quarterly production of 9,231 oz gold and 7,693 dmt of Pb-Zn concentrate
- Positive Hera EBITDA of \$5 million for the quarter
- Continued improvements in the Hera Process Plant and strong positive gold reconciliations
- Attempted appointment of a Voluntary Administrator by Glencore rejected by Aurelia
- Court hearing to determine validity of Administrator appointment to be held in early November
- \$12 million Working Capital Funding agreed with Pacific Road

OPERATIONS

- Ore processed of 78,229 t, grading 5.03 g/t gold, 2.97% lead and 2.79% zinc
- Record quarterly production of 9,231 oz gold and 7,693 dmt of Pb-Zn concentrate
- Positive gold grade reconciliations for each of July, August and September
- Consistent improvement in gold recoveries to 72.7% for the quarter (including 79% in September)
- Strong lead and zinc recoveries of 93.6% and 85% respectively
- Site EBITDA of \$5.0 million for the quarter (relative to negative \$5.7 million in the June quarter)
- Processing costs and gold recoveries remain the key focus

CORPORATE

- At 30 September the Company held cash in bank of \$6.69 million (\$3 million is restricted)
- On 7 July the company issued a conversion notice to Glencore Group Funding Ltd with respect to Glencore Facility B
- On 7 September the company issued a conversion notice to Glencore Group Funding Ltd with respect to Glencore Facility A
- On 14 September, Glencore, without consultation, appointed a voluntary administrator to Aurelia and its subsidiaries on the grounds of alleged insolvency
- Aurelia successfully obtained injunction orders from the Supreme court deeming the appointment of the Administrator was ineffective until the validity of the appointment could be heard by the Supreme Court of NSW
- The dates of the court hearing has been set at 4-5 November 2015
- Terms for up to \$12 million of working capital funding agreed with Pacific Road with definitive documentation signed on 27 September
- Adjusted payment terms for past claims agreed with Pybar Mining Services
- On the 30 September, the Company reported a net loss for the 12 months to 30 June 2015 of \$118.158 million after a \$92.915 million asset impairment.

HERA OPERATIONS, NSW (100%)

SUMMARY

Production for the quarter saw continued improvement in the performance of the Hera Project, driven by:

- Improved process plant performance, particularly in gold and zinc recoveries
- Reduced mine development, leveraging off previous mine development which had moved ahead of schedule
- Strong positive reconciliation of gold grades

Aurelia Metals Limited Quarterly Production				
	Units	Jun Qtr FY15	Sep Qtr FY16	YTD FY16
Ore Mined	t	69,319	75,280	75,280
Ore Mined Grade - Gold	g/t	2.6	5.2	5.2
Ore Mined Grade - Silver	g/t	11.6	13.0	13.0
Ore Mined Grade - Lead		2.52%	2.75%	2.75%
Ore Mined Grade - Zinc		3.30%	2.49%	2.49%
Ore Processed	t	75,660	78,229	78,229
Ore Processed Grade - Gold	g/t	2.73	5.03	5.03
Ore Processed Grade - Silver	g/t	12.80	14.39	14.39
Ore Processed Grade - Lead		2.50%	2.97%	2.97%
Ore Processed Grade - Zinc		3.34%	2.79%	2.79%
Recovery - Gold		62.1%	72.7%	72.7%
Recovery - Silver		92.0%	79.9%	79.9%
Recovery - Lead		86.1%	93.6%	93.6%
Recovery - Zinc		65.8%	85.0%	85.03%
Gold Production	oz	4,125	9,231	9,231
Silver Production	oz	2,517	519	519
Concentrate produced	DMT	6,234	7,693	7,693
Production - Payable Metal - Silver	oz	5,979	7,562	7,562
Production - Payable Metal - Lead	t	1,462	1,948	1,948
Production - Payable Metal - Zinc	t	1,178	1,235	1,235
Gold Sold	oz	4,384	9,592	9,592
Concentrate shipped	dmt	10,144	5,227	5,227
Payable Lead Sold	t	2,338	1,210	1,210
Payable Zinc Sold	t	1,983	874	874
Payable Silver Sold	oz	10,173	5,225	5,225

MINING

A total of 75,280 t of ore was mined during the quarter at an average grade of 5.16 g/t gold, 2.75% lead and 2.49% zinc. The majority of ore was sourced from six stoping areas with 51 metres of operating development completed. No capital development was completed in the period.

Gold reconciliations were strongly positive for gold, with gold grades running approximately 166% of the predicted mine grades. Lead and silver reconciliations were close to predicted grades, however zinc grades reconciled at only 73% of predicted mine grades. The reconciliation process is being closely reviewed and it is expected that the geo-statistical parameters in the block model may be adjusted over time to reflect the information gained from mining and production.

Discussions are continuing with Aurelia's mining contractor with a view to achieving a significant reduction in the current schedule of mining rates.

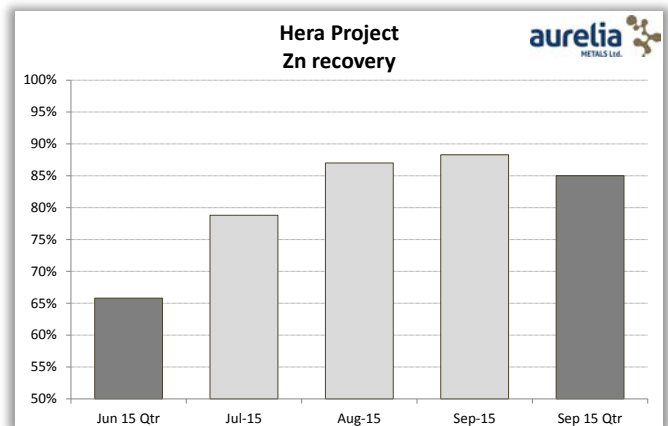
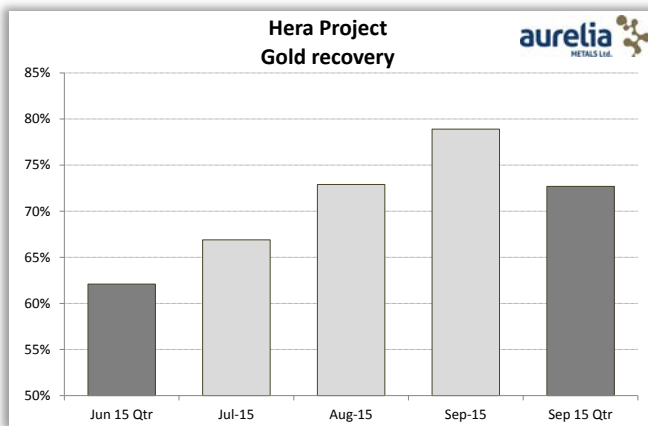
PROCESSING

A total of 78,229 t of ore was processed grading 5.03 g/t gold, 2.97% lead and 2.79% zinc. Plant utilisation improved to 85.6% at an average processing rate of 42 tonnes per hour.

Metal recoveries for gold and zinc, improved significantly through the quarter, as displayed in the charts below. Gold recovery improved from 62.1% in the June quarter to 72.7% in the September quarter. This encouraging performance has been delivered by improvements in process stability and leach performance. Further improvements are expected through staged modifications of the gravity circuit.

Zinc recovery improved dramatically to 85% in the quarter (from 66% in previous quarter), driven by modified reagent dosing and improved process plant stability. The improving trend has taken zinc recoveries to +90% in October to date. Improved process control in the flotation circuit has also improved final concentrate quality, with improved Pb+Zn grades and reduced silica.

Lead recovery remained strong at 93.5%.



Challenges remain including wear rates on the crushers and secondary screen, the requirement to improve the gravity gold recoveries and the requirement for further improvements in the stability of the leaching circuit.

OPERATING COSTS

Operating site unit costs improved to \$176/t processed from \$191/t in the previous quarter. Reduced costs were achieved in processing (lower reagent usage and other consumables, lower power costs) and site administration. 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	YTD FY16
Mining	\$/t	72	72	72
Processing	\$/t	83	75	75
Site Administration	\$/t	17	11	11
Concentrate Transport	\$/t	18	17	17
Total Site Unit Costs	\$/t	191	176	176
Royalties	\$/t	1	8	8
Net Inventory adjustments	\$/t	72	(21)	(21)
Total By-Product Credits	\$/t	(151)	(66)	(66)
Third party smelting, refining	\$/t	54	28	28
Total Unit Costs	\$/t	167	126	126

CORPORATE

FINANCIAL POSITION

During the quarter, cash in bank increased from \$4.847 million to \$6.692 million as at 30 September 2015 (\$3 million of cash in bank is unavailable and held as cash deposits for environmental bonds). This is a \$1.845 million improvement during the quarter.

Total drawn debt from the Glencore Finance Facility is \$105 million (excluding capitalised interest of approximately \$14 million).

FINANCIAL PERFORMANCE

Site EBITDA was positive \$5.076 million in the September quarter and improved from the June quarter result of negative EBITDA of \$5.727 million. Trade payables reduced by \$2.908 million in the quarter to \$13.487 million. Of this amount of total trade payables, some \$6.45 million relates to prior claims of Hera's mining contractor (Pybar). Pybar has agreed to defer the repayment of outstanding amounts to 31 January 2016, under the terms summarised on page 6 of this report.

In the three months to 30 September 2015 (Q1 FY16), the Company generated sales of \$17.856 million (excluding interest). Gold sales totaled \$14.948 million from the sale of 9,592 oz of gold at an average price of A\$1558/oz. Silver sales generated \$0.064 million. Concentrate sales were \$2.844 million from the sale of 5,227dmt of concentrate in the period.

Aurelia Metals Limited Quarterly Financial Summary				
	Units	Jun Qtr FY15	Sep Qtr FY16	YTD FY16
Revenue summary⁽¹⁾				
Gold/Silver Revenue	\$k	6,968	15,011	15,011
Net Base Metal Revenue	\$k	7,243	2,844	2,844
Other	\$k	6	0	
Total Revenue	\$k	14,217	17,856	17,856
Operating Costs⁽²⁾				
Mining	\$k	5,481	5,650	5,650
Processing	\$k	6,261	5,877	5,877
Site Administration	\$k	1,320	854	854
Concentrate Transport	\$k	1,368	1,348	1,348
Royalties	\$k	74	657	657
Net Inventory adjustments	\$k	5,441	(1,606)	(1,606)
Total Operating	\$k	19,944	12,780	12,780
Site EBITDA⁽³⁾	\$k	(5,727)	5,076	5,076

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 is a non-IFRS term and not subject to audit

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

FINANCIAL RESULTS

On the 30 September, the Company reported a net loss for the 12 months to 30 June 2015 of \$118.158 million after a \$92.915 million asset impairment. A review of the Company's asset carrying values, in the context of the lower than

planned operating performance and an underestimate of certain site administration and processing costs relative to the feasibility study, and other factors, resulted in the impairment of the carrying value of some assets. The review resulted in the recognition of a total impairment loss of \$92.915 million, comprising mine properties (\$75.031 million) and exploration assets (\$17.884 million).

GLENCORE FUNDING AND DISPUTE

As previously detailed, the Company has drawn funding facilities provided by Glencore Group Funding Ltd (Glencore) totalling approximately \$119 million (including capitalised interest).

Of those Facilities, Facility A and Facility B are convertible to ordinary shares at Aurelia's election.

During the quarter Aurelia lodged conversion notices for:

- Facility B – for the conversion of \$50 million + capitalised and accrued interest, to shares at \$0.2424 per share
- Facility A – for the conversion of \$20 million + capitalised and accrued interest, to shares at \$0.2563 per share

Glencore has refuted the validity of the conversion process by issuing a Notice of Default, claiming one or more of the borrowers insolvent. The default notice was rejected by the Company.

Glencore and Aurelia agreed a number of consecutive standstill arrangements during the quarter to allow for negotiations between the parties to seek an agreed settlement to the dispute.

Negotiations between the parties ceased at 9am on 14 September, and, without consultation, at approximately 9:30am on Monday 14 September Glencore appointed a voluntary administrator to Aurelia and its subsidiaries on the grounds of alleged insolvency.

Aurelia has rejected, and continues to reject the allegation of insolvency and believes the administrator appointment was invalid. Aurelia successfully obtained an injunction from the Supreme Court of NSW restraining the administration and suspending the operation of the administrator. Currently the administrator has no power over Aurelia (and its subsidiaries) until a court hearing on the validity of the appointment can be heard. The injunction was granted by the court, pending a further hearing on 14 October 2015, which was further postponed to the 4-5 November 2015.

Under the court order, the parties have agreed to a standstill, where Aurelia's right to convert two of Glencore's facilities to equity, Aurelia's obligation to make amortisation payments to Glencore and Glencore's alleged right to call the total facilities, are suspended until further order of the Court.

Aurelia has advised that it intends to proceed with the full conversion of Facilities A and B as per its contractual rights, subject to a court hearing rejecting the purported appointment of an administrator.

Until the court hearing is resolved, Aurelia will continue its usual day to day operations.

However if Aurelia is unsuccessful at the hearing it will be under administration.

PACIFIC ROAD FINANCING

On 25 September, Aurelia advised that it has executed definitive documentation with Pacific Road Capital Management Pty Ltd as trustee for the YTC Managed Investment Trust ("**Pacific Road**") with respect to the funding term sheet announced to the ASX on 9 September 2015.

Under the Agreements Pacific Road will provide:

- A convertible \$6 million working capital facility;
- A convertible \$6 million subordinated loan facility; and
- An exclusive entitlement to underwrite up to a \$25 million an equity raising by Aurelia.

The Company will grant to Pacific Road 40 million share options with an exercise price of \$0.0125 per option, with an expiry date of 5 years from the date of execution.

Aurelia has not yet decided the quantum or timing of any capital raising but welcomes Pacific Road's support for its funding initiatives.

The summary terms of these facilities and the underwriting are as per below. Full details are provided in the announcement dated 25 September 2015.

\$6 million Working Capital Facility

- Up to \$6 million
- 8% pa interest rate
- Convertible by Pacific Road at \$0.01/share on Facility B conversion or at maturity (subject to shareholder approval)
- Normal commercial conditions precedent as well as the adoption of operational plans

\$6 million Subordinated Loan Facility ('Standby Facility')

- \$6 million for working capital purposes
- 12% pa interest rate
- Convertible by PRCM to equity at \$0.01/share, subject to shareholder approval
- Conditional on full drawdown of the Working Capital Facility

Equity Underwrite

- Right to underwrite up to \$25 million equity raising at a price and time TBA
- Conditional on an agreed business case, a board and management restructure and representation on an operational sub-committee
- 4% fee

PYBAR DEFERRED PAYMENT ARRANGEMENTS

Also on 25 September, Aurelia announced has reached an agreement with its underground mining contractor Pybar Mining Services ('Pybar') for the deferral of outstanding payments until January 2016.

Under the terms of the agreement

- Pybar have agreed to defer outstanding amounts to 31 January 2016 subject to an interest rate of 11% per annum,
- Any successful funding and recapitalisation before 31 January 2016 will accelerate payment of deferred amounts as cash or on otherwise mutually agreed terms,
- Aurelia agree to repay outstanding amounts by \$50k per week through to January 2016,
- To the extent that Pybar elects in its absolute discretion to convert any or all of its outstanding amounts to equity, any such equity will be offered to Pybar at a price no greater than the lowest price offered paid by any other capital provider in the recapitalisation,
- Subject to AMI shareholder approval, AMI will issue to Pybar 10 million AMI share options with an exercise price of \$0.0125 per share and a 5 year term.