**AURELIA METALS LIMITED**

**ACN 108 476 384**

# NOTICE OF GENERAL MEETING

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| **TIME** | 10.00am (EDST) |
| **DATE** | 18 March 2016 |
| **PLACE** | The Lachlan Room, Pullman Quay Grand Sydney Harbour, 61 Macquarie Street, East Circular Quay, Sydney, NSW, 2000, Australia |

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***This Notice of Meeting is Volume 1 of 2 and should be read together with the Independent Expert's Report (being, Volume 2), which is attached to, and accompanies, this Notice of Meeting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 6363 5200.***

**AURELIA METALS LIMITED**
**ACN 108 476 384**

## NOTICE OF GENERAL MEETING

Aurelia Metals Limited ACN 108 476 384 gives notice that a general meeting of members will be held at The Lachlan Room, Pullman Quay Grand Sydney Harbour, 61 Macquarie Street, East Circular Quay, Sydney, NSW, 2000, Australia on 18 March 2016 at 10:00 am (EDST).

### BUSINESS

### 1. RATIFICATION OF THE ISSUE TO GLENCORE GROUP FUNDING LIMITED OF EARLY ADVANCE FACILITY F CONVERTING NOTES

To consider and, if thought fit, pass the following ordinary resolution.

*"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, ratification is given for the issue to Glencore Group Funding Limited of $5 million (plus interest) worth of Early Advance Facility F Converting Notes following the Company's drawdown under the Converting Notes facility documents."*

**Voting exclusion statement:** Under ASX Listing Rule 14.11.1, the Company will disregard any votes cast on this Resolution by Glencore and any associate of Glencore.

### 2. APPROVAL OF THE ISSUE TO GLENCORE GROUP FUNDING LIMITED OF FACILITY F CONVERTING NOTES

To consider and, if thought fit, pass the following ordinary resolution.

*"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company (or one or more wholly owned subsidiaries of the Company) to issue to Glencore Group Funding Limited or its related body corporate up to $15 million (plus interest) worth of Facility F Converting Notes following the Company's (or a wholly owned subsidiary's) drawdown under the Converting Notes facility documents."*

**Voting exclusion statement:** Under ASX Listing Rule 14.11.1, the Company will disregard any votes cast on this Resolution by Glencore and any associate of Glencore.

### 3. APPROVAL OF THE ISSUE OF SHARES TO GLENCORE GROUP FUNDING LIMITED OR ITS RELATED BODIES CORPORATE ON CONVERSION OF THE CONVERTING NOTES

*"That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the conversion of up to $90 million (plus interest) worth of Converting Notes, and issue of such number of fully paid ordinary shares in the capital of the Company as is required for conversion of those notes in accordance with the Converting Notes facility documents, a summary of which is set out in the Explanatory Memorandum accompanying the notice of meeting."*

**Voting exclusion statement:** Under ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Glencore and any associate of Glencore.

### 4. APPROVAL OF THE ISSUE OF THE GLENCORE OPTIONS AND SHARES ON EXERCISE OF THE GLENCORE OPTIONS TO GLENCORE AUSTRALIA HOLDINGS PTY LTD

To consider and, if thought fit, pass the following ordinary resolution.

*"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of 108,000,000 options to Glencore Australia Holdings Pty Ltd, and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the issue of 108,000,000 fully paid ordinary shares in the capital of*

*the Company upon the exercise of the Glencore Options, on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** Under ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Glencore and any associate of Glencore.

## 5. RATIFICATION OF THE ISSUE OF THE PACIFIC ROAD OPTIONS AND APPROVAL FOR THE ISSUE OF SHARES ON EXERCISE OF THE PACIFIC ROAD OPTIONS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, ratification is given for the issue of 40,000,000 options to Pacific Road Capital Management Pty Ltd as trustee for the YTC Managed Investment Trust, and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the issue of 40,000,000 fully paid ordinary shares in the capital of the Company on the exercise of the Pacific Road Options, on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** Under ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Pacific Road and any associate of Pacific Road.

Resolutions 1, 2, 3 and 4 are inter-conditional such that if one of those resolutions is not passed by the requisite majority of Shareholders, the transactions contemplated by each of those resolutions, as set out in the Explanatory Memorandum, will not proceed.

**Date** 10 February 2016

**By order of the Board**

Richard Willson
Company Secretary

**NOTES**

These Notes form part of the Notice of Meeting.

**Time and place of meeting**

Notice is given that a general meeting of Shareholders will be held at The Lachlan Room, Pullman Quay Grand Sydney Harbour, 61 Macquarie Street, East Circular Quay, Sydney, NSW, 2000, Australia on 18 March 2016 at 10:00 am (EDST).

**Your vote is important**

The business of the General Meeting affects your Shareholding and your vote is important.

**Voting eligibility**

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the general meeting are those who are registered Shareholders at 7:00 pm (EDST) on 16 March 2016.

**Voting exclusion statement**

In accordance with the ASX Listing Rules and item 7 of section 611 of the *Corporations Act 2001* (Cth):

- Glencore and any associate of Glencore is precluded from voting, and the Company will disregard any votes cast, on Resolutions 1, 2, 3 and 4; and
- Pacific Road and any associate of Pacific Road is precluded from voting, and the Company will disregard any votes cast, on Resolution 5.

However, the Company need not disregard a vote for the purposes of the ASX Listing Rules if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Appointment Form; or
- it is cast by the Chairman of the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Appointment Form authorising the Chairman of the meeting to vote as he decides.

**Voting in person**

To vote in person, attend the General Meeting at the time, date and place set out above.

**Voting by proxy**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

**Voting by corporate representative**

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General Meeting, evidence of appointment, including any authority under which it is signed, unless it has previously been given to the Company.

**Voting by attorney**

A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the General Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company in one of the methods listed above for the receipt of Proxy Forms, so that it is received not later than 10:00 am (EDST) on 16 March 2016.

**Voting online**

You may submit your proxy online by visiting www.securitytransfer.com.au.

To use this option, you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and your allocated Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. A proxy cannot be appointed electronically if they are appointed under a Power of Attorney or similar authority. The online proxy facility may not be suitable for Shareholders who wish to appoint two proxies with different voting directions. Please read the instructions for online proxy submissions carefully before you lodge your proxy. Custodians and other intermediaries may submit their proxy online by visiting www.securitytransfer.com.

**Forward looking statements**

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

**Notice to persons outside Australia**

This Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

The distribution of this Explanatory Memorandum may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Explanatory Memorandum should inform themselves of, and observe, any such restrictions.

**Disclaimers**

No person is authorised to give any information or make any representation in connection with the Glencore Transaction and Pacific Road Transaction which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum, may not be relied on as having been authorised by the Company or the Board in connection with the Glencore Transaction and Pacific Road Transaction.

**Privacy**

To assist the Company to conduct the General Meeting, the Company may collect personal information including names, contact details and shareholding of Shareholders and the names of persons appointed by Shareholders to act as proxy at the General Meeting. Personal information of this nature may be disclosed by the Company to its share registry, print and mail service providers, and the Company's agents for the purposes of implementing the Glencore Transaction and Pacific Road Transaction. Shareholders have certain rights to access their personal information that has been collected and should contact the Company Secretary if they wish to access their personal information.

**Responsibility for information**

The information contained in this Explanatory Memorandum (except for the Independent Expert's Report, information regarding Glencore and its intentions and information regarding Pacific Road and its intentions) has been prepared by the Company and is the responsibility of the Company. Each of Glencore and Pacific Road assumes no responsibility for the accuracy or completeness of that information. Information concerning Glencore and its intentions has been provided by Glencore. Information concerning Pacific Road and its intentions has been provided by Pacific Road. None of the Company, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

BDO has prepared the Independent Expert's Report and has consented to the inclusion of the report, and references to it, in this Explanatory Memorandum. BDO takes responsibility for that report, and references to it, but is not responsible for any other information contained within this Explanatory Memorandum.

CSA Global Pty Ltd has provided, and is responsible for the Independent Valuation and Technical Report. None of the Company, its associates or its advisers assumes any responsibility for the accuracy or completeness of the information contained in the Independent Valuation and Technical Report set out in Appendix 4 to the Independent Expert's Report and references to that information in the Explanatory Memorandum.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

**Competent Person consent statement**

The information in this report that relates to exploration results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is a full time employee of the Company 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 Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

**ASIC and ASX involvement**

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged on 18 January 2016 with ASIC pursuant to ASIC Regulatory Guide 74 and with ASX pursuant to the Listing Rules. Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

**Letter from Chairman**

Dear Shareholder

I commend for your approval the proposed resolutions that relate to the Company's finance and capital structure.

As you would be aware from recent ASX disclosures, the Company has been in dispute with its principal financier, Glencore, in relation to its finance facilities and solvency position. As announced on 27 November 2015, this dispute has been resolved provided that, among other things, Shareholders approve Resolutions 1, 2, 3 and 4 below. During the course of the dispute, Aurelia was in concurrent discussions with other parties and its major shareholders regarding short term funding arrangements. Those discussions led to the deferral of payments to mining contractor Pybar and to the establishment of debt facilities with Pacific Road.

The resolutions which are to be considered at the General Meeting relate to aspects of the revised funding arrangements between Aurelia and Glencore as well as between Aurelia and Pacific Road, further details of which are set out below and in the Explanatory Memorandum.

**Glencore - Resolutions 1, 2, 3 and 4**

By way of background, on 26 March 2013, Aurelia and Glencore completed a financing arrangement for the provision of $158 million in development funding to fund the development of the Hera Gold and Base Metals Project and the Nymagee Copper Project in the Cobar Basin, NSW. Components of the financing arrangement included an equity placement and various converting note and debt facilities (the "**Existing Glencore Facilities**").

In June 2015, Aurelia received an event of default notice from Glencore in respect of the Existing Glencore Facilities, which was disputed by Aurelia. Discussions between Aurelia and Glencore culminated in a settlement and revised funding arrangement announced to the market on 27 November 2015. Formal documentation was entered into on 18 December 2015 and is subject to a number of conditions precedent being satisfied or waived, including Shareholder approval being sought at a general meeting.

The members of the Board other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4 (the Abstaining Directors being Mr Michael Menzies and Mr Rune Symann) unanimously support the agreement reached with Glencore (subject to a superior proposal) on the basis that:

- Existing debt repayments are deferred for at least two years.
- Interest accrual on most debt is suspended for at least two years.
- It provides additional funding (up to a further net $21.5 million of facilities) to optimise the Hera Project and provides considerable flexibility for Aurelia and support to the business through additional loans and credit support.
- Aurelia maintains conversion rights to convert the facilities at the end of the two year deferral period and can convert all of the remaining Facility A Converting Notes after completion of the financing transaction with Glencore.
- The Amended Glencore Funding Package does not prevent the issue of new equity by Aurelia in the future.
- It removes uncertainty and the negative impact for Aurelia arising from the dispute with Glencore regarding Aurelia's financial position.

The agreement provides the opportunity to stabilise and rectify the issues associated with the Hera processing plant and to work collaboratively through the business plan to deliver an optimised Hera operation.

Shareholders should be aware that if the Amended Glencore Funding Package is not approved:

(a) the dispute with Glencore may be recommenced;

(b) the $5 million early advance provided by Glencore to the Company (in the form of the Early Advance Facility F Converting Notes) (as announced on 27 November 2015) will become immediately due and payable; and

(c) Aurelia will need to source alternative funding to pay the early advance (plus interest) and for the rectification and optimisation of the Hera Project and, in the absence of such funding, its financial position may again be challenged by Glencore.

I have received a unanimously positive recommendation from each of the other members of the Board (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) to the financing arrangements with Glencore and, as the Company's independent chairman, I commend to you those arrangements and recommend that you vote in favour of the resolutions required to implement the amendments to the Existing Glencore Facilities (which includes a new converting note facility) and the issuance of the Glencore Options.

The Independent Expert has concluded that the Amended Glencore Funding Package is fair and reasonable to Shareholders. In addition, it has received a positive, unanimous recommendation from the members of the Board (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4). Directors Mr Michael Menzies and Mr Rune Symann are nominees of Glencore and have abstained from making a recommendation to Shareholders in respect of the Amended Glencore Funding Package.

I encourage you to consider the contents of this Notice of Meeting as a whole in reaching your decision. Importantly, I draw your attention to:

- page 10 of this Notice of Meeting which contains the reasons why your Directors (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) recommend you vote in favour of the Amended Glencore Funding Package; and

- page 11 of this Notice of Meeting which contains the reasons that you may consider voting against the Amended Glencore Funding Package.

**Pacific Road – Resolution 5**

Prior to the agreement with Glencore, Aurelia entered into an agreement with Pacific Road for the provision of funding for working capital purposes. The agreement was reached during a time of financial uncertainty for Aurelia and the financial support of Pacific Road was important in light of the circumstances at the time.

The Amended Glencore Facilities replace the Pacific Road Facilities and contain a condition precedent that the Pacific Road Facilities will not be drawn by Aurelia.

The Pacific Road Options were granted and issued on 30 November 2015 to Pacific Road as a commitment fee for the provision of funding, which in the absence of the agreement with Glencore, would have been important for the future of the Hera Project and the Company.

The Independent Expert has concluded that the issue of the Pacific Road Options is not fair but reasonable to Shareholders.

The issue of the Pacific Road Options has received a unanimously positive recommendation from all members of the Board (other than the Abstaining Directors in respect of Resolution 5), including myself as independent Chairman. Mr Paul Espie is a nominee of Pacific Road, and has abstained from making a recommendation to Shareholders in respect of the issue of Pacific Road Options.

Subsequent to the consideration and approval by the Board of the financing arrangements with Pacific Road, Mr Michael Menzies and Mr Rune Symann had been nominated by Glencore to be its nominees on the Board pursuant to the agreement reached with Glencore and were appointed to the Board on 15 December 2015. Both Mr Menzies and Mr Symann have abstained and have not expressed a recommendation in respect of Resolution 5 as they were not members of the Board at the time the Pacific Road Transaction was considered and approved by the Board and as Aurelia has considered and agreed to adopt a competing proposal from Glencore (for which they are nominee directors of) to the financing arrangements with Pacific Road.

**Potential maximum increase in voting power**

If Resolutions 1, 2, 3 and 4 are passed, under one scenario, Glencore's voting power could increase to 91.75% (on an undiluted basis). The level of Glencore's maximum potential voting power will ultimately depend on a number of factors as further set out in the Explanatory Memorandum.

If Resolution 5 is passed (and assuming no Converting Notes are converted or Glencore Options exercised), Pacific Road's voting power could reach 31.17% (on an undiluted basis). The level of Pacific Road's maximum potential voting power will ultimately depend on a number of factors as further set out in the Explanatory Memorandum.

I encourage you to consider the contents of this Notice of Meeting as a whole in reaching your decision. Importantly, I draw your attention to:

- page 46 of this Notice of Meeting which contains the reasons why your Directors (other than the Abstaining Directors in respect of Resolution 5) unanimously recommend you vote in favour of the resolution relating to the issue of Pacific Road Options; and

- page 46 of this Notice of Meeting which contains the reasons that you may consider voting against the resolution relating to the issue of Pacific Road Options.

The members of the Board other than the Abstaining Directors in respect of Resolution 5 (the Abstaining Directors being Mr Paul Espie, Mr Michael Menzies and Mr Rune Symann) share the view that the arrangements with Pacific Road were important in the circumstances of the Company at the time they were entered into. Once again, I recommend the arrangements with Pacific Road to you and urge you to vote in favour of Resolution 5.

Your vote is important, and I encourage you to return your personalised proxy form as soon as possible, and to vote in favour of the Amended Glencore Funding Package and the issue of the Glencore Options and the Pacific Road Options by ticking the boxes “For” in relation to each of the resolutions contained in this Notice of Meeting.

I look forward to a very busy 2016 in which your Company, with the strategic support of both Glencore and Pacific Road, will move to optimise the Hera Mine and deliver value for Shareholders.

Mr Anthony Wehby
Chairman
Aurelia Metals Limited

## EXPLANATORY MEMORANDUM

This information forms part of the Notice of Meeting.

This Explanatory Memorandum has been prepared for Shareholders in connection with the General Meeting to be held at The Lachlan Room, Pullman Quay Grand Sydney Harbour, 61 Macquarie Street, East Circular Quay, Sydney, NSW, 2000, Australia on 18 March 2016 at 10:00 am (EDST).

This Explanatory Memorandum provides information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form are all important documents. They should be read carefully in their entirety before you make a decision on how to vote at the General Meeting.

If you have any questions regarding the matters set out in the documents, please contact the Company Secretary on +61 2 6363 5200. You should also contact your stockbroker, accountant, lawyer or other professional adviser.

### Key dates

The key dates associated with the General Meeting and this document are set out below:

| **Event** | **Date** |
| --- | --- |
| Date of the Notice of Meeting and Explanatory Memorandum | 10 February 2016 |
| Completed Proxy Form to be received no later than | 10:00 am (EDST) on 16 March 2016 |
| Date and time for determining eligibility to attend and vote at the General Meeting | 7:00 pm (EDST) on 16 March 2016 |
| General Meeting of Shareholders | 10:00 am (EDST) on 18 March 2016 |

### Definitions

Capitalised terms used in this Explanatory Memorandum are defined in Part D.

# PART A – AMENDED GLENCORE FUNDING PACKAGE (RESOLUTIONS 1, 2, 3 AND 4)

The following Part A and Part C provides certain information in relation to the Shareholder approval pursuant to Resolutions 1, 2, 3 and 4 and the Amended Glencore Funding Package. Refer to Parts B and C of the Explanatory Memorandum for information relating to the Shareholder approval pursuant to Resolution 5 and the Pacific Road Options.

## *Key reasons why you should vote in favour of the Amended Glencore Funding Package*

The Company considers that the Amended Glencore Funding Package has a number of benefits for Shareholders, as summarised below and set out in more detail in Part A, section 2.1 (Key Reasons why you should vote in favour of the Amended Glencore Funding Package) of this Explanatory Memorandum.

1. **The Converting Notes and issue of Glencore Options are part of the Amended Glencore Funding Package, which provides necessary funding for rectification and optimisation of the Hera project and growth of the Company in the context of a difficult funding environment for the junior resources industry**

2. **Utilising Converting Notes is expected to be less dilutionary for shareholders than issuing ordinary shares at a significant discount to market price in a typical placement**

3. **The position reached with Glencore maintains a long term offtake arrangement for base metals with a reliable offtake counterparty**

4. **The Converting Notes only convert into Aurelia shares at Aurelia's election, unless Pybar and Aurelia agree to convert any of the Pybar Debt into Shares, in which case Glencore will be entitled to convert some of the Facility B Converting Notes in the exercise of its anti-dilution and top-up rights contained in the Subscription Agreement. Consequently, except in limited circumstances, Shares will not be issued to Glencore pursuant to the Converting Notes unless Aurelia chooses to convert at a future point in time**

5. **Continuation of the strategic relationship with Glencore**

6. **Glencore's Board representatives and Technical Steering Committee representatives bring additional skills to Aurelia**

7. **The Amended Glencore Funding Package does not prevent any future equity issuance by the Company**

8. **Removes the legal and financial uncertainty and negative impact for the Company arising from the dispute with Glencore. If Shareholders do not approve the Amended Glencore Funding Package, the settlement and funding agreement reached between Aurelia and Glencore on 27 November 2015 with respect to the Existing Glencore Facilities will terminate, the $5 million Early Advance Facility F Converting Notes will be immediately repayable and it is likely the litigation proceedings will recommence**

9. **Provides substantial financial relief via provision of a period of two years in which interest accrual and repayments are suspended**

## ***Reasons why you may consider not voting in favour of the Amended Glencore Funding Package***

Shareholders should be aware that there are some potential disadvantages of the Amended Glencore Funding Package, as summarised below and set out in more detail in Part A, section 2.2 (Reasons why you may consider not voting in favour of the Amended Glencore Funding Package) of this Explanatory Memorandum.

1. **If Aurelia were to elect to convert all of the Converting Notes into Shares or Glencore were to elect to exercise the Glencore Options (assuming Aurelia has converted Facility A Converting Notes), Glencore will substantially increase its voting power in the Company and existing Shareholders will be diluted. Glencore may potentially gain control of Aurelia through such conversion or option exercise without a takeover premium having been paid to Aurelia Shareholders and may proceed to compulsorily acquire the remaining Shares pursuant to the Corporations Act**

2. **Increases the Company's reliance upon Glencore**

3. **Glencore's position as a major financier and potentially a major shareholder could deter others from bidding for the Company or for the Company's assets**

The Independent Expert has found that the Amended Glencore Funding Package is fair and reasonable to Shareholders who are not associated with Glencore.

The Directors other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4 recommend Shareholders vote in favour of the Resolutions to approve the Amended Glencore Funding Package. Further information on the reasons for such Director's recommendation can be found at Part A, section 2.

# 1. DETAILS OF THE AMENDED GLENCORE FUNDING PACKAGE

### 1.1 Parts of the Amended Glencore Funding Package to be approved

On 18 December 2015, the Company and subsidiaries of Glencore entered into an amending deed to amend the terms of the existing equity, debt and converting note facilities entered into on or about 11 February 2013 (the "**Existing Glencore Facilities**") and for the issuance of the Glencore Options (together, the "**Amended Glencore Funding Package**") subject to a number of conditions precedent, including shareholder approval.

The key terms of the Amended Glencore Funding Package are summarised below and a more detailed summary is set out in Annexure A. Further details in relation to the debt facilities are set out in Part A, section 1.2.

**Shareholder ratification and approval is sought in relation to the issuance of the Early Advance Facility F Converting Notes on 26 November 2015 in accordance with ASX Listing Rule 7.4.**

**Shareholder approval is being sought in relation to the issuance of the Facility F Converting Notes (other than the Early Advance Facility F**

**Converting Notes) and the Glencore Options in accordance with ASX Listing Rule 7.1, which places restrictions on issues of equity securities by listed entities of 15% or more of their issued capital during a 12 month period (subject to certain exceptions).**

**Approval is also being sought from Shareholders for the Shares to be issued on conversion of any of the Converting Notes (which includes the Facility A Converting Notes, Facility B Converting Notes and Facility F Converting Notes) and the Shares to be issued on exercise of the Glencore Options under item 7 of section 611 of the Corporations Act. Shareholder approval is sought because there is the potential that if Aurelia elects to convert the Converting Notes and/or Glencore elects to exercise the Glencore Options in accordance with their terms, Glencore will then hold an aggregate relevant interest in more than 20% of the issued voting shares in Aurelia.**

The issuance of Facility A Converting Notes and Facility B Converting Notes (and Shares to be issued on conversion of such Converting Notes) were previously approved by Shareholders pursuant to item 7 of section 611 of the Corporations Act at a general meeting held on 15 March 2013. Aurelia is re-seeking Shareholder approval in respect of the issuance of Shares pursuant to any future conversion of such Converting Notes given the passage of time since the original approval was given and as part of the broader approval being sought in respect of the Amended Glencore Funding Package.

Shareholders should be aware that the Amended Glencore Funding Package is inter-conditional, so that if Shareholders do not approve the Resolutions 1, 2, 3 and 4 for the issue of Facility F Converting Notes, the Shares to be issued on conversion of the Converting Notes and the Glencore Options (and Shares to be issued on exercise of the Glencore Options), the settlement and funding agreement reached between Aurelia and Glencore on 27 November 2015 with respect to the Existing Glencore Facilities will terminate.

Shareholders should also be aware that Resolutions 1, 2, 3 and 4 are not inter-conditional with Resolution 5.

**Facility A**

| | |
|---|---|
| Limit: | $20 million Converting Note Facility |
| Principal Amount drawn to date: | $20 million |
| Conversion: | Convertible at the Company's option at $0.2563[1] per share, subject to adjustment |
| Interest Rate: | 3M AUD BBSW + 4% |
| Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital for Hera and Nymagee and to reimburse up to $6 million of development funding provided by Aurelia to Hera |
| Maturity Date: | The date which is 30 months after the Repayment Date |

[1] Being the original conversion price of $0.251, adjusted in accordance with the terms of the Existing Glencore Facilities.

**Facility B**

| | |
|---|---|
| Limit: | $50 million Converting Note Facility |
| Principal Amount drawn to date: | $50 million |
| Conversion: | Convertible at the Company's option at 60 day VWAP Price prior to conversion<br><br>Where Pybar and Aurelia agree to convert any of the Pybar Debt into Shares, Facility B Converting Notes will be convertible at Glencore's option on the exercise of its anti-dilution and top-up rights contained in the Subscription Agreement and in accordance with the Converting Note Facility Documents |
| Interest Rate: | 3M AUD BBSW + 4% |
| Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital for Hera and Nymagee |
| Maturity Date: | The date which is 30 months after the Repayment Date |

**Facility F**

| | |
|---|---|
| Limit: | $20 million Converting Note Facility |
| Conversion: | Convertible at the Company's option at 60 day VWAP Price prior to conversion |
| Interest Rate: | 3M AUD BBSW + 4% |
| Use of Funds: | Partial repayment of Facility A, working capital working capital for Aurelia and Hera and capital expenditure for Hera |
| Maturity Date: | The date which is 30 months after the Repayment Date |
| Drawdown Period: | The period from the Completion Date and ending 3 months from the Completion Date |

**Glencore Options**

| | |
|---|---|
| Options: | 108 million |
| Proposed Date of Issue: | The Completion Date |
| Issue Price: | Nil cash consideration to be paid for the Glencore Options |
| Exercise Price: | $0.04 per Glencore Option |
| Expiry: | The option exercise period will commence from the date the Facility A Converting Note is converted and expire 24 months following that date |

### 1.2 Aspects of the Amended Glencore Funding Package not requiring Shareholder approval

The below summarises debt facilities under the Amended Glencore Funding Package that do not require Shareholder approval.

| | | |
|---|---|---|
| **Facility C** | | |
| | Limit: | $30 million Debt Facility |
| | Principal Amount drawn to date: | $30 million |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital in respect of the Hera Project and Nymagee Project |
| | Maturity Date: | The date which is 30 months after the Repayment Date |
| **Facility D** | | |
| | Limit: | $50 million Debt Facility |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Nymagee development |
| | Maturity Date: | The date which is 42 months after the first drawdown |
| | Drawdown Period: | The period from the completion of approved Nymagee bankable feasibility study or earlier with Glencore consent and ending 12 months after that date |
| **Facility E** | | |
| | Limit: | $5 million Debt Facility |
| | Principal Amount drawn to date: | $5 million |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Purchase of precious and/or base metal option cover |
| | Maturity Date: | The date which is 13 months after the Repayment Date |
| **Facility G** | | |
| | Limit: | $15 million Debt Facility |
| | Interest Rate: | 3M AUD BBSW + 6% |
| | Use of Funds: | Fund Company and Hera working capital requirements and rectification capital requirements of Hera mine. Repayment of the Early Advance Facility F Converting Notes to the extent those amounts have been used in connection with the operation of the Hera Mine. |
| | Maturity Date: | The date which is 30 months after the first drawdown |
| | Drawdown Period: | The period from the Completion Date and ending 12 months after the date of the Amending Deed (ie 18 December 2016) |

### 1.3 Conditions precedent and Events of Default

The Amended Glencore Funding Package is subject to, among others, the following conditions precedent:

- delivery by Aurelia of a duly executed counterpart of the Amending Deed to Glencore;

- Shareholder approval of Resolutions 3 and 4;
- Aurelia obtaining any necessary ASX listing rule waivers;
- Aurelia terminating or committing to not drawdown on the facilities entered into with Pacific Road on 28 September 2015;
- Aurelia and Glencore jointly agreeing a 12 month business plan and key performance indicators;
- Glencore having obtained any necessary regulatory approvals to enter into the Amending Deed or any of the transactions contemplated in the Amending Deed (including, without limitation, approval by the Foreign Investment Review Board);
- No dilutive settlement arrangements having been, or being, entered into between Aurelia and its creditors (other than Pybar); and
- If any Event of Default occurs, or has occurred, between 25 November 2015 and the Completion Date, the remedy by Aurelia, or waiver by Glencore Group Funding Limited, of that Event of Default.

In addition, drawdown by Aurelia of funds under the Converting Note Facilities will require confirmation by Aurelia of certain customary representations and warranties and satisfaction of standard financing conditions precedent (for example, delivery of copies of authorisations, corporate approvals and a verification certificate signed by directors of each of Aurelia, Nymagee and Hera (where relevant) to confirm the identity of authorised officers and that each company is solvent).

Conversion of the Converting Notes into Shares will be conditional on, among other things, the Foreign Investment Review Board not having objected to the issue of the Shares to Glencore on the conversion.

The Converting Notes contain customary Events of Default, which, when triggered will allow Glencore to accelerate repayment of the debt, enforce its security and suspend Aurelia conversion rights of the Converting Notes.

### 1.4 Summary of Other Key Terms

Key new terms of Amended Glencore Funding Package will include:

- All principal and interest payments under the Existing Glencore Facilities will be suspended for 24 months from the Completion Date (subject to upside repayments and no events of default occurring after the Completion Date).
- Glencore will have the right to appoint up to a maximum of two members to the Board. In addition, a board sub-committee including two directors nominated by Glencore and two non-Glencore affiliated non-executive directors of AMI will be established to make recommendations to the Board as to the performance of senior management.
- A firmer channel of communication will be established between the Board and the Technical Steering Committee, which advises on technical aspects of the Hera Project and the Nymagee Project.

Key terms of the Existing Glencore Facilities that will not be amended pursuant to the Amended Glencore Funding Package include:

- During the term of the Amended Glencore Facilities, Glencore will have a right of first offer if the Company chooses to divest either Hera or Nymagee. The right of first offer obliges the Company to first offer any sale of the Hera or Nymagee projects to Glencore, and if that is not accepted, the Company may sell without restriction to any third party in the subsequent 6 month period on terms not more favourable to the purchaser than were offered to Glencore. The Directors of the Company currently have no intention to sell either Hera or Nymagee.

- The Converting Notes will be transferable by Glencore subject to certain conditions, including Aurelia consent, the transferee of the Converting Notes acceding to the terms of the Amended Glencore Facilities and agreeing to sell-down its holding of Converting Notes in the event that conversion by Aurelia would require further Aurelia shareholder approval. Aurelia consent is not required for a transfer of the Converting Notes where an Event of Default is continuing, where the transfer is to another Facility Provider (currently the Facility Providers are Glencore Group Funding Limited in respect of Facilities A to E and Glencore Australia Holdings Pty Ltd in respect of Facilities F and G), where the transfer is to a related entity of Glencore or where the transfer is to an entity which is a bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans provided any such bank, financial institution or entity is:

  - not a competitor of Aurelia; and

  - of good financial standing (a rating of BBB or higher from Standard & Poor's or its equivalent with Moody's).

- The Company will not be prevented from issuing further equity during the term of the Amended Glencore Facilities on terms it sees fit.

- The conversion price of the Facility A Converting Notes will adjust to reflect any Aurelia share capital reorganisation or share issuance including a placement or rights issue. Broadly speaking, the conversion price of the Facility A Converting Notes will adjust upwards where a new share issue is priced above the prevailing market price and adjust downwards where priced below the prevailing market price. Specifically, the conversion price of the Facility A Converting Notes will adjust in the following circumstances:

  - Aurelia declaring an extraordinary dividend;

  - any bonus issue of shares to shareholders;

  - consolidation or sub-division of shares;

  - any issue of shares such as pursuant to a rights issue or placement; or

  - any issue of shares pursuant to a demerger or spin-off.

- While Glencore remains a lender, it is not required to provide further funding or subscribe for Converting Notes if there is a change of control of Aurelia where the new controlling entity is:

  - a state owned enterprise (being either a government, a government controlled body or an entity in respect of a government or its agencies have more than a 50% interest) which is not approved by Glencore; or

- a competitor of Glencore and is:
    - a mining company with a market capitalisation of greater than $2 billion; or
    - any other person which has a market capitalisation greater than $400 million or has more than $200 million worth of assets outside of Australia,

  and which is not approved by Glencore.

The same regime applies to prevent Converting Notes from converting into Shares without Glencore consent.

### 1.5 Purpose of the Amended Glencore Funding Package

The additional funding from the Amended Glencore Funding Package will be used for the rectification and optimisation of the Hera Project and, in the case of Facility F, $5 million (being the Early Advance Facility F Converting Notes) will be used to fund the gravity circuit upgrade at the Hera Project and $13.5 million will be drawn down and set-off against the balance of Facility A.

### 1.6 Glencore Offtake Agreement

The Glencore Offtake Agreement continues on the same material terms described in the notice of general meeting dated 13 February 2013 subject to the deduction of US$175 per dmt of the relevant offtake material from Facility G for so long as required in accordance with the Amended Glencore Facilities.

### 1.7 Independent Expert's Report

The Independent Expert has found that the Amended Glencore Funding Package fair and reasonable to Shareholders who are not associated with Glencore.

Further detail of the values, the methodology and assumptions used by the Independent Expert are contained in Appendix 4 of the Independent Expert's Report.

### 1.8 Directors' Recommendations

The Directors (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) recommend Shareholders vote in favour of the Resolutions to approve the Amended Glencore Funding Package. Further information on the reasons for such Director's recommendation can be found at Part A, section 2.

Mr Michael Menzies and Mr Rune Symann are nominees of Glencore, and have abstained from making a recommendation to Shareholders in respect of Resolutions 1, 2, 3 and 4.

## 2. RATIONALE FOR THE AMENDED GLENCORE FUNDING PACKAGE

The Amended Glencore Funding Package provides the Company with additional funding and repayment and interest relief to allow for the rectification and optimisation the Hera Project. In addition, the Amended Glencore Funding Package removes the legal and financial uncertainty arising from the dispute with Glencore. Glencore, the existing financier and a major Shareholder, is a corporation with experience in the development and operation of base metal projects. Glencore represents a logical and mutually beneficial funding and offtake partner for the Hera and Nymagee Projects. If the relevant aspects of the Amended Glencore Funding Package are approved, a firmer channel of communication will be established between the Board and the Technical Steering Committee, which advises on technical aspects of the Hera Project and the Nymagee Project and a Board sub-committee, comprising of two Glencore and two non-Glencore Directors, will be established to make recommendations on senior management performance.

The Directors (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) believe that the terms agreed between Glencore and the Company are attractive to Shareholders and provide the Company with **funding certainty at a relatively low cost of funds with minimal dilution to Shareholders** (assuming the Converting Notes are not converted into Shares and Glencore does not exercise the option rights under the Glencore Options (which are subject to the Company converting Facility A)).

2.1 **Key reasons why you should vote in favour of the Amended Glencore Funding Package**

(a) ***The Converting Notes and issue of Glencore Options are part of the Amended Glencore Funding Package, which provides necessary funding for rectification and optimisation of the Hera project and growth of the Company in the context of a difficult funding environment for the junior resources industry***

The Amended Glencore Facilities will provide Aurelia with the necessary funding to rectify and optimise the Hera Project. The facilities have been structured to ensure financial flexibility for the Company and to manage project cash flow.

If the relevant aspects of the Amended Glencore Funding Package are not approved, the Company may not be able to proceed as effectively with its planned improvement and optimisation works of the Hera Project.

(b) ***Utilising Converting Notes is expected to be less dilutionary for shareholders than issuing ordinary shares at a significant discount to market price in a typical placement***

If the funding is repaid and the Converting Notes are not converted into Shares, no new Shares will be issued to Glencore. If Aurelia does not convert but repays Facility A in cash, Glencore will not be permitted to exercise the Glencore Options.

In the absence of the Converting Note Facilities, the Company would need to pursue other funding alternatives. If those alternatives included equity funding, such as a placement, the result would likely be more dilutionary to existing Shareholders than the impact of conversion of the Converting Notes. For example, a large equity raising is typically undertaken at a discount to recent trading prices which would result in dilution to existing shareholders much more significantly than under the Amended Glencore Funding Package.

(c) ***The position reached with Glencore maintains a long term offtake arrangement for base metals with a reliable offtake counterparty***

As part of the original funding package, offtake arrangements with Glencore were entered into in respect of 100% of base metals for the life of mine from both the Hera and Nymagee Projects. The entry into the Amended Glencore Funding Package will preserve these offtake arrangements.

(d) ***The Converting Notes only convert into Aurelia Shares at Aurelia's election, unless Pybar and Aurelia agree to convert any of the Pybar Debt into Shares, in which case Glencore will be entitled to convert some of the Facility B Converting Notes in the exercise of its anti-dilution and top-up rights contained in the Subscription Agreement. Consequently, except in limited circumstances, Shares will not be issued to Glencore pursuant to the Converting Notes unless Aurelia chooses to convert at a future point in time***

The Converting Notes will be subscribed for, and issued to, Glencore upon Aurelia giving Glencore a drawdown request in accordance with the terms of the Converting Note Facility Documents. A drawdown request may be issued by Aurelia from time to time (with minimum subscriptions of $1 million).

Upon satisfaction of the relevant conditions precedent to the Amended Glencore Funding Package, Aurelia has agreed to immediately drawdown $A13.5 million under Facility F, as partial repayment of Facility A.

Once the amounts have been drawn down and the Converting Notes issued, Aurelia may elect to either:

- repay the amounts drawn down under the Converting Note Facilities; or
- convert those Converting Notes into Shares as permitted under the terms of the Amended Glencore Facilities (and the conditions precedent to conversion are satisfied).

Aurelia will have a one time election to convert (in whole or in part) each of the Converting Notes issued under Facility A, until the maturity date of Facility A, and Facility B or Facility F, each until 5 business days' prior to the Deferred Date, into Shares. If Aurelia does not make such an election (and subject to Glencore's limited rights of converting Facility B Converting Notes), no Aurelia Shares will be issued to Glencore. For further information on the dilutionary impact of a conversion of the Converting Notes, see Part A, section 6.

In the event that Pybar and Aurelia agree to convert any of the Pybar Debt into Shares, Glencore will be entitled to convert some of the Facility B Converting Notes in the exercise of Glencore's anti-dilution and top-up rights contained in the Subscription Agreement.

Subject to Glencore's limited rights of conversion in respect of Facility B Converting Notes B, this process and the Company's ability to elect if and when to convert the Converting Notes allows Aurelia to determine the most favourable time to convert the Converting Notes if it chooses to proceed with conversion.

(e) ***Continuation of the strategic relationship with Glencore***

The Amended Glencore Funding Package strengthens the Company's strategic relationship with Glencore and provides for the continuation of Technical Steering Committee with Glencore. The Company and Glencore formed the Technical Steering Committee to advise on the technical aspects of the mining feasibility, development and operations of the Hera and Nymagee Projects.

As part of the Amended Glencore Funding Package the Company has also agreed to provide Glencore with an additional seat (up to two Glencore nominated directors) on the Board.

In addition, a management performance sub-committee of the Board (comprising of the two directors nominated by Glencore and two non-Glencore affiliate non-executive directors) will be formed to make recommendations to the Board as to the performance of senior management.

The Company and the Directors (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) believe that having Glencore as a project partner will provide significant benefits for Shareholders, given Glencore's global mining experience.

(f) ***Glencore's Board representatives and Technical Steering Committee representatives bring additional skills to Aurelia***

Pursuant to the terms of the Amended Glencore Funding Package, Glencore will have the right to appoint a maximum of two members to the Board. The Company believes that this has the potential to add value to the Board by bringing additional experience in the financing, development and operation of major base metal assets. Further, Glencore's representatives on the Technical Steering Committee will add value to the Hera Project given Glencore's global mining experience.

(g) ***The Amended Glencore Funding Package does not prevent any future equity issuance by the Company***

The Amended Glencore Funding Package provides the Company with significant flexibility to manage its cash flow and future capital raising ability. In this respect, the Amended Glencore Funding Package would not prevent the Company from issuing new equity in the future, even though such equity issues may dilute Glencore's shareholding in the Company.

(h) ***Removes the legal and financial uncertainty and negative impact for the Company arising from the dispute with Glencore. If Shareholders do not approve the Amended Glencore Funding Package, the settlement and funding agreement reached between Aurelia and Glencore on 27 November 2015 with respect to the Existing Glencore Facilities will terminate, the $5 million Early Advance Facility F Converting Notes will be immediately repayable and it is likely the litigation proceedings will recommence***

If the Amended Glencore Funding Package is not approved, the settlement agreed between Aurelia and Glencore will be terminated, the $5 million early advance from Glencore (in the form of the Early Advance Facility F Converting Notes) will be immediately repayable and it is likely that litigation proceedings between the parties concerning the financial position of Aurelia will recommence. If this were to occur, there would be considerable legal and financial uncertainty for Aurelia and will also require Aurelia to seek funding from alternative sources (at potentially considerable time and cost) for the rectification and optimisation works at the Hera Project.

(i) ***Provides substantial financial relief via provision of a period of two years in which interest accrual and repayments are suspended***

The settlement and the Amending Glencore Funding Package including the deferral of existing debt repayments and suspension of interest creates a more viable financial future for Aurelia and the on-going development of the Hera Project.

2.2 **Reasons why you may consider not voting in favour of the Amended Glencore Funding Package**

(a) ***If Aurelia were to elect to convert all of the Converting Notes into Shares or Glencore were to elect to exercise the Glencore Options, Glencore will substantially increase its voting power in the Company and existing Shareholders will be diluted. Glencore may potentially even gain control of Aurelia through such conversion or option exercise without providing Shareholders with a takeover premium and may proceed to compulsorily acquire the remaining Shares pursuant to the Corporations Act***

If Aurelia (or Glencore in limited circumstances) elects for Converting Notes to be converted into Shares in accordance with their terms or Glencore were to elect to exercise the Glencore Options, there will be a dilution of the current holdings of Shareholders. In addition, Glencore may increase its voting power in the Company (see Part A, section 6.4).

The level of Glencore's increased shareholding and maximum voting power will ultimately depend on:

(i) the extent to which the Company draws down under the Converting Note Facilities, and therefore the value of the Converting Notes issued to Glencore;

(ii) the extent to which the Company elects to convert the Converting Notes into Shares and not repay the Converting Notes in cash;

(iii) the Conversion Price for the Converting Notes;

(iv) in respect of the Glencore Options, whether Aurelia converts Facility A Converting Notes giving rise to the right for Glencore to exercise the Glencore Options;

(v) subject to (iv) above, the number of Glencore Options Glencore elects to exercise;

(vi) the number of Shares on issue at the time the Converting Notes are converted into Shares or the Glencore Options are exercised; and

(vii) the number of other Shares held by Glencore at the time the Converting Notes are converted into Shares or the Glencore Options are exercised.

Details of the potential capital structure of the Company, and Glencore's potential holding of Shares, as a result of the issue of the Converting Notes and their potential conversion and the issue of the Glencore Options and their potential exercise, is set out in Part A, section 6.4.

For example, if the Conversion Price is $0.16 or less, on conversion of all the Converting Notes (and exercise of the Glencore Options) and where the Company does not issue any additional Shares prior to the conversion of the Converting Notes and exercise of the Glencore Options, Glencore may hold a relevant interest in more than 50% of the Shares. Glencore would effectively be able to control Aurelia but in those circumstances it would not have paid a premium to obtain that control.

In addition, Part 6A.2 of the Corporations Act permits a person who is a 90% holder in relation to a class of securities to compulsorily acquire all the remaining securities in that class in which neither the person nor any related bodies corporate have full beneficial interests. If Glencore were to obtain over 90% of Aurelia's Shares through the conversion of the Converting Notes and exercise of the Glencore Options (see Part A, sections 6.4 and 6.5), then Glencore will be entitled to compulsorily acquire the remaining Shares on issue, subject to compliance with the Corporations Act.

(b) ***Increases the Company's reliance upon Glencore***

The Amended Glencore Funding Package will increase Aurelia's overall reliance on Glencore, being Aurelia's largest creditor, major shareholder and the offtake provider for the Hera Project. Under the terms of the Amended Glencore Funding Package, Glencore will have the right to appoint up to two nominees to the Board and the management and performance Board sub-committee. If Glencore were to cease or decide to reduce its relationship and involvement with the Company, the Company may, in the future, need to expend resources and time to investigate, procure and negotiate arrangements with other creditors, investors and counterparties.

(c) ***Glencore's position as a major financier and potentially a major shareholder could deter others from bidding for the Company or for the Company's assets***

Glencore's position and its shareholding (and potential shareholding in the future) in the Company may deter other potential investors or parties from bidding for the Company or its assets. It may also preclude external investors from investing in the Company in light of the potential control implications set out in Part A, section 2.2(a) above.

### 2.3 Independent Expert considers Glencore Transaction is fair and reasonable

The Independent Expert has considered the Amended Glencore Funding Package and found that the Amended Glencore Funding Package is fair and reasonable to Shareholders not associated with Glencore.

In light of the findings of the Independent Expert, and after considering the potential advantages and disadvantages of the Amended Glencore Funding Package, the Directors (other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4) unanimously recommend Shareholders vote in favour of the Resolutions to approve the Amended Glencore Funding Package. Further information on the reasons for such Director's recommendation can be found at Part A, section 2.

### 2.4 What happens if the Glencore Transaction is not approved?

If the Amended Glencore Funding Package is not approved by Shareholders which is a condition precedent to completion of the Amended Glencore Funding Package, the settlement and agreement reached between Aurelia and Glencore will terminate and the $5 million advance payment from Glencore (in the form of the Early Advance Facility F Converting Notes) will become immediately repayable. The existing Converting Notes will remain on foot and the legal proceedings between Aurelia and Glencore in relation to the Existing Glencore Facilities are likely to recommence. This is likely to generate considerable legal and financial uncertainty concerning Aurelia's ongoing financial position and will also require Aurelia to expend time and resources to seek funding from alternative sources to fund rectification and optimisation works at the Hera Project and for the future growth of Aurelia.

## 3. ABOUT GLENCORE

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Glencore group's operations comprise of over 150 mining and metallurgical sites, oil production assets and agricultural facilities.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing. Glencore also provides financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 181,000 people, including contractors.

Further information regarding Glencore's directors, management, operations and financial position can be found at http://www.glencore.com.

### 3.1 Glencore's intentions

This section sets out Glencore's intentions, on the basis of the facts and information concerning Aurelia which are known to it and the existing circumstances affecting the business of Aurelia.

(a) **Review**

Glencore and its advisers have reviewed certain information that has been publicly released on Aurelia, its current activities and its plans for the future, and had certain discussions with Aurelia in relation to its businesses.

However, Glencore does not necessarily have knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions. Consequently, final decisions on all of these matters have not been made, and any decisions already made may be subject to change.

If Aurelia's circumstances change or Aurelia converts the Converting Notes or Glencore exercises the Glencore Options, Glencore may, to the extent that information is available to it, conduct a review of the operations, assets, structure and employees of Aurelia in light of that information. Final decisions will only be reached after that review and in light of all material facts and circumstances. As such, statements referred to in this section are statements of current intention only which may change as new information becomes available or circumstances change. The statements referred to in this Part A, section 3 should be read in this context.

(b) **Intentions**

Except for the changes and intentions referred to in this Part A, section 3.1 and elsewhere in this Explanatory Memorandum, Glencore intends, based on the information presently known to it:

- to be a long term financier that will use its expertise (including technical expertise) to generate value from the Hera Mine;
- not to change the business of Aurelia;
- not to inject further capital into Aurelia (except under the Amended Glencore Funding Package);
- not to transfer any Aurelia property between Aurelia and Glencore or any person associated with Glencore (except under the Offtake Agreements and in relation to sales by Glencore to Aurelia and its wholly owned subsidiaries on arm's length terms);
- to continue the employment of Aurelia's existing employees except where any recommendations are made in relation to the performance of Aurelia's senior management team by the management performance sub-committee which has been established;
- not to redeploy the fixed assets of Aurelia; and
- not to significantly change the financial or dividend distribution policies of Aurelia.

Other than in the limited circumstances set out in Part A, section 2.1(d), it is Aurelia and not Glencore that has the right to convert the Converting Notes. Aurelia has explained elsewhere in this Explanatory Memorandum that Glencore may be placed in a position of control over Aurelia under certain scenarios if Aurelia converts the Converting Notes or Glencore exercises the Glencore Options. Further, the Glencore Options may only be exercised by Glencore at any time within 24 months after Aurelia has converted Facility A Converting Notes.

Before Aurelia can convert the Converting Notes, a number of conditions must be satisfied: Shareholder approval in accordance with this Notice of Meeting, appropriate disclosure to ensure there are no restrictions on the noteholders' ability to sell their notes, the noteholders having obtained FIRB approval and any other regulatory approvals that apply to the noteholders (if any), there being no change of control of Aurelia (as described in Part A, section 1.4), and the shares are listed on the ASX.

If Glencore were to gain effective control of Aurelia, subject to the Corporations Act and Aurelia's constitution, Glencore would have the ability to appoint a majority of the directors on Aurelia's Board.

If Aurelia were to become a partly owned subsidiary of Glencore, the implementation of any change Glencore intends to make to the objectives and goals of Aurelia (which Glencore has not currently identified) will be subject to:

- the law and the ASX Listing Rules, particularly in relation to related party transactions and conflicts of interest; and
- the legal obligation of Aurelia's Board to act for proper purposes and in the best interests of Aurelia's Shareholders as a whole.

### 3.2 Directors nominated by Glencore

As part of the agreement with Glencore announced on 27 November 2015, Glencore may nominate two representatives to the Aurelia Board. The Glencore nominated Directors to the Board are Michael Menzies and Rune Symann, who were appointed to the Board on 15 December 2015.

Michael Menzies was previously a Director of Aurelia until June 2015, he has more than 35 years' experience in the mining industry and in a variety of operational and management roles covering open cut and underground mining and processing operations in each of base metals, gold and coal. Mr Menzies has worked for Glencore in a number of capacities since 2010, including conducting operation reviews and mining project evaluation work, primarily in the base metals sector.

Rune Symann is a finance professional with over 7 years of experience in mergers & acquisitions, financial advisory and project management within the resources, power & automation and financial sectors. Rune's previous experience includes roles with ABB, Ernst & Young and Amundi. Rune is currently employed by Glencore. He holds a bachelor degree in Economics, a Master's degree in International Management from HEC Paris in France and a Master's degree in Finance & Strategic Management from Copenhagen Business School.

Both Mr Michael Menzies and Mr Rune Symann have abstained from making a recommendation to Shareholders in respect of the Amended Glencore Funding Package.

3.3 **Glencore's involvement in Board sub-committee**

Under the Subscription Agreement and during the indebtedness period under the Amended Glencore Facilities, Aurelia will establish a sub-committee to be called the management performance sub-committee. The management performance sub-committee will make recommendations to the Board, no later than six months after the date of the Amending Deed as to the performance of Aurelia's senior management team and any changes required to that team. The management performance sub-committee will be comprised of the Glencore nominated representatives on Aurelia's Board, along with two other non-Glencore affiliated Directors nominated by the Board.

# 4. OVERVIEW OF THE COMPANY

Refer to Part C, section 1 of this Explanatory Memorandum for an overview of the Company.

# 5. IMPACT ON THE COMPANY'S FINANCIAL POSITION

Set out below is a pro forma consolidated balance sheet for the Company (audited) as at 30 June 2015, assuming the Amended Glencore Funding Package had occurred at that date in the form described in the following scenarios:

| Scenario | Event |
|---|---|
| **1** | The repayment of Facility A. |
| **2** | The repayment of Facility A and a 50% conversion ($38.5 million) of the Facility B Converting Notes and Facility F Converting Notes into Shares. |
| **3** | The repayment of Facility A and full conversion ($77 million) of the Facility B Converting Notes and Facility F Converting Notes into Shares. |

Each scenario above assumes that:

- the repayment of Facility A is partially completed through the initial drawdown from Facility F ($13.5 million) and partially through conversion into equity at contracted prices;
- the full amount of Facility F Converting Notes (including the Early Advance Facility F Converting Notes) have been issued; and
- the Glencore Options have been issued but are not exercised.

5.1 **Pro forma balance sheet**

The pro forma balance sheet set out below has been prepared in accordance with the Australian Accounting Standards and the Corporations Act. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (**AIFRS**). This financial information also complies with International Financial Reporting Standards issued by the International Accounting Standards Board. The pro forma financial information is presented in an abbreviated format and does not contain all the disclosure that is usually provided in financial statements prepared in accordance with the presentation and disclosure requirements of AIFRS and the Corporations Act.

| | Audited Accounts as at 30/06/2015 | Adjustment - accrued interest to Existing Glencore Facilities at 27/11/2015 | Pro-forma balance sheet as at 30/6/15 (adjusted) | Scenario 1 | Scenario 2 | Scenario 3 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets | | | | | | |
| Cash | 4,847,638 | - | 4,847,638 | 11,347,638 | 11,347,638 | 11,347,638 |
| Trade and Other Receivables | 6,184,999 | - | 6,184,999 | 6,184,999 | 6,184,999 | 6,184,999 |
| Inventories | 2,692,563 | - | 2,692,563 | 2,692,563 | 2,692,563 | 2,692,563 |
| Prepayments | 145,234 | - | 145,234 | 145,234 | 145,234 | 145,234 |
| Current Assets | 13,870,434 | - | 13,870,434 | 20,370,434 | 20,370,434 | 20,370,434 |
| Non-current Assets | | | | | | |
| Property, Plant & Equip. (PP&E) | 57,459,043 | - | 57,459,043 | 57,459,043 | 57,459,043 | 57,459,043 |
| Financial Assets | 272,800 | - | 272,800 | 272,800 | 272,800 | 272,800 |
| Exploration and Evaluation Assets | 116,000 | - | 116,000 | 116,000 | 116,000 | 116,000 |
| Mine Properties | 33,306,747 | - | 33,306,747 | 33,306,747 | 33,306,747 | 33,306,747 |
| Non-current Assets | 91,154,590 | - | 91,154,590 | 91,154,590 | 91,154,590 | 91,154,590 |
| **ASSETS** | **105,025,024** | **-** | **105,025,024** | **111,525,024** | **111,525,024** | **111,525,024** |
| **LIABILITIES** | | | | | | |
| Current Liabilities | | | | | | |
| Trade and Other Payables | 16,394,713 | - | 16,394,713 | 16,394,713 | 16,394,713 | 16,394,713 |
| Provisions | 1,885,698 | - | 1,885,698 | 1,885,698 | 1,885,698 | 1,885,698 |
| Other Borrowings | 507,092 | - | 507,092 | 507,092 | 507,092 | 507,092 |
| Glencore Borrowings - Current | 22,229,917 | 531,638 | 22,761,555 | - | - | - |
| Current Liabilities | 41,017,420 | 531,638 | 41,549,058 | 18,787,503 | 18,787,503 | 18,787,503 |
| Non-current Liabilities | | | | | | |
| Provisions | 7,856,432 | - | 7,856,432 | 7,856,432 | 7,856,432 | 7,856,432 |
| Other Borrowings | 1,279,842 | - | 1,279,842 | 1,279,842 | 1,279,842 | 1,279,842 |
| Glencore Borrowings - Non Current | 95,015,904 | 2,272,348 | 97,288,252 | 116,469,936 | 77,939,364 | 39,408,792 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Less: Borrowing costs | (4,380,994) | - | (4,380,994) | (4,380,994) | (4,380,994) | (4,380,994) |
| Non-current Liabilities | 99,771,184 | 2,272,348 | 102,043,532 | 121,225,216 | 82,694,644 | 44,164,072 |
| **LIABILITIES** | **140,788,604** | **2,803,986** | **143,592,590** | **140,012,719** | **101,482,147** | **62,951,575** |
| **NET ASSETS** | **(35,763,580)** | **(2,803,986)** | **(38,567,566)** | **(28,487,695)** | **10,042,877** | **48,573,449** |
| **EQUITY** | | | | | | |
| Contributed Equity | 99,929,152 | - | 99,929,152 | 110,009,023 | 148,539,595 | 187,070,167 |
| Reserves | 3,060,597 | - | 3,060,597 | 3,060,597 | 3,060,597 | 3,060,597 |
| Retained losses | (138,753,329) | (2,803,986) | (141,557,315) | (141,557,315) | (141,557,315) | (141,557,315) |
| **EQUITY** | **(35,763,580)** | **(2,803,986)** | **(38,567,566)** | **(28,487,695)** | **10,042,877** | **48,573,449** |

### 5.2 Use of funds made available under the Amended Glencore Funding Package

The funding from the Amended Glencore Funding Package will be used for the rectification and optimisation of the Hera Project and from Facility F to fund gravity circuit upgrades at the Hera project and to repay $13.5 million of Facility A.

## 6. IMPACT ON THE COMPANY'S CAPITAL STRUCTURE

### 6.1 Current capital structure

See Part C, section 1.5 for details of the Company's current capital structure.

### 6.2 Potential capital structure as a result of the Amended Glencore Funding Package

As at the date of this Explanatory Memorandum, Glencore has a relevant interest in 6.69% of the Company (5.90% on a fully diluted basis).

If the Amended Glencore Funding Package is approved and Resolutions 1, 2, 3 and 4 are passed by Shareholders, and all other conditions to the relevant agreements are satisfied, the Glencore Options will be issued and, if the Company elects to draw down on Facility F, Facility F Converting Notes will be issued to Glencore.

Assuming that the Company (or one or more of its wholly owned subsidiaries) draws down on Facility F for the full $20 million, and **no** Converting Notes have been converted into Shares, the capital structure of the Company will be as follows:

| Securities on issue | Number |
|---|---|
| Shares | 387,991,188 |

| Securities on issue | Number |
| --- | --- |
| Performance Rights expiring on 15 March 2016 | 840,000 |
| Performance Rights (Class A) | 70,000 |
| Performance Rights (Class B) | 64,000 |
| Performance Rights (Class C) | 490,000 |
| Performance Rights (Class D) | 48,000 |
| Options expiring 28 September 2020 | 50,000,000 |
| Converting Notes | $87.1 million[2] |
| Glencore Options | 108 million |

Under the terms of the Converting Note Facility Documents, in certain circumstances Aurelia may elect to convert the Converting Notes into Shares in the Company and not repay the Converting Note Facilities in cash. The capital structure of the Company if the Converting Notes are converted into Shares and not repaid in cash, is set out below.

### 6.3 Conversion mechanism for Converting Notes

The number of Shares to be issued upon conversion of a Converting Note is determined as follows:

$$\frac{\text{Principal Amount}}{\text{Conversion Price in effect on the conversion date}}$$

Where:

**Principal Amount** means, in respect of each Converting Note at any time, the outstanding principal amount (and any capitalised interest) of that Converting Note.

**Conversion Price** means:

- for Converting Notes issued as Facility A: $0.2563[3] per share; and
- for Converting Notes issued as Facility B: the 60 day VWAP prior to the conversion notice.
- for Converting Notes issued as Facility F: the 60 day VWAP prior to the conversion notice.

The Conversion Price in effect on the conversion date will be the Conversion Price, subject to any subsequent adjustment in accordance with the

[2] Comprising $70 million already drawn down from Facility A and Facility B (and capitalised interest) as at the date of this Explanatory Memorandum and $20 million from Facility F (of which $13.5 million will be used to repay Facility A).

[3] Being the original conversion price ($0.251) adjusted in accordance with the terms of the Existing Glencore Facilities.

Converting Notes Facility Documents. In the case of Facility A (but not Facility B or Facility F), the conversion price of the Converting Notes will be adjusted as described in Part A, section 1.4 of this Explanatory Memorandum.

6.4 **Glencore's potential shareholding in the Company**

The level of Glencore's maximum potential shareholding will ultimately depend on:

(a) the extent to which the Company draws down under the Converting Note Facility and therefore the value of the Converting Notes issued to Glencore;

(b) the extent to which the Converting Notes are converted into Shares and not repaid in cash;

(c) the Conversion Price for the Converting Notes (as adjusted in accordance with the terms of the Converting Note Facility Documents);

(d) the number of Shares on issue at the time the Converting Notes are converted into Shares;

(e) the number of Shares held by Glencore at the time the Converting Notes are converted into Shares; and

(f) the exercise of the Glencore Options and number exercised (assuming the prior conversion of Facility A Converting Notes by Aurelia).

The table below assumes the following:

- The Company draws down on Facility F for the full $20 million, $13.5 million of which will be used to repay Facility A.
- All Converting Notes are converted into Shares in accordance with their terms.
- Glencore exercises all 108 million Glencore Options.
- Glencore does not acquire any Shares between the date of this Explanatory Memorandum and the date of conversion of the Converting Notes and issue of Shares under the Glencore Options.
- Shareholdings on both a fully diluted basis (which assumes that all Options and Performance Rights currently on issue are exercised for Shares) and on an undiluted basis (which assumes that no Options or Performance Rights are exercised).
- The Company does not issue any additional Shares prior to the conversion of the Converting Notes and exercise of the Glencore Options.
- No adjustment event occurs which would result in an amendment to the conversion price of the Converting Notes (for example, if the Company makes a bonus issue of Shares, or if there is a consolidation or subdivision of Shares).

For the avoidance of doubt, none of these scenarios represent the potential maximum or potential minimum number of Shares that may be issued to Glencore, nor the potential maximum or minimum voting power than Glencore may obtain. In particular, Shareholders should note that:

- the conversion price for Facility B and Facility F is not a fixed amount (it is the 60 day VWAP prior to the conversion notice) and could increase or decrease prior to the conversion of any Converting Notes issued under Facility B or Facility F. The lower the conversion price the greater the number of Shares that will be issued following any conversion of the Converting Notes; and

- prior to conversion of the Converting Notes or exercise of the Glencore Options, Glencore would not be restricted from acquiring Shares on-market, subject to the limits imposed by Australia's takeover laws. If Glencore acquires such additional Shares, this will increase Glencore's total percentage shareholding following any conversion of the Converting Notes and exercise of the Glencore Options.

| **Capital structure**<br>***Conversion price*** | **Scenario 1**<br>***Facility A - $0.2563[4]***<br>***Facility B - $0.02***<br>***Facility F - $0.02*** | **Scenario 2**<br>***Facility A - $0.2563***<br>***Facility B - $0.055***<br>***Facility F - $0.055*** | **Scenario 3**<br>***Facility A - $0.2563***<br>***Facility B - $0.08***<br>***Facility F - $0.08*** | **Scenario 4**<br>***Facility A - $0.2563***<br>***Facility B - $0.12***<br>***Facility F - $0.12*** | **Scenario 5**<br>***Facility A - $0.2563***<br>***Facility B - $0.16***<br>***Facility F - $0.16*** |
|---|---|---|---|---|---|
| Facility A - debt amount | 23,579,871 | 23,579,871 | 23,579,871 | 23,579,871 | 23,579,871 |
| Less: Repayment of Facility A from Facility F | (13,500,000) | (13,500,000) | (13,500,000) | (13,500,000) | (13,500,000) |
| Net debt amount: Facility A | 10,079,871 | 10,079,871 | 10,079,871 | 10,079,871 | 10,079,871 |
| Facility B – debt amount | 57,061,144 | 57,061,144 | 57,061,144 | 57,061,144 | 57,061,144 |
| Facility F – debt amount | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| **Total Converting Notes** | **87,141,015** | **87,141,015** | **87,141,015** | **87,141,015** | **87,141,015** |
| | | | | | |
| Shares on issue | 387,991,188 | 387,991,188 | 387,991,188 | 387,991,188 | 387,991,188 |
| Options | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Performance Rights | 1,512,000 | 1,512,000 | 1,512,000 | 1,512,000 | 1,512,000 |
| **Fully diluted shares on issue** | **439,503,188** | **439,503,188** | **439,503,188** | **439,503,188** | **439,503,188** |
| | | | | | |
| Maximum Shares issued upon conversion of Facility A | 39,328,409 | 39,328,409 | 39,328,409 | 39,328,409 | 39,328,409 |
| Maximum Shares issued upon conversion of | 2,853,057,188 | 1,037,475,341 | 713,264,297 | 475,509,531 | 356,632,149 |

[4] Being the original conversion price ($0.251) adjusted in accordance with the terms of the Existing Glencore Facilities.

| Capital structure<br><br>*Conversion price* | Scenario 1<br>*Facility A - $0.2563*[4]<br>*Facility B - $0.02*<br>*Facility F - $0.02* | Scenario 2<br>*Facility A - $0.2563*<br>*Facility B - $0.055*<br>*Facility F - $0.055* | Scenario 3<br>*Facility A - $0.2563*<br>*Facility B - $0.08*<br>*Facility F - $0.08* | Scenario 4<br>*Facility A - $0.2563*<br>*Facility B - $0.12*<br>*Facility F - $0.12* | Scenario 5<br>*Facility A - $0.2563*<br>*Facility B - $0.16*<br>*Facility F - $0.16* |
|---|---|---|---|---|---|
| Facility B | | | | | |
| Maximum Shares issued upon conversion of Facility F | 1,000,000,000 | 363,636,364 | 250,000,000 | 166,666,667 | 125,000,000 |
| Maximum Shares issued upon exercise of Glencore Options | 108,000,000 | 108,000,000 | 108,000,000 | 108,000,000 | 108,000,000 |
| **Total Shares on issue following conversion of Facility A, Facility B, Facility F and exercise of Glencore Options (undiluted)** | **4,388,376,785** | **1,936,431,302** | **1,498,583,894** | **1,177,495,795** | **1,016,951,746** |
| **Total Shares on issue following conversion of Facility A, Facility B and Facility F and exercise of Glencore Options (fully diluted)** | **4,439,888,785** | **1,987,943,302** | **1,550,095,894** | **1,229,007,795** | **1,068,463,746** |
| Shares currently held by Glencore | 25,950,316 | 25,950,316 | 25,950,316 | 25,950,316 | 25,950,316 |
| Shares held by Glencore following conversion of Facility A | 65,278,725 | 65,278,725 | 65,278,725 | 65,278,725 | 65,278,725 |
| Shares held by Glencore following conversion of Facility A and Facility B | 2,918,335,913 | 1,102,754,066 | 778,543,022 | 540,788,257 | 421,910,874 |
| Shares held by Glencore following conversion of Facility A, Facility B and Facility F | 3,918,335,913 | 1,466,390,430 | 1,028,543,022 | 707,454,923 | 546,910,874 |
| Shares held by Glencore following conversion of Facility A, Facility B and Facility F and exercise of Glencore Options | 4,026,335,913 | 1,574,390,430 | 1,136,543,022 | 815,454,923 | 654,910,874 |
| **Total % shareholding by Glencore (undiluted)** | **91.75%** | **81.30%** | **75.84%** | **69.25%** | **64.40%** |
| **Total % shareholding by Glencore (fully diluted)** | **90.69%** | **79.20%** | **73.32%** | **66.35%** | **61.29%** |

6.5 **Other potential shareholdings by Glencore in the Company**

In practice, as Glencore's potential shareholding may be less than that set out in the table above at Part A, section 6.4, the table below shows other various scenarios in which the percentage holding (on a fully diluted basis) of voting power in the Company by Glencore will vary.

Each scenario below (other than scenario 1 and 2) assumes that:

- the full amount of Facility F Converting Notes (including the Early Advance Facility F Converting Notes) have been issued;
- the conversion in full of Facility A Converting Notes (following the $13.5 million repayment of Facility A through the initial drawdown from Facility F; and
- the exercise in full of the Glencore Options.

| Scenario | Event |
|---|---|
| 1 | No conversion of the Facility A Converting Notes (and therefore no exercise of the Glencore Options) and no conversion of the Facility B Converting Notes and Facility F Converting Notes. |
| 2 | Conversion of the Facility A Converting Notes only. |
| 3 | No conversion of the Facility B Converting Notes and Facility F Converting Notes into Shares. |
| 4 | Conversion of a total of $20 million of the Facility B Converting Notes and Facility F Converting Notes into Shares. |
| 5 | Conversion of a total of $40 million of the Facility B Converting Notes and Facility F Converting Notes into Shares. |
| 6 | Conversion in full of the Facility B Converting Notes and Facility F Converting Notes into Shares. |

| | Conversion Price (per share) | | | | |
|---|---|---|---|---|---|
| **Scenario** | **$0.02** | **$0.06** | **$0.08** | **$0.12** | **$0.16** |
| **1** | 5.90% | 5.90% | 5.90% | 5.90% | 5.90% |
| **2** | 19.05% | 19.05% | 19.05% | 19.05% | 19.05% |
| **3** | 29.53% | 29.53% | 29.53% | 29.53% | 29.53% |
| **4** | 73.94% | 56.49% | 50.58% | 45.12% | 41.90% |
| **5** | 84.01% | 68.53% | 61.95% | 55.06% | 50.58% |
| **6** | 90.69% | 79.20% | 73.32% | 66.35% | 61.29% |

6.6 **Top-up right**

Notwithstanding the completion of the Amended Glencore Funding Package, pursuant to the Subscription Agreement between Aurelia and subsidiaries of Glencore and subject to obtaining a waiver from ASX (which is expected to be on similar terms to the waiver from ASX dated 18 March 2013, as amended on 29 July 2013), subsidiaries of Glencore will retain a pro rata top-up right to maintain its interest in the Company as described in the notice of meeting dated 13 February 2013.

# 7. REGULATORY DISCLOSURE – RESOLUTION 1

7.1 **Listing Rule 7.4**

Listing Rule 7.4 provides that the approval of Shareholders may be obtained after the issue of equity securities (such as the Early Advance Facility F Converting Notes). The effect of such ratification is that the issue of equity securities will be treated as having been made with approval for the purposes of Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification for the issue of the Early Advance Facility F Converting Notes on 26 November 2015 in accordance with Listing Rule 7.4.

The following information is provided in accordance with Listing Rule 7.5:

(i) ***Number of securities issued***

$5 million worth of Early Advance Facility F Converting Notes were issued by the Company.

(ii) ***Price at which the securities were issued***

$5 million.

(iii) ***Terms of the securities***

Early Advance Facility F Converting Notes are Facility F Converting Notes, the terms of which are summarised in Annexure A.

(iv) ***The name of the persons to whom Aurelia issued the securities or the basis on which those persons were determined***

The Early Advance Facility F Converting Notes were issued to Glencore Group Funding Limited.

See Part A, section 3 for further information about Glencore.

(v) ***Use (or intended use) of the funds raised***

The Early Advance Facility F Converting Notes were issued to Glencore as an early drawdown on Facility F and to be used for the gravity circuit upgrade at the Hera Project.

7.2 **Voting Exclusion Statement**

In accordance with ASX Listing Rule 14.11.1, none of Glencore and its associates are permitted to vote in favour of Resolution 1.

# 8. REGULATORY DISCLOSURE - RESOLUTION 2

## 8.1 Listing Rule 7.1

Listing Rule 7.1 imposes a limit on the number of equity securities (eg shares or options to subscribe for shares) which a company can issue without shareholder approval. In general terms, a company may not, without prior shareholder approval, issue equity securities if the equity securities will in themselves or when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period.

Resolution 2 seeks Shareholder approval for the issuance of Facility F Converting Notes in accordance with Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3.

(i) ***Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue***

In addition to the Early Advance Facility F Converting Notes already issued, Aurelia may issue up to a further $15 million of Facility F Converting Notes.

(ii) ***Date by which the entity will issue the securities (which must be no later than 3 months after the date of the meeting)***

Aurelia will issue Facility F Converting Notes within 3 months after the date of the General Meeting.

(iii) ***Issue price of the securities, which must be either a fixed price or a minimum price***

In addition to the Early Advance Facility F Converting Notes already issued, Aurelia may issue up to further $15 million of Facility F Converting Notes on a drawdown of Facility F.

(iv) ***Names of the persons to whom Aurelia will issue the securities (if known) or the basis upon which those persons will be identified or selected***

In addition to the Early Advance Facility F Converting Notes already issued, the Facility F Converting Notes are intended to be issued to Glencore Group Funding Limited.

(v) ***The terms of the securities***

A summary of the terms of the Facility F Converting Notes is set out in Annexure A.

(vi) ***Intended use of the funds raised***

Partial repayment of Facility A and working capital for Hera.

(vii) ***The date of allotment or a statement that allotment will occur progressively***

On the Completion Date, $13.5 million of Facility F Converting Notes will be drawn down to repay Facility A. Any other allotment of Facility F Converting

Notes will occur progressively but in any event within 3 months of the Completion Date.

8.2 **Voting Exclusion Statement**

In accordance with ASX Listing Rule 14.11.1, none of Glencore and its associates are permitted to vote in favour of Resolution 2.

# 9. REGULATORY DISCLOSURE - RESOLUTION 3

9.1 **Section 606 of the Corporations Act**

Glencore has voting power of approximately 6.69% in the Company. As a consequence of this, and the potential for Glencore to acquire voting power of more than 20% in the Company upon conversion of the Converting Notes to Shares, the issue of Shares on conversion of the Converting Notes will need to fall within a relevant exemption from the prohibition on exceeding the 20% limit (as set out in in Part C, section 2.1).

Resolution 3 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the issue of Shares upon conversion of the Converting Notes to Glencore Group Funding Limited or its related body corporate (including Glencore Australia Holdings Pty Ltd (ACN 160 626 102)).

The following information is provided to Shareholders:

(a) ***The identity of the person proposing to make the acquisition and their associates***

Any Shares issued upon conversion of the Converting Notes will be issued to Glencore Group Funding Limited or its related body corporate.

See Part A, section 3 for further information about Glencore.

(b) ***The maximum extent of the increase in that person's voting power in the company and the voting power that would result from the acquisition***

Glencore and its associates currently have voting power of 6.69% in the Company. The increase in Glencore's voting power from this initial point will ultimately depend on:

(i) the amount owed under Facility A, Facility B and Facility F at the relevant time;

(ii) the extent to which the Converting Notes are converted into Shares and not repaid in cash;

(iii) the Conversion Price for the Converting Notes (as adjusted in accordance with the terms of the Converting Note Facility Documents);

(iv) the number of Glencore Options exercised and Shares subsequently issued;

(v) the number of Shares on issue at the time the Converting Notes are converted into Shares and/or the Glencore Options are exercised; and

(vi) the number of Shares held by Glencore at the time the Converting Notes are converted into Shares and/or the Glencore Options are exercised.

For illustrative purposes, various scenarios have been included in Part A, section 6.4.

(c) ***The maximum extent of the increase in the voting power of each of that person's associates and the voting power that would result from the acquisition***

The maximum extent of each of Glencore's associates' increase in voting power, and its voting power, will be equivalent to the increase in voting power held by Glencore. For further details of the potential voting power of Glencore, see Part A, section 6.4.

9.2 **Regulatory Guide 74**

ASIC Regulatory Guide 74 requires that the following information be provided to Shareholders to enable Shareholders to make an informed decision on resolutions seeking section 611 item 7 shareholder approval (including Resolution 3):

(a) ***The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased***

Any Shares issued upon conversion of the Converting Notes, are currently intended to be issued to Glencore Group Funding Limited (a wholly owned subsidiary of Glencore). Glencore Group Funding Limited is entitled to transfer the Converting Notes to any related body corporate or an entity of good standing consented to by Aurelia. The Converting Notes may be (at the Company's election) transferred by Glencore Group Funding Limited to Glencore Australia Holdings Pty Ltd (ACN 160 626 102) such that Glencore Australia Holdings Pty Ltd will hold the conversion rights under the Converting Notes. The holder of the Converting Notes is also entitled to nominate any related body corporate to subscribe for the Shares if the Company elects to convert the Converting Notes. As a result, any Shares issued upon conversion may be issued to Glencore Group Funding Limited, Glencore Australia Holdings Pty Ltd (or any other related body corporate of Glencore).

See Part A, section 3 for further information about Glencore.

(b) ***Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition***

Full details of the potential Shares to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition are set out in Part A, section 6.4.

(c) ***The identity, associations (with the allottee, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the Shareholders agree to the allotment or purchase***

See Part A, section 3.2 above.

(d) ***A statement of the allottee's or purchaser's intentions regarding the future of the company if Shareholders agree to the allotment or***

***purchase, and in particular, any intention to change the business of the company; any intention to inject further capital into the company and if so, how, the future employment of the present employees of the company; any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and any intention to otherwise redeploy the fixed assets of the company***

See Part A, section 3.1 above.

(e) ***Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment or purchase***

See Part A, sections 1.1and 1.2 above.

Further details of Facility A, Facility B and Facility F are set out in Annexure A.

(f) ***When the allotment is to be made or the purchase is to be completed***

The Converting Notes have been (in the case of the Facility A Converting Notes and Facility B Converting Notes), or will be (in the case of the Facility F Converting Notes), issued to Glencore Group Funding Limited, in accordance with the terms of the Converting Note Facility Documents.

(i) Converting Notes – Facility A

- Drawn down fully.
- Convertible once only at the Company's option at any time after the execution of the Amending Deed until the maturity date of Facility A.
- May be converted in part or in full.

(ii) Converting Note – Facility B

- Drawn down fully.
- Convertible once only at the Company's option within 5 Business Days before the Deferred Date.
- May be converted by the Company in part or in full.
- Convertible at Glencore's election where Pybar and Aurelia agree to convert any of the Pybar Debt into Shares, on the exercise of Glencore's anti-dilution and top-up rights contained in the Subscription Agreement and in accordance with the Converting Note Facility Documents.

(iii) Converting Note – Facility F

- Drawdown in multiples of $1 million on 30 days' notice during the 3 months commencing on the Completion Date.

- Convertible once only at the Company's option within 5 Business Days before the Deferred Date.

- May be converted in part or in full.

(g) ***An explanation of the reasons for any proposed allotment***

An explanation of the rationale for the Amended Glencore Funding Package, including the issue of Shares on conversion of the Converting Notes, is set out in Part A, section 2.

(h) ***The interests of the Directors in the Resolution***

The Directors do not have a material personal interest in the outcome of the resolution other than in their capacity as Shareholders (where applicable). The Directors' interests in Shares and options are set out in Part C, section 1.4.

(i) ***The recommendation or otherwise of each Director as to whether the non-associated Shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise***

The Directors (other than the Abstaining Directors in respect of Resolution 3) recommend Shareholders **vote in favour of Resolution 3** to approve the Amended Glencore Funding Package. This recommendation is based on the information set out in this Explanatory Memorandum and as a result of the Independent Expert finding that the Amended Glencore Funding Package are in the best interests of all Shareholders who are not associated with Glencore.

The Directors (other than the Abstaining Directors in respect of Resolution 3) are:

- Mr Anthony Wehby: Independent Non-Executive Chairman. A Fellow of the Institute of Chartered Accountants in Australia and former partner of PricewaterhouseCoopers Australia (Coopers & Lybrand).

- Mr Gary Comb: Independent Non-Executive Director, an engineer and former Managing Director of Jabiru Metals Ltd and former CEO of BGC Contracting.

- Mr Mark Milazzo: Independent Non-Executive Director, a Mining Engineer and former General Manager of Olympic Dam Mine and former General Manager with HWE Mining Contractors.

- Mr Paul Espie: Non-Executive Director. Mr Espie established and is a founding principal of the Pacific Road Capital and Pacific Road Resources Funds. He was previously Chairman of Oxiana Limited and of Cobar Mines Pty Ltd (before it was acquired by Glencore), and was responsible for Bank of America operations in Australia. He is also a member of various other boards and industry bodies.

The Directors (other than the Abstaining Directors in respect of Resolution 3) concluded that the Amended Glencore Funding Package represents the best funding proposal for the Company for the reasons set out in this Explanatory Memorandum, including those set out in more detail in Part A, section 2.1.

The Directors (other than the Abstaining Directors in respect of Resolution 3) further note that the Independent Expert has found the Amended Glencore Facilities to be fair and reasonable to Aurelia Shareholders.

Mr Michael Menzies and Mr Rune Symann are nominees of Glencore, and have abstained from making a recommendation to Shareholders in respect of Resolution 3.

(j) ***Any intention of the acquirer to change significantly the financial or dividend policies of the company***

Glencore has not indicated any such intention to Aurelia.

(k) ***An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons***

In accordance with ASIC Regulatory Guide 74, the Company commissioned BDO to prepare an Independent Expert's Report to assess whether the Amended Glencore Funding Package is fair and reasonable to Shareholders not associated with the Glencore.

The Independent Expert's Report concluded that the Amended Glencore Funding Package is fair and reasonable to Shareholders who are not associated with Glencore.

A copy of the Independent Expert's Report is contained in Attachment A.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on the Resolutions.

### 9.3 Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, none of Glencore and its associates are permitted to vote in favour of Resolution 3.

## 10. REGULATORY DISCLOSURE - RESOLUTION 4

### 10.1 Listing Rule 7.1

In relation to the issue of the Glencore Options, Resolution 4 seeks Shareholder approval for the issuance of the Glencore Options in accordance with Listing Rule 7.1.

Listing Rule 7.2, exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, Resolution 4 does not seek approval for the exercise of the Glencore Options to Glencore for the purposes of Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3.

(a) ***Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue***

108 million Glencore Options.

(b) ***Date by which the entity will issue the securities (which must be no later than 3 months after the date of the meeting)***

Aurelia will issue the Glencore Options on the Completion Date.

(c) ***Issue price of the securities, which must be either a fixed price or a minimum price***

No issue price.

(d) ***Names of the persons to whom Aurelia will issue the securities (if known) or the basis upon which those persons will be identified or selected***

The Glencore Options are intended to be issued to Glencore Australia Holdings Pty Ltd.

(e) ***The terms of the securities***

A summary of the terms of the Glencore Options is set out in Annexure A.

(f) ***Intended use of the funds raised***

No funds raised. Glencore Options issued as part of the settlement and revised funding arrangement as more fully set out in Part A, section 2.

(g) ***The date of allotment or a statement that allotment will occur progressively***

The Glencore Options are to be issued on the Completion Date.

### 10.2 Section 606 of the Corporations Act

Glencore has voting power of approximately 6.69% in the Company. As a consequence of this, and the potential for Glencore to acquire voting power of more than 20% in the Company upon the exercise of the Glencore Options, the issue of Shares on the exercise of the Glencore Options will need to fall within a relevant exemption from the prohibition on exceeding the 20% limit (as set out in Part C, section 2.1).

Resolution 4 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the issue of Shares upon the exercise of the Glencore Options to Glencore Australia Holdings Pty Ltd or a wholly-owned subsidiary of Glencore.

The following information is provided to Shareholders:

(a) ***The identity of the person proposing to make the acquisition and their associates***

Any Shares issued upon exercise of the Glencore Options, will be issued to Glencore Australia Holdings Pty Ltd or a wholly-owned subsidiary of Glencore.

See Part A, section 3 for further information about Glencore, including information about Glencore Australia Holdings Pty Ltd.

(b) ***The maximum extent of the increase in that person's voting power in the company and the voting power that would result from the acquisition***

Glencore, including Glencore Australia Holdings Pty Ltd, currently has voting power of 6.69% in the Company. The increase in Glencore's voting power from this initial point will ultimately depend on:

(i) the amount owed under Facility A, Facility B and Facility F at the relevant time;

(ii) the extent to which the Converting Notes are converted into Shares and not repaid in cash;

(iii) the Conversion Price for the Converting Notes (as adjusted in accordance with the terms of the Converting Note Facility Documents);

(iv) the number of Glencore Options exercised and Shares subsequently issued;

(v) the number of Shares on issue at the time the Converting Notes are converted into Shares and/or the Glencore Options are exercised; and

(vi) the number of Shares held by Glencore at the time the Converting Notes are converted into Shares and/or the Glencore Options are exercised.

For illustrative purposes, various scenarios have been included in Part A, section 6.4.

(c) ***The maximum extent of the increase in the voting power of each of that person's associates and the voting power that would result from the acquisition***

The maximum extent of each of Glencore Australia Holdings Pty Ltd's associates' increase in voting power, and its voting power, will be equivalent to the increase in voting power held by Glencore. For further details of the potential voting power of Glencore, see Part A, section 6.4.

## 10.3 Regulatory Guide 74

ASIC Regulatory Guide 74 requires that the following information be provided to Shareholders to enable Shareholders to make an informed decision on resolutions seeking section 611 item 7 shareholder approval (including Resolution 4):

(a) ***The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased***

The Glencore Options are currently intended to be issued to Glencore Australia Holdings Pty Ltd. Glencore Australia Holdings Pty Ltd is entitled to transfer the Glencore Options to a wholly-owned subsidiary of Glencore. As a result, any Shares issued may be issued to Glencore Australia Holdings Pty Ltd or a wholly-owned subsidiary of Glencore.

See Part A, section 3 for further information about Glencore, including Glencore Australia Holdings Pty Ltd.

(b) ***Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition***

Full details of the potential Shares to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition are set out in Part A, section 6.4.

(c) ***The identity, associations (with the allottee, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the Shareholders agree to the allotment or purchase***

See Part A, section 3.2 above.

(d) ***A statement of the allottee's or purchaser's intentions regarding the future of the company if Shareholders agree to the allotment or purchase, and in particular, any intention to change the business of the company; any intention to inject further capital into the company and if so, how, the future employment of the present employees of the company; any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and any intention to otherwise redeploy the fixed assets of the company***

See Part A, section 3.1 above.

(e) ***Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment or purchase***

See Part A, sections 1.1 and 1.2 above.

Further details of the Glencore Options are set out in Annexure A.

(f) ***When the allotment is to be made or the purchase is to be completed***

The Glencore Options will be issued to Glencore Australia Holdings Pty Ltd on the Completion Date.

Glencore Options are exercisable by Glencore in full or in part within 24 months of Aurelia converting Facility A Converting Notes.

(g) ***An explanation of the reasons for any proposed allotment***

An explanation of the rationale for the Amended Glencore Funding Package, including the issue of Shares on the exercise of the Glencore Options, is set out in Part A, section 2.

(h) ***The interests of the Directors in the Resolution***

The Directors do not have a material personal interest in the outcome of the resolution other than in their capacity as Shareholders (where applicable). The Directors' interests in Shares and options are set out in Part C, section 1.4.

(i) ***The recommendation or otherwise of each Director as to whether the non-associated Shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise***

The Directors (other than the Abstaining Directors in respect of Resolution 4) recommend Shareholders **vote in favour of Resolution 4** to approve the Amended Glencore Funding Package. This recommendation is based on the information set out in this Explanatory Memorandum and as a result of the Independent Expert finding that the Amended Glencore Funding Package are in the best interests of all Shareholders who are not associated with Glencore.

The Directors (other than the Abstaining Directors in respect of Resolution 4) are:

- Mr Anthony Wehby: Independent Non-Executive Chairman. A Fellow of the Institute of Chartered Accountants in Australia and former partner of PricewaterhouseCoopers Australia (Coopers & Lybrand).
- Mr Gary Comb: Independent Non-Executive Director, an engineer and former Managing Director of Jabiru Metals Ltd and former CEO of BGC Contracting.
- Mr Mark Milazzo: Independent Non-Executive Director, a Mining Engineer and former General Manager of Olympic Dam Mine and former General Manager with HWE Mining Contractors.
- Mr Paul Espie: Non-Executive Director. Mr Espie established and is a founding principal of the Pacific Road Capital and Pacific Road Resources Funds. He was previously Chairman of Oxiana Limited and of Cobar Mines Pty Ltd (before it was acquired by Glencore), and was responsible for Bank of America operations in Australia. He is also a member of various other boards and industry bodies.

The Directors (other than the Abstaining Directors in respect of Resolution 4) concluded that the Amended Glencore Funding Package represents the best funding proposal for the Company for the reasons set out in this Explanatory Memorandum, including those set out in more detail in Part A, section 2.1.

The Directors (other than the Abstaining Directors in respect of Resolution 4) further note that the Independent Expert has found the Amended Glencore Facilities to be fair and reasonable to Aurelia Shareholders.

Mr Michael Menzies and Mr Rune Symann are nominees of Glencore, and have abstained from making a recommendation to Shareholders in respect of Resolution 4.

(j) ***Any intention of the acquirer to change significantly the financial or dividend policies of the company***

Glencore has not indicated any such intention to Aurelia.

(k) ***An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons***

In accordance with ASIC Regulatory Guide 74, the Company commissioned BDO to prepare an Independent Expert's Report to assess whether the Amended Glencore Funding Package is fair and reasonable to Shareholders not associated with the Glencore.

The Independent Expert's Report concluded that the Amended Glencore Funding Package is fair and reasonable to Shareholders who are not associated with Glencore.

A copy of the Independent Expert's Report is contained in Attachment A.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on the Resolutions.

### 10.4 Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, none of Glencore and its associates are permitted to vote in favour of Resolution 4.

# PART B - PACIFIC ROAD (RESOLUTION 5)

## *Key reasons why you should vote in favour to ratify and approve the issue of the Pacific Road Options and to approve the exercise of the Pacific Road Options*

The Company considers that the issue and exercise of Pacific Road Options has a number of benefits for Shareholders as set out below.

1. Notwithstanding that a condition precedent to the Amended Glencore Funding Package is that the Company terminate or commit to not drawdown on the Pacific Road Facilities and the Company no longer intends to drawdown on Pacific Road Facilities, the Pacific Road Options were issued and granted to Aurelia's largest shareholder as a commitment fee for (and for the support and risk involved in) the provision of the Pacific Road Facilities which, in the absence of the funding agreement with Glencore, would provide the Company with additional working capital and support the Company in a period of financial uncertainty.

2. Your Directors (other than the Abstaining Directors in respect of Resolution 5) support the issue of the Pacific Road Options (and Shares on exercise of the Pacific Road Options) under the Pacific Road Facility Agreement.

3. The Independent Expert has concluded that the issue of the Pacific Road Options (and Shares on exercise of the Pacific Road Options) is not fair but reasonable for Shareholders who are not associated with Pacific Road.

## *Reasons why you may consider not voting in favour of the issue and exercise of the Pacific Road Options*

Shareholders should be aware that there are some potential disadvantages in the issue and exercise of the Pacific Road Options as set out below.

1. The Pacific Road Transaction is not fair. The Independent Expert has concluded that the exercise of the Pacific Road Options is not fair but reasonable for non-associated shareholders.

2. Dilution of existing interests of Shareholders. Refer to Part B, section 4.3 of this Explanatory Memorandum and the Independent Expert's Report.

3. Potential for Pacific Road to exercise increased influence over the operations of the Company. Refer to Part B, section 4.3 of this Explanatory Memorandum which sets out Pacific Road's relevant interest in the Company following exercise of the Pacific Road Options.

The Directors (other than the Abstaining Directors in respect of Resolution 5) recommend Shareholders vote in favour of Resolution 5 to ratify and approve the issue of the Pacific Road Options and to approve the issue of Shares upon the exercise of the Pacific Road Options. Further information on the reasons for such Director's recommendation can be found at Part B, section 1.

# 1. DETAILS OF THE PACIFIC ROAD OPTIONS

## 1.1 Overview and rationale of the Pacific Road Options

On 28 September 2015, the Company announced that it had entered into the Pacific Road Facility Agreement with Pacific Road under which Pacific Road would provide the Company with up to $12 million pursuant to two convertible facilities. Under the Pacific Road Facility Agreement, the Company also granted Pacific Road the exclusive entitlement to underwrite up to a $25 million capital raising by the Company. The agreement was reached in a period of financial uncertainty for the Company.

On 30 November 2015, as consideration for entering into the Pacific Road Facility Agreement, the Company granted and issued Pacific Road 40,000,000 Pacific Road Options with an exercise price of $0.0125 per Pacific Road Option, expiring on 28 September 2020 (being five years from the date of execution of the Pacific Road Facility Agreement).

Subsequent to the entering into of the Pacific Road Facility Agreement, the Company and Glencore entered into a settlement of its dispute concerning the Existing Glencore Facilities which included revised financing arrangements. As a result of the Amended Glencore Funding Package, the Company will not drawdown on or utilise the Pacific Road Facilities. The Pacific Road Options were nonetheless issued to Pacific Road, a major shareholder, as a commitment fee for the provision of financial support (and compensation for the risk involved) in a period of financial uncertainty for the Company.

**Shareholder ratification and approval is sought pursuant to Resolution 5 in relation to the issuance of the Pacific Road Options on 30 November 2015 in accordance with ASX Listing Rule 7.4.**

**Approval is also being sought for the Shares to be issued on exercise of the Pacific Road Options under item 7 of section 611 of the Corporations Act. Shareholder approval is sought because there is the potential that if Pacific Road elects to exercise the Pacific Road Options in accordance with their terms, Pacific Road, who as at the date of this Explanatory Memorandum holds a relevant interest in more than 20% (but less than 90%) of the issued voting shares in Aurelia, will increase its aggregate relevant interest in the voting shares of Aurelia.**

Resolution 5 is an ordinary resolution, meaning that more than 50% of the votes cast by Shareholders entitled to vote (either in person or by proxy or representative) must be in favour of Resolution 5 for it to be approved.

Shareholders should be aware that Resolution 5 is not inter-conditional on Resolutions 1, 2, 3 or 4.

The Pacific Road Facilities have not been drawn down. In addition, a condition precedent to the Amended Glencore Funding Package is that the Company terminate or commit to not drawdown on the Pacific Road Facilities (see Part A, section 1.3 for further information) and subject to completion of the Amended Glencore Funding Package, the Company will not drawdown on the Pacific Road Facilities.

## 1.2 Key terms of the Pacific Road Options

The key terms of the Pacific Road Options are summarised below and set out in more detail in Schedule 1.

**Pacific Road Options**

| | |
|---|---|
| Options: | 40 million |
| Date of Issue: | 30 November 2015 |
| Issue Price: | Nil cash consideration to be paid for the Pacific Road Options |
| Rights: | Each Pacific Road Option entitles the holder to subscribe for one Share. As such, on exercise, Pacific Road is entitled to subscribe for 40 million Shares |
| Exercise Price: | $0.0125 per Pacific Road Option |
| Expiry: | 5.00pm on 28 September 2020 (being the date which is five years from the date of execution of the Pacific Road Facility Agreement). Pacific Road may exercise some or all of the Pacific Road Options until this time. |

## 1.3 Independent Expert's Report

The Independent Expert has found that the issue of Shares on the exercise of the Pacific Road Options is not fair but reasonable to Shareholders who are not associated with Pacific Road.

In the opinion of the Independent Expert, in the event the Glencore Transaction is approved, the Pacific Road Transaction is not fair because the value of an Aurelia share prior to the Pacific Road Transaction on a control basis is less than the value of an Aurelia share following the Pacific Road Transaction. In the event the Glencore Transaction is not approved, the Independent Expert has concluded that the Pacific Road Transaction is fair. Therefore, because the Independent Expert is unable to conclude that the Pacific Road Transaction is fair in both scenarios, by definition it is not fair.

The Independent Expert has considered the Pacific Road Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages. In particular, the Pacific Road Transaction is fair in the event the Glencore Transaction is not approved, and if it is approved, the value differential is not significant. Also it preserves the relationship with a cornerstone investor which may provide the Company with access to funding in the future.

Further detail of the values, the methodology and assumptions used by the Independent Expert are contained in the Independent Expert's Report.

## 1.4 Directors' Recommendation

The Directors (other than the Abstaining Directors in respect of Resolution 5) fully support the issue of the Pacific Road Options, and recommend that Shareholders **VOTE IN FAVOUR** of Resolution 5 for the reasons set out on page 46.

Mr Paul Espie is a nominee of Pacific Road, and has abstained from making a recommendation to Shareholders in respect of Resolution 5.

Subsequent to the consideration and approval by the Board of the financing arrangements with Pacific Road, Mr Michael Menzies and Mr Rune Symann had been nominated by Glencore to be its nominees on the Board pursuant to the agreement reached with Glencore and were appointed to the Board on 15 December 2015. Both Mr Menzies and Mr Symann have abstained and have not expressed a recommendation in respect of Resolution 5 as they were not members of the Board at the time the Pacific Road Transaction was considered and approved by the Board and as Aurelia has considered and agreed to adopt a competing proposal from Glencore (for which they are nominee directors of) to the financing arrangements with Pacific Road.

# 2. ABOUT PACIFIC ROAD

## 2.1 Pacific Road

Pacific Road is a Sydney-based private equity manager investing in the global mining industry. Pacific Road provides expansion and buyout capital for mining projects, mining related infrastructure, and mining services located throughout resource-rich regions of the world. The Pacific Road Resources Funds are private equity funds managed or advised by Pacific Road. The Pacific Road Resources Funds invest in mining projects, related infrastructure and services businesses, as a direct investor or joint venture partner.

The Pacific Road team, located in Sydney, Australia, San Francisco, USA, and Vancouver, Canada, is comprised of experienced mining investment professionals that have extensive knowledge and experience in the mining section, including considerable operating, project development, transactional and investment banking experience.

Further information on the Pacific Road Resources Funds and Pacific Road can be found at www.pacroad.com.au.

## 2.2 Intentions of Pacific Road in relation to the Company

This section sets out the current intentions of Pacific Road as confirmed by Pacific Road to the Company. Pacific Road has confirmed that these intentions have been formed on the basis of facts and information concerning the Company and the existing circumstances affecting the Company and Pacific Road which are known to Pacific Road at the time of preparation of this document. Any final decisions on the matters referred to below will only be made having regard to all material facts known to Pacific Road and the circumstances at the relevant time. These current intentions may therefore change as a consequence of a change in the circumstances of the Company or Pacific Road.

Pacific Road has informed the Company that it:

(a) intends to be a shareholder that will use its expertise to support the continued operation of the Hera Mine, including optimisation of mine performance;

(b) supports, and does not intend to change, the business of the Company;

(c) does not intend to inject further capital into the business (except through the exercise of the Pacific Road Options);

(d) intends to support the continued employment of the Company's existing employees (except where any recommendations are made in relation to the performance of Aurelia’s senior management team by the management performance sub-committee which has been established);

(e) does not intend to transfer to or acquire from the Company any property;

(f) does not intend to redeploy the fixed assets of the Company; and

(g) does not intend to significantly change the financial or dividend policy of the Company.

It should be noted that if Pacific Road were to gain control of the Company, the implementation of any change which Pacific Road may seek to make to the Company would be subject to:

(1) the law and Listing Rules, particularly in relation to related party transactions and conflicts of interest; and

(2) the legal obligations of the Board to act for proper purposes and the in best interest of Shareholders as a whole.

# 3. OVERVIEW OF THE COMPANY

Refer to Part C, section 1 of this Explanatory Memorandum for an overview of the Company.

# 4. IMPACT ON THE COMPANY'S CAPITAL STRUCTURE

## 4.1 Current capital structure

See Part C, section 1.5 for details of the Company's current capital structure.

## 4.2 Potential capital structure as a result of the Pacific Road Options

As at the date of this Explanatory Memorandum, Pacific Road has a relevant interest in 24.08% of the Company.

If Resolution 5 is passed by Shareholders, up to 40,000,000 Shares will be issued to Pacific Road on the exercise of the Pacific Road Options.

Assuming that:

- Pacific Road exercises all Pacific Road Options; and
- no other Shares are issued or other convertible securities are converted to Shares during this period,

the capital structure of the Company will be as follows:

| Securities on issue | Ordinary Shares | Options |
|---|---|---|
| Securities on issue as at the date of this Explanatory Memorandum | 387,991,188 | 50,000,000 |
| Exercise of Pacific Road Options only | 427,991,188 | 10,000,000 |

## 4.3 Pacific Road's potential shareholding in the Company

As at the date of this Explanatory Memorandum, Pacific Road had a relevant interest in 93,414,913 Shares and voting power of 24.08% in the Company (21.3% on a fully diluted basis).

Subject to Pacific Road not disposing of any securities, the table below further illustrates the possible effect on control if Resolution 5 is approved.

| | Current position | Scenario 1 |
|---|---|---|
| Undiluted basis | | |

| | | |
|---|---|---|
| Pacific Road's interest in Shares | 93,414,913 | 133,414,913 |
| Other Shareholders' interest in Shares | 294,576,275 | 294,576,275 |
| Total Shares outstanding | 387,991,188 | 427,991,188 |
| Pacific Road's interest (%) | 24.08% | 31.17% |

### 4.4 Top-up right

Notwithstanding the issue of Pacific Road Options, pursuant to the subscription agreement between Aurelia and Pacific Road dated 5 December 2013 and a waiver from ASX dated 21 May 2015, Pacific Road retains a pro rata top-up right to maintain its interest in the Company.

## 5. REGULATORY DISCLOSURE – RESOLUTION 5

### 5.1 Listing Rule 7.4

Listing Rule 7.4 provides that the approval of Shareholders may be obtained after the issue of equity securities (such as the Pacific Road Options). The effect of such ratification is that the issue of equity securities will be treated as having been made with approval for the purposes of Listing Rule 7.1.

Resolution 5 seeks Shareholder ratification for the issue of the Pacific Road Options on 30 November 2015 in accordance with Listing Rule 7.4

The following information is provided in accordance with Listing Rule 7.5:

(a) ***Number of securities issued***

40 million Pacific Road Options were issued to Pacific Road on 30 November 2015.

(b) ***Price at which the securities were issued***

Nil cash consideration. Pacific Road Options were issued as a commitment fee for the provision of funding (under the Pacific Road Facilities).

(c) ***Terms of the securities***

The Pacific Road Options are options to acquire Shares. See Part B, section 1.2 above.

Further details of the Pacific Road Options are set out in Annexure B.

(d) ***The name of the persons to whom Aurelia issued the securities or the basis on which those persons were determined***

The Pacific Road Options were issued to Pacific Road.

See Part B, section 2 for further information about Pacific Road.

(e) ***Use (or intended use) of the funds raised***

There were no funds raised in the issue of the Pacific Road Options. The Pacific Road Options were issued and granted to Aurelia's largest shareholder as a commitment fee for (and for the support and risk involved in) the provision of the Pacific Road Facilities which, in the absence of the funding agreement with Glencore, would provide the Company with additional working capital and support the Company in a period of financial uncertainty. See Part B, section 1.1 for further information about the issue of the Pacific Road Options.

### 5.2 Section 606 of the Corporations Act

Pacific Road has voting power of approximately 24.08% in the Company. As Pacific Road's existing voting power is greater than 20% in the Company, the issue of Shares on exercise of the Pacific Road Options needs to fall within a relevant exemption from the prohibition on increasing voting power where an entity is at a starting point that is over 20% and below 90% (as set out in Part C, section 2.1).

Resolution 5 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the issue of Shares upon the exercise of the Pacific Road Options to Pacific Road.

The following information is provided to Shareholders:

(a) ***The identity of the person proposing to make the acquisition and their associates***

The Shares being issued upon the exercise of Pacific Road Options will be issued to Pacific Road.

See Part B, section 2 for further information about Pacific Road.

(b) ***The maximum extent of the increase in that person's voting power in the company and the voting power that would result from the acquisition***

Pacific Road currently has voting power of 24.08% in the Company. The increase in Pacific Road's voting power from this initial point will ultimately depend on:

(i) the number of Pacific Road Options exercised and Shares subsequently issued;

(ii) the number of Shares on issue at the time the Pacific Road Options are exercised; and

(iii) the number of Shares held by Pacific Road at the time the Pacific Road Options are exercised.

For illustrative purposes, refer to Part B, section 4.3.

(c) ***The maximum extent of the increase in the voting power of each of that person's associates and the voting power that would result from the acquisition***

The maximum extent of each of Pacific Road's associates' increase in voting power, and its voting power, will be equivalent to the increase in voting power held by Pacific Road. For further details of the potential voting power of Pacific Road, see Part B, section 4.3.

## 5.3 Regulatory Guide 74

ASIC Regulatory Guide 74 requires that the following information be provided to Shareholders to enable Shareholders to make an informed decision on resolutions seeking section 611 item 7 shareholder approval (including Resolution 5):

(a) ***The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased***

The Shares to be issued upon the exercise of Pacific Road Options will be issued to Pacific Road.

See Part B, section 2 for further information about Pacific Road.

(b) ***Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition***

Full details of the potential Shares to which Pacific Road is or will be entitled immediately before and after the proposed acquisition are set out in Part B, section 4.3.

(c) ***The identity, associations (with the allottee, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the Shareholders agree to the allotment or purchase***

Not applicable. Mr Paul Espie, who is a current Director, is Pacific Road's nominee on the Company's Board and no additional directors can, or are intended to, be appointed by Pacific Road.

(d) ***A statement of the allottee's or purchaser's intentions regarding the future of the company if Shareholders agree to the allotment or purchase, and in particular, any intention to change the business of the company; any intention to inject further capital into the company and if so, how, the future employment of the present employees of the company; any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and any intention to otherwise redeploy the fixed assets of the company***

See Part B, section 2.2 above.

(e) ***Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment or purchase***

See Part B, section 1.1 above.

Further details of the Pacific Road Options are set out in Annexure B.

(f) ***When the allotment is to be made or the purchase is to be completed***

The issue of Shares upon the exercise of Pacific Road Options, will be issued to Pacific Road upon receipt of written notice by Pacific Road at any time, in accordance with the terms of the Pacific Road Facility Agreement.

(g) ***An explanation of the reasons for any proposed allotment***

An explanation of the rationale for the issue of the Pacific Road Options is set out in Part B, section 1.

(h) ***The interests of the Directors in the Resolution***

The Directors do not have a material personal interest in the outcome of the resolution other than in their capacity as Shareholders (where applicable). The Directors' interests in Shares and options are set out in Part C, section 1.4.

(i) ***The recommendation or otherwise of each Director as to whether the non-associated Shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise***

The Directors other than the Abstaining Directors in respect of Resolution 5 (the Abstaining Directors being Mr Paul Espie, Mr Michael Menzies and Mr Rune Symann) fully support the issue of the Pacific Road Options, and recommend that Shareholders **vote in favour of Resolution 5** for the reasons set out in Part B, section 1.4 above.

Mr Paul Espie is a nominee of Pacific Road, and has abstained from making a recommendation to Shareholders in respect of Resolution 5.

Subsequent to the consideration and approval by the Board of the financing arrangements with Pacific Road, Mr Michael Menzies and Mr Rune Symann had been nominated by Glencore to be its nominees on the Board pursuant to the agreement reached with Glencore and were appointed to the Board on 15 December 2015. Both Mr Menzies and Mr Symann have abstained and have not expressed a recommendation in respect of Resolution 5 as they were not members of the Board at the time the Pacific Road Transaction was considered and approved by the Board and as Aurelia has considered and agreed to adopt a competing proposal from Glencore (for which they are nominee directors of) to the financing arrangements with Pacific Road.

(j) ***Any intention of the acquirer to change significantly the financial or dividend policies of the company***

Pacific Road has not indicated any such intention to Aurelia.

(k) ***An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons***

In accordance with ASIC Regulatory Guide 74, the Company commissioned BDO to prepare an Independent Expert's Report to assess whether the issue of the Pacific Road Options is not fair but reasonable to Shareholders not associated with Pacific Road.

The Independent Expert's Report concluded that the issue of Shares upon exercise of the Pacific Road Options is not fair but reasonable to Shareholders who are not associated with Pacific Road.

A copy of the Independent Expert's Report is contained in Attachment A.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on the Resolutions.

### 5.4 Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1 and item 7 of section 611 of the Corporations Act, none of Pacific Road and its associates are permitted to vote in favour of Resolution 5.

# PART C - ADDITIONAL INFORMATION (RESOLUTIONS 1, 2, 3, 4 AND 5)

## 1. ABOUT AURELIA

### 1.1 History

Aurelia Metals Ltd (previously YTC Resources Limited) was incorporated in March 2004, and listed on the ASX (ASX: AMI (formerly ASX: YTC)) in May 2007.

### 1.2 Key Assets

The Company is focused on the development and exploration of the Hera and Nymagee Projects in the Cobar district of NSW. The Company has a 100% interest in the Hera Project, and a 95% interest in the Nymagee Project.

#### (a) Hera Project (100%)

On 23 September 2014, the Company announced the move from the construction phase into the commissioning phase of the Hera Project, with commercial production commencing on 1 April 2015.

Performance to 30 June 2015 was below expectations due to a range of mechanical and technical issues which affected gold and zinc recovery, processing throughput, and processing operating costs.

The September 2015 quarter has demonstrated a sustained improvement in performance with a record 9,231 ounces of gold and 7,238 dry metric tonnes of lead-zinc concentrate. The September 2015 quarter also saw the Hera Project cash flow positive with a site EBITDA of $5 million.

On 7 July 2015, the Company announced the Hera Expansion Study to deliver improved operating and financial performance of the Hera Project. The key element of this plan is the rectification of sections of the process plant; to deliver improved performance of the processing circuit and lower operating costs, but also deliver expanded throughput capacity for the mine and process plant of up to 450,000 t/y.

The study demonstrates that the Hera Project is capable of delivering:

- a five year mine life assuming no additional exploration success;
- mining inventory of 2.18 Mt at 3.1 g/t Au, 3.2% lead and 4.2% zinc;
- average annual production of 40,000 oz gold, 14,000 t/y zinc, 12,500 t/y lead;
- Life of Mine operating costs of around $160/t (mining, processing, admin, transport and royalty);
- an All-in Sustaining Cost over the life of mine of less than $700/oz, after base metal credits; and
- processing capital expenditure of $16.8 million (revised crushing and grinding circuit including ball mill installation) based on acquiring second hand equipment.

The delivery of the Hera Expansion Study is contingent on securing external funding and an amendment to the existing project approval for increased annual mining rates and total ore mined, an increase in groundwater extraction licences, and an extension to the existing mining lease. The study includes allowances for timing and cost for additional licence and permit requirements for the study.

#### (b) Nymagee (95%)

The Nymagee copper deposit sits approximately 4.5km north of the Hera deposit along the same mineralised horizon. The deposit was subject to significant historical mining up to 1917 which records a production of 422,000t at 5.8% Cu. Following the discovery of high grade copper mineralisation by the Company in 2010, attention has been directed toward delivering a maiden resource (December 2011), advancing the project through feasibility studies, and extending the scale of the Nymagee mineral system through a continued exploration effort.

The Company is reviewing development and feasibility programmes with a view to incorporating the Nymagee copper ore into a combined operation with Hera producing gold, copper, silver, lead and zinc.

The Nymagee system remains open to the north and at depth, and holds strong analogies to the world-class CSA copper system, located 90km along strike. CSA, like other Cobar Basin mineral systems has extensive depth persistence and extends to >2km depth.

#### (c) Other

In addition to the Hera and Nymagee Projects, the Company holds interests in a number of exploration tenements, including the Doradilla Tin project, the Kadungle Copper-Gold project and the Tallebung Tin-Tungsten project. The Company is also a significant shareholder in the tin focused AusNiCo (ASX:ANW).

### 1.3 Mineral Resources and Ore Reserves

**Table 1: Hera Deposit Mineral Resource Estimate (AMI – 100%) – July 2015**

| 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** |

**Table 2: Hera Deposit – DFS Mining Reserve (AMI-100%) – September 2011**

| Source | Tonnes | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) | Au Eq (g/t) | Contained Gold Ounces (Au Eq.) |
|---|---|---|---|---|---|---|---|---|
| Development Sub-total | 278,158 | 2.86 | 13.06 | 0.13 | 2.26 | 3.19 | | |
| Stope Sub-Total | 1,597,760 | 3.72 | 15.39 | 0.17 | 2.56 | 3.55 | | |
| **MINE PROBABLE RESERVE** | **1,875,918** | **3.59** | **15.04** | **0.16** | **2.51** | **3.50** | **7.00** | **423,471** |

**Table 3: Nymagee Deposit Mineral Resource Estimate (AMI – 95%) – December 2011**

| Description | Cut Off | Tonnes | Cu % | Pb % | Zn % | Ag g/t |
|---|---|---|---|---|---|---|
| **INDICATED** | | | | | | |
| Shallow Cu Resource (above 90mRL) | 0.3% Cu | 5,147,000 | 1.00 | 0.10 | 0.20 | 5 |
| Deeper Cu Resource (below 90m RL) | 0.75% Cu | 1,984,000 | 1.80 | 0.30 | 0.60 | 11 |
| Lead-Zinc-Silver Lens | 5% Pb + Zn | 364,000 | 0.50 | 4.40 | 7.80 | 41 |
| **INFERRED** | | | | | | |
| Deeper Cu Resource (below 90m RL) | 0.75% Cu | 601,000 | 1.30 | 0.10 | 0.20 | 8 |
| **GLOBAL** | | **8,096,000** | **1.20** | **0.30** | **0.70** | **9** |
| **Contained Metal (tonnes)** | | | **96,000** | **27,000** | **53,000** | **69** |

**Midway & 3KEL deposits – Doradilla JV (AMI 100%) – February 2008**

| | | Midway | | 3KEL | | TOTAL | |
|---|---|---|---|---|---|---|---|
| Category | Sn Cut-off | Tonnes (M) | % Sn | Tonnes (M) | % Sn | Tonnes (M) | % Sn |
| Inferred | 0.1% | 4.63 | 0.25 | 3.18 | 0.34 | 7.81 | 0.29 |
| Inferred | 0.2% | 1.97 | 0.4 | 1.85 | 0.48 | 3.82 | 0.44 |
| Inferred | 0.5% | 0.38 | 0.92 | 0.56 | 0.89 | 0.94 | 0.90 |

## 1.4 Current Directors

As at the date of this Explanatory Memorandum, the Company's Directors are:

| Director | Position | Relevant interest in Aurelia Shares |
|---|---|---|
| Mr Anthony Wehby | Independent Non-Executive Chairman | 561,250 Ordinary Shares<br>(**Indirect – Toro Family Superannuation Fund)**<br>75,000 Ordinary Shares<br>(**Indirect – Mrs RA Wehby)**<br>341,876 Ordinary Shares |
| Mr Gary Comb | Independent Non-Executive Director | (**Indirect – Bluedale Pty Ltd**)<br>281,250 Ordinary Shares |

| | | |
|---|---|---|
| Mr Mark Milazzo | Independent Non-Executive Director | (**Indirect – Milazzo Superannuation Fund**)<br>225,000 ordinary shares |
| Mr Paul Espie* | Non-Executive Director | Nil |
| Mr Michael Menzies** | Non-Executive Director | (**Indirect – Menzies Superannuation Fund**)<br>112,500 ordinary shares |
| Mr Rune Symann** | Non-Executive Director | Nil |

Mr Paul Espie is Pacific Road's nominee on the Company's Board.
** Mr Michael Menzies and Mr Rune Symann are Glencore's nominees on the Company's Board.

*Resolutions 1, 2, 3 and 4*

Each Director other than the Abstaining Directors in respect of Resolutions 1, 2, 3 and 4 (the Abstaining Directors being Mr Michael Menzies and Mr Rune Symann) intends to vote any Shares held or controlled by him in favour of Resolutions 1, 2, 3 and 4.

*Resolution 5*

Each Director other than the Abstaining Directors in respect of Resolution 5 (the Abstaining Directors being Mr Paul Espie, Mr Michael Menzies and Mr Rune Symann) intends to vote any Shares held or controlled by him in favour of Resolution 5.

### 1.5 Current capital structure

The following sets out the capital structure of the Company as at the date of this Explanatory Memorandum.

| Securities on issue | Number |
|---|---|
| Shares | 387,991,188 |
| Options exercisable at $0.0125 on or before 28 September 2020 | 50,000,000 |
| Performance rights | 840,000 |
| Performance rights (Class A) | 70,000 |
| Performance rights (Class B) | 64,000 |
| Performance rights (Class C) | 490,000 |
| Performance rights (Class D) | 48,000 |

1.6 **Top 20 Shareholders**

The top 20 Shareholders of the Company as at 12 January 2016, being the last practical date before the date of this Explanatory Memorandum are shown in the table below:

| No | Shareholder | Shares | Relevant interest % (approximate) |
|---|---|---|---|
| 1 | PACIFIC ROAD CAPITAL | 93,414,913 | 24.08% |
| 2 | YUNNAN TIN AUSTRALIA | 30,630,504 | 7.89% |
| 3 | PYBAR HOLDINGS PTY LIMITED | 19,438,850 | 5.01% |
| 4 | PERSHING AUSTRALIA NOMINEES | 16,560,316 | 4.27% |
| 5 | HSBC CUSTODY NOMINEES | 14,826,569 | 3.82% |
| 6 | YUNNAN TIN (YTC) HOLDINGS PTY | 12,141,905 | 3.13% |
| 7 | GLENCORE AUSTRALIA HOLDINGS | 9,390,000 | 2.42% |
| 8 | LUJETA PTY LTD | 6,000,000 | 1.55% |
| 9 | 1215 CAPITAL PTY LTD | 5,025,641 | 1.30% |
| 10 | SMIFF PTY LTD | 4,167,244 | 1.07% |
| 11 | BNP PARIBAS NOMS (NZ) LTD | 3,519,115 | 0.91% |
| 12 | NINETEEN25 PTY LIMITED | 3,350,000 | 0.86% |
| 13 | SOUTHERN CROSS EXPLORATION NL | 3,000,000 | 0.77% |
| 14 | JOJO ENTERPRISES PTY LTD | 2,861,642 | 0.74% |
| 15 | J P MORGAN NOMINEES AUSTRALIA | 2,734,961 | 0.70% |
| 16 | MR BRIAN HENRY MCCUBBING & | 2,700,000 | 0.70% |
| 17 | MR STEPHEN CANSDELL HIRST | 2,684,060 | 0.69% |
| 18 | B&M JACKSON PTY LTD | 2,541,045 | 0.65% |
| 19 | JORDAN INVESTMENT GROUP PTY | 2,029,363 | 0.52% |
| 20 | B & R JAMES INVESTMENTS | 2,000,000 | 0.52% |
| | **Total** | **239,016,128** | 61.6% |

### 1.7 Substantial Shareholders

Based on the substantial holder reporting information provided to Aurelia, the Substantial Shareholders of the Company are:

| Shareholder | Number of shares | Relevant interest (%) |
|---|---|---|
| Pacific Road Capital Management Pty Ltd ATF the YTC Managed Investment Trust | 93,414,913 | 24.08 |
| Glencore Australia Holdings Pty Ltd, Singpac Investment Holding Pte Limited, Glencore Finance (Bermuda) Ltd, Glencore International AG and Glencore Plc | 25,950,316 | 6.69 |
| Yunnan Tin Australia TDK Resources Pty Ltd | 24,237,433 | 6.25 |
| Pybar Holdings Pty Ltd | 19,438,850 | 5.01 |

## 2. REGULATORY INFORMATION

### 2.1 Section 606 of the Corporations Act

Section 606(1) of the Corporations Act provides that a person must not (without an available exemption under the Corporations Act) acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities. It does not matter how remote the relevant interest is, or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

### 2.2 Section 611, item 7 approval

An exemption for the issue of any Shares upon conversion of the Converting Notes and the issue of any Shares upon the exercise of the Glencore Options and the issue of any Shares upon the exercise of the Pacific Road Options is available under item 7 of section 611 of the Corporations Act.

This section broadly provides that an acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made is exempt from the prohibition in section 606(1), if:

- no votes are cast in favour of the resolution by:
  - the person proposing to make the acquisition and their associates; or
  - the persons (if any) from whom the acquisition is to be made and their associates; and
- the members of the Company were given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that was material to the decision on how to vote on the resolution, including:
  - the identity of the person proposing to make the acquisition and their associates;
  - the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
  - the voting power that person would have as a result of the acquisition;
  - the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
  - the voting power that each of that person's associates would have as a result of the acquisition.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person’s voting power in a company involves determining the voting shares in the company in which the person, and the person’s associates, have a relevant interest.

An “associate” of a company includes (among others):

- a body corporate that controls the company or a body corporate controlled by the company;
- a person with whom the company has, or proposes to enter into, a relevant agreement for the purposes of controlling or influencing the composition of the company’s board or the conduct of the company’s affairs; and
- a person who is acting or proposing to act in concert in relation to the company’s affairs.

### 2.3 Consents

Each of the following persons has consented in writing to being named in this Explanatory Memorandum in the form and context in which they are named, and has not withdrawn that consent as at the date of this Explanatory Memorandum:

- Glencore International AG;
- Pacific Road; and
- BDO.

The Independent Expert also consents to the inclusion of the Independent Expert's Report and references to the Independent Expert's Report in this Explanatory Memorandum, in the form and context in which they are included.

# PART D - INTERPRETATION

1. **DEFINITIONS**

| Term | Meaning |
|---|---|
| **Abstaining Directors** | In respect of Resolutions 1, 2, 3 and 4, Mr Michael Menzies and Mr Rune Symann.<br><br>In respect of Resolution 5, Mr Paul Espie, Mr Michael Menzies and Mr Rune Symann. |
| **Amended Glencore Facilities** | The Converting Note Facilities and the Debt Facilities following the Completion Date. |
| **Amended Glencore Funding Package** | The transaction as described in Part A, section 1.1. |
| **Amending Deed** | Amending deed dated 18 December 2015 between, amongst others, Aurelia and Glencore amending the terms of the Existing Glencore Facilities. |
| **ASIC** | Australian Securities and Investments Commission. |
| **ASIC Regulatory Guide 74** | ASIC Regulatory Guide 74: Acquisitions agreed to by Shareholders. |
| **associate** | Has the meaning given to that term in section 11 and sections 13 to 17 of the Corporations Act. |
| **ASX** | ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it. |
| **Aurelia** | The Company. |
| **BDO** | BDO Corporate Finance (WA) Pty Ltd (ABN 27 124 031 045). |
| **Board** | The Board of Directors of the Company. |

| Term | Meaning |
|---|---|
| **CFADS** | An amount equal to the revenue of a company during a three month rolling period prior to the testing date less the total of each of the following for that period:<br><br>(a) all mine site operating and maintenance expenses paid;<br><br>(b) all mine site capital expenditure paid;<br><br>(c) all corporate and discover costs; and<br><br>(d) all working capital expenses.<br><br>For the avoidance of doubt, CFADS excludes the proceeds from:<br><br>(a) any issue of shares or securities that are convertible into shares;<br><br>(b) any options to subscribe for any such shares or convertible securities; or<br><br>(c) any instruments, warrants, options or other arrangements which would lead to the Company issuing shares to the holder of the relevant security or arrangement (or other person). |
| **Company** | Aurelia Metals Limited (ACN 108 476 384). |
| **Completion Date** | The date all conditions precedent to the Amending Deed are satisfied or waived. |
| **Converting Notes** | Notes issued to Glencore Group Funding Limited by the Company or its wholly owned subsidiary following the Company's drawdown of the Converting Note Facilities. |
| **Converting Note Facilities** | Facility A, Facility B and Facility F. |
| **Converting Notes Facility Documents** | The documents to be entered into between the Company and Glencore (or its related bodies corporate) setting out the agreed terms under which Glencore (or its related bodies corporate) will lend money to the Company under Facility A, Facility B and Facility F. |
| **Debt Facilities** | Facility C and Facility D and Facility E and Facility G. |
| **Deferred Date** | 24 months from the Completion Date. |
| **Director** | A Director of the Company. |

| Term | Meaning |
|---|---|
| **Early Advance Facility F Converting Notes** | $5 million of Facility F Converting Notes issued to Glencore on 26 November 2015. |
| **Existing Glencore Facilities** | The equity, debt and converting note facilities entered into on 12 February 2013 between, amongst others, Aurelia and Glencore. |
| **Explanatory Memorandum** | This explanatory memorandum accompanying, and forming part of, the Notice of Meeting. |
| **Facility A** | The converting note facility of that title described in Part A, section 1.1. |
| **Facility A Converting Notes** | Converting Notes issued pursuant to Facility A. |
| **Facility B** | The converting note facility of that title described in Part A, section 1.1. |
| **Facility B Converting Notes** | Converting Notes issued pursuant to Facility B. |
| **Facility F** | The converting note facility of that title described in Part A, section 1.1. |
| **Facility F Converting Notes** | Converting Notes issued pursuant to Facility F. |
| **General Meeting** | The general meeting of the Company the subject of the Notice of Meeting. |
| **Glencore** | Glencore plc, a company incorporated under the laws of Jersey, and where appropriate, its subsidiaries who have entered into the Amending Deed. |
| **Glencore Options** | The options described in Part A, section 1.1. |
| **Glencore Transaction** | The transaction as described in Part A, section 1.1 |
| **Independent Expert** | BDO. |
| **Independent Expert's Report** | The report prepared by the Independent Expert and contained in Attachment A. |

| Term | Meaning |
|---|---|
| **Listing Rules** | The official listing rules of ASX as from time to time amended or waived in their application to a party. |
| **Notice of Meeting** | This notice of meeting incorporating the Explanatory Memorandum to be sent to Shareholders for the purpose of convening the General Meeting. |
| **Pacific Road** | Pacific Road Capital Management Pty Ltd (ACN 117 934 586) as trustee for the YTC Managed Investment Trust. |
| **Pacific Road Facility** | The facilities pursuant to the Pacific Road Facility Agreement. |
| **Pacific Road Facility Agreement** | The facility agreement between the Company, Pacific Road, Hera Resources Pty Ltd (ACN 138 992 999) and Nymagee Resources Pty Ltd (ACN 154 131 138) dated 28 September 2015. |
| **Pacific Road Options** | The options described in Part B, section 1.1. |
| **Pacific Road Transaction** | The transaction as described in Part B, section 1.1. |
| **Proxy Form** | The proxy form attached to or accompanying the Notice of Meeting. |
| **Pybar** | Pybar Mining Services Pty Ltd (ABN 96 060 589 433). |
| **Pybar Debt** | Amount owing to Pybar up to $6.0 million, as agreed between the Company and Pybar under the Pybar Mining Contract, in accordance with the letter agreement between Pybar and the Company dated 23 September 2015. |
| **Pybar Mining Contract** | The mining contract agreement between Pybar or a related entity and Hera Resources in relation to the Hera Project. |
| **Resolutions** | A resolution contained in the Notice of Meeting. |
| **Share** | A fully paid ordinary share in the capital of the Company. |
| **Shareholder** | The holder of a Share. |
| **Subscription Agreement** | The "Equity Subscription Agreement" between the Company and Glencore Australia Holdings Pty Ltd dated 11 February 2013 as amended and restated on 18 December 2015. |

## 2. INTERPRETATION

(a) A reference to $ or dollars is a reference to Australian dollars unless expressly stated otherwise.

(b) All references to time and date are references to the time and date in Sydney Australia.

(c) A reference to a Business Day means a day other than a Saturday, Sunday or public holiday in Sydney, Australia.

# ANNEXURE A – RESOLUTIONS 1, 2, 3 AND 4

1. **CONVERTING NOTES - FACILITY A**

| | |
|---|---|
| **Facility Limit:** | $20 Million (plus interest which capitalises before amortisation of the loan commences). |
| **Conversion:** | $0.2563[5], convertible at the Company's option, once only at the Company's option at any time after the execution of the Amending Deed. No undrawn or repaid amounts can be converted. If converted, the total outstanding balance can be converted in part or in full. |
| **Maturity Date:** | The date which is 30 months after the Repayment Date. |
| **Drawdown size:** | Multiples of $1 Million on 30 days' notice. |
| **Principal Amount drawn to date:** | $20 Million |
| **Interest Payment Dates:** | The 15th day in April, July, October and January of each year. |
| **Interest Periods:** | Each period on, and from, an Interest Payment Date to, but excluding, the following Interest Payment Date provided that the first Interest Payment Date will commence on the Drawdown Date and the final Interest Period will end on the Maturity Date. |
| **Interest:** | During an Interest Period, interest will accrue on a daily basis at a rate equal to the Base Rate (determined on the first day of that Interest Period) plus the Margin Rate.<br>Between 25 November 2015 and the Repayment Date:<br>(a) no interest will accrue; and<br>(b) interest will not be capitalised (and be added to the principal amount of the loan) until just before there is a novation to an Australian based subsidiary of Glencore under clause 8 ("Novation") of the Amending Deed.<br>Upon the Repayment Date, any uncapitalised interest will be capitalised and interest will resume accruing. Such interest, must be paid in accordance with the paragraph headed "Payments" below. |
| **Payments:** | On the Completion Date, AMI must drawdown $13,500,000 under Facility F and apply this as a mandatory repayment of the outstanding principal amount of Facility A.<br>Payments of principal and interest will commence on the Deferred Date (the "**Repayment Date**").<br>Quarterly payments of interest (in arrears) commencing |

[5] Being the original conversion price of $0.251, adjusted in accordance with the terms of the Existing Glencore Facilities.

on each Interest Payment Date following the Repayment Date and ending on the Maturity Date.

Principal repayments will be made:

(a) in a mandatory amount based on straight line amortisation from the Repayment; and

(b) using 80% of free cash available under the cashflow waterfall after paying for all operating costs, mandatory scheduled debt service and other agreed costs.

Principal repayments will be required to be made on the Repayment Date and each Interest Payment Date following the Repayment Date.

If the total CFADS for the preceding quarter for AMI or a Borrower exceeds $10,000,000, the excess must be applied as a mandatory prepayment of the Facilities.

| | |
|---|---|
| **Margin protection:** | If at any time the Converting Notes are transferred to and held by a bank, compensation may be paid to that bank to account for market disruption events or increased costs of that bank. |
| **Gross-up:** | If the holder of a Converting Note is not domiciled in Australia and Aurelia is required to withhold tax in relation to any payment made to the holder of that note in connection with the facility, Aurelia will be required to gross-up the relevant payment. |
| **Prepayment:** | No penalty or break costs except for break costs incurred if repayment does not occur on an Interest Payment Date. |
| **Security:** | Specific security deed granted by Aurelia in favour of a security trustee over Aurelia's shareholding in Nymagee and Hera and its interest in the Nymagee JV agreement.<br>All asset security granted by Hera and Nymagee. |
| **Events of Default and Representations and Warranties:** | Customary Events of Default and Aurelia representations and warranties. |
| **Hedging Requirements:** | None. |
| **Base Rate:** | 3M Australia BBSW. |
| **Margin Rate:** | 4.0% pa and 6.5% during a default. |
| **Establishment Fee:** | None. |
| **Commitment Fees:** | None. |
| **Rights:** | The Converting Notes are non-voting and do not carry any entitlement to participate in any rights issues, returns of capital, bonus issues or capital restrictions. If Aurelia reorganises its share capital, the number of shares issued under the Converting Note will be amended in accordance with the ASX Listing Rules. |

| | |
|---|---|
| **Transferability:** | The Converting Notes will be transferable by Glencore subject to certain conditions, including Aurelia consent (unless certain conditions are met), the transferee of the Converting Notes acceding to the terms of the Amended Glencore Facilities and agreeing to sell-down its holding of Converting Notes in the event that conversion by Aurelia would require further Aurelia shareholder approval. |
| **Uses:** | Hera development, Nymagee feasibility study and development, working capital for Hera and Nymagee in respect of the Hera Project and Nymagee Project and to reimburse up to $6 million of development funding provided by Aurelia to Hera. |

2. **CONVERTING NOTES – FACILITY B**

| | |
|---|---|
| **Facility Limit:** | $50 Million (plus interest which capitalises before amortisation of the loan commences). |
| **Conversion:** | Priced at 60 day VWAP prior to the relevant conversion notice, convertible at the Company's option, once only, within 5 Business Days before the Deferred Date. No undrawn or repaid amounts can be converted. If converted, the total outstanding balance must be converted in part or in full.<br><br>Where Pybar Mining Services Pty Ltd and Aurelia agree to convert any of the Pybar Debt into Shares, Converting Notes will be convertible at Glencore's option on the exercise of its anti-dilution and top-up rights contained in the Subscription Agreement and in accordance with the Converting Note Facility Documents. |
| **Maturity Date:** | The date which is 30 months after the Repayment Date. |
| **Drawdown size:** | Multiples of $1 Million on 30 days' notice. |
| **Principal Amount drawn to date:** | $50 Million |
| **Interest Payment Dates:** | The 15th day in April, July, October and January of each year. |
| **Interest Periods:** | Each period on, and from, an Interest Payment Date to, but excluding, the following Interest Payment Date provided that the first Interest Payment Date will commence on the Drawdown Date and the final Interest Period will end on the Maturity Date. |
| **Interest:** | During an Interest Period, interest will accrue on a daily basis at a rate equal to the Base Rate (determined on the first day of that Interest Period) plus the Margin Rate.<br><br>Between 25 November 2015 and the Repayment Date:<br><br>(a) no interest will accrue; and<br><br>(b) interest will not be capitalised until just before |

there is a novation to an Australian based subsidiary of Glencore under clause 8 ("Novation") of the Amending Deed.

Upon the Repayment Date, any uncapitalised interest will be capitalised and interest will resume accruing. Such interest , must be paid in accordance with the paragraph headed "Payments" below.

| | |
|---|---|
| **Payments:** | Payments of principal and interest will commence on the Deferred Date or as amended pursuant to the Amended Glencore Facilities with regards to payment suspension (the "**Repayment Date**").<br>Quarterly payments of interest (in arrears) commencing on each Interest Payment Date following the Repayment Date and ending on the Maturity Date.<br>Principal repayments will be made:<br>(a) in a mandatory amount based on straight line amortisation from the Repayment Date; and<br>(b) using 80% of free cash available under the cashflow waterfall after:<br>(i) paying for all operating costs, mandatory scheduled debt service and other agreed costs; and<br>(ii) making cash sweep repayments under Facilities A.<br>Principal repayments will be required to be made on the Repayment Date and each Interest Payment Date following the Repayment Date.<br>If the total CFADS for the preceding quarter for AMI or a Borrower exceeds $10,000,000, the excess must be applied as a mandatory prepayment of the Facilities. |
| **Margin protection:** | If at any time the Converting Notes are transferred to and held by a bank, compensation may be paid to that bank to account for market disruption events or increased costs of that bank. |
| **Gross-up:** | If the holder of a Converting Note is not domiciled in Australia and Aurelia is required to withhold tax in relation to any payment made to the holder of that note in connection with the facility, Aurelia will be required to gross-up the relevant payment. |
| **Prepayment:** | No penalty or break costs except for break costs incurred if repayment does not occur on an Interest Payment Date. |
| **Security:** | Specific security deed granted by Aurelia in favour of a security trustee over Aurelia's shareholding in Nymagee and Hera and its interest in the Nymagee JV agreement.<br>All asset security granted by Hera and Nymagee. |
| **Events of Default and Representations and** | Customary Events of Default and Aurelia representations and warranties. |

| | |
|---|---|
| **Warranties:** | |
| **Hedging Requirements:** | None. |
| **Base Rate:** | 3M Australia BBSW. |
| **Margin Rate:** | 4.0% pa and 6.5% during a default. |
| **Establishment Fee:** | None. |
| **Commitment Fees:** | None. |
| **Rights:** | The Converting Notes are non-voting and do not carry any entitlement to participate in any rights issues, returns of capital, bonus issues or capital restrictions. If Aurelia reorganises its share capital, the number of shares issued under the Converting Note will be amended in accordance with the ASX Listing Rules. |
| **Transferability:** | The Converting Notes will be transferable by Glencore subject to certain conditions, including Aurelia consent (unless certain conditions are met), the transferee of the Converting Notes acceding to the terms of the Amended Glencore Facilities and agreeing to sell-down its holding of Converting Notes in the event that conversion by Aurelia would require further Aurelia shareholder approval. |
| **Uses:** | Hera development, Nymagee feasibility study and development, general working capital for Hera and Nymagee |

3. **CONVERTING NOTES – FACILITY F**

| | |
|---|---|
| **Facility Limit:** | $20 Million (plus interest which capitalises before amortisation of the loan commences). |
| **Conversion:** | Priced at 60 day VWAP prior to the relevant conversion notice, convertible at the Company's option, once only, within 5 Business Days before the Deferred Date. No undrawn or repaid amounts can be converted. If converted, the total outstanding balance must be converted in part or in full. |
| **Maturity Date:** | The date which is 30 months after the Repayment Date. |
| **Drawdown size:** | Multiples of $1 Million on 30 days' notice. |
| **Drawdown Period:** | The period from the Completion Date and ending 3 months from the Completion Date. |
| **Interest Payment Dates:** | The 15th day in April, July, October and January of each year. |
| **Interest Periods:** | Each period on, and from, an Interest Payment Date to, but excluding, the following Interest Payment Date provided that the first Interest Payment Date will commence on the Drawdown Date and the final Interest |

Period will end on the Maturity Date.

| | |
|---|---|
| **Interest:** | During an Interest Period, interest will accrue on a daily basis at a rate equal to the Base Rate (determined on the first day of that Interest Period) plus the Margin Rate.<br><br>Between 25 November 2015 and the Repayment Date:<br><br>(a) no interest will accrue; and<br><br>(b) interest will not be capitalised until just before there is a novation to an Australian based subsidiary of Glencore under clause 8 ("Novation") of the Amending Deed.<br><br>Upon the Repayment Date, any uncapitalised interest will be capitalised and interest will resume accruing. Such interest , must be paid in accordance with the paragraph headed "Payments" below. |
| **Payments:** | Payments of principal and interest will commence on the Deferred Date, or as amended pursuant to Amended Glencore Facilities with regards to payment suspension (the "**Repayment Date**").<br><br>Quarterly payments of interest (in arrears) commencing on each Interest Payment Date following the Repayment Date and ending on the Maturity Date.<br><br>Principal repayments will be made:<br><br>(a) in a mandatory amount based on straight line amortisation from the Repayment Date; and<br><br>(b) using 80% of free cash available under the cashflow waterfall after:<br><br>(i) paying for all operating costs, mandatory scheduled debt service and other agreed costs; and<br><br>(ii) making cash sweep repayments under each of Facility A, Facility B, Facility C, Facility D and Facility E.<br><br>Principal repayments will be required to be made on the Repayment Date and each Interest Payment Date following the Repayment Date.<br><br>If the total CFADS for the preceding quarter for AMI or a Borrower exceeds $10,000,000, the excess must be applied as a mandatory prepayment of the Facilities. |
| **Margin protection:** | If at any time the Converting Notes are transferred to and held by a bank, compensation may be paid to that bank to account for market disruption events or increased costs of that bank. |
| **Gross-up:** | If the holder of a Converting Note is not domiciled in Australia and Aurelia is required to withhold tax in relation to any payment made to the holder of that note in connection with the facility, Aurelia will be required to gross-up the relevant payment. |

| | |
|---|---|
| **Prepayment:** | No penalty or break costs except for break costs incurred if repayment does not occur on an Interest Payment Date. |
| **Mandatory repayment:** | On the Completion Date, Aurelia must drawdown $13.5 million and apply this amount as a mandatory repayment of the outstanding principal amount of Facility A. |
| **Security:** | Specific security deed granted by Aurelia in favour of a security trustee over Aurelia's shareholding in Nymagee and Hera and its interest in the Nymagee JV agreement.<br>All asset security granted by Hera and Nymagee. |
| **Events of Default and Representations and Warranties:** | Customary Events of Default and Aurelia representations and warranties. |
| **Hedging Requirements:** | None. |
| **Base Rate:** | 3M Australia BBSW. |
| **Margin Rate:** | 4.0% pa and 6.5% during a default. |
| **Establishment Fee:** | None. |
| **Commitment Fees:** | None. |
| **Rights:** | The Converting Notes are non-voting and do not carry any entitlement to participate in any rights issues, returns of capital, bonus issues or capital restrictions. If Aurelia reorganises its share capital, the number of shares issued under the Converting Note will be amended in accordance with the ASX Listing Rules. |
| **Transferability:** | The Converting Notes will be transferable by Glencore subject to certain conditions, including Aurelia consent (unless certain conditions are met), the transferee of the Converting Notes acceding to the terms of the Amended Glencore Facilities and agreeing to sell-down its holding of Converting Notes in the event that conversion by Aurelia would require further Aurelia shareholder approval. |
| **Uses:** | (a) $5 million early advance to fund gravity circuit works at the Hera Project, (b) immediately on the Completion Date, setting off $13.5 million as partial repayment of Facility A and (c) towards Aurelia and Hera working capital requirements and capital expenditure in respect of the Hera Project in accordance with the Business Plan. |

## 4. GLENCORE OPTIONS

| | |
|---|---|
| **Options:** | 108 million. |
| **Proposed Date of Issue:** | Completion Date. |
| **Issue Price:** | Nil cash consideration to be paid for the Glencore Options. |
| **Entitlement** | Exercisable into Aurelia Shares in whole or in part by |

| | |
|---|---|
| | Glencore at any time within 24 months of Aurelia having converted Facility A. |
| **Exercise Price:** | $0.04 per Glencore Option. |
| **Transferability:** | Glencore Options are transferable to a wholly-owned subsidiary of Glencore. |

# ANNEXURE B – RESOLUTION 5

1. **PACIFIC ROAD OPTIONS**

| | |
|---|---|
| **Options:** | 40 million. |
| **Date of Issue:** | 30 November 2015. |
| **Issue Price:** | Nil cash consideration to be paid for the Pacific road Options. |
| **Entitlement** | Each Pacific Road Option entitles the holder to subscribe for one Share. As such, on exercise, Pacific Road is entitled to subscribe for 40 million Shares. |
| **Exercise Price:** | $0.0125 per Pacific Road Option. |
| **Expiry:** | 5.00pm, 28 September 2020. Pacific Road may exercise some or all of the Pacific Road Options until this time. |
| **Transferability:** | Pacific Road Options are transferable to an affiliate or to any fund managed or advised by Pacific Road Capital Management Pty Ltd, but not to any other person without the prior written consent of the Company. |

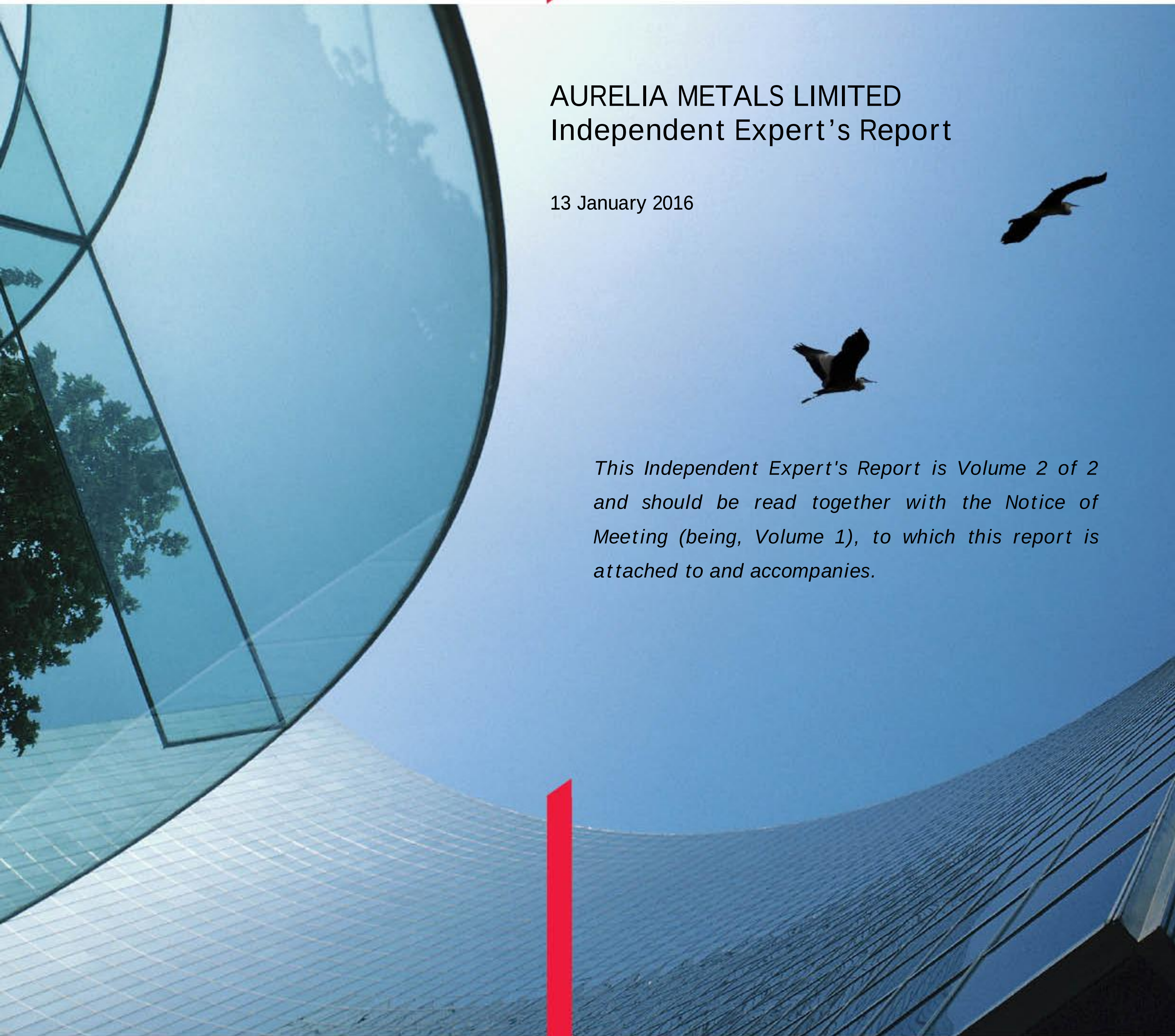
# ATTACHMENT A – INDEPENDENT EXPERT'S REPORT

The Independent Expert's Report is attached to, and accompanies, this Explanatory Memorandum as Volume 2. This Explanatory Memorandum should be read in conjunction with the Independent Expert's Report.

AURELIA METALS LIMITED

# Independent Expert's Report

13 January 2016



*This Independent Expert's Report is Volume 2 of 2 and should be read together with the Notice of Meeting (being, Volume 1), to which this report is attached to and accompanies.*

# Financial Services Guide

13 January 2016

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Aurelia Metals Limited ('Aurelia') to provide an independent expert's report on the proposal for Aurelia to enter into the new funding facility with Glencore Group Funding Limited, Glencore International AG and Glencore Australia Holdings Pty Ltd (collectively 'Glencore') and the proposed exercise of options by Pacific Road Capital Management Pty Ltd as trustee for the YTC Managed Investment Trust ('Pacific Road'). You will be provided with a copy of our report as a retail client because you are a shareholder of Aurelia.

## Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

## Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

## Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

## General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments
In October 2015, we were engaged by Aurelia to provide an independent expert's report on the proposal to issue shares to Pacific Road on conversion of its debt facility to equity. The final report was not released as a result of a change in circumstances relating to the outcome of the court case with Glencore. Our fees for this work amounted to $65,000.
In February 2013 we were engaged to provide an independent expert's report on the proposal for Aurelia (then known as YTC) to enter into financing arrangements with Glencore International AG ('Glencore'). Our fees for this work amounted to approximately $70,000.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Aurelia for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
*Internal complaints resolution process*
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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PO Box 700 West Perth WA 6872
Australia

13 January 2016

The Directors
Aurelia Metals Limited
2 Corporation Place
ORANGE NSW 2800

Dear Directors

# INDEPENDENT EXPERT'S REPORT

## 1. Introduction

On 27 November 2015, Aurelia Metals Limited ('Aurelia' or 'the Company') announced it had entered into a legally binding term sheet with Glencore Group Funding Limited and Glencore Australia Holdings Pty Ltd, subsidiaries of Glencore plc (collectively 'Glencore') for the provision of a net $21.5 million in funding to Aurelia and settlement of the existing litigation between the parties. Additionally, both parties have agreed to defer the debt repayments owing to Glencore for at least two years. As part of the agreement, Aurelia will maintain conversion rights on the facilities ('Glencore Transaction').

The Company is also seeking shareholder approval for the exercise of options which were issued to Pacific Road Capital Management Pty Ltd as trustee for the YTC Managed Investment Trust ('Pacific Road') as a commitment fee for the $6 million standby facility and $6 million working capital facility provided per the Company's announcement on 9 September 2015 ('Pacific Road Options') ('Pacific Road Transaction').

The Glencore Transaction and the Pacific Road Transaction are collectively referred to as 'the Transactions'.

## 2. Summary and Opinion

### 2.1 Purpose of the report

The directors of Aurelia have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Transactions are fair and reasonable to the non-associated shareholders of Aurelia ('Shareholders').

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 (Cth) ('Corporations Act' or 'the Act') and is to be included in the Notice of Meeting for Aurelia in order to assist the Shareholders in their decision whether to approve the Transactions.

## 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transactions as outlined in the body of this report. As the Transactions are independent of one another we have considered them separately and have provided an opinion on each. We have considered:

- How the value of an Aurelia share prior to the Glencore Transaction on a control basis compares to the value of an Aurelia share following the Glencore Transaction on a minority basis;
- How the value of an Aurelia share prior to the Pacific Road Transaction on a control basis compares to the value of an Aurelia share following the Pacific Road Transaction on a minority basis;
- The likelihood of alternative proposals being available to Aurelia;
- Other factors which we consider to be relevant to Shareholders in their assessment of the Transactions; and
- The position of Shareholders should the Transactions not be approved.

## 2.3 Opinion

### Glencore Transaction

We have considered the terms of the Glencore Transaction as outlined in the body of this report and have concluded that it is fair and reasonable to Shareholders.

In our opinion, the Glencore Transaction is fair because the value of an Aurelia share prior to the Glencore Transaction on a control basis is less than the value of an Aurelia share following the Glencore Transaction on a minority basis. We consider the Glencore Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages. In particular, the Glencore Transaction is fair, and it removes the uncertainty around the outcome of the court hearing with Glencore.

### Pacific Road Transaction

We have considered the terms of the Pacific Road Transaction as outlined in the body of this report and have concluded that it is not fair but reasonable to Shareholders.

We consider the Pacific Road Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages. In particular, the Pacific Road Transaction is fair in the event the Glencore Transaction is not approved, and if it is approved, the value differential is not significant. Also it preserves the relationship with a cornerstone investor which may provide the Company with access to funding in the future.

## 2.4 Fairness

### Glencore Transaction

In section 15 we determined that the value of an Aurelia share prior to the Glencore Transaction on a control basis compares to the value of an Aurelia share following the Glencore Transaction on a minority basis, as detailed below.

| | Ref | Low $ | Preferred $ | High $ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Glencore Transaction (control) | 11.3 | nil | nil | nil |
| Value of an Aurelia share following the Glencore Transaction (minority) | 12.1 | 0.006 | 0.009 | 0.013 |

Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, the Glencore Transaction is fair for Shareholders.

### Pacific Road Transaction

In section 15, we have assessed the fairness of the Pacific Road Transaction by considering two alternate scenarios, being on the basis that the Glencore Transaction is approved or not. These scenarios present different valuation outcomes as detailed below.

| Glencore Transaction is not approved | Ref | Low $ | Preferred $ | High $ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Pacific Road Transaction (control) | 13.1 | nil | nil | nil |
| Value of an Aurelia share following the Pacific Road Transaction (minority) | 14.1 | nil | nil | nil |

Source: BDO analysis

We note from the table above that the value of an Aurelia share prior to the Pacific Road Transaction on a control basis and following the Pacific Road Transaction on a minority basis is nil. However our analysis in section 14.1 indicates that the exercising of the Pacific Road Options will result in a less negative value for Shareholders. Therefore, we consider that the Pacific Road Transaction would be fair under the scenario where the Glencore Transaction is not approved.

The value of a share in Aurelia prior to the Pacific Road Transaction on a control basis and the value of an Aurelia share following the Pacific Road Transaction on a minority basis, assuming that the Glencore Transaction is approved, are compared below:

| Glencore Transaction is approved | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Pacific Road Transaction (control) | 13.2 | 0.007 | 0.011 | 0.016 |
| Value of an Aurelia share following the Pacific Road Transaction (minority) | 12.1 | 0.006 | 0.009 | 0.013 |

We note from the table above that assuming that the Glencore Transaction proceeds, the value of an Aurelia share prior to the Pacific Road Transaction on a control basis is greater than the value of an Aurelia share following the Pacific Road Transaction, therefore under the assumption that the Glencore Transaction is approved, the Pacific Road Transaction is not fair for Shareholders.

## Conclusion on fairness

In the event the Glencore Transaction is not approved, the Pacific Road Transaction is fair. However, in the event the Glencore Transaction is approved, the Pacific Road Transaction is not fair. Therefore, because we are unable to conclude that the Pacific Road Transaction is fair in both scenarios, by definition it is not fair.

## 2.5 Reasonableness

### Glencore Transaction

We have considered the analysis in section 16 of this report, in terms of both

- advantages and disadvantages of the Glencore Transaction; and
- other considerations, including the position of Shareholders if the Glencore Transaction does not proceed and the consequences of not approving the Glencore Transaction.

In our opinion, the position of Shareholders if the Glencore Transaction is approved is more advantageous than the position if the Glencore Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Glencore Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 16.5.1 | The Glencore Transaction is fair | 16.6.1 | Dilution of Shareholders' interests |
| 16.5.2 | The uncertainty around the outcome of the Court case is removed | 16.6.2 | Presence of a significant controlling shareholder may reduce the attractiveness of the Company's shares to potential investors |
| 16.5.3 | The Glencore Transaction provides Aurelia with interest free debt over a 24 month period | 16.6.3 | Removes the possibility of a favourable court outcome which would mean the Existing Facility A and Existing Facility B converting at higher conversion prices which would be less dilutive to Shareholders |
| 16.5.4 | Removes the possibility of Shareholders not being exposed to potential upside of the Project | | |
| 16.5.5 | Aurelia receives the funding it requires to continue to operate and to seek to optimise the Project | | |
| 16.5.6 | The Glencore Transaction provides near term funding certainty and allows Shareholders to participate in any potential upside from continuing to operate and seeking to optimise the Project | | |
| 16.5.7 | No change to current operating arrangements | | |

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 16.5.8 | Delayed repayment and conversion of Existing Facilities and Additional Glencore Converting Loan | | |
| 16.5.9 | Continued involvement from a substantial shareholder | | |
| 16.5.10 | Conversion prices may be higher resulting in lower dilution of existing Shareholders' interests | | |

Other key matters we have considered include:

| Section | Description |
|---|---|
| 16.1 | Alternative Proposals |
| 16.2 | Practical Level of Control |
| 16.3 | Consequences of not approving the Glencore Transaction |
| 16.9.1 | Post announcement share price performance |

## Pacific Road Transaction

We have considered the analysis in section 16 of this report, in terms of both:

- advantages and disadvantages of the Pacific Road Transaction; and
- other considerations, including consequences of not approving the Pacific Road Transaction.

In our opinion, the position of Shareholders if the Pacific Road Transaction is approved is more advantageous than the position if the Pacific Road Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Pacific Road Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 16.7.1 | The Pacific Road Transaction is fair if the Glencore Transaction is not approved | 16.8.1 | The Pacific Road Transaction is not fair |

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 16.7.2 | If the Glencore Transaction is approved, the change in value as a result of the Pacific Road Transaction is not significant | 16.8.2 | Dilution of Shareholders' interests |
| 16.7.3 | Preserves relationship with cornerstone investor | | |
| 16.7.4 | Preserves the Company's placement capacity | | |

# 3. Scope of the Report

## 3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of further shares by a party who a) already holds (with associates) more than 20% of the issued shares of a public company or b) holds with associates) less than 20% of the issued shares of a public company, without an available exemption under the Corporations Act (including, but not limited to, a full takeover offer made to all shareholders).

The Transactions are control transactions and are covered by Section 606 of the Corporations Act because as at the date of our Report, Glencore holds 6.69% of the issued capital of Aurelia but the Company is seeking shareholder approval for Glencore to increase its holding up to 91.75% on conversion of debt facilities and exercise of options. Also, as at the date of this report, Pacific Road holds 24.08% of the issued capital of Aurelia. Pursuant to the Pacific Road Transaction, the Company is seeking Shareholder approval for the exercise of the Pacific Road Options which will result in Pacific Road holding up to 31.17% of the issued capital of Aurelia assuming that none of the Glencore facilities are converted and Glencore options are exercised.

Section 611 of the Corporations Act ('Section 611') permits such acquisitions if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Aurelia, by either:

- undertaking a detailed examination of the transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Aurelia have commissioned this Independent Expert's Report to satisfy this obligation.

## 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transactions are fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transactions are control transactions as defined by RG 111 and we have therefore assessed the Transactions as control transactions to consider whether, in our opinion, they are fair and reasonable to Shareholders.

## 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an Aurelia share prior to each of the Glencore Transaction and Pacific Road Transaction on a control basis and the value of an Aurelia share following both the Glencore Transaction and Pacific Road Transaction on a minority basis (fairness – see Section 15- 'Are the Transactions Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolutions, after reference to the value derived above (reasonableness – see Section 16- 'Are the Transactions Reasonable?').

## 3.4 APES 225 compliance

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

# 4. Profile of Aurelia

## 4.1 History

Aurelia, formerly YTC Resources Limited, is an exploration and mineral development company based in Orange, New South Wales ('NSW'). The Company listed on the Australian Securities Exchange ('ASX') on 8 May 2007. Aurelia is currently focused on the development and exploration of its Hera-Nymagee Project, which is located in the Cobar district of NSW.

Currently, the Board of Directors and senior management are:

- Anthony Wehby – Chairman;
- Rimas Kairaitis – Chief Executive Officer;
- Gary Comb – Non-Executive Director;
- Mark Milazzo – Non-Executive Director;
- Paul Espie – Non-Executive Director;
- Michael Menzies – Non-Executive Director;
- Rune Symann – Non-Executive Director;
- Richard Willson – Company Secretary; and
- Tim Churcher – Chief Financial Officer.

Mr Michael Menzies and Mr Rune Symann were appointed as directors on 15 December 2015 as nominees of Glencore consistent with the terms of the binding term sheet to the Glencore Transaction.

Aurelia has four wholly own subsidiaries, as listed below:

- Defiance Resources Pty Ltd (incorporated 15 May 2007);
- Stannum Pty Ltd (incorporated 15 September 2007);
- Hera Resources Pty Ltd (incorporated 20 August 2009); and
- Nymagee Resources Pty Ltd (incorporated 7 November 2011).

## 4.2 Projects

Aurelia focuses its gold-copper and tin exploration within the state of NSW. The Company's main focus is the Hera-Nymagee Project. Other projects include the Kadungle Copper-Gold Project, the Tallebung Tin-Tungsten Project, the Doradilla Tin Project and an equity holding in ASX listed Aus Tin Mining Ltd ('Aus Tin'). A brief summary of Aurelia's projects are set out below. Please refer to The Independent Technical Specialist Report prepared by CSA Global Pty Ltd ('CSA') in Appendix Four for further details.

### Hera (100% interest) and Nymagee Project (95% interest)

The Company's current focus is the Hera-Nymagee Project, which is located approximately 100 kilometres ('km') south east of Cobar in NSW. The Hera-Nymagee Project comprises the 100% owned high-grade underground Hera gold-lead-silver-zinc mine and a 95% interest in the Nymagee copper deposit ('Nymagee Deposit') located in the Cobar basin.

## Kadungle Copper-Gold Project (100% interest)

The Kadungle copper-gold project ('Kadungle Project') is located approximately 55 km north-west of Parkes in central NSW. The Kadungle Project encompasses an area of 176 square kilometres ('$km^2$').

Recent exploration of the Kadungle Project has focussed on the Mt Leadley and Mt Leadley South prospects, which crop out as two low hills of mineralised volcanics separated by approximately 900 metres.

## Tallebung Tin-Tungsten Project (100% interest)

The Tallebung tin-tungsten project ('Tallebung Project') is located 70 km north-west of Condobolin, NSW. Drilling and trenching work undertaken by Aurelia has demonstrated that the Tallebung Project represents a large tonnage, low grade tin deposit with potential for internal, moderate tonnage, higher grade tin zones.

## Doradilla Tin Project (100% interest)

The Doradilla tin project ('Doradilla Project') is located approximately 50 km south-east of Bourke, NSW. The Doradilla Project hosts a 16 km long tin mineralised skarn, which hosts the Doradilla, Midway and 3KEL deposits.

## 4.3 Glencore Loan Facilities

On 11 February 2013, Aurelia entered into a financing and off-take agreement with Glencore for the provision of up to $155 million in debt and converting note facilities, in addition to the subscription by Glencore of $2.95 million in Aurelia shares, for the construction of the Hera-Nymagee Project. The original terms of the Glencore debt and converting note facilities ('Existing Glencore Facilities') are summarised below:

| | | |
|---|---|---|
| 'Existing Glencore Facility A' | Limit: | $20 million Converting Note Facility |
| | Conversion: | Convertible at Aurelia's option at $0.251 per share |
| | Interest rate: | 3M AUD BBSW + 4% |
| | First repayment due: | 15 September 2015 |
| | Maturity date: | 15 March 2018 |
| 'Existing Glencore Facility B' | Limit: | $50 million Converting Note Facility |
| | Conversion: | Convertible at Aurelia's option at 60 day volume weighted average price ('VWAP') price prior to conversion |
| | Interest rate: | 3M AUD BBSW + 4% |
| | First repayment due: | 15 September 2015 |
| | Maturity date: | 15 March 2018 |
| 'Existing Glencore Facility C' | Limit: | $30 million Debt Facility |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | First repayment due: | 15 September 2015 |
| | Maturity date: | 15 March 2018 |

| | | |
|---|---|---|
| 'Existing Glencore Facility D' | Limit: | $50 million Debt Facility |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | Maturity date: | 42 months after first drawdown |
| | Drawdown period: | 12 month period from either the completion of the Nymagee Deposit bankable feasibility study or such earlier date approved by Glencore |
| 'Existing Glencore Facility E' | Limit: | $5 million Debt Facility |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | First repayment due: | 15 September 2015 |
| | Maturity date: | 15 October 2016 |

Following the Glencore Transaction, the above facilities held with Glencore will be amended with the key terms set out below:

| | | |
|---|---|---|
| 'Glencore Facility A' | Limit: | $20 million Converting Note Facility |
| | Balance at 23 Nov 15: | $23,579,871 |
| | Adjustments: | The revised loan conditions assumes repayment of $13.5 million on drawdown of the Additional Glencore Converting Loan with the remaining balance convertible at Aurelia's election at any time prior to maturity at $0.2563 per share, as adjusted by subsequent issuance of shares. Interest is suspended from 25 November 2015 until the date which is 24 months after the date all conditions precedent to the Transactions are satisfied or waived ('Completion Date') |
| | First repayment due: | Interest suspended from 25 November 2015 until the date which is 24 months after the Completion Date. Subject to the repayment of $13.5 million referenced above, the date which is 24 months after the Completion Date. |
| | Maturity date: | 15 March 2020 |
| 'Glencore Facility B' | Limit: | $50 million Converting Note Facility |
| | Balance at 23 Nov 15: | $57,061,144 |
| | Conversion: | Convertible at Aurelia's election at a 60 day VWAP within 5 days of the date which is 24 months after the Completion Date.<br>Where Pybar and Aurelia agree to convert any of the Pybar debt into shares, convertible at Glencore's option on the exercise of its anti-dilution and top-up rights contained in the Equity Subscription Agreement between, amongst others, Aurelia and Glencore and in accordance with the Glencore facility documents |
| | Interest rate: | 3M AUD BBSW + 4% |
| | Other adjustment: | Interest suspended from 25 November 2015 until the date which is 24 months after the Completion Date |
| | First repayment due: | The date which is 24 months after the Completion Date , or as amended with regards to payment suspension |
| | Maturity date: | 15 March 2020, or as amended with regards to payment suspension |

| | | |
|---|---|---|
| 'Glencore Facility C' | Limit: | $30 million Debt Facility |
| | Balance at 23 Nov 15: | $33,441,105 |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | Other adjustment: | Interest suspended from 25 November 2015 until the date which is 24 months after the Completion Date |
| | First repayment due: | The date which is 24 months after the Completion Date |
| | Maturity date: | 15 March 2020 |
| 'Glencore Facility D' | Limit: | $50 million Debt Facility |
| | Balance at 23 Nov 15: | Nil- Undrawn |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | Other adjustment: | Interest suspended from 25 November 2015 until the date which is 24 months after the Completion Date |
| | First Repayment Date: | Nil- Undrawn. If there was a drawdown, the date which is 24 months after the Completion Date |
| | Maturity date: | 42 months after first drawdown |
| | Drawdown period: | 12 month period from either the completion of the Nymagee Deposit bankable feasibility study or such earlier date approved by Glencore |
| 'Glencore Facility E' | Limit: | $5 million Debt Facility |
| | Balance at 23 Nov 15: | $5,967,687 |
| | Interest rate: | 3M AUD BBSW + 4.5% |
| | Other adjustment: | Interest suspended from 25 November 2015 until the date which is 24 months after the Completion Date |
| | First repayment due: | The date which is 24 months after the Completion Date (which is currently expected to be 2 March 2018) |
| | Maturity date: | 15 October 2018 |
| 'Additional Glencore Converting Loan' | Limit: | $20 million Converting Note Facility |
| | Balance at 23 Nov 15: | $20,000,000 |
| | Conversion: | Convertible at Aurelia's election at a 60 day VWAP within five days of the date which is 24 months after the Completion Date |
| | Interest rate: | 3M BBSW + 4% |
| | Interest suspension: | Interest suspended until the date which is 24 months after the Completion Date |
| | First repayment due: | The date which is 24 months after the Completion Date (which is currently expected to be 2 March 2018), or as amended with regards to payment suspension |
| | Maturity date: | 15 March 2020, or as amended with regards to payment suspension |
| Glencore Pre-Export Finance Loan ('PEFL') | Limit: | $15 million Debt Facility |
| | Balance at 23 Nov 15: | $15 million |
| | Interest rate: | 3M BBSW + 6% |
| | First repayment due: | The date which is 12 months after the Completion Date (which is currently expected to be 2 March 2017) |
| | Maturity date: | The date which is 30 months after the first drawdown |

## 4.4 Key events in the Company's history directly relevant to the Transactions

On 22 November 2012, the Company entered into a binding term sheet with Glencore for the provision of the Existing Glencore Facilities as outlined in section 4.3. The funding transaction with Glencore was finalised on 26 March 2013.

On 6 December 2013, the Company announced it had entered into an equity funding transaction with Pacific Road to fund the advancement of exploration and resource delineation activity at the Hera-Nymagee Project. The transaction comprised two phases;

- Phase 1: placement of 58.8 million fully paid ordinary shares to Pacific Road at $0.2434 per share to raise $14.3 million; and
- Phase 2: funding of up to $10.7 million at a 30 day VWAP price including an additional $0.7 million at the Phase 1 funding price.

Phase 1 of the equity funding transaction entered into with Pacific Road was completed on 10 December 2013.

Phase 2 of the equity funding transaction entered into with Pacific Road was completed on 6 October 2014. The Company raised $3.22 million from the issue of 9,905,000 shares at an average price of $0.3527 to Pacific Road.

On 1 July 2015, the Company received a notice from Glencore asserting that Aurelia had defaulted under its loan facility documentation. The principal event of default asserted by Glencore was an alleged inability by Aurelia and/or other borrowers within the group to repay the amounts borrowed under the four separate facilities provided by Glencore. Aurelia rejected the notice.

On 7 July 2015, the Company announced that it had lodged a conversion notice in relation to the Existing Glencore Facility B, which would result in the $50 million principal plus capitalised interest converting to equity at a price of $0.2424 per share.

On 9 July 2015, the Company announced that it had received a notification from Glencore stating that Glencore did not consider the conversion notice deposited by the Company to be effective on the basis of an alleged event of default above. The Company rejected this notice of default and maintained the conversion notice.

On 5 August 2015, the Company advised that it was in discussions with Glencore and Pacific Road in respect to the refinancing of its financial arrangements. Further, in agreement with Glencore, the Company announced that the conversion date with respect to the $50 million Glencore Facility B was extended from 7 August 2015 to 12 August 2015. Following subsequent announcements, the conversion date was further extended to 15 September 2015.

On 7 September 2015, the Company issued a conversion notice with Glencore in respect of its $20 million Glencore Facility A.

On 9 September 2015, Aurelia announced it had executed a non-binding funding term sheet in relation to a funding arrangement with Pacific Road. The funding package included two convertible facilities, each providing the Company with $6 million as well as the exclusive right for Pacific Road to underwrite an equity raising of up to $25 million. As initial compensation for providing the funding package, the Company issued Pacific Road 40 million options exercisable at $0.0125.

On 14 September 2015, Glencore appointed a voluntary administrator to Aurelia and its subsidiaries on the grounds of alleged insolvency. The Company rejected the allegation of insolvency and the validity of the appointment of the administrator. The Company successfully obtained orders from the Supreme Court of NSW deeming that the appointment of the administrator would not be effective until a court hearing. A court hearing was set for 14 October 2015. The Company advised of its intention to proceed with the full conversion of Existing Glencore Facility A and Existing Glencore Facility B as per its contractual rights, subject to the court hearing.

On 28 September 2015, the Company announced its execution of definitive documentation with Pacific Road in regards to the funding package.

On 9 October 2015, the Company announced that the court hearing date had been changed to 4-5 November 2015.  On 6 November 2015 the Company announced that the Court had reserved judgment.

On 25 November 2015, the Company entered into a trading halt, and subsequently announced the Glencore Transaction on 27 November 2015. All legal disputes with Glencore in relation to the Existing Glencore Facilities are agreed to be settled subject to completion of the Glencore Transaction.

A full timeline of the Company's history can be found in Appendix Five.

## 4.5 Historical Balance Sheet

| Statement of Financial Position | Audited as at 30-Jun-15 $ | Audited as at 30-Jun-14 $ | Audited as at 30-Jun-13 $ |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4,847,638 | 21,590,959 | 16,312,989 |
| Trade and other receivables | 6,184,999 | 915,788 | 1,489,900 |
| Inventories | 2,692,563 | 2,437,235 | - |
| Prepayments | 145,234 | 117,253 | 118,792 |
| TOTAL CURRENT ASSETS | 13,870,434 | 25,061,235 | 17,921,681 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 57,459,043 | 939,283 | 1,208,177 |
| Financial assets | 272,800 | 3,940,884 | 10,532,650 |
| Exploration and evaluation | 116,000 | 19,228,531 | 16,149,403 |
| Mine properties | 33,306,747 | 143,408,631 | 57,934,018 |
| TOTAL NON-CURRENT ASSETS | 91,154,590 | 167,517,329 | 85,824,248 |
| TOTAL ASSETS | 105,025,024 | 192,578,564 | 103,745,929 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16,394,713 | 8,739,703 | 3,857,218 |
| Borrowings | 22,737,009 | 397,653 | - |
| Provisions | 1,885,698 | 1,344,163 | 206,508 |
| TOTAL CURRENT LIABILITIES | 41,017,420 | 10,481,519 | 4,063,726 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 91,914,752 | 106,185,245 | 29,675,551 |
| Provisions | 7,856,432 | 8,248,049 | 7,401,303 |
| TOTAL NON-CURRENT LIABILITIES | 99,771,184 | 114,433,294 | 37,076,854 |
| TOTAL LIABILITIES | 140,788,604 | 124,914,813 | 41,140,580 |
| NET ASSETS | (35,763,580) | 67,663,751 | 62,605,349 |
| EQUITY | | | |
| Contributed equity | 99,929,152 | 85,361,160 | 70,180,671 |
| Reserves | 3,060,597 | 2,897,472 | 2,396,118 |
| Retained losses | (138,753,329) | (20,594,881) | (9,971,440) |
| TOTAL EQUITY | (35,763,580) | 67,663,751 | 62,605,349 |

Source: Audited financial statements for the financial years ended 30 June 2015, 30 June 2014 and 30 June 2013.

For the year ended 30 June 2015, the audit report in the financial statements included an emphasis of matter regarding the Company's ability to continue operating as a going concern. The emphasis of matter related to the uncertainty around the outcome of the court case with Glencore. As outlined above in section 4.4, this will be settled assuming completion of the Glencore Transaction.

## Commentary on Historical Balance Sheet

- The Company's cash balance increased by $5.28 million during the financial year ended 30 June 2014. This increase was primarily attributable to the drawdown of $72.14 million in debt, and $14.39 million raised from the issue of shares. This inflow was partially offset by $82.98 million spent on development expenditure.
- The company's cash balance decreased by $16.74 million during the financial year ended 30 June 2015 as a result of the following significant movements:
  - $27.80 million in receipts from customers (including pre-production sales) as a result of the Hera Mine commencing production and $13.28 million raised from the issue of shares; and
  - $43.13 million spent on development expenditure at the Hera Mine and $15.90 million in payments to suppliers and employees in line with the increase in cost of sales following the commencement of production at Hera Mine.
- No inventories were recorded as at 30 June 2013, as the Hera Mine was formally opened on 27 November 2014. The breakdown of inventories is shown below:

| | Audited as at 30-Jun-15 $ | Audited as at 30-Jun-14 $ |
|---|---|---|
| Stores inventory (materials on hand) | 1,476,792 | 87,464 |
| Ore stockpiles | 23,880 | 2,349,771 |
| Metal in circuit | 515,378 | - |
| Finished concentrate | 471,691 | - |
| Finished gold dore | 204,872 | - |
| Total inventories* | 2,692,563 | 2,437,235 |

*We note there is an unreconciled difference of $50 as presented in the Company's audited financial statements

- Property, plant and equipment increased from $0.94 million as at 30 June 2014 to $57.46 million as at 30 June 2015, primarily due to the reclassification of $58.18 million from mine properties to property, plant and equipment.
- Financial assets relate to shares and options held in Aus Tin Mining Limited and gold put options. The gold put options were purchased on 26 April 2013 at a strike price of $1,500 per ounce.
- Exploration and evaluation decreased from $19.23 million as at 30 June 2014 to $0.12 million as at 30 June 2015. The decrease was primarily caused by an impairment charge of $17.88 million being recognised as at 30 June 2015 and exploration and evaluation written off of $3.35 million.
- The impairment charge of $17.88 million comprised:
  - $3.47 million related to the Hera mine due to increased forecast operating costs which rendered certain inferred resources uneconomic and unlikely to be recovered;

- $14.39 million related to the Nymagee Deposit due to the delay in the development of the deposit to an infinite future date as the primary focus of the Company was the Hera Mine; and
- $0.03 million related to regional exploration.

- Mine properties comprises mines under construction and producing mines. The entire balance of mine properties as at 30 June 2013 and 30 June 2014, represent mines under construction. It primarily related to expenditure incurred in the development of the Hera Mine. Following the completion of construction and opening of the Hera Mine on 27 November 2014, the entire balance of mine properties as at 30 June 2015 represents producing mines.
- The significant decrease in the balance of mine properties from $143.41 million as at 30 June 2014 to $33.31 million as at 30 June 2015 was due to the recognition of an impairment charge of $75.03 million at 30 June 2015. The impairment charge related to the Hera Mine, resulting from higher costs of extraction and lower than expected gold recovery relative to the feasibility study estimates.
- Current provisions relate to annual leave, long service leave and royalties payable. Non-current provisions primarily relate to the rehabilitation costs at the Hera Mine.
- Current borrowings of $0.40 million as at 30 June 2014 relate to finance leases.
- Current borrowings of $22.74 million as at 30 June 2015 comprise finance leases, insurance funding and $22.23 million in Glencore borrowings.
- Non-current borrowings relate to Glencore Facilities A, B, C and E, interest accrued on the borrowings and finance costs. The Glencore funding facilities are fully secured against all mine properties, plant and equipment assets.

## 4.6 Historical Statement of Comprehensive Income

| Statement of Comprehensive Income | Audited for the year ended 30-Jun-15 $ | Audited for the year ended 30-Jun-14 $ | Audited for the year ended 30-Jun-13 $ |
|---|---|---|---|
| Operating sales revenue | 13,220,208 | - | - |
| Cost of sales | (26,444,951) | - | - |
| Gross profit | (13,224,743) | - | - |
| | | | |
| Corporate administration expenses | (4,357,210) | (3,589,420) | (4,386,756) |
| Exploration and evaluation costs written off | (3,347,093) | (788,291) | (9,826) |
| Impairment of exploration and evaluation assets | (17,884,374) | - | - |
| Impairment of mine properties | (75,031,403) | - | - |
| Other income/(expenses) | 24,667 | 85,286 | 288,446 |
| Gain/(loss) on commodity derivatives | (1,674,599) | (6,318,966) | 4,674,619 |
| Gain/(loss) on revaluation of investments | (287,231) | (272,800) | (750,200) |
| Gain/(loss) on sale of associates | - | - | 320,912 |
| Finance income/(expense) | (2,376,462) | 260,750 | 398,377 |
| Loss from continuing operations before income tax | (118,158,448) | (10,623,441) | 535,572 |
| Income tax expense | - | - | - |
| Loss from continuing operations after income tax | (118,158,448) | (10,623,441) | 535,572 |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the year | (118,158,448) | (10,623,441) | 535,572 |

Source: Audited financial statements for the financial years ended 30 June 2015, 30 June 2014 and 30 June 2013.

### Commentary on Historical Statement of Comprehensive Income

- Operating sales revenue of $13.22 million for the financial year ended 30 June 2015 comprised income earned from the sale of base metal concentrate, gold and silver.
- Cost of sales of $26.44 million for the financial year ended 30 June 2015 comprises site production costs, transport and refining, royalties, inventory movements and depreciation.
- The impairment of exploration and evaluation assets of $17.88 million for the financial year ended 30 June 2015 comprised:
  - $3.47 million which related to the Hera mine due to increased forecast operating costs which rendered certain inferred resources uneconomic and unlikely to be recovered;
  - $14.39 million which related to the delay in the development of the Nymagee Deposit; and
  - $0.03 million which related to impairment of regional exploration.

- The impairment of mine properties of $75.03 million for the financial year ended 30 June 2015 related entirely to the Hera Mine, as a result of higher costs of extraction and lower than expected gold recovery relative to the feasibility study estimates.

## 4.7 Capital Structure

The share structure of Aurelia as at 8 January 2016 is outlined below:

| | Number |
|---|---|
| Total ordinary shares on issue | 387,991,188 |
| Top 20 shareholders | 239,016,128 |
| Top 20 shareholders - % of shares on issue | 61.60% |

Source: Aurelia Share Register

The ordinary shares held by the most significant shareholders as at 8 January 2016 are detailed below:

| Name | Number of Ordinary Shares Held | Percentage of Issued Shares (%) |
|---|---|---|
| Pacific Road Capital Management Pty Ltd ATF the YTC Managed Investment Trust | 93,414,913 | 24.08% |
| Glencore Australia Holdings Pty Ltd | 25,950,316 | 6.69% |
| Yunnan Tin Australia TDK Resources Pty Ltd | 24,237,433 | 6.25% |
| Pybar Holdings Limited ('Pybar') | 19,438,850 | 5.01% |
| Subtotal | 163,041,512 | 42.02% |
| Others | 224,949,676 | 57.98% |
| Total ordinary shares on Issue | 387,991,188 | 100.00% |

Source: Aurelia Share Register

The number of securities disclosed above is as per Substantial Shareholder Notices given to the Company. Substantial Shareholder interests in securities may change without requiring the Holder to provide notice of the change, therefore resulting in a difference between their disclosure and the above disclosure.

Aurelia has the following unlisted options on issue:

| Options on Issue | Number |
|---|---|
| $0.0125 options expiring 28 September 2020 | 50,000,000 |
| TOTAL | 50,000,000 |

Source: Aurelia Share Register

If the above options are exercised it would raise $625,000 in cash. As these options are in the money (based on our assessed quoted market price value), we have assumed they will be exercised in our analysis of the Transactions. We note these options comprise of 40,000,000 Pacific Road Options and 10,000,000 options held by Pybar ('Pybar Options').

# 5. Outline of the Transactions

## 5.1 Glencore Transaction

On 27 November 2015, Aurelia announced it had entered into a legally binding term sheet with Glencore for the provision of additional funding to the Company and the settlement of litigation between the parties. On 18 December 2015 Aurelia announced that formal agreements documenting the binding terms of the funding arrangement with Glencore had been executed.

The funding terms for the Glencore Transaction are outlined below:

- All interest and principal repayments on the Existing Glencore Facilities are to be suspended from 25 November 2015 until the date which is 24 months from the Completion Date, but are subject to an upside repayment provision. As part of the upside repayment provision, cash flow available for debt service will be tested on 18 May 2016 and on the last calendar day of every month thereafter up to and including the date which is 24 months from the Completion Date. If cash flow available for debt service in the preceding 3 months exceeds $10 million, the Company will repay Glencore the excess at the end of the following calendar quarter (commencing 30 June 2016), which will be treated as a pro-rata principal reduction across each of the facilities.
- Glencore will provide the Company with a Pre-Export Finance Loan ('PEFL') to the amount of $15 million. The PEFL will be repaid by Aurelia through deducting US$175/DMT from bulk concentrate payments required under the Offtake Agreement between Hera Resources Pty Ltd and Glencore International AG (as amended). Repayments to the PEFL will begin 12 months after drawdown and require a minimum US$1.8 million repayment per quarter. The PEFL is subject to an interest rate of the 3m BBSW + 6%. The PEFL is also subject to a number of operational key performance indicators to which the Hera Project will be tested.
- Glencore will provide the Additional Glencore Converting Loan of up to $20 million to Aurelia on the following terms:
    - $13.5 million of the Additional Glencore Converting Loan will immediately offset against the balance of the existing converting note, Glencore Facility A;
    - Interest repayments will be calculated at a rate of the 3m BBSW + 4%;
    - Repayment of interest and principal is suspended from 25 November 2015 until the date which is 24 months from the Completion Date;
    - The Additional Glencore Converting Loan is convertible into Aurelia shares at Aurelia's election, with a conversion price equal to the 60 day VWAP, within 5 days of expiry of the 24 month debt deferral period; and
    - $5 million of the Additional Glencore Converting Loan was made available to the Company on 25 November 2015 and is not subject to any of the conditions precedent ('Early Advance'). If the Completion Date does not occur on or before 2 March 2015, or on such other date as agreed between the parties, the Early Advance is repayable upon demand.
- Aurelia will issue 108 million options to Glencore. The options have an exercise price of $0.04 and may be exercised at any time within 24 months of Aurelia converting Glencore Facility A.
- Glencore will be granted the right to appoint a maximum of two directors to the Board of Aurelia.

As part of the Glencore Transaction, Aurelia will provide an undertaking to Glencore stating that the Company will not draw down on funding provided by Pacific Road. The Company will also not be party to or enter into any dilutive settlement arrangements with its creditors (other than with Pybar).

## Capital Structure

As outlined above, Shareholder approval is being sought for Glencore to increase its interest in Aurelia up to 91.75% on an undiluted basis, being the maximum dilution scenario modelled for the Glencore Transaction. This maximum dilution scenario assumes that all convertible Glencore facilities are converted to equity and that the Glencore Facility B and the Additional New Glencore Converting Loan are converted at $0.02. These facilities are convertible at a future VWAP therefore this conversion price is currently unknown. The Company has elected to seek Shareholder approval for Glencore to increase its holding in Aurelia up to 91.75% which is the resulting shareholding based on a future VWAP and conversion price of $0.02. We have therefore adopted this as our maximum dilution scenario. If the VWAP at the time of conversion is less than $0.02, all other things being equal, assuming that Glencore intend on converting both facilities, Aurelia will be required to obtain Shareholder approval for Glencore to increase its holding beyond 91.75%. Our report is prepared for the purpose of assisting Shareholders in their decision whether to approve the Glencore Transaction therefore we have assumed a conversion price of $0.02 (being the lowest modelled VWAP) and have therefore presented the maximum dilution scenario modelled under the Glencore Transaction. This scenario would result in existing Shareholders' interests being reduced from 69.24% of the issued capital to 6.12%. The capital structure of Aurelia following the maximum dilution scenario modelled for the Glencore Transaction is outlined below.

| Capital structure of Aurelia following the Glencore Transaction | Existing Shareholders | Pacific Road | Glencore | Total |
|---|---|---|---|---|
| Issued Shares as at the date of this Report | 268,625,959 | 93,414,913 | 25,950,316 | 387,991,188 |
| *% holdings as at the date of this Report* | *69.24%* | *24.08%* | *6.69%* | *100.00%* |
| Conversion of Glencore Facility A | - | - | 39,328,409 | 39,328,409 |
| Conversion of Glencore Facility B | - | - | 2,853,057,188 | 2,853,057,188 |
| Conversion of Additional New Glencore Converting Loan | - | - | 1,000,000,000 | 1,000,000,000 |
| Exercise of Glencore Options | - | - | 108,000,000 | 108,000,000 |
| Issued shares following Glencore conversion | 268,625,959 | 93,414,913 | 4,026,335,913 | 4,388,376,785 |
| *% holdings following Glencore conversion (undiluted)* | *6.12%* | *2.13%* | *91.75%* | *100.00%* |
| Exercise of Pacific Road Options | - | 40,000,000 | - | 40,000,000 |
| Exercise of Pybar Options | 10,000,000 | - | - | 10,000,000 |
| Issued Shares following the Glencore Transaction | 278,625,959 | 133,414,913 | 4,026,335,913 | 4,438,376,785 |
| *% holdings following the Glencore Transaction (diluted)* | *6.28%* | *3.01%* | *90.72%* | *100.00%* |

The assumed conversion prices and the number of shares to be issued on conversion for the maximum dilution scenario shown above, are detailed in the table below.

| Conversion of Glencore Facilities | Amount<br>$ | Conversion price<br>$ | Shares issued on conversion<br>Number |
|---|---|---|---|
| Conversion of Glencore Facility A | 10,079,871 | 0.2563 | 39,328,409 |
| Conversion of Glencore Facility B | 57,061,144 | 0.0200 | 2,853,057,188 |
| Conversion of Additional Glencore Converting Loan | 20,000,000 | 0.0200 | 1,000,000,000 |

Despite the Glencore Transaction not including the exercise of the Pybar Options and Pacific Road Options, we have presented the resulting impact of the exercise of these options on the dilution of existing Shareholders' interests as these options are in-the-money based on our assessed quoted market price value and are therefore likely to be exercised. We note that Glencore's percentage holdings in Aurelia following the Glencore Transaction on a diluted basis differs slightly from the diluted holdings expressed in the Notice of Meeting (90.69%), as this figure contained in the Notice of Meeting assumes the vesting of 1,512,000 performance rights. Given that we do not have a reasonable basis for assuming the performance conditions attached to these rights will be met we have assumed that they will not vest. This does not have a material impact on our analysis of the Glencore Transaction.

## 5.2 Pacific Road Transaction

On 9 September 2015, Aurelia announced it had executed a non-binding funding term sheet in relation to a funding arrangement with Pacific Road. The funding package included two convertible facilities, each providing the Company with $6 million as well as the exclusive right for Pacific Road to underwrite an equity raising of up to $25 million.

On 28 September 2015, the Company announced its execution of definitive documentation with Pacific Road in regards to the funding package.

As a commitment fee for providing the funding package, the Company issued to Pacific Road on 30 November 2015 40 million options exercisable at $0.0125.

The Company is seeking Shareholder approval pursuant to item 7 section 611 of the Corporations Act for Pacific Road to have the ability to exercise the Pacific Road Options.

## Capital Structure

On the assumption that the Glencore Transaction is not approved and the convertible Existing Glencore Facilities are not converted, or alternatively, that all Glencore Facilities are repaid and the Glencore options are not exercised, Pacific Road has the ability to increase its holding up to 31.17% as set out in the table below.

| Capital structure of Aurelia assuming Glencore facilities are not converted and Glencore Options are not exercised | Existing Shareholders | Pacific Road | Glencore | Total |
|---|---|---|---|---|
| Issued Shares as at the date of this Report | 268,625,959 | 93,414,913 | 25,950,316 | 387,991,188 |
| *% holdings as at the date of this Report* | *69.24%* | *24.08%* | *6.69%* | *100.00%* |
| Exercise of Pacific Road Options | - | 40,000,000 | - | 40,000,000 |
| Issued Shares following the Pacific Road Transaction | 268,625,959 | 133,414,913 | 25,950,316 | 427,991,188 |
| *% holdings following the Pacific Road Transaction* | *62.76%* | *31.17%* | *6.06%* | *100%* |

# 6. Profile of Glencore

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Group's operations comprise of over 150 mining and metallurgical sites, oil production assets and agricultural facilities.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing. Glencore also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 181,000 people, including contractors.

Further information regarding Glencore's directors, management, operations and financial position can be found at http://www.glencore.com.

# 7. Profile of Pacific Road

Pacific Road is a Sydney-based private equity manager investing in the global mining industry. Pacific Road provides expansion and buyout capital for mining projects, mining related infrastructure, and mining services located throughout resource-rich regions of the world. The Pacific Road Resources Funds are private equity funds managed or advised by Pacific Road. The Pacific Road Resources Funds invest in mining projects, related infrastructure and services businesses, as a direct investor or joint venture partner.

Pacific Road have teams located in Sydney, Australia, San Francisco, USA, and Vancouver, Canada.

Further information on Pacific Road can be found on its website www.pacroad.com.au

# 8. Economic analysis

## 8.1 Global Overview

Growth of global economic activity remains moderate. In the euro area, economic activity has continued to improve gradually, although activity still remains low. In the United States of America ('USA'), recent data suggest that the slowdown of economic activity at the beginning of year was temporary, with economic growth returning to the pace recorded at the end of 2014.

In China, economic activity, particularly in resource intensive sectors has continued to moderate since the first half of this year. In response, the Chinese government has adjusted various policy settings to provide more support and growth. A more accommodative monetary policy, including reductions in benchmark interest rates and reserve requirement rations, together with the announcement of further approvals for infrastructure investment, should provide some support to growth in coming quarters.

The Japanese economy has recovered since late last year. However, in the rest of east Asia, growth has declined to be slightly below the decade-average in the first half of 2015. The slowdown in economic growth has been driven by a weaker growth in exports within the region, as domestic demand growth remained robust.

Advanced economies have continued to recover while growth in emerging economies has eased over the recent months. Concerns regarding spillovers from developments in Greece have subsided, with focus shifting towards the reaction of financial markets to a potential increase in policy rates by the Federal Reserve. Despite fluctuations in the global financial markets associated with the respective developments in China and Greece, long-term borrowing rates for most sovereigns and creditworthy private borrowers remain low.

Following a sharp and long-lasting fall, oil prices have risen slightly in recent months. This has weakened disinflationary forces in many countries, fuelling an increase in price growth in the euro area. However, price growth in the global economy remains very low, and in some European economies it is still negative. In these conditions, major central banks are keeping interest rates close to zero and the European Central Bank continues with its asset purchase programme.

## 8.2 Australia

In the light of significant structural changes, the Australian economy has continued to grow over the past year, but at a rate somewhat below its longer-term average. Following strong growth in the March quarter, recent data indicates that growth to be in excess of 3% by 2017. The rate of unemployment, though elevated, has had little change recently. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. With very slow growth in labour costs, inflation is forecast to remain consistent with the Reserve Bank of Australia ('RBA') target over the next one to two years, despite a lower exchange rate.

Low interest rates in Australia are acting to support borrowing and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities. The RBA is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates. The Australian Dollar continues to adjust to the significant declines in key commodity prices.

At its most recent meeting, the RBA decided to leave the cash rate unchanged at 2.0%. However, Glenn Stevens has stated that the RBA expects to increase its policy rate in the coming periods.

The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. Further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

## 8.3 Commodities

Uncertainty about the state of the Chinese economy has caused a new increase in commodity price volatility. The price of crude oil has decreased even further following concerns that demand from China would fall. Other commodities such as copper and steel have also experienced a drop in prices.

On the other hand, demand for gold has increased as investors perceive gold as a safe haven asset. Precious metals have also seen a small increase in prices, although demand is subdued from the low levels of inflation globally and speculation of a potential increase in rates by the US Federal Reserve.

Copper prices have declined as a result of weakened Chinese export and industrial figures. The effect of the news of soft industrial production activity in Germany on copper prices was offset by strike action in two Chilean mines owned by Codelco (world's biggest copper producer) which restricted copper supplies.

The strengthening of the US dollar, improvements in the US economy and speculation surrounding a potential increase in US rates by the Federal Reserve were all factors in the decline of gold prices earlier in the year. More recently, gold has benefited from safe-haven demand caused by the devaluation of the Chinese renminbi and concerns surrounding the Asian stock market. Gold traders have also begun to increase their positions as there are thoughts that the current price already reflects a rate hike by the US Federal Reserve, with a further hike being unlikely in the near term.

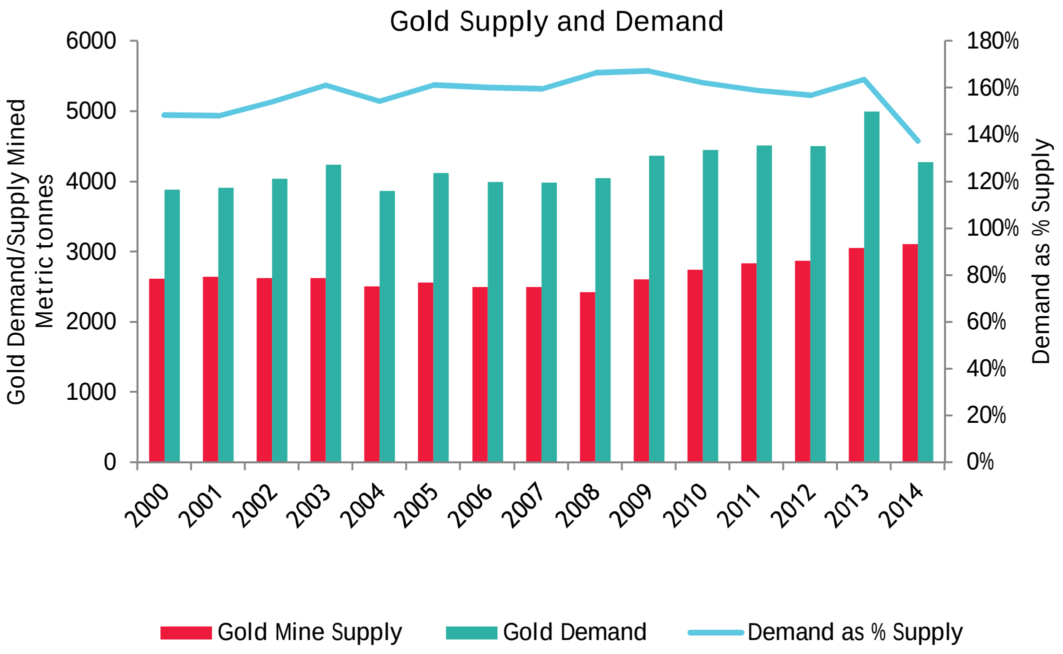
Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 December 2015*

# 9. Industry analysis

## 9.1 Gold

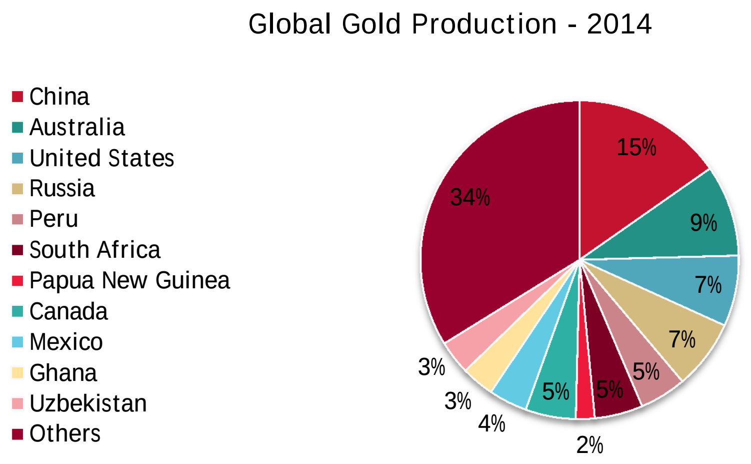
Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

As illustrated in the chart below, gold mine production was approximately 3,114 ounces in 2014 and gold consumption was 4,278 ounces. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased at a CAGR of 4% between 2008 and 2014, but then decreased by 14.6% in 2014. Over the same period, demand as a percentage of supply was on average greater than 150%.




Source: Bloomberg and BDO analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.

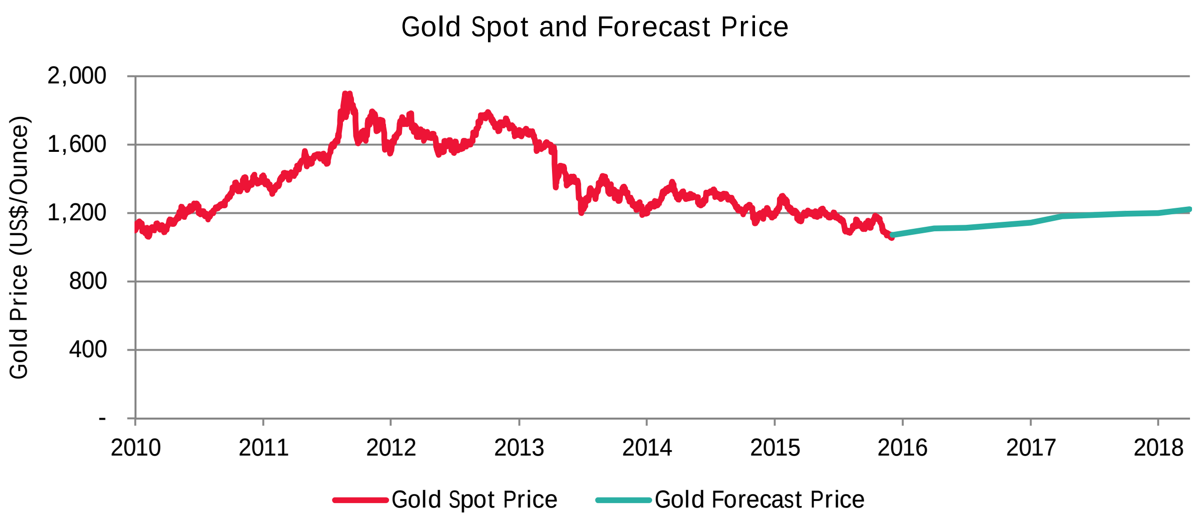



Source: Bloomberg and BDO analysis

## Gold Prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US$1,900 per ounce on September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold.

Prices contracted in December 2011 reaching a low of US$1,545 per ounce followed by a recovery in 2012, reaching US$1,790 per ounce on 4 October 2012 before declining to US$1,675 per ounce on 31 December 2012. Gold prices have modestly declined over 2013 and 2014. More recently, gold prices from January 2015 through to December 2015 have averaged US$1,166 per ounce, ranging from a low of US$1,054 per ounce on 2 December 2015 to a high of US$1,302 per ounce on 22 January 2015.



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US$1,256 per ounce.

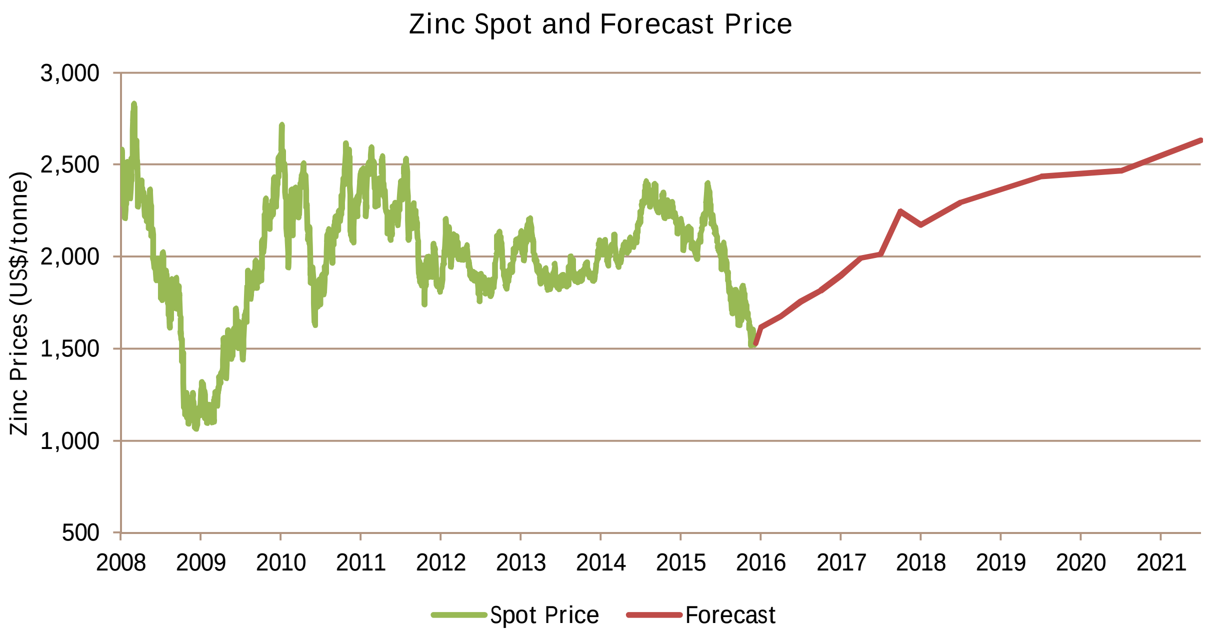
## 9.2 Zinc

Globally, Zinc is the most used metal after iron, aluminium and copper. It is typically found in complex deposits alongside lead and silver. It is an element known for its unique protective capacity given it is resistant to corrosion and as such a substantial portion of zinc is used for galvanising steel. Other uses include the production of zinc alloys e.g. brass from the combination of zinc and copper, and bronze from the combination of zinc and silver. Zinc is also used in chemical forms, for example in the pharmaceutical industry for skin products.

Refined zinc is produced from a two staged process of mining and smelting. The mining process involves extraction from both underground and open pit mines, producing a zinc ore typically containing approximately 5% to 15% zinc. This ore is then crushed and ground to produce a zinc concentrate that contains approximately 55% zinc. The zinc concentrate is then put through a smelting process to produce refined zinc metal.

### Zinc Prices

As a result of the demand drivers, the price of zinc has closely followed global economic conditions. Following the global financial crisis the price of zinc decreased significantly from the approximately US$2,800 per tonne in early 2008, to a low of approximately US$1,000 per tonne in late 2008. Since the global financial crisis, the price of zinc has recovered and more recently, zinc prices from January 2015 through to December 2015 have averaged US$1,964 per tonne, ranging from a low of US$1,517 per tonne on 18 November 2015 to a high of US$2,401 per tonne on 5 May 2015. According to Consensus Economics the long term forecast zinc price is approximately US$2,600 per tonne. The figure below illustrates the historical fluctuations in the zinc spot prices from January 2008 to December 2015 and the Consensus forecasts for zinc prices through to 2021. The price of zinc is forecast to increase on the back of continued growth in demand from China, supported by ongoing public sector spending on infrastructure and the production of manufactured goods for local Chinese consumption and export. Infrastructure spending is particularly important given the main use of zinc is as an anti-corrosive coating for steel. Demand is also likely to increase from other developing economies such as India and Japan.

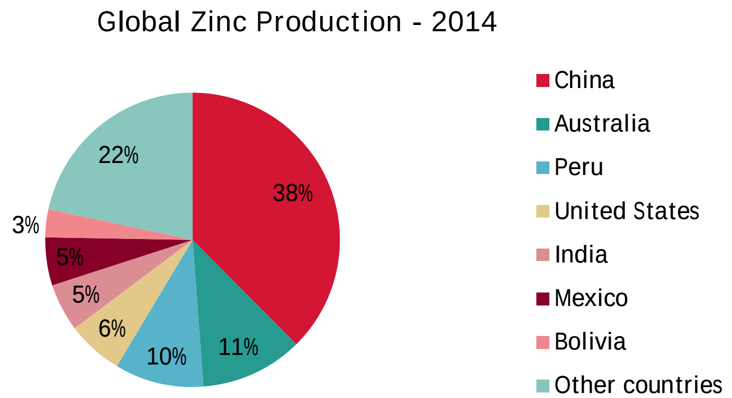



Source: Bloomberg, Consensus Economics and BDO Analysis

## Production and Usage

China accounts for over 40% of the global demand for refined zinc, with demand expected to continue to grow, supported by ongoing public sector spending on infrastructure and the production of manufactured goods. Other large consumers include India given their continuing economic development and Japan due to the continued rebuilding in the wake of the March 2011 earthquake and tsunami.

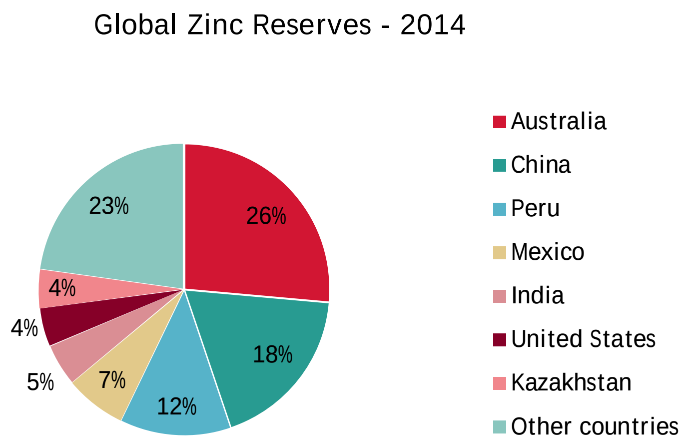
Total world production is estimated to have decreased in 2014, to approximately 13.3 million tonnes down from 13.4 million tonnes. In Australia, estimated production for 2014 was 1.5 million tonnes making it the second largest producer. This is reflected in the figure below, which provides a breakdown of total estimated world production by country in 2014.




Source: U.S. Geological Survey

Zinc production in Australia is forecast to reach 3.4 million tonnes by 2019/20. The moderate growth in the production of zinc reflects the closure of some operations offset by expansions of existing mines and new mines. For example, Glencore Xstrata's output from its McArthur River mine and Mount Isa mine is expected to increase following significant expansions of the projects. The increasing production as well as increasing zinc prices is expected to result in higher revenues for the industry.

Australia has the world's largest deposits for zinc, with a substantial portion of zinc reserves located in Queensland. The Australian zinc industry is also highly concentrated in terms of market share with the three largest companies, BHP Billiton Limited, Glencore Xstrata and Minerals and Metals Group Limited accounting for the majority of the market share. The figure below outlines global zinc reserves by country for 2014.




Source: U.S. Geological Survey

In Australia, given the global demand determinants and forecasted production increases, industry revenues are estimated to increase by a CAGR of approximately 1.75% through to 2019-20. Combined with the lead and silver industries which are closely tied with zinc mining, in Australia the industries are collectively expected to increase revenue to approximately $5.47 billion by 2019-20, up from industry revenue of $5.01 billion in 2014-15.

## 9.3 Copper

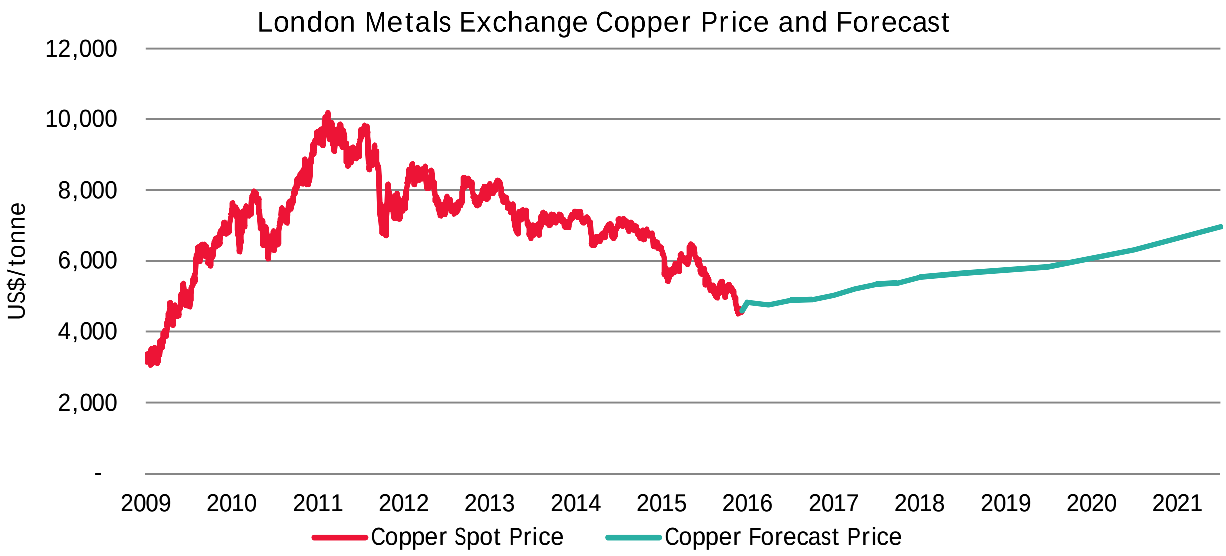
Copper is a soft, malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphone ore from which it is converted to copper metal.

The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits, copper is mined in very low concentrations and consequently is a volume intensive process. For this reason, open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

## Copper Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. As with most commodities, prices fell during the global financial crisis. Prices have since overtaken the increases which occurred in prior to the financial crisis, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US$10,000 per tonne in February 2011. Since that peak, prices have shown a downward trend to a low of US$7,283 per tonne in 2012, US$6,638 per tonne in 2013 and US$6,361 per tonne in 2014.

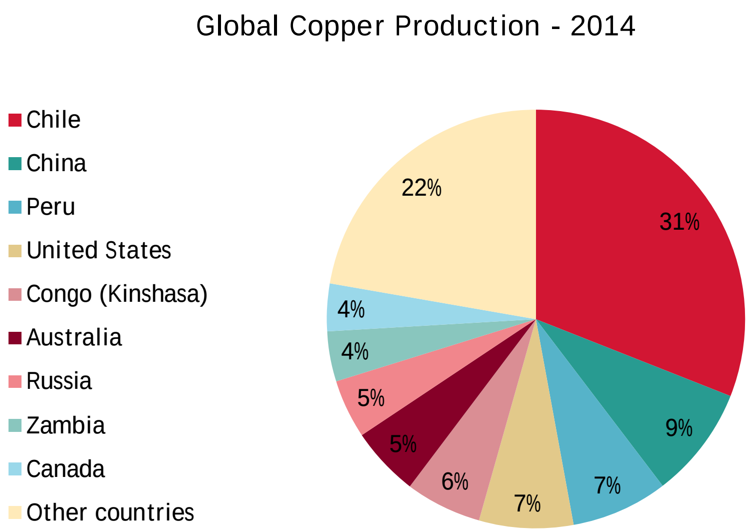
The average copper price from January 2015 through to December 2015 has been US$5,556 per tonne, ranging from a low of US$4,513 per tonne on 23 November 2015 to a high of US$6,482 per tonne on 5 May 2015. Looking forward, the recovering global economy is expected to support copper prices through growth in world usage resulting in an increase in demand. The consensus view is for copper prices to increase in the medium to long term.




Source: Bloomberg and BDO analysis

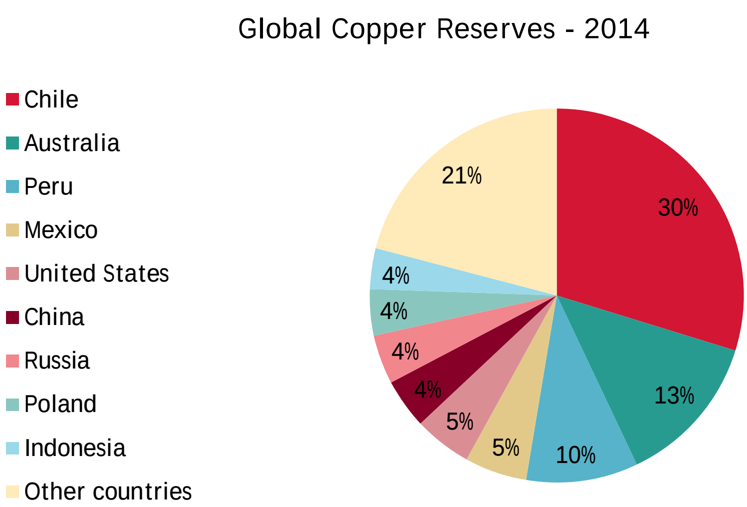
## Copper Production

Most of the world's copper comes from South and Central America, particularly in Chile and Peru. In 2014, Chile, China and Peru accounted for around 50% of the world's copper production. Although Australia has substantive reserves of copper, in terms of production, Australia only accounted for 5% in 2014. The graph below shows the split between the different country's estimated productions for the year 2014.




Source: U.S. Geological Survey

As at 2014, Chile, Australia and Peru are collectively estimated to account for just over 50% of global reserves of copper. A figure illustrating a country breakdown of reserves for 2014 is shown below:




Source: U.S. Geological Survey

The dominant consumers include China, Japan, India and South Korea. China acquires approximately 3% of the Australian copper exports given the demand influenced by the above average growth of urbanisation and energy use. Japan accounts for approximately 25%, and commonly utilises copper concentrate for further processing into final copper goods. Australian copper exports are expected to increase by 1.3% to grow at a CAGR of 1.53% through to 2019-20.

As a result of the forecasted price increases, the Australian copper industry revenue is expected to grow with a CAGR of 1.4% over the five years through to 2019-20, or up to $7 billion. Over the short to medium term, the industry revenue is forecast to grow by 5.2% in 2015/16 as mine construction and expansion activities continue to increase.

## 9.4 Lead

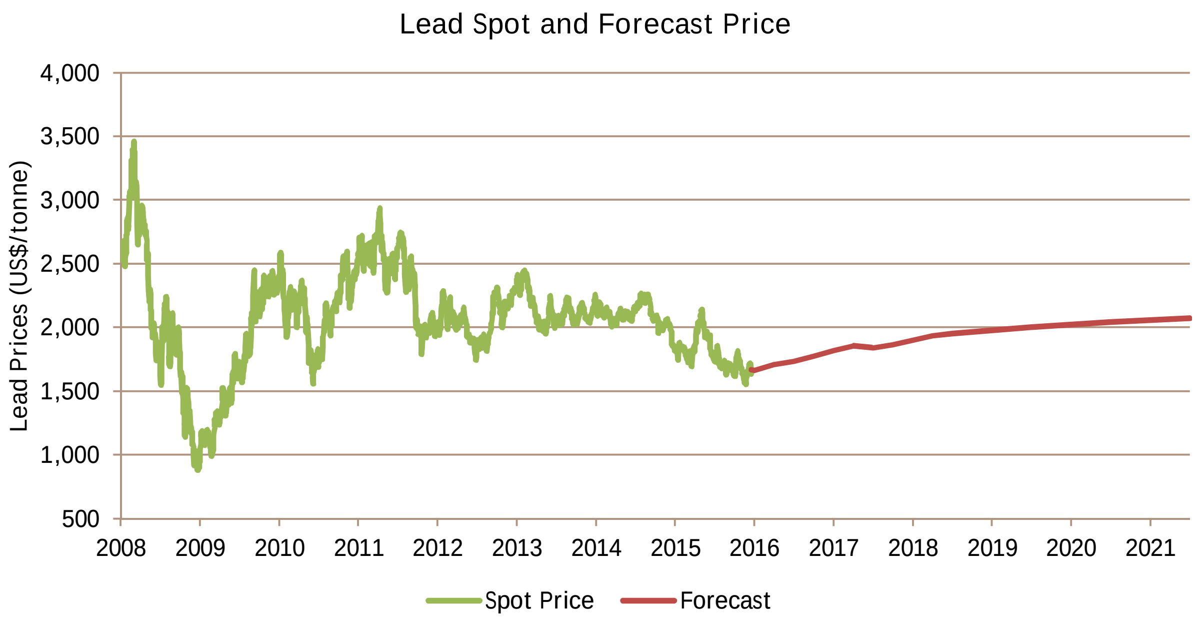
Lead is a dense, ductile, very soft, highly malleable, bluish-white metal. It is highly resistant to corrosion and because of this property is used to contain corrosive liquids. Lead's malleability and ease of smelting accounted for its early use in pipes and lead sheeting for construction purposes. Most lead today is used in batteries for motor vehicles and in communications. The use of lead as a petrol additive has declined significantly over recent years following the introduction of lead-free petrol.

Lead is usually found in ore with zinc, silver and copper and is extracted as a co-product of these metals. The main lead mineral is galena which contains 86.6% lead. Other common varieties include cerussite and angelsite, which commonly occur in the near surface weathered and oxidised zone of a lead orebody.

### Lead Prices

Demand for lead is expected to grow over the five years through 2019-20, as demand for battery operated products such as cars, music devices and recorders continues to increase.  The demand for batteries is driven from the increased emphasis placed on the reduction of greenhouse gas emission, which will boost the production of electric and electric-petrol hybrid cars.

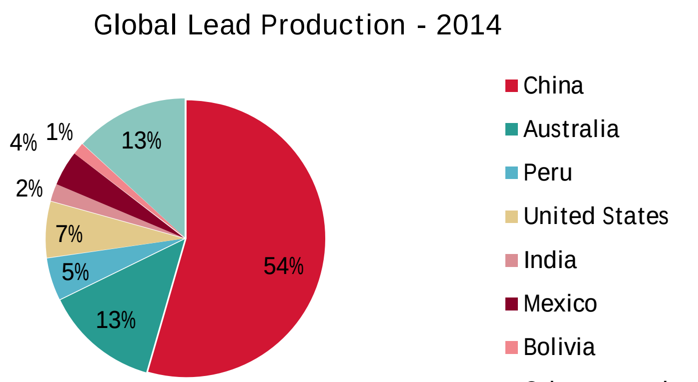
Following the global financial crisis the price of lead decreased significantly, reaching a low of approximately US$880 per tonne on 22 December 2008. Since the global financial crisis, the price of lead has recovered and more recently, lead prices from January 2015 through to December 2015 have averaged US$1,784 per tonne, ranging from a low of US$1,555 per tonne on 23 November 2015 to a high of US$2,140 per tonne on 5 May 2015. According to Consensus Economics the forecast lead price in 2018 is approximately US1,953 per tonne and is forecast to increase to approximately US$2,072 by 2021. The figure below illustrates the historical fluctuations in the lead spot prices from January 2008 to October 2015 and the Consensus forecasts for zinc prices through to the end of 2021.




Source: Bloomberg, Consensus Economics and BDO Analysis

## Production and Usage

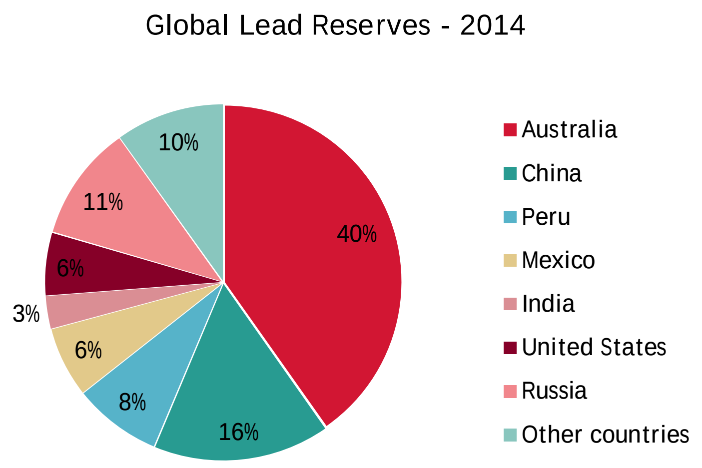
Total world production is estimated to have decreased in 2014, to approximately 5.46 million tonnes down from 5.49 million tonnes in 2013. In Australia, estimated production for 2014 was 0.72 million tonnes making it the second largest producer, following China whose estimated production for 2014 was 2.9 million tonnes. This is reflected in the figure below, which provides a breakdown of total estimated world production by country in 2014.




Source: U.S. Geological Survey

Australia is the world's largest exporter of lead, with the majority of lead production exported as lead bullion to the United Kingdom and South Korea. Lead in ores and concentrates is mostly exported to Japan where further processing is undertaken. Refined lead is exported to Taiwan, South Korea, Indonesia, India and Malaysia.

Australia also has the world's largest economic lead resources because of the development of the large, world-class zinc-lead-silver deposits at McArthur River, Cannington and Century. Globally, China and Russia also have substantive portions of Lead reserves. The figure below outlines global Lead reserves by country for 2014.




Source: U.S. Geological Survey

In Australia, given the global demand determinants and forecasted production increases, industry revenues are estimated to increase by a CAGR of approximately 1.75% through to 2019-20. Combined with the zinc and silver industries which are closely tied with lead mining, in Australia the industries are collectively expected to increase revenue to approximately $5.47 billion by 2019-20, up from industry revenue of $5.01 billion in 2014-15.

# 10. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment, such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('Sum-of-Parts') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above.

The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of each individual company's assets and liabilities.

## 10.1 Valuation of an Aurelia share prior to the Transactions

In our assessment of the value of an Aurelia share prior to the Transactions, we have considered the following methodologies:

- Sum-of-Parts method as our primary approach; and
- QMP as our secondary approach.

### Sum-of-Parts

We have employed the Sum-of-Parts method in estimating the fair market value of Aurelia by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- value of Aurelia's interest in the Project (applying the DCF method);
- value of Aurelia's additional resources that have not been included in the life of mine of the Project and other exploration assets (relying on the valuation carried out by the independent technical expert);
- value of other assets and liabilities of Aurelia (applying the cost approach under the NAV method).

We have chosen the Sum-of-Parts method (including a DCF method) as our primary valuation methodology for the following reasons:

- as Aurelia's core asset is the Project, the Company's value is primarily derived from the future cash flows from this project;
- cash flows from Hera have a finite life, may vary substantially from year to year and can be reasonably estimated, rendering it suitable for a DCF valuation;

- the life of mine of Hera has been prepared based on ore resources identified by Aurelia and verified by CSA. Therefore, the DCF method is appropriate in valuing the Project's life of mine;
- other component parts such as other assets and liabilities of Aurelia are valued using the NAV method.

### Independent Technical Expert

In performing our valuation of the Project using the DCF method, we have relied on the Technical assessment report prepared by CSA based on CSA's review of the technical project assumptions contained in the cash flow models of the Project.

CSA has also independently valued Aurelia's mineral resources that have not been included in the life of mine of the Project.

CSA's Technical Assessment and Valuation Report is prepared in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert's Reports ('the Valmin Code') and is shown in Appendix Four.

### Other methodologies considered

We have considered the QMP methodology as our secondary approach. The QMP basis is a relevant methodology to consider because Aurelia's shares are listed on the ASX. This means there is a regulated and observable market where Aurelia's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to Aurelia's activities.

## 10.2 Valuation of an Aurelia share following the Transactions

In our assessment of the value of Aurelia's shares following the Transactions, we have adopted the Sum-of-Parts methodology.

We have employed the Sum-of-Parts method in estimating the fair market value of Aurelia by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- value of Aurelia's interest in the Project (applying the DCF method);
- value of Aurelia's additional resources that have not been included in the life of mine of the Project and other exploration assets (reliance on the valuation carried out by the independent technical expert);
- value of other assets and liabilities of Aurelia (applying the cost approach under the NAV method);and
- in considering the Glencore Transaction the conversion of the convertible Glencore facilities and in considering the Pacific Road Transaction the exercise of the Pacific Road Options.

In performing our valuation of the Project using the DCF method, we have relied on the Technical Assessment and Valuation Report based on CSA's review of the technical project assumptions contained in the cash flow models of the Project.

# 11. Valuation of Aurelia prior to the Glencore Transaction

## 11.1 Sum-of-Parts valuation of Aurelia

The value of Aurelia's assets on a going concern basis is reflected in our valuation below:

| Sum of parts valuation prior to the Glencore Transaction | Ref | Audited as at 30-Jun-15 $ | Low $ | Preferred $ | High $ |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 11.1.1 | 4,847,638 | 11,182,614 | 11,182,614 | 11,182,614 |
| Trade and other receivables | 11.1.2 | 6,184,999 | 1,406,941 | 1,406,941 | 1,406,941 |
| Inventories | 11.1.3 | 2,692,563 | - | - | - |
| Prepayments | | 145,234 | 145,234 | 145,234 | 145,234 |
| TOTAL CURRENT ASSETS | | 13,870,434 | 12,734,789 | 12,734,789 | 12,734,789 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 11.1.4 | 57,459,043 | - | - | - |
| Financial assets | | 272,800 | 272,800 | 272,800 | 272,800 |
| Exploration and evaluation | 11.1.5 | 116,000 | 9,260,000 | 13,680,000 | 21,230,000 |
| Mine properties | 11.1.6 | 33,306,747 | 57,000,000 | 69,000,000 | 84,000,000 |
| TOTAL NON-CURRENT ASSETS | | 91,154,590 | 66,532,800 | 82,952,800 | 105,502,800 |
| TOTAL ASSETS | | 105,025,024 | 79,267,589 | 95,687,589 | 118,237,589 |
| | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 11.1.7 | 16,394,713 | 10,577,926 | 10,577,926 | 10,577,926 |
| Borrowings | 11.1.8 | 22,737,009 | 324,169 | 324,169 | 324,169 |
| Provisions | 11.1.9 | 1,885,698 | 503,466 | 503,466 | 503,466 |
| TOTAL CURRENT LIABILITIES | | 41,017,420 | 11,405,561 | 11,405,561 | 11,405,561 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 11.1.10 | 91,914,752 | 125,816,178 | 125,816,178 | 125,816,178 |
| Provisions | 11.1.11 | 7,856,432 | 1,555,419 | 1,555,419 | 1,555,419 |
| TOTAL NON-CURRENT LIABILITIES | | 99,771,184 | 127,371,597 | 127,371,597 | 127,371,597 |
| TOTAL LIABILITIES | | 140,788,604 | 138,777,158 | 138,777,158 | 138,777,158 |
| NET ASSETS | | (35,763,580) | (59,509,569) | (43,089,569) | (20,539,569) |
| Number of shares outstanding | 11.1.12 | | 387,991,188 | 387,991,188 | 387,991,188 |
| Value per share ($) | | | - | - | - |

Source: BDO analysis

Other than the items detailed below, we have been advised that there has not been a significant change in the net assets of Aurelia since 30 June 2015. We have verified the movements in the material balances between 30 June 2015 and 30 November 2015, being our valuation date.

The table above indicates that the net asset value of an Aurelia share prior to the Glencore Transaction is nil.

The following adjustments were made to the net assets of Aurelia as at 30 June 2015 in arriving at our valuation.

### 11.1.1 Cash and cash equivalents

Cash and cash equivalents increased from $4,847,638 at 30 June 2015 to $11,182,614 at 30 November 2015. The increase in cash was primarily a result of the initial $5 million drawdown of the Additional Glencore Converting Loan on 26 November 2015. This is reflected in an increase in borrowings (11.1.10). The Company's receipts from product sales for the period were mainly offset by exploration and development costs, production costs and administration costs.

### 11.1.2 Trade and other receivables

Trade and other receivables have decreased from $6,184,999 at 30 June 2015 to $1,406,941 at 30 November 2015 mainly on account of receipts of product sales from Glencore.

### 11.1.3 Inventories

We have removed the balance of inventories as this is captured in our DCF valuation of the Project included under Mine properties in section 11.1.6. Inventories include materials on hand, ore stockpiles, metal in circuit, finished concentrate and finished gold dore.

### 11.1.4 Property, plant and equipment

The value of property, plant and equipment is included in the value of mine properties as an acquirer of the Project would require the plant and equipment in order to realise the value of the Project. As outlined in 11.1.6, we have assumed the plant and equipment will have a residual value of approximately 30% of its cost. This assumption has been verified by CSA. Given the inclusion of the plant and equipment in the DCF value of the mine properties, we have adjusted property, plant and equipment to nil in our Sum-of-Parts valuation.

### 11.1.5 Exploration and evaluation

We instructed CSA to provide an independent market valuation of the exploration assets held by Aurelia which are not included in the Model. CSA considered a number of different valuation methods when valuing these assets. In particular, they applied the MEE, Comparable Transaction and Yardstick methods in valuing the assets. The MEE method is discussed in Appendix 2. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the pre-feasibility stage of development for Aurelia's exploration assets. The Yardstick approach is a method whereby the valuer applies a discount to the assessed in-situ value of the resources. The assessed discount is based on a risk assessment of the assigned JORC Code's resource category, the commodity's likely extraction and treatment costs and the availability/proximity of transport and other infrastructure. It is typically used as a cross check to the other methods discussed above.

The range of values for each of Aurelia's exploration assets and mineral resources not included in the Model and the methodologies used by CSA are set out below:

| Exploration and evaluation | Methodology | Low $m | Preferred $m | High $m |
|---|---|---|---|---|
| Exploration areas | | | | |
| Hera Exploration Ground | Comparable transactions & MEE method | 0.50 | 1.00 | 1.50 |
| Nymagee Exploration Ground | Comparable transactions & MEE method | 0.10 | 0.50 | 2.00 |
| Kadungle | Comparable transactions & MEE method | 0.18 | 0.20 | 0.25 |
| Doradilla | Comparable transactions & MEE method | 0.30 | 0.45 | 0.60 |
| Baldry | Comparable transactions & MEE method | 0.15 | 0.20 | 0.25 |
| Tallebung | Comparable transactions & MEE method | 0.20 | 0.23 | 0.26 |
| Box Creek | Comparable transactions & MEE method | 0.60 | 0.80 | 1.00 |
| Barrow | Comparable transactions & MEE method | 0.20 | 0.25 | 0.30 |
| Lyell | Comparable transactions & MEE method | 0.03 | 0.05 | 0.07 |
| Total value of exploration areas | | 2.26 | 3.68 | 6.23 |
| Mineral Resource | | | | |
| Nymagee Mineral Resources | Comparable transactions &Yardstick method | 7.00 | 10.00 | 15.00 |
| Total Exploration and evaluation assets | | 9.26 | 13.68 | 21.23 |

Source: Independent Valuation and Technical Report prepared by CSA

The table above indicates a range of values between $9.26 million and $21.23 million with a preferred value of $13.68 million.

### 11.1.6 Mine properties

The value of mine properties relates to the Hera Project, which we have valued using the DCF methodology.

The management of Aurelia has prepared a detailed cash flow model for the Project (‘the Model’). The Model depicts forecasts of real, pre-tax cash flows over the life of mine on a monthly basis. We have presented the monthly cash flows annually on a financial year end basis. We have reviewed the Model and the material assumptions that underpin it.

BDO has made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model (‘the Adjusted Model’). In particular, we have adjusted the following:

- Converted real pre-tax cash flows to nominal post-tax cash flows;
- The starting point of the Model from 1 July 2015 to 1 December 2015;
- Commodity prices and other economic assumptions;
- Included a residual value of property, plant and equipment;
- Included additional capital expenditure required to accommodate the increase in gold recovery from 70% to 85%; and
- Technical and geological inputs on advice from CSA.

The Model was prepared based on the estimated production profile, operating costs and capital expenditure over the remaining life of mine. The main assumptions underlying the Adjusted Model include:

- Gold, lead, zinc, copper and silver prices;
- Mining and production volumes;
- Mining and maintenance costs;
- Capital expenditure;
- Foreign exchange rates;
- Royalties;
- Inflation rates; and
- Discount rate.

We undertook the following analysis on the Model:

- analysed the Model to confirm its integrity and mathematical accuracy;
- appointed CSA as technical expert to review, and where required, provide changes to the technical assumptions underpinning the Model;
- conducted independent research on certain economic and other inputs such as commodity prices, inflation and discount rate applicable to the future cash flows of the Project;
- held discussions with Aurelia's management regarding the preparation of the forecasts in the Model and its views;
- held discussions with CSA regarding the processing included in the Model;
- performed a sensitivity analysis on the value of the Project as a result of flexing selected assumptions and inputs; and
- Incorporated the above analysis into the preparation of the Adjusted Model.

We engaged CSA to prepare a report providing a technical assessment of the project assumptions underlying the Model. CSA's assessment involved the review and provision of input on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- mining physicals (including volume mined, recovery and grade);
- processing assumptions (including products and recovery, scheduling and plant utilization);
- operating costs (comprising direct operating expenditure and certain fixed costs);
- capital expenditure (development and sustaining capital required); and
- other relevant assumptions.

Based on CSA's report, we highlight the following points in relation to the Model;

- Mineral resource estimates have been prepared using appropriate methodologies;
- The ore reserves are reasonable and the parameters and modifying factors used are appropriate;
- The mining physicals have been established through appropriate methods and reflect a reasonable reflection of expected performance;
- The provision for underground waste generation is not sufficient to meet the backfill requirements. On CSA's advice we have included an adjustment in the Adjusted Model to reflect this;

- Ore processed, gold recovery, lead recovery, zinc grade, zinc recovery, gold produced and lead produced assumptions are considered reasonable. The mill utilisation in the Model is considered reasonable, which serves as a proxy for both utilisation and availability;
- The operating costs are considered reasonable;
- The costs associated with on-site power generation, staff costs and other indirect costs appear reasonable; and
- The cost rates applied to the capital expenditure requirements of the Project appear reasonable.

A copy of CSA's Technical Assessment and Valuation Report is included in Appendix Four.

We have not undertaken a review of the cash flow forecasts in accordance with Australian Auditing Standard AUS 804 'The Audit of Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Model has been based have not been prepared on a reasonable basis.

## Economic Assumptions

### Foreign exchange rate

All commodity prices are stated in US Dollars, with the cash flows in the Adjusted Model presented in Australian Dollars. Therefore, commodity prices have been converted at the following forecast exchange rates sourced from Bloomberg.

| Foreign Exchange Rate | 2016 | 2017 | 2018 | 2019 | 2020 | 2021+ |
|---|---|---|---|---|---|---|
| AUD/USD | 0.69 | 0.70 | 0.75 | 0.76 | 0.82 | 0.82 |

Source: Bloomberg

### Inflation

The Model depicts forecast real cash flows, however we have converted the model to nominal terms. The cash flows included in the Model are stated in real terms, therefore we have applied inflation to the operating and capital costs in order to convert them from real to nominal terms.

The Adjusted Model incorporates a rate of inflation of 2.5% based on the consensus forecast of the Australian rate of inflation. This inflation forecast is in line with the RBA's inflation target of 2%-3%.

## Tax

As at 30 June 2015 the Company had a carry forward tax loss position of $77,432,743. The Adjusted Model takes into consideration tax losses available to Aurelia and a corporate tax rate of 30%. After utilising carry forward tax losses, the Company is forecast to begin paying tax on the Project in 2020. The forecast total tax payable by Aurelia in the Adjusted Model is $12,288,524.

## Depreciation

The Model does not include depreciation. We consider the most appropriate method of depreciation to be applied to the Project is the Units of Production method ('UOP'), which we have used in the Adjusted Model. UOP apportions depreciation over the useful life of an asset based on the total number of units expected to be produced by the asset. Depreciation is a book entry and does not impact directly on the cash flows of the Company, however depreciation gives rise to a tax shield and therefore needs to be considered when forecasting the post-tax cash flows of the Project. We have depreciated the plant and equipment on hand at 30 November 2015 and any subsequent capital expenditure on an annual basis with the estimated depreciation charge and units of production set out below:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Units of production (%) | 9.4% | 18.1% | 26.3% | 41.4% | 70.5% | 100.0% |
| Depreciation ($) | 3,825,883 | 8,859,251 | 17,425,234 | 23,443,049 | 25,744,308 | 11,210,562 |

Source: Adjusted Model, BDO analysis

We note that CSA has confirmed that a residual value for the plant and equipment of approximately $22 million would be reasonable, which we have accounted for in our assessment of depreciation.

## Residual Value of Plant and Equipment

We have included a residual value of the plant and equipment used for the Project in the Adjusted Model. CSA advise that plant and equipment of this nature would typically have a residual value of up to 30% of its cost at the end of the life of mine. We have used the top end of this range when assessing the residual value of Aurelia's plant and equipment on the basis that the life of mine is short with production forecast to cease in June 2020. We note that this assumption is dependent on the market for such assets at the time of disposal, however CSA confirm that there is a reasonable basis for making this assumption. We have therefore assessed the residual value of Aurelia's property, plant and equipment to be approximately $22 million.

## Mining Physicals

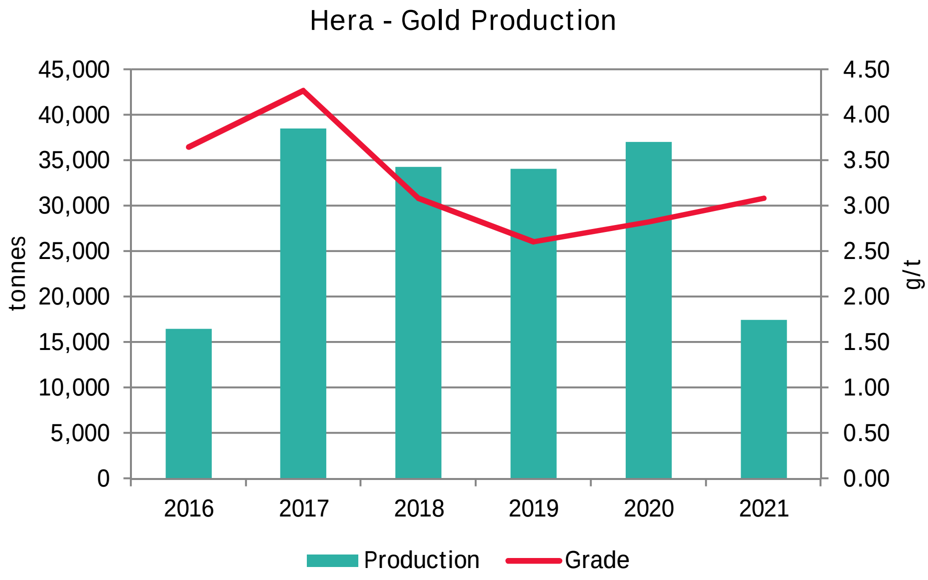
The Adjusted Hera Model assumes the following annual average grades:

| Grade | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Gold (g/t) | 3.65 | 4.27 | 3.09 | 2.60 | 2.82 | 3.08 |
| Silver (g/t) | 11.45 | 16.28 | 34.62 | 54.96 | 41.15 | 46.03 |
| Lead (%) | 2.01% | 2.94% | 3.44% | 3.91% | 3.65% | 3.76% |
| Zinc (%) | 1.90% | 3.58% | 4.31% | 5.36% | 4.88% | 4.75% |

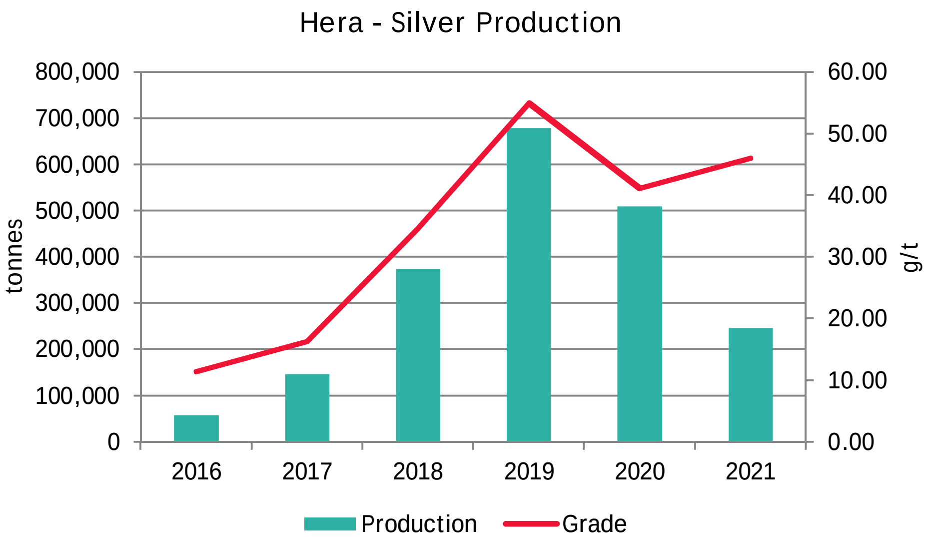
Source: Adjusted Model, BDO analysis

CSA concluded that due to the nature of gold mining there may be some variation in monthly and quarterly grades but on average the annual grades presented above are reasonable.

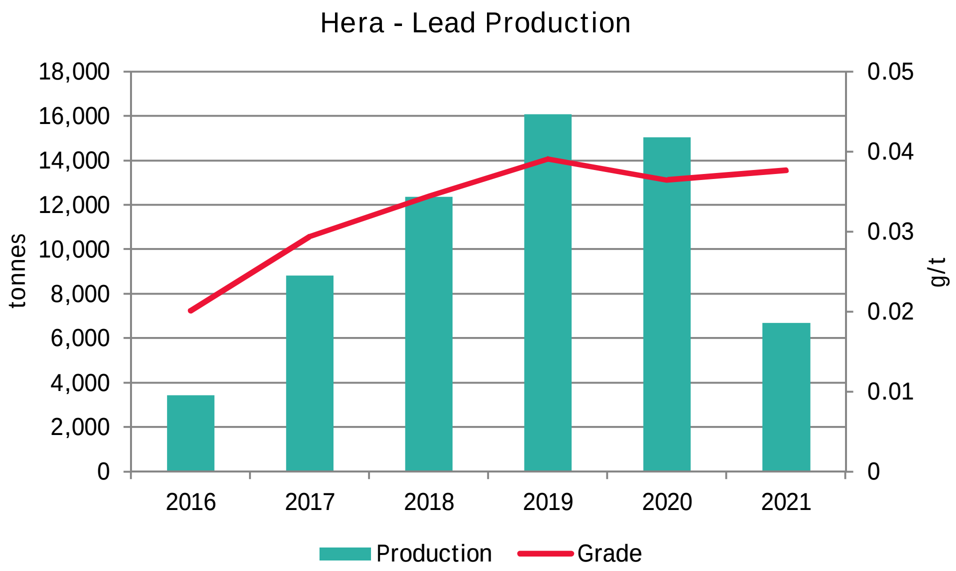
Given the mining and milling assumptions detailed above, the Adjusted Model generates the following production profiles for gold, silver, lead and zinc, which have been verified by CSA:



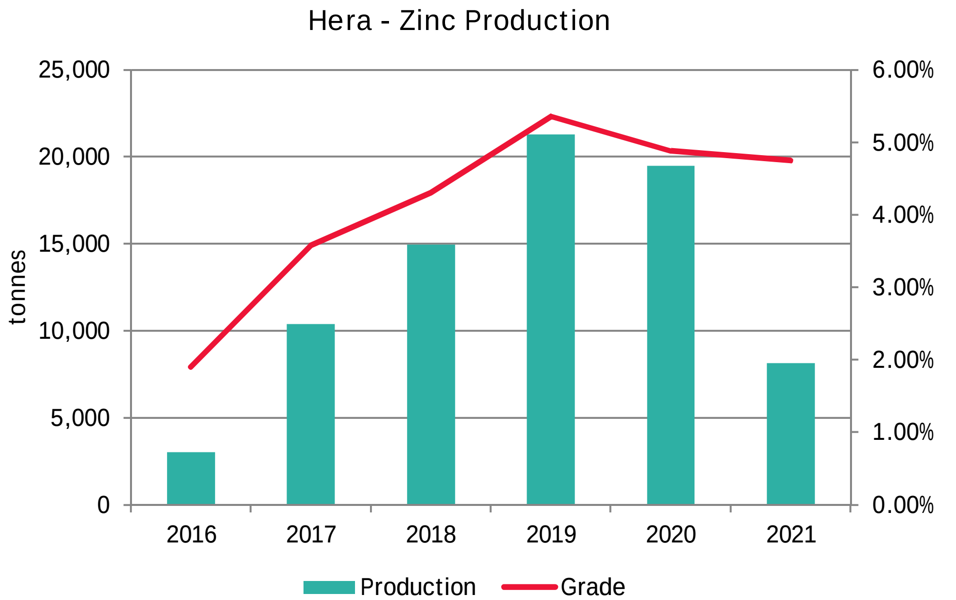

Source: Adjusted Model, BDO analysis




Source: Adjusted Model, BDO analysis




Source: Adjusted Model, BDO analysis




Source: Adjusted Model, BDO analysis

Further detail on the mining physicals of the Project can be found in CSA's Technical Specialist Report in Appendix Four.

## Revenue Assumptions

Revenue has been estimated as the product of annual saleable output and the forecast prices. The Adjusted Model has been based on forecast prices and exchange rates. Since commodity prices are quoted in US Dollars, the values are then converted to Australian Dollars.

We adopted forecast prices having considered:

- Historical spot and forward prices; and
- Consensus Economics price forecasts.

The commodity prices that underpin the Adjusted Model are summarised in the table below (in nominal terms):

| Commodity | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Gold US$/oz | 1,107 | 1,160 | 1,207 | 1,234 | 1,246 | 1,256 | 1,256 | 1,256 | 1,256 |
| Silver US$/oz | 14.75 | 15.94 | 17.29 | 18.34 | 18.81 | 19.41 | 19.41 | 19.41 | 19.41 |
| Lead US$/t | 1,703 | 1,823 | 1,901 | 2,002 | 2,041 | 2,072 | 2,072 | 2,072 | 2,072 |
| Zinc US$/t | 1,683 | 1,931 | 2,200 | 2,435 | 2,467 | 2,634 | 2,634 | 2,634 | 2,634 |

Source: Consensus Economics, BDO analysis

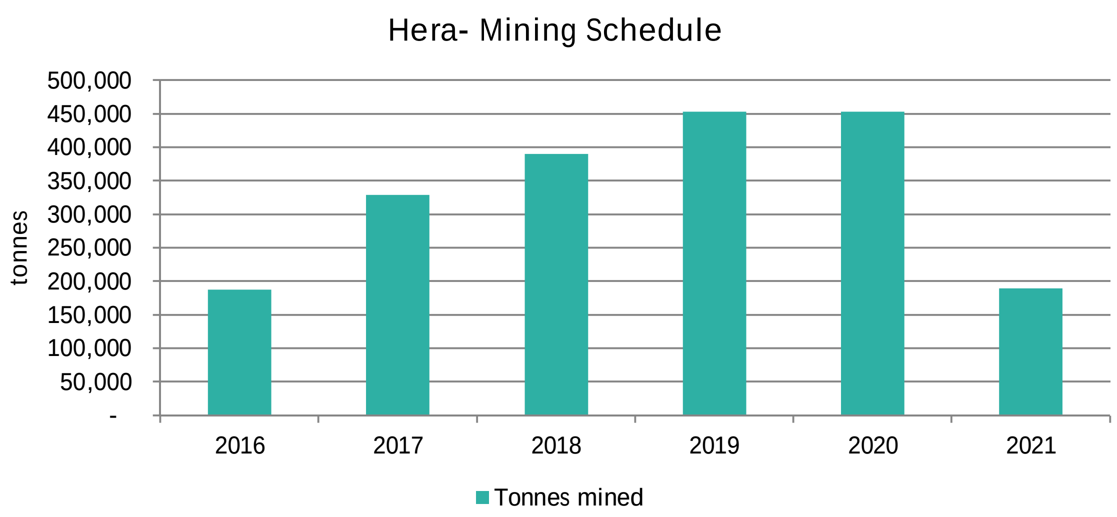
Based on the above forecast commodity prices and the mining physicals verified by CSA, the revenue breakdown for the Project is as follows.

| Gross Revenue | 2016 $m | 2017 $m | 2018 $m | 2019 $m | 2020 $m | 2021 $m |
|---|---|---|---|---|---|---|
| Dore revenue | 26.24 | 63.67 | 58.00 | 58.82 | 61.17 | 27.83 |
| Concentrate Revenue | | | | | | |
| Lead | 6.61 | 18.65 | 30.24 | 34.53 | 34.28 | 16.95 |
| Zinc | 4.68 | 17.74 | 33.87 | 45.96 | 46.42 | 20.91 |
| Silver | 0.11 | 0.19 | 3.14 | 7.05 | 4.92 | 2.76 |
| Total | 37.64 | 100.25 | 125.25 | 146.36 | 146.79 | 68.45 |

Source: Adjusted Model, BDO analysis

## Mining Schedule

The Adjusted Model reflects the mining schedule depicted in the graph below.

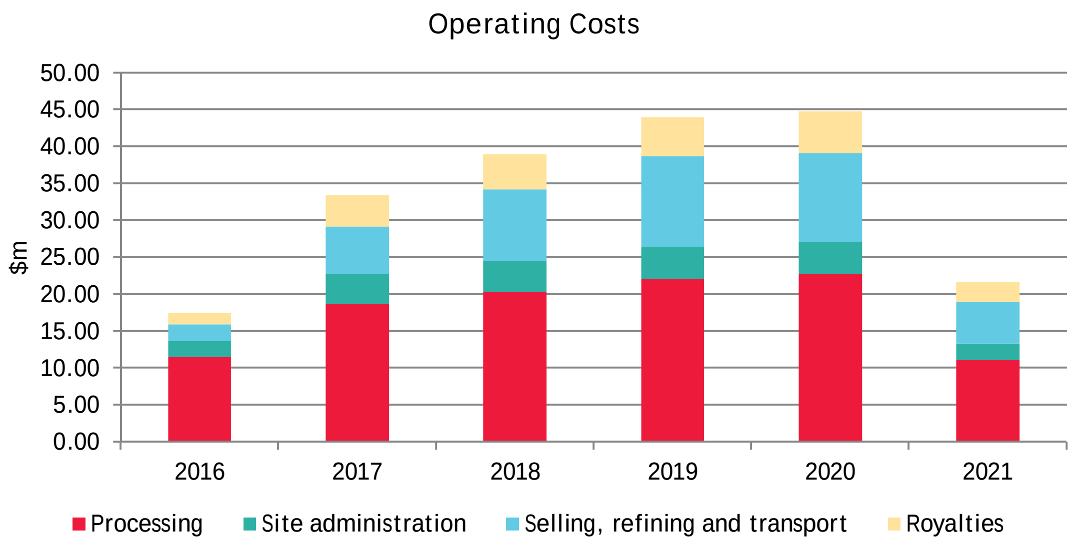



Source: Adjusted Model, BDO analysis

We note that the above mining schedule is from the commencement of the Adjusted Model, being 1 December 2015. The mine is forecast to cease production in June 2021.

## Operating Cost Assumptions

The following chart outlines the total forecast operating cost and the breakdown of these costs over the life of mine. It indicates that a majority of the operating costs forecast to be incurred relate to processing costs. We note that in the Adjusted Model (and below) we have presented the costs on a nominal basis by applying an inflation rate of 2.5% to the real costs depicted in the Model.




Source: Adjusted Model, BDO analysis

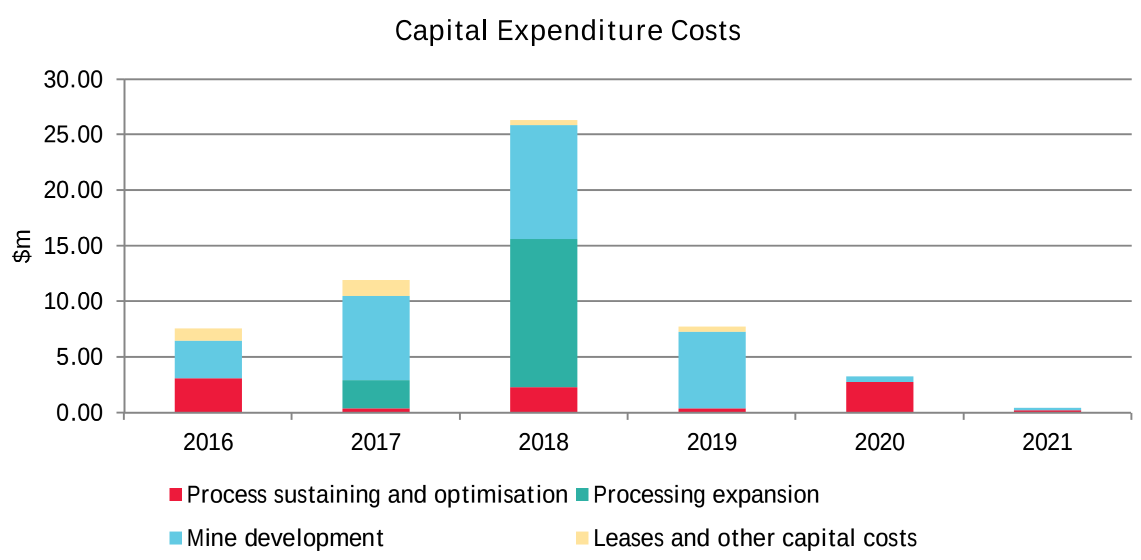
CSA has reviewed the above operating costs and consider them reasonable.

### Royalties

Aurelia is liable to pay a royalty to the New South Wales State Government of 4% of total gross revenue, less transport, treatment and refining charges, administration maintenance and production costs, capital deductions and depreciation deductions. The Company is also required to pay a royalty of 4.5% of gravity gold revenue.

## Capital Expenditure Assumptions

The breakdown of the capital expenditure requirements over the life of mine is set out in the chart below.



We have presented the forecast capital expenditure requirements for the Project in nominal terms. CSA has reviewed the above forecast capital expenditure and consider them reasonable. A majority of the forecast capital expenditure relates to the 450,000 tonnes per annum expansion. Additional information on the expansion can be found in CSA's report in Appendix 4.

## Rehabilitation Provision

The present value of rehabilitation costs are included in our Sum-of-Parts valuation under provisions. As such, rehabilitation costs are not provided for in the Adjusted Model.

## Discount Rate

We have selected a nominal after tax discount rate of 11% to discount the forecast cash flows to their present value in our base case. We note that the inputs behind the discount rate assessment for the pre-Transaction valuation differs slightly from the inputs used in the post-Transaction valuation, however we do not consider the overall impact to be material. Therefore, we have used a discount rate of 11% for both the pre-Transaction and post-Transaction valuations.

In our sensitivity analysis, we have adopted a discount rate range of 8% to 14%, being +/- 3% of our assessed discount rate. In selecting this range of discount rates, we considered the following:

- the rates of return for comparable ASX listed gold producing companies;
- the debt to equity ratio of Aurelia both prior to and following the Glencore Transaction; and
- the risk profile of Aurelia as compared to other ASX listed gold producing companies.

Details of our discount rate determination are provided in Appendix Three.

## Sensitivity Analysis

The estimated value of the Project is derived under the DCF approach. Our valuation is highly sensitive to changes in the forecast commodity prices, exchange rates and operating expenditure assumptions. We have therefore included an analysis to consider the value of the Project under various pricing scenarios and in applying:

- A change of +/- 20% to commodity prices;
- A change of +/- 20% to exchange rates;
- A change of +/- 20% to operating costs;
- A change of +/- 20% to capital expenditure;
- A discount rate in the range of 7.1% to 13.1%.

The following table sets out the valuation outcomes from our DCF analysis:

| Sensitivity | NPV ($'000) | NPV ($'000) | NPV ($'000) | NPV ($'000) |
|---|---|---|---|---|
| | Operating Expenditure | Commodity Price | AUD/USD | Capex |
| 20.00% | 18,155 | 121,563 | 20,518 | 62,228 |
| 15.00% | 30,898 | 109,694 | 32,676 | 63,952 |
| 10.00% | 43,640 | 96,032 | 45,938 | 65,677 |
| 5.00% | 56,383 | 83,986 | 57,288 | 67,401 |
| 0.00% | 69,126 | 69,126 | 69,126 | 69,126 |
| -5.00% | 81,868 | 56,686 | 81,916 | 70,850 |
| -10.00% | 94,611 | 42,696 | 96,080 | 72,553 |
| -15.00% | 107,354 | 25,408 | 111,640 | 74,246 |
| -20.00% | 120,096 | 7,876 | 129,113 | 75,938 |

Source: BDO analysis

| Discount rate sensitivity | | | | | | | |
|---|---|---|---|---|---|---|---|
| Discount Rate movement | 3.0% | 2.0% | 1.0% | 0.0% | -1.0% | -2.0% | -3.0% |
| NPV (A$'000) | 61,184 | 63,699 | 66,343 | 69,126 | 72,054 | 75,138 | 78,388 |

We note the following from the sensitivities included in the table above:

- We note that given the Project is forecast to cease production in 2021, the value of the Project is not overly sensitive to changes in the discount rate;
- The value of the Project is highly sensitive to changes in commodity prices, in particular to fluctuations in the gold price. Given the current economic climate and the recent volatility in global commodity prices, we consider this a key sensitivity in our DCF analysis; and
- The commodity prices are denominated in US Dollars therefore the Project is highly sensitive to currency fluctuations of the Australian Dollar relative to the US Dollar.

## Valuation

On the basis of the assumptions set out above and in Appendix Three and Appendix Four, we conclude that the value of the Project is between $57 million and $84 million with a preferred value of $69 million.

### 11.1.7 Trade and other payables

Trade and other payables have decreased from $16,394,713 at 30 June 2015 to $13,487,149 from payment of creditors in line with creditor terms.

### 11.1.8 Current borrowings

As detailed in section 5, the repayment and conversion of the Glencore Facilities have been deferred for a period of 24 months. As such, we have adjusted current borrowings from $22,737,009 to $324,169. The adjusted current borrowings relate to equipment loans.

### 11.1.9 Current provisions

The current provisions balance of $1,885,698 at 30 June 2015 includes a provision for royalty repayment of $1,382,232 which is included in the Adjusted Model and therefore captured in the Mine Properties valuation in section 11.1.6. We have adjusted current provisions accordingly.

### 11.1.10 Non-current borrowings

The adjusted non-current borrowings comprises the following loan balances:

| Non-current borrowings | $ |
|---|---|
| Glencore Facility A | 23,579,871 |
| Glencore Facility B | 57,061,143 |
| Glencore Facility C | 33,441,105 |
| Glencore Facility E | 5,967,687 |
| Equipment loans | 766,372 |
| Drawdown of Additional Glencore Converting Loan | 5,000,000 |
| Adjusted non-current borrowings at 30 November 2015 | 125,816,178 |

We note that we have not increased borrowings to reflect the additional $15 million available under the Additional Glencore Converting Loan or the $15 million available under the PEFL as these amounts are yet to be received, therefore a corresponding adjustment to cash would also be required. Given this will not impact the net asset value of Aurelia we have not adjusted for these facilities.

### 11.1.11 Non-current provisions

The non-current provisions balance of $7,856,432 at 30 June 2015 includes a provision for royalty repayment of $6,301,013 which is included in the Adjusted Model and therefore captured in the Mine Properties valuation in section 11.1.6. We have adjusted non-current provisions accordingly.

### 11.1.12 Number of shares outstanding

For our assessment of the value of an Aurelia share prior to the Glencore Transaction, we have used the number of shares on issue as at the date of our report. This number of shares excludes any conversion of the Glencore Facilities or exercise of the Glencore Options or Pacific Road Options as these are the subject of the Transactions.

## 11.2 Quoted Market Prices for Aurelia Securities

To provide a comparison to the valuation of Aurelia in Section 11.1, we have also assessed the quoted market price for an Aurelia share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

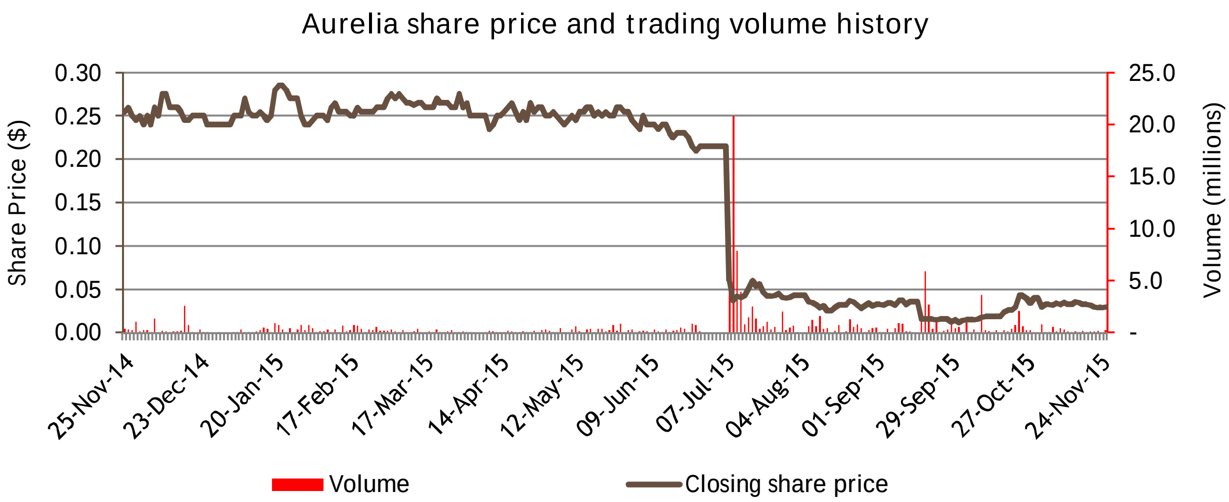
Whilst Glencore will not be obtaining 100% of Aurelia, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 16.

Therefore, our calculation of the quoted market price of an Aurelia share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of an Aurelia share is based on the pricing prior to the announcement of the Glencore Transaction. This is because the value of an Aurelia share after the announcement may include the effects of any change in value as a result of the Glencore Transaction. However, we have considered the value of an Aurelia share following the announcement when we have considered reasonableness in Section 16.

Information on the Glencore Transaction was announced to the market on 27 November 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 24 November 2015 which was the last trading day prior to the announcement.




Source: Bloomberg

The daily price of Aurelia shares from 24 November 2014 to 24 November 2015 has ranged from a low of $0.012 on 30 September 2015 to a high of $0.285 on 21 January 2015. The share price of Aurelia has displayed a downwards tend since its high on 21 January 2015, before sharply declining on 7 July 2015 after the shares recommenced trading following the announcement of the Glencore Default Notice and Hera production downgrades. The highest single day of trading was on 8 July 2015 where 20,854,454 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

| Date | Announcement | Closing Share Price Following Announcement<br>$ (movement) | | | Closing Share Price Three Days After Announcement<br>$ (movement) | | |
|---|---|---|---|---|---|---|---|
| 06/11/2015 | Court Hearing Update | 0.033 | ▼ | 2.9% | 0.033 | ▶ | 0.0% |
| 20/10/2015 | Quarterly Cashflow Report - September 2015 | 0.026 | ▶ | 0.0% | 0.043 | ▲ | 65.4% |
| 20/10/2015 | Quarterly Activities Report - September 2015 | 0.026 | ▶ | 0.0% | 0.043 | ▲ | 65.4% |
| 28/09/2015 | Funding Update | 0.013 | ▼ | 18.8% | 0.014 | ▲ | 7.7% |
| 16/09/2015 | Glencore Facilities Update | 0.016 | ▼ | 55.6% | 0.016 | ▶ | 0.0% |
| 14/09/2015 | Trading Halt | 0.036 | ▶ | 0.0% | 0.016 | ▼ | 55.6% |
| 09/09/2015 | Hera Project and Re-Financing Update | 0.037 | ▶ | 0.0% | 0.036 | ▼ | 2.7% |
| 07/09/2015 | Conversion Notice - Glencore Facility A | 0.032 | ▼ | 5.9% | 0.033 | ▲ | 3.1% |
| 31/08/2015 | Refinancing Update | 0.033 | ▲ | 6.5% | 0.034 | ▲ | 3.0% |
| 24/08/2015 | Refinancing Update | 0.032 | ▼ | 11.1% | 0.034 | ▲ | 6.3% |
| 17/08/2015 | Refinancing Update | 0.032 | ▲ | 10.3% | 0.037 | ▲ | 15.6% |
| 11/08/2015 | Refinancing Update | 0.031 | ▲ | 6.9% | 0.029 | ▼ | 6.5% |
| 06/08/2015 | Refinancing Update - Clarification | 0.035 | ▼ | 2.8% | 0.031 | ▼ | 11.4% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 05/08/2015 | Refinancing Update | 0.036 | ▼ | 16.3% | 0.029 | ▼ | 19.4% |
| 03/08/2015 | Trading Halt | 0.043 | ► | 0.0% | 0.035 | ▼ | 18.6% |
| 03/08/2015 | Quarterly Cashflow Report - June 2015 | 0.043 | ► | 0.0% | 0.035 | ▼ | 18.6% |
| 03/08/2015 | Quarterly Activities Report - June 2015 | 0.043 | ► | 0.0% | 0.035 | ▼ | 18.6% |
| 09/07/2015 | Glencore Facility B Conversion Update | 0.042 | ▲ | 13.5% | 0.051 | ▲ | 21.4% |
| 07/07/2015 | Conversion Notice - Glencore Facility B | 0.060 | ▼ | 72.1% | 0.041 | ▼ | 31.7% |
| 07/07/2015 | Reinstatement to Official Quotation | 0.060 | ▼ | 72.1% | 0.041 | ▼ | 31.7% |
| 07/07/2015 | Hera Project Update, Expansion Study and Financial Update | 0.060 | ▼ | 72.1% | 0.041 | ▼ | 31.7% |
| 30/06/2015 | Suspension | 0.215 | ► | 0.0% | 0.215 | ► | 0.0% |
| 26/06/2015 | Trading Halt | 0.215 | ► | 0.0% | 0.215 | ► | 0.0% |
| 30/04/2015 | Hera Exploration Update | 0.250 | ► | 0.0% | 0.245 | ▼ | 2.0% |
| 29/04/2015 | Quarterly Cashflow Report - March 2015 | 0.250 | ▼ | 3.8% | 0.250 | ► | 0.0% |
| 27/04/2015 | Quarterly Activities Report - March 2015 | 0.260 | ▲ | 2.0% | 0.250 | ▼ | 3.8% |
| 21/04/2015 | Hera Resource Upgrade | 0.255 | ▲ | 4.1% | 0.255 | ► | 0.0% |
| 14/04/2015 | Hera Project Update and Declaration of Commercial Production | 0.255 | ▲ | 2.0% | 0.255 | ► | 0.0% |
| 19/03/2015 | Hera Exploration Update | 0.270 | ▲ | 3.8% | 0.265 | ▼ | 1.9% |
| 06/03/2015 | S&P DJ Indices Announces March Quarterly Review | 0.270 | ▼ | 1.8% | 0.263 | ▼ | 2.8% |
| 02/03/2015 | Hera Exploration Update - with updated JORC Table 1 | 0.270 | ▲ | 3.8% | 0.275 | ▲ | 1.9% |
| 26/02/2015 | Hera Exploration Update | 0.260 | ► | 0.0% | 0.275 | ▲ | 5.8% |
| 13/02/2015 | Gold Hedging - 10,500 oz at A$1591/oz | 0.255 | ► | 0.0% | 0.260 | ▲ | 2.0% |
| 02/02/2015 | Quarterly Cashflow Report - December 2014 | 0.245 | ▲ | 2.1% | 0.250 | ▲ | 2.0% |
| 28/01/2015 | Quarterly Activities Report - December 2014 | 0.250 | ▼ | 7.4% | 0.245 | ▼ | 2.0% |
| 19/01/2015 | Hera Project Update | 0.280 | ▲ | 12.0% | 0.280 | ► | 0.0% |

Source: Bloomberg, ASX Announcements and BDO Analysis

On 28 January 2015, the Company released its December 2014 Quarterly Activities Report which reiterated prior announcements including,

- the formal opening of the Hera Mine on 26 November 2014;
- successful completion of the first shipment of concentrate from the Hera Mine on schedule;
- high grade results from underground exploration drilling at Hera; and
- successful completion of the rights issue raising $10 million in funds.

Aurelia’s share price closed 7% lower on the date of the announcement to $0.250.

On 26 February 2015, the Company announced positive exploration updates at the Hera-Nymagee Project. While the Company’s share price did not increase on the date of the announcement, over the subsequent three trading days the Company’s share price increased by 6% to close at $0.275. No new announcements were made by Aurelia over the three trading days following the date of the announcement.

On 21 April 2015, Aurelia announced a substantial upgrade to the Hera Mine mineral resource estimate, where resource tonnage increased by more than 32%, resource grade increased by 5% and more than 65% of resources was now contained in the measured and indicated categories. In response to the positive announcement, Aurelia's share price increased by 4.1% to close at $0.255 on the date of the announcement.

On 7 July 2015, following reinstatement to the ASX, the Company made two announcements.

- The Company provided an operational update on the Hera Mine and its expansion study, and an update on the Company's financial position and strategy.
- Aurelia also announced that it had deposited a notice of conversion with Glencore in respect of its $50 million Glencore Facility B converting notes.

During the period of suspension from the ASX, on 1 July 2015 the Company announced that it had received a notice from Glencore asserting that an event of default had occurred on the basis that Aurelia and/or the other borrowers within the group were unable to repay the amounts borrowed under the four separate Glencore facilities provided.

Following reinstatement to the ASX and both the announcements, the Company's share price decreased significantly by 72.1% to close at $0.06 on the date of the announcement. Over the subsequent three trading days the Company's share price fell by a further 31.7% closing at $0.041.

On 9 July 2015, Aurelia announced that Glencore considered the conversion notice to be ineffective on the basis of the previously alleged event of default. The Company rejected this notice and maintained the conversion notice of the Existing Glencore Facility B converting notes. On the date of the announcement, the Company's share price increased by 13.5% to close at $0.042. Over the subsequent three trading days following the announcement, the Company's share price increased by a further 21.4% closing at $0.051.

On 3 August 2015, the Company released its June 2015 Quarterly Activities and Cashflow Reports which reiterated prior announcements including the impairment of the Hera asset in the range from $60.0 million to $90.0 million. The Company was also placed into a voluntary trading halt on the date of the announcement. Over the subsequent three trading days following the announcement, the Company's share price closed 18.6% lower at $0.035.

On 5 August 2015, the Company advised that it was continuing discussions with Glencore and Pacific Road with respect to the refinancing of its financing arrangements. The Company announced that, in agreement with Glencore, the conversion date of the $50 million Existing Glencore Facility B converting notes would be extended from 7 August 2015 to 12 August 2015. On the date of the announcement, the Company's share price decreased by 16.3% to close at $0.036. Over the subsequent three trading days, the Company's share price decreased by a further 19.4% closing at $0.029.

On 6 August 2015, the Company clarified the announcement released on 5 August 2015 and also advised that a notice of no objection for the conversion of the Existing Glencore Facility A and Existing Glencore Facility B had been received from the Foreign Investment Review Board ('FIRB'). On the date of the announcement, the Company's share price decreased by 2.8% to close at $0.035. Over the subsequent three trading days following the announcement, the Company's share price decreased by a further 11.4% closing at $0.031.

On 11 August 2015, the Company advised that it was continuing discussions with Glencore and Pacific Road with respect to the refinancing of its debt facilities. Further to previous announcements (5 August 2015), the Company, in agreement with Glencore, extended the conversion date of the $50 million Existing

Glencore Facility B converting notes to 18 August 2015. On the date of the announcement, the Company's share price increased by 6.9% to close at $0.031. However, over the subsequent three trading days following the announcement, the Company's share price decreased by 6.5% closing at $0.029.

On 17 August 2015, the Company advised that it was continuing discussions with Glencore and Pacific Road with respect to the refinancing of its debt facilities. Further to previous announcements (5 August 2015 and 11 August 2015), the Company, in agreement with Glencore, extended the conversion date of the $50 million Existing Glencore Facility B converting notes to 25 August 2015. On the date of the announcement, the Company's share price increased by 10.3% to close at $0.032. Over the subsequent three trading days following the announcement, the Company's share price increased further by 15.6% closing at $0.037. No new announcements were made by Aurelia over the three trading days following the date of the announcement.

On 24 August 2015, the Company advised that it was continuing discussions with Glencore and Pacific Road with respect to the refinancing of its debt facilities. Further to previous announcements (5 August 2015, 11 August 2015 and 17 August 2015), the Company, in agreement with Glencore, extended the conversion date of the $50 million Existing Glencore Facility B converting notes to 31 August 2015. On the date of the announcement, the Company's share price decreased by 11.1% to close at $0.032. Over the subsequent three trading days following the announcement, the Company's share price increased further by 6.3% closing at $0.034. No new announcements were made by Aurelia over the three trading days following the date of the announcement.

On 31 August 2015, the Company advised that it was continuing discussions with Glencore and Pacific Road with respect to the refinancing of its debt facilities. Further to previous announcements (5 August 2015, 11 August 2015, 17 August 2015 and 24 August 2015), the Company, in agreement with Glencore, extended the conversion date of the $50 million Existing Glencore Facility B converting notes to 7 September 2015. On the date of the announcement, the Company's share price increased by 6.5% to close at $0.033.

On 7 September 2015, the Company announced it had deposited a conversion notice with Glencore in respect of its $20 million Existing Glencore Facility A converting notes. On the date of the announcement, the Company's share price decreased by 5.9% to close at $0.032. However, over the subsequent three trading days following the announcement, the Company's share price increased by 3.1% to close at $0.033.

On 9 September 2015, the Company announced improved production at the Hera Project and that it had arranged a funding package from Pacific Road. The funding package included a $6 million working capital facility and a $6 million subordinated loan facility, as well as the exclusive right for Pacific Road to underwrite an equity raising for Aurelia up to $25 million. The share price remained unchanged on the day of the announcement, but declined by 2.7% to $0.036 over the subsequent three days.

On 14 September 2015, the Company requested its shares be placed in a trading halt and subsequently, on 16 September 2015, the Company announced an update surrounding the Glencore facilities. The result outlined Glencore's actions in appointing a voluntary administrator to Aurelia on the grounds of alleged insolvency. Aurelia obtained orders from the Supreme Court of NSW stating that the appointment of the administrator would not be effective until a court hearing had been completed. The share price fell 55.6% to $0.036 on the day of the announcement with no decline over the following three days.

On 28 September 2015, the Company announced an update involving the funding package with Pacific Road which was announced on 9 September 2015. The update stated that the Company had executed definitive documentation with Pacific Road. On the day of the announcement, the share price declined by 18.8%, and then increased 7.7% to $0.014 over the subsequent three days.

On 20 October 2015, the Company released both its Quarterly Cashflow Report and Quarterly Activities Report for the September quarter. The Quarterly Activities Report reiterated the following activities during the September quarter:

- Record quarterly gold production and lead-zinc concentrate;
- $5 million EBITDA from the Hera Project and continued improvement at the Hera process plant;
- The attempted appointment of a voluntary administrator by Glencore and the court hearing date to determine the appointment; and
- Pacific Road to provide $12 million in working capital funding.

The share price increased by 65.4% to $0.043 in the three days following the announcement.

On 6 November 2015, the Company announced that there was a court hearing update in relation to the court hearing which occurred over 4 November 2015 and 5 November 2015. The update stated that the Supreme Court of New South Wales heard the application by Aurelia to terminate the voluntary administration and confirm that the Company was not insolvent. The Court reserved its judgement. The Company's share price decreased by 2.9% on the day of the announcement.

To provide further analysis of the market prices for an Aurelia share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 24 November 2015.

| Share Price | 24-Nov-15 | 10 Days | 30 Days | 60 Days | 90 Days |
|---|---|---|---|---|---|
| Closing price | $0.030 | | | | |
| Volume weighted average price (VWAP) | | $0.032 | $0.034 | $0.023 | $0.027 |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Glencore Transaction, to avoid the influence of any increase in price of Aurelia shares that has occurred since the Glencore Transaction was announced.

An analysis of the volume of trading in Aurelia shares for the twelve months to 24 November 2015 is set out below:

| Trading days | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|---|---|---|---|---|
| 1 Day | $0.029 | $0.030 | 240,000 | 0.24% |
| 10 Days | $0.026 | $0.037 | 1,124,126 | 0.83% |
| 30 Days | $0.019 | $0.050 | 8,825,783 | 3.53% |
| 60 Days | $0.012 | $0.050 | 32,747,628 | 17.72% |
| 90 Days | $0.012 | $0.054 | 47,986,070 | 19.55% |
| 180 Days | $0.012 | $0.275 | 110,893,150 | 24.48% |
| 1 Year | $0.012 | $0.290 | 134,799,867 | 30.40% |

Source: Bloomberg, BDO analysis

This table indicates that Aurelia's shares display a low level of liquidity, with 30.40% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Aurelia, we do not consider there to be a deep market for the Company's shares as a result of only 30.40% of the Company's current issued capital being traded over the twelve month period prior to the announcement of the Glencore Transaction. This is supported by the significant and unexplained price movements and significant share price volatility which has occurred over the period. We also consider the historical liquidity of the Company's shares to be skewed by the increase in trading over the period between 7 July 2015 and 10 August 2015 where approximately 57.47 million shares were traded, equating to approximately 15% of the Company's issued capital in the 25 trading days around time of the announcement of the Glencore conversions. These events, in particular the announcement on 7 July 2015 relating to the Glencore conversion have had a significant downward impact on the Company's share price. For the above reasons, we do not consider there to be a deep market for the Company's shares.

Our assessment is that a range of values for Aurelia shares based on market pricing, after disregarding post announcement pricing, is between $0.030 and $0.034.

## Control Premium

RG 111.25 suggest that when considering the value of a company's shares for the purposes of approval under item 7 of section 611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% of another company. These advantages include the following:

- Control over decision making and strategic direction;
- Access to underlying cash flows;
- Control over dividend policies; and
- Access to potential tax losses.

Whilst Pacific Road will not be obtaining 100% of Aurelia, RG 111 states that the expert should calculate the value of the target's shares as if 100% control were being obtained. RG 111.27 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. This has been included in section 16 of our Report.

We have reviewed the control premiums paid by acquirers of mining companies listed on the ASX since 2008. We have summarised our findings below:

| Year | Number of Transactions | Average Deal Value (AU$m) | Average Control Premium (%) |
|---|---|---|---|
| 2015 | 4 | 670.56 | 54.59 |
| 2014 | 13 | 135.34 | 43.81 |
| 2013 | 15 | 54.16 | 64.64 |
| 2012 | 19 | 131.07 | 49.97 |
| 2011 | 18 | 653.45 | 48.88 |
| 2010 | 24 | 805.80 | 46.75 |
| 2009 | 25 | 112.87 | 49.28 |
| 2008 | 8 | 591.43 | 38.87 |
| | | | |
| | Median | 363.38 | 49.08 |
| | Mean | 394.33 | 49.60 |

Source: Bloomberg and BDO analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and medium of the entire data set comprising control transactions from 2008 onwards, as set out below.

| Entire Data Set Metrics | Average Deal Value (AU$m) | Average Control Premium (%) |
|---|---|---|
| Median | 44.74 | 39.38 |
| Mean | 370.29 | 49.62 |

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates the long term average control premiums paid by acquirers of all mining companies on the ASX is approximately 49.62%, with five control transactions paying a premium above 80% in 2013.

In assessing the sample of transactions which were included in the above table, we have noted transactions within the list which appear to be extreme outliers. These outliers include 13 transactions where the announced control premium was in excess of 100%. In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean.

In determining the appropriate control premium appropriate for Aurelia, we reviewed control transactions of a similar nature and size. We considered this to be an appropriate approach, noting that the average control premium is influenced by factors such as whether the consideration is cash or scrip and the deal size. This was prominently observed during 2013 where the average deal size was $54.16 million and the average control premium was 64.64%.

Given the currently depressed mining industry and the uncertainty surrounding equity markets, an acquirer may not be willing to pay a control premium in line with historical averages.

In the case of Aurelia, based on our research and considerations set out above, we believe that an appropriate control premium to apply to our valuation of Aurelia's shares is between 20% and 30%.

### Quoted market price including control premium

Applying a control premium to Aurelia's quoted market share price results in the following quoted market price value including a premium for control:

| | Low<br>$ | Midpoint<br>$ | High<br>$ |
|---|---|---|---|
| Quoted market price value | 0.030 | 0.032 | 0.034 |
| Control premium | 20% | 25% | 30% |
| Quoted market price valuation including a premium for control | 0.036 | 0.040 | 0.044 |

Source: BDO analysis

Therefore, our valuation of an Aurelia share based on the quoted market price method and including a premium for control is between $0.036 and $0.044 with a midpoint value of $0.040.

## 11.3 Assessment of Aurelia value prior to the Glencore Transaction

The results of the valuations performed are summarised in the table below:

| | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|
| Sum-of-parts (Section 11.1) | nil | nil | nil |
| Quoted market price (Section 11.2) | 0.036 | 0.040 | 0.044 |

Source: BDO analysis

We note that the values obtained under the Sum-of-Parts method are significantly lower than the values under the QMP method. The difference between the values obtained under the QMP method and the Sum-of-Parts methods may be explained by the following:

- Our analysis in section 11.2 indicates that there is not a deep market for the Company's shares. Therefore, the quoted market price may not truly reflect the value of an Aurelia share.
- The Sum-of-Parts valuation incorporates our assessed DCF valuation of Hera, which is highly sensitive to changes in commodity prices and exchange rates. Given the sensitivity of the DCF value to these economic assumptions and the degree of subjectivity involved with the valuation it

is likely the QMP value may reflect a different view by investors of commodity prices and other inputs to the DCF model.

- The QMP value may not fully capture the requirement for additional funding in order to realise the underlying value of the Project and therefore may not include the likely future dilution that Shareholders will be subject to in the event of future equity capital raisings.

The core value of Aurelia lies in its producing and other assets. Our Sum-of-Parts valuation captures the value of the Company's producing mine using a DCF valuation, with the technical inputs independently verified by CSA. The value of Aurelia's other mining assets outside of Hera have been valued independently by CSA. Given the independent valuation of Hera and Aurelia's other mining assets, as well as the potential shortcomings of the QMP value highlighted above, we consider the Sum-of-Parts methodology to be the most appropriate and have relied on it when assessing our valuation range.

Based on the results above we consider the value of an Aurelia share prior to the Glencore Transaction to be nil.

# 12. Valuation of Aurelia following the Glencore Transaction

## 12.1 Sum-of-Parts valuation of Aurelia following the Glencore Transaction

The value of Aurelia following the Glencore Transaction on a going concern basis is reflected in our valuation below:

| Sum of parts valuation following the Transaction | Ref | Low $ | Preferred $ | High $ |
|---|---|---|---|---|
| Value of Aurelia prior to the Glencore Transaction | 11.1 | (59,509,569) | (43,089,569) | (20,539,569) |
| Add: Conversion of Glencore Facilities | 12.1.1 | 87,141,015 | 87,141,015 | 87,141,015 |
| Cash raised from exercise of Glencore Options | 12.1.2 | 4,320,000 | 4,320,000 | 4,320,000 |
| Cash raised from exercise of Pacific Road Options | 12.1.3 | 500,000 | 500,000 | 500,000 |
| Cash raised from exercise of Pybar Options | 12.1.4 | 125,000 | 125,000 | 125,000 |
| Value of Aurelia following the Glencore Transaction (control) | | 32,576,446 | 48,996,446 | 71,546,446 |
| Minority interest discount | 12.1.5 | 23% | 20% | 17% |
| Value of Aurelia following the Transaction (minority) | | 25,083,863 | 39,197,157 | 59,383,550 |
| Number of shares outstanding | 12.1.6 | 4,438,376,785 | 4,438,376,785 | 4,438,376,785 |
| Value per share (S) (minority) | | 0.006 | 0.009 | 0.013 |

Source: BDO analysis

The table above indicates that the Sum-of-Parts value of an Aurelia share following the Glencore Transaction on a minority basis is between $0.006 and $0.013 with a preferred value of $0.009.

We note the following in relation to our sum-of parts valuation of Aurelia following the Glencore Transaction:

### 12.1.1 Conversion of Glencore Facilities

Aurelia is seeking shareholder approval for the conversion of the convertible Glencore Facilities. The balances of the convertible Glencore Facilities are set out in the table below.

| Convertible Glencore Facilities | $ |
|---|---|
| Glencore Facility A at 30 November 2015 | 23,579,871 |
| Less: repayment of Glencore Facility A | (13,500,000) |
| Glencore Facility B at 30 November 2015 | 57,061,144 |
| Additional Glencore Converting Loan | 20,000,000 |
| Total convertible Glencore Facilities | 87,141,015 |

### 12.1.2 Cash raised from exercise of Glencore Options

Under the terms of the Glencore Transaction, Glencore will be issued 108 million options exercisable at $0.04 which can be exercised at any time within 24 months of conversion of Glencore Facility A. The Company is seeking shareholder approval to issue shares on the exercise of these options, therefore we have made an adjustment to reflect the cash raised on exercise. This adjustment is set out below.

| Glencore Options | |
|---|---|
| Number of Glencore Options issued pursuant to the Glencore Transaction | 108,000,000 |
| Exercise price ($) | 0.04 |
| Cash raised on exercise of Glencore Options ($) | 4,320,000 |

### 12.1.3 Cash raised from exercise of Pacific Road Options

As outlined in the Company's announcement on 9 September 2015, as part consideration for the funding package provided by Pacific Road, Aurelia issued 40 million options to Pacific Road exercisable at $0.0125. Given that the Company is seeking Shareholder approval for Pacific Road to exercise these options and that the Pacific Road Options are currently in-the-money (based on the QMP value), we have adjusted our Sum-of-Parts valuation to reflect the exercise of these options. The cash raised on exercise of the Pacific Road Options is outlined in the table below.

| Pacific Road Options | |
|---|---|
| Number of Pacific Road Options currently on issue | 40,000,000 |
| Exercise price ($) | 0.0125 |
| Cash raised on exercise of Pacific Road Options ($) | 500,000 |

### 12.1.4 Cash raised from exercise of Pybar Options

Similar to the adjustment in 12.1.3, we have increased cash to reflect the cash raised on exercise of the Pybar Options. These are also exercisable at $0.0125 and are therefore in-the-money (based on the QMP value). Accordingly, we have made the following adjustment.

| Pybar Options | |
|---|---|
| Number of Pybar Options currently on issue | 10,000,000 |
| Exercise price ($) | 0.0125 |
| Cash raised on exercise of Pybar Options ($) | 125,000 |

### 12.1.5 Minority interest discount

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

(a) the acquirer is obtaining or increasing control of the target; and

(b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

In this instance as explained in section 3.3 of our Report, in assessing fairness we have compared the value of an Aurelia share prior to the Glencore Transaction on a control basis to the value of an Aurelia share following the Glencore Transaction on a minority interest basis.

The values derived from our sum-of-parts valuation which is based on the net asset value methodology is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Glencore Transaction is approved, Shareholders may become minority interest shareholders in Aurelia as Glencore will hold a controlling interest. As such, Shareholders' interests will not be considered significant enough to have an individual influence on the operations and value of the Company.

We have therefore adjusted our valuation of an Aurelia share following the Glencore Transaction, to reflect a minority interest holding. A minority interest is the inverse of a premium for control and is calculated using the formula 1 - (1 ÷ (1 + Control Premium)). As discussed in section 11.2, we consider an appropriate control premium for Aurelia to be in the range of 20% to 30%, giving a minority interest discount in the range of 17% to 23%.

### 12.1.6 Number of shares outstanding

We have adjusted the number of shares outstanding to reflect the assumption of full conversion of Glencore Facility A, Glencore Facility B and the Additional Glencore Converting Loan, as well as the exercise of the Glencore Options, Pacific Road Options and Pybar Options. We note that Glencore Facility B and the Additional Glencore Converting Loan are convertible at a future VWAP, therefore the actual number of shares to be issued on conversion is unknown. The purpose of this report is for Aurelia to obtain Shareholder approval for Glencore to increase its holding up to 91.75% pursuant to Item 7 of Section 611 of the Act. This maximum holding for which Shareholder approval is being sought equates to a conversion price of $0.02 for the Glencore Facility B and Additional Glencore Converting Loan. The assumed conversion prices and the number of shares to be issued on conversion are detailed in the table below.

| Conversion of Glencore Facilities | Amount<br>$ | Conversion price<br>$ | Shares issued on conversion<br>Number |
|---|---|---|---|
| Conversion of Glencore Facility A | 10,079,871 | 0.2563 | 39,328,409 |
| Conversion of Glencore Facility B | 57,061,144 | 0.0200 | 2,853,057,188 |
| Conversion of Additional Glencore Converting Loan | 20,000,000 | 0.0200 | 1,000,000,000 |
| Maximum number of shares issued on conversion of Glencore Facilities | | | 3,892,385,597 |

The number of shares to be issued on exercise of the Glencore Options, Pacific Road Options and Pybar Options are set out in the table below.

| Exercise of options | Number |
|---|---|
| Exercise of Glencore Options | 108,000,000 |
| Exercise of Pacific Road Options | 40,000,000 |
| Exercise of Pybar Options | 10,000,000 |
| Number of shares issued on exercise of options | 158,000,000 |

Therefore, based on the adjustments above, the number of shares on issue is 4,438,376,785 as detailed below.

| Number of shares on issue | Number |
|---|---|
| Number of shares on issue prior to the Glencore Transaction | 387,991,188 |
| Maximum number of shares issued on conversion of the Glencore Facilities | 3,892,385,597 |
| Number of shares issued on conversion of options | 158,000,000 |
| Number of shares on issue following the Glencore Transaction | 4,438,376,785 |

## 13. Valuation of Aurelia prior to the Pacific Road Transaction

In assessing the value of Aurelia prior to the Pacific Road Transaction, we have considered two alternate scenarios, being on the basis that the Glencore Transaction is approved and if is not approved. These scenarios present different valuation outcomes as set out below.

### 13.1 Glencore Transaction is not approved

Under the assumption that the Glencore Transaction is not approved, the value of Aurelia prior to the Pacific Road Transaction is nil as outlined in our analysis in section 11.1 and as summarised in the table below.

| Sum of parts valuation prior to the Pacific Road Transaction | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of Aurelia prior to the Pacific Road Transaction | 11.1 | (59,509,569) | (43,089,569) | (20,539,569) |
| Number of shares outstanding | 11.1.12 | 387,991,188 | 387,991,188 | 387,991,188 |
| Value per share ($) | | - | - | - |

### 13.2 Glencore Transaction is approved

Under the assumption that the Glencore Transaction is approved, the value of an Aurelia share prior to the Pacific Road Transaction is set out below.

| Sum of parts valuation prior to the Pacific Road Transaction | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of Aurelia following the Glencore Transaction (control) | 13.2.1 | 32,576,446 | 48,996,446 | 71,546,446 |
| Less: Adjustment for cash raised on exercise of Pacific Road Options | 13.2.2 | (500,000) | (500,000) | (500,000) |
| Value of Aurelia prior to the Pacific Road Transaction (control) | | 32,076,446 | 48,496,446 | 71,046,446 |
| Number of shares outstanding | 13.2.3 | 4,398,376,785 | 4,398,376,785 | 4,398,376,785 |
| Value per share (S) (control) | | 0.007 | 0.011 | 0.016 |

The table above indicates that the Sum-of-Parts value of an Aurelia share prior to the Pacific Road Transaction is between $0.007 and $0.016 with a preferred value of $0.011.

We note the following in relation to our sum-of parts valuation of Aurelia prior to the Pacific Road Transaction:

### 13.2.1 Value of Aurelia following the Glencore Transaction

In order to assess the value of an Aurelia share prior to the Pacific Road Transaction, but following the Glencore Transaction, we have used the value of Aurelia following the Glencore Transaction as our starting point.

### 13.2.2 Adjustment for cash raised on exercise of Pacific Road Options

Our assessed value of an Aurelia share following the Glencore Transaction assumes that the Pacific Road Options are exercised. We are assessing the value of an Aurelia share prior to the Pacific Road Options being exercised therefore we have removed the cash that would be raised on exercise.

### 13.2.3 Number of shares outstanding

The adjustment to the number of shares on issue is set out in the table below.

| Number of shares on issue | Number |
|---|---|
| Number of shares on issue as at the date of our report | 387,991,188 |
| Maximum number of shares issued on conversion of the Glencore Facilities | 3,892,385,597 |
| Number of shares issued on exercise of options | 118,000,000 |
| Number of shares on issue following the Transaction | 4,398,376,785 |

We note that the number of options exercised includes the exercise of the Glencore Options (108 million) and the Pybar Options (10 million).

## 14. Valuation of Aurelia following the Pacific Road Transaction

Similar to section 13, when assessing the value of an Aurelia share following the Pacific Road Transaction we have considered two valuation scenarios, whether the Glencore Transaction is approved or not.

### 14.1 Glencore Transaction is not approved

Under the assumption that the Glencore Transaction is not approved, the value of an Aurelia share following the Pacific Road Transaction is as follows.

| Sum of parts valuation following the Pacific Road Transaction | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of Aurelia prior to the Glencore Transaction | 11.1 | (59,509,569) | (43,089,569) | (20,539,569) |
| Cash raised on exercise of Pacific Road Options | 14.1.1 | 500,000 | 500,000 | 500,000 |
| Value of Aurelia following the Pacific Road Transaction (control) | | (59,009,569) | (42,589,569) | (20,039,569) |
| Number of shares outstanding | 14.1.2 | 427,991,188 | 427,991,188 | 427,991,188 |
| Value per share (S) | | - | - | - |

We note that typically in a control transaction the expert would be required to assess the post-transaction value of a share on a minority interest basis. Given that the sum-of-parts value derived above is negative, applying a minority interest discount is counter intuitive as after applying the discount the values on a minority interest basis would be between ($45.44 million) and ($16.53 million) with a preferred value of a ($34.07 million). Therefore, the values on a minority interest basis have increased (become less negative). For this reason we have not applied a minority interest discount and have assessed the value of a share following the Pacific Road Transaction as nil.

### 14.1.1 Cash raised on exercise of Pacific Road Options

We have increased cash by $500,000 to reflect the exercise of 40 million Pacific Road Options at an exercise price of $0.0125.

### 14.1.2 Number of shares outstanding

The number of shares on issue following the Pacific Road Transaction is set out in the table below.

| Number of shares outstanding | |
|---|---|
| Number of shares on issue as at the date of our report | 387,991,188 |
| Number of shares issued on exercise of the Pacific Road Options | 40,000,000 |
| Number of shares on issue following the Pacific Road Transaction | 427,991,188 |

## 14.2 Glencore Transaction is approved

The value of an Aurelia share following the Pacific Road Transaction, assuming that the Glencore Transaction is approved is the same minority interest value as the value of an Aurelia share following the Glencore Transaction.

Therefore, the value of an Aurelia share following the Pacific Road Transaction on a minority interest basis is between $0.006 and $0.013 with a preferred value of $0.009, which can be found in section 12.1 of our report.

# 15. Are the Transactions fair?

## 15.1 Glencore Transaction

The value of a share in Aurelia prior to the Glencore Transaction on a control basis and the value of an Aurelia share following the Glencore Transaction on a minority basis are compared below:

| | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Glencore Transaction (control) | 11.3 | nil | nil | Nil |
| Value of an Aurelia share following the Glencore Transaction (minority) | 12.1 | 0.006 | 0.009 | 0.013 |

We note from the table above that the value of an Aurelia share prior to the Glencore Transaction on a control basis is less than the value of an Aurelia share following the Glencore Transaction on a minority basis. Therefore, we consider that the Glencore Transaction is fair.

We note that we have not assessed the fairness of the Glencore Transaction under different Pacific Road scenarios as the Pacific Road Transaction is not material to our conclusion. If we were to remove the exercising of the Pacific Road Options from our assessment of the Glencore Transaction our opinion would not change.

## 15.2 Pacific Road Transaction

We have assessed the fairness of the Pacific Road Transaction under the assumption that the Glencore Transaction is approved and under the assumption that it is not approved, with our conclusions set out below.

### Glencore Transaction is not approved

Under the assumption that the Glencore Transaction is not approved, the value of a share in Aurelia prior to the Pacific Road Transaction on a control basis and the value of an Aurelia share following the Pacific Road Transaction on a minority basis are compared below:

| | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Pacific Road Transaction (control) | 13.1 | nil | nil | Nil |
| Value of an Aurelia share following the Pacific Road Transaction (minority) | 14.1 | nil | nil | Nil |

We note from the table above that the value of an Aurelia share prior to the Pacific Road Transaction on a control basis and following the Pacific Road Transaction on a minority basis is nil. However our analysis in section 14.1 indicates that the exercising of the Pacific Road Options will result in a less negative value for Shareholders. Therefore, we consider that the Pacific Road Transaction is fair under the scenario where the Glencore Transaction is not approved.

## Glencore Transaction is approved

Under the assumption that the Glencore Transaction is approved, the value of a share in Aurelia prior to the Pacific Road Transaction on a control basis and the value of an Aurelia share following the Pacific Road Transaction on a minority basis are compared below:

| | Ref | Low<br>$ | Preferred<br>$ | High<br>$ |
|---|---|---|---|---|
| Value of an Aurelia share prior to the Pacific Road Transaction (control) | 13.2 | 0.007 | 0.011 | 0.016 |
| Value of an Aurelia share following the Pacific Road Transaction (minority) | 12.1 | 0.006 | 0.009 | 0.013 |

We note from the table above that assuming that the Glencore Transaction is approved, the value of an Aurelia share prior to the Pacific Road Transaction on a control basis is greater than the value of an Aurelia share following the Pacific Road Transaction, therefore the Pacific Road Transaction is not fair for Shareholders.

## Conclusion on fairness

In the event the Glencore Transaction is not approved, the Pacific Road Transaction is fair. However, in the event the Glencore Transaction is approved, the Pacific Road Transaction is not fair. Therefore, because we are unable to conclude that the Pacific Road Transaction is fair in both scenarios, by definition it is not fair.

# 16. Are the Transactions reasonable?

We have considered a number of issues in our determination of the reasonableness of the Transaction.

## 16.1 Alternative Proposals

We are unaware of any alternative proposal that might offer the Shareholders of Aurelia a premium over the value ascribed to, resulting from the Transactions.

One of the key factors favouring the Transactions is that Glencore and Pacific Road already have significant interests in Aurelia which gives them an important stake in preserving and potentially increasing the value of Aurelia.

A third party, even if it could be found, would require a significant discount to the prevailing share price to make an investment and so it would be likely to be more dilutive to Shareholders.

## 16.2 Practical Level of Control

Under the scenario set out in section 5 of this report, approving the Transactions will lead to a shift in the controlling shareholdings.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

Currently Pacific Road is the largest single shareholder with 24.08% of the voting interests. This is insufficient for Pacific Road to block an ordinary resolution (50% majority required) or a special resolution (25% majority required). Glencore currently holds 6.69% which is insufficient to block or pass an ordinary or special resolution.

If the Pacific Road Transaction is approved and the Pacific Road Options are exercised, Pacific Road can increase its interest up to 31.17%, assuming that the Glencore Transaction is not approved, or that the convertible facilities are repaid in full and the Glencore Options are not exercised. This will give Pacific Road the ability to block special resolutions.

If the Glencore Transaction is approved, and Glencore converts its facilities at a conversion price of $0.02 and exercises the Glencore Options in full, Glencore can hold up to 91.75% of the issued capital of Aurelia on an undiluted basis. This will result in Glencore being able to block and pass special and general resolutions. If the Glencore Transaction is approved, Glencore will also have the right to appoint a maximum of two Directors to the Board of Aurelia. Two nominee directors of Glencore have already been appointed in anticipation of the Glencore Transaction being approved. This, combined with the significant shareholding on future conversions will allow Glencore to exert significant control over the operations of Aurelia.

We also note that in the maximum dilution scenario whereby the Glencore convertible facilities convert at $0.02, Glencore will hold greater than 90% of the issued capital of Aurelia. Therefore, pursuant to section 664 of the Act Glencore may seek to compulsorily acquire the remaining shares in the Company.

## 16.3 Consequences of not Approving the Glencore Transaction

The most significant consequence of not approving the Glencore Transaction is that the Company subjects itself to the uncertainty around the outcome of the court case with Glencore. As detailed in the Company's announcement on 6 November 2015, the Court reserved its judgement in relation to the application by Aurelia to terminate the voluntary administration and the case for the Company not breaching its financing arrangements with Glencore.

If the Glencore Transaction is not approved, the future of the Company will be decided by the outcome of the court case, with the outcomes and the associated consequences of each outcome set out below.

### Unfavourable Court Outcome

If the outcome is unfavourable for Aurelia, the relevant Existing Glencore Facilities will not convert to equity and the Company will enter voluntary administration. Any undrawn amounts from the Pacific Road facilities will not be available.

### Favourable Court Outcome

If the outcome is favourable to Aurelia then the conversion notice lodged by the Company on 1 July 2015 will become effective and the Existing Glencore Facility B will convert at a price of $0.2424, resulting in the issue of 232,897,830 shares in satisfaction of the Existing Glencore Facility B balance of $56,454,434. On 9 September 2015, the Company announced that it had lodged a conversion notice for the Existing Glencore Facility A to convert to equity at a price of $0.251, which would resulting in the issue of 92,956,402 shares to Glencore in satisfaction of the balance of $23,332,057.

The Company would still require additional funding for working capital and to continue to progress the Hera Project and therefore would rely on the Pacific Road funding transaction which was announced to the market on 9 September 2015. Under this Pacific Road funding package, the Company would draw down on two $6 million convertible debt facilities to be used for working capital purposes. Pacific Road were also given the exclusive right to underwrite an equity raising up to $25 million at an issue price to be later agreed by both parties. In order to fund the Project, the Company would likely be required to fully draw down on these facilities and to raise additional equity in the magnitude of the above underwriting amount. This will be dilutive to existing Shareholders, the extent to which will be dependent on the price at which this equity raising occurs.

We note that pursuant to Item 7 of Section 611 of the Act, the Company would be required to engage an independent expert to opine on whether the conversion of the Pacific Road convertible notes and any subsequent equity underwriting is fair and reasonable to Shareholders. Shareholder approval is required for the issue of shares to Pacific Road as Pacific Road is a controlling shareholder with an interest (prior to the Transactions) of greater than 20% of the issued capital of Aurelia.

We also note that in the event of Aurelia receiving a favourable outcome, Glencore may pursue other legal avenues to challenge the conversion. This would be costly to the Company, and therefore may potentially expose Shareholders to additional uncertainty.

## 16.4 Consequences of not Approving the Pacific Road Transaction

If Shareholders do not approve the Pacific Road Transaction then Pacific Road can still exercise the Pacific Road Options however, it would be done under the 3% creep provisions of Item 9 of Section 611 of the Act, meaning that Pacific Road would only be able to exercise options which would increase their holding by no more than 3% every six months, assuming that the Glencore Transaction is not approved, or the converting Glencore facilities are repaid in full. If the Glencore Transaction is approved and the Glencore facilities are converted at the maximum dilutive scenario, Pacific Road's interest in the Company could fall to 2.13% (see section 5.1). In this scenario, the exercise of the Pacific Road Options in full will only increase Pacific Road's interest to 3.01% for which shareholder approval would not be required.

Also, by not approving the exercise of the Pacific Road Options it may damage the Company's relationship with a cornerstone investor and therefore may make future equity raisings from Pacific Road less likely.

## 16.5 Advantages of Approving the Glencore Transaction

We have considered the following advantages when assessing whether the Glencore Transaction is reasonable.

### 16.5.1. The Glencore Transaction is fair

As outlined in RG111, a transaction is reasonable if it is fair.

### 16.5.2. The uncertainty around the outcome of the Court case is removed

As outlined above, a significant advantage of approving the Glencore Transaction is that the Company will not be subject to the uncertainty around the outcome of the court case with Glencore. The Glencore Transaction therefore provides the Company with certainty around its future by removing the short term possibility of the Company being placed into administration.

### 16.5.3. The Glencore Transaction provides Aurelia with interest free debt over a 24 month period

As outlined in section 5.1, if the Transaction is approved, the interest on the Existing Glencore Facilities will be suspended for a period of 24 months, which provides an economic benefit to the Company.

This economic benefit is not included in our fairness assessment because we have assessed the Glencore Transaction on a pre and post basis. The valuation of Aurelia prior to the Glencore Transaction assumes the Existing Glencore Facilities remain per the pre-Transaction terms, whilst the value following the Glencore Transaction assumes the conversion of the current balance of the convertible Glencore facilities at a notional conversion price of $0.02 in the maximum dilution scenario. We note that this deferral of interest does present a benefit to Aurelia in the event the Glencore debt is not converted and that this benefit would not be available to the Company if the Glencore Transaction is not approved. We therefore consider this an advantage of approving the Glencore Transaction.

### 16.5.4. Removes the possibility of Shareholders not being exposed to potential upside of the Project

Currently the stage of development of the Hera Project is such that there is still potential upside in the value that it may contribute to Shareholders. The Glencore Transaction enables Shareholders to retain an interest in the potential upside if the Project develops more favourably than is expected at present.

If the Glencore Transaction is not approved, as stated above, the Company would face the possibility of being placed into voluntary administration. This would mean that Shareholders would not have the opportunity to benefit from any potential uplift in value of the Project.

### 16.5.5. Aurelia receives the funding it requires to continue to operate and to optimise the Hera Project

If the Glencore Transaction is approved the immediate short term future of Aurelia's operations is assured. The proceeds from the PEFL will be used for working capital and to fund the expenditure required to continue operations at Hera. The Additional Glencore Converting Loan will allow the Company to repay $13.5 million of the Existing Glencore Facility A which delays the dilution of existing Shareholders' interests, with the remaining funding to be used to fund the capital expenditure required for the Hera expansion as detailed in CSA's report in Appendix 4.

By ensuring the short to medium term viability of the Project, the funding will provide the Company with long term solvency as production and revenue are forecast to increase over the period from 2017 to 2020. This has the potential to generate value for Shareholders and provides Shareholders with the opportunity to hold shares in a company with an operating profitable mine.

### 16.5.6. The Glencore Transaction provides near term funding certainty and allows Shareholders to participate in any potential upside from continuing to operate and seeking to optimise the Project

We note that the Company's auditor included an Emphasis of Matter relating to the going concern assumption in the 2015 annual report, which is reliant on the outcome of the Court case, the Company's ability to convert Glencore Facility A and Glencore Facility B as intended and an anticipated equity raise subsequent to these matters being resolved. Therefore, if the Glencore Transaction is not approved and the Company is unable to raise additional funds then there would be significant uncertainty around the Company's ability to continue its operations at Hera. This would mean that Shareholders would not have the opportunity to benefit from any potential uplift in value of the Project.

While it is conceivable that there may be other mechanisms for continuing operations in the medium to long term, approving the Glencore Transaction gives the Company certainty in its short term future shifting the focus from fundraising to operations.

### 16.5.7. No change to current operating arrangements

There has been no indication from Pacific Road or Glencore that they will seek to make significant changes to the current operating arrangements if the Glencore Transaction is approved. We understand that Glencore still retains an offtake agreement in relation to base metals production.

### 16.5.8. Delayed repayment and conversion of Existing Facilities and Additional Glencore Converting Loan

If the Glencore Transaction is approved, the interest and principal repayments on the Existing Facilities will be suspended for 24 months. In particular Glencore Facility C has an outstanding balance of approximately $33.44 million and Glencore Facility E has an outstanding balance of $5.97 million both which were repayable on 15 September 2015.

Similarly, the Glencore Facility A balance of approximately $10.08 million, the Glencore Facility B balance of approximately $57.06 million and the Additional Glencore Converting Loan will not be convertible until the end of the 24 month deferral period. This delays any dilution of existing Shareholders' interests and provides the Company with flexibility in the short term as to how it will utilise its cash.

### 16.5.9. Continued involvement from a substantial shareholder

Under the maximum dilution scenario, on conversion of the Glencore convertible facilities, Glencore will go from holding 6.69% to up to 91.75% of the issued capital of Aurelia on an undiluted basis. With the increase in Glencore's holding, it is likely that Glencore will continue its involvement with the Company going forward. Being heavily invested in the Company, the interest of Glencore as a substantial shareholder would likely lie in developing the Project to generate value, which would be aligned with the interests of other Shareholders.

If the Glencore Transaction is approved, the Company preserves its relationship with Glencore, which may provide the Company with access to further capital and technical expertise in the future.

### 16.5.10. Conversion prices may be higher resulting in lower dilution of existing Shareholders' interests

The conversion price of the Glencore Facility B and Additional Glencore Converting Loan are based on a future VWAP. In the event that the Project develops more favourably than expected, the VWAP may be higher than the maximum dilution scenario which assumes a conversion price of $0.02. In this instance, Glencore will be issued less shares on conversion, resulting in lower dilution of existing Shareholders' interests. This will result in Shareholders retaining a greater interest in a more valuable Project.

## 16.6 Disadvantages of Approving the Glencore Transaction

If the Glencore Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those outlined below:

### 16.6.1. Dilution of Shareholders' interests

If the Glencore Transaction is approved, and the convertible facilities are converted in full and the Glencore Options are exercised in full, Glencore could go from holding 6.69% to up to 91.75% of the issued capital of Aurelia, assuming that the Pacific Road Options are also exercised. This scenario would result in existing Shareholders' interests being diluted from 69.24% of the Company to as low as 6.12% on an undiluted basis.

### 16.6.2. Presence of significant controlling shareholders may reduce the attractiveness of the Company's shares to potential investors

With the presence of two significant potentially controlling shareholders, the attractiveness of the Company's shares to potential investors may reduce and the ability for Shareholders to receive a takeover premium in the future is also reduced. Similarly, the liquidity of the Company's shares may also reduce, meaning that it may be more difficult for Shareholders to realise their investment. The approval of the Glencore Transaction may also make it more difficult for the Company to obtain future equity funding from a party other than Glencore or Pacific Road.

### 16.6.3. Removes the possibility of a favourable court outcome which would mean the Existing Facility A and Existing Facility B converting at higher conversion prices which would be less dilutive to Shareholders

If the Glencore Transaction is not approved, the Company foregoes the opportunity of receiving a favourable court outcome in its hearing with Glencore. In the event, the Company received a favourable outcome, the Existing Glencore Facility A would convert at a price of $0.251 and the Existing Glencore Facility B would convert at a price of $0.2424. This conversion price would be far less dilutive to Shareholders than the scenario of a conversion price of $0.02, for which Shareholder approval is being sought. There may be further legal avenues available to Glencore which means that it is not completely certain that the conversion of the Existing Glencore Facility A and Existing Glencore Facility B would convert at $0.251 and $0.2424 respectively.

## 16.7 Advantages of approving the Pacific Road Transaction

### 16.7.1. The Pacific Road Transaction is fair if the Glencore Transaction is not approved

In the event that the Glencore Transaction is not approved, the Pacific Road Transaction is fair for Shareholders. Under RG111 a transaction is reasonable if it is fair.

### 16.7.2. If the Glencore Transaction is approved, the change in value is not significant

In the event the Glencore Transaction is approved and the Glencore Facility B and Additional Glencore Converting Facility is converted at $0.02 then the Pacific Road Transaction is not fair. However, we do not consider the value differential between the value pre-Pacific Road Transaction and post-Pacific Road Transaction to be significant. Also, as the pre and post values are based on an assumed future VWAP and conversion price of $0.02, if these facilities were converted at a higher price then this will decrease the number of shares on issue following the Transactions and therefore will increase the value per share. Therefore, based on the eventual conversion price of the Glencore facilities, the Pacific Road Transaction may be fair in the future.

### 16.7.3. Preserves relationship with cornerstone investor

If the Pacific Road Transaction is approved it maintains the relationship with Pacific Road, which may provide the Company with access to capital in the future.

### 16.7.4. Preserves the Company's placement capacity

Pursuant to ASX Listing Rule 7.1 an entity can raise up to 15% of its issued capital (subject to certain exceptions) in a 12 month period without obtaining shareholder approval. Therefore, if the Pacific Road Transaction is approved, the Company preserves this placement capacity for future capital raisings.

## 16.8 Disadvantages of approving the Pacific Road Transaction

### 16.8.1. The Pacific Road Transaction is not fair

If the Glencore Transaction is approved, the Pacific Road Transaction is not fair and will therefore reduce the value of existing Shareholders' interests.

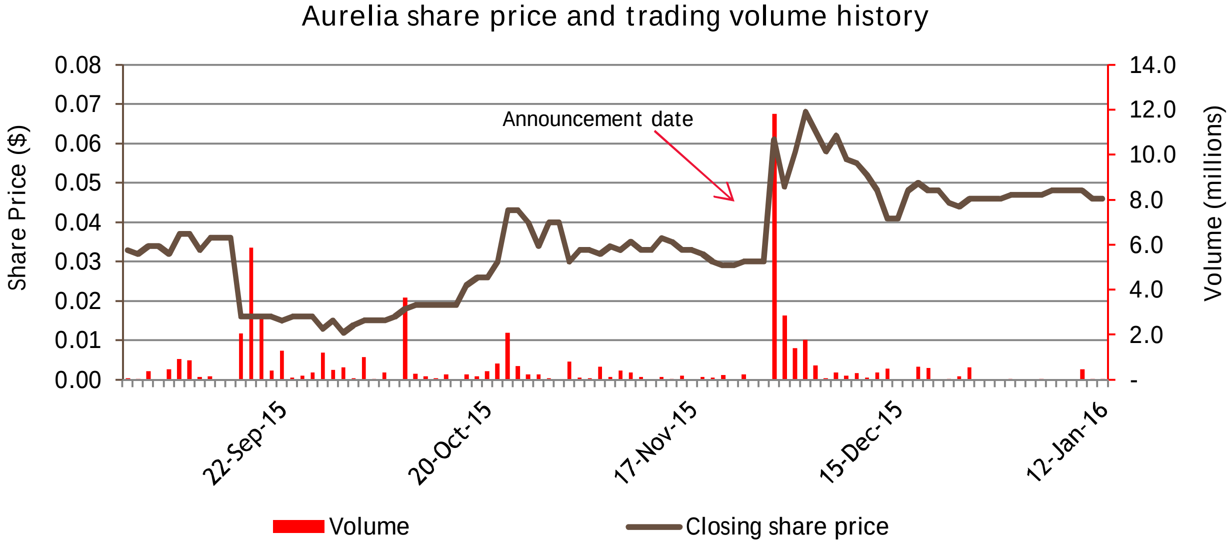
### 16.8.2. Dilution of Shareholders' interests

If the Pacific Road Transaction is approved, and none of the Glencore facilities are converted, Pacific Road has the potential to increase its holding from 24.08% to 31.17%. This will dilute existing Shareholders' interests from 69.24% to 62.76%, assuming the Glencore facilities are not converted.

## 16.9 Other Considerations

### 16.9.1. Post announcement share price performance

We have analysed movements in Aurelia's share price since the Glencore Transaction was announced. A graph of Aurelia's share price since the announcement is set out below.




Source: Bloomberg

As illustrated in the graph above, following the announcement of the Glencore Transaction the share price of Aurelia increased from $0.030 on 26 November 2015 to close at $0.061 on 27 November 2015. The share price then continued to increase reaching a closing price of $0.068 on 2 December 2015. Since this high, the share price has shown a downward trend closing at $0.046 on 12 January 2016, still considerably higher than the pre-announcement price of $0.030.

We consider the movement in Aurelia's share price following the announcement of the Glencore Transaction indicates that the market appeared to have a favourable response to the Glencore Transaction. Therefore, if Shareholders do not approve the Glencore Transaction, we consider that the share price is likely to decline.

We do not consider the Pacific Road Transaction to have a material impact on the share price of Aurelia.

### 16.10 Are the Transactions reasonable?

#### Glencore Transaction

In determining whether the Glencore Transaction is reasonable, we have considered the factors as outlined above.

In our opinion, the position of Shareholders if the Glencore Transaction is approved is more advantageous than the position if the Glencore Transaction is not approved. Accordingly, we believe that the Glencore Transaction is reasonable for Shareholders.

#### Pacific Road Transaction

In determining whether the Pacific Road Transaction is reasonable, we have considered the factors as outlined above.

In our opinion, the position of Shareholders if the Pacific Road Transaction is approved is more advantageous than the position if the Pacific Road Transaction is not approved. Accordingly, we believe that the Pacific Road Transaction is reasonable for Shareholders.

## 17. Conclusion

#### Glencore Transaction

We have considered the terms of the Glencore Transaction as outlined in the body of this report and have concluded that it is fair and reasonable to the Shareholders of Aurelia.

In our opinion, the Glencore Transaction is fair because the value of an Aurelia share prior to the Glencore Transaction on a control basis is less than the value of an Aurelia share following the Glencore Transaction on a minority basis. We consider the Glencore Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages. In particular, the Glencore Transaction is fair, and it removes the uncertainty around the outcome of the court hearing with Glencore.

#### Pacific Road Transaction

We have considered the terms of the Pacific Road Transaction as outlined in the body of this report and have concluded that it is not fair but reasonable to the Shareholders of Aurelia.

We consider the Pacific Road Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages. In particular, the Pacific Road Transaction is fair in the event the Glencore Transaction is not approved, and if it is approved, the value differential is not significant. Also it preserves the relationship with a cornerstone investor which may provide the Company with access to funding in the future.

## 18. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Aurelia for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- Unaudited management accounts of Aurelia for the period from 1 July 2015 to 30 November 2015;
- The funding agreement between Aurelia and Glencore;
- Independent Technical Assessment and Valuation Report of Aurelia's mineral assets dated 12 January 2016 performed by CSA;
- Hera Project model;
- Adjusted Hera Project model;
- Glencore financing agreement;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Aurelia.

## 19. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Aurelia in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Aurelia, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Aurelia, Glencore and Pacific Road and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Aurelia, Glencore and Pacific Road and their respective associates.

A draft of this report was provided to Aurelia and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 20. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 21. Disclaimers and consents

This report has been prepared at the request of Aurelia for inclusion in the Notice of Meeting which will be sent to all Aurelia Shareholders. Aurelia engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for Aurelia to restructure its debt financing with Glencore and to issue shares to Pacific Road on exercise of the Pacific Road Options.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Glencore and Pacific Road. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transactions, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Aurelia, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Aurelia.

The valuer engaged for the mineral asset valuation, CSA, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

# Appendix 1 – Glossary of Terms

| Reference | Definition |
|---|---|
| The Act | The Corporations Act 2001 Cth |
| Additional Glencore Converting Loan | $20 million converting loan facility, convertible at Aurelia's election at a 60 day VWAP within five days of the 24 month deferral period |
| Adjusted Model | BDO made adjustments to the Model provided by Aurelia which depict the cash flows of the Hera Project. The Adjusted Model was used to derive the DCF value of the Project |
| APES 225 | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| Aurelia | Aurelia Metals Limited |
| AusNiCo | AusNiCo Limited |
| Aus Tin | Aus Tin Mining Ltd |
| BDO | BDO Corporate Finance (WA) Pty Ltd |
| CBH | CBH Resources Limited |
| The Company | Aurelia Metals Limited |
| Completion Date | The date when the amendments in clause 3 of the Amending Deed between Aurelia, Hera Resources Pty Ltd, Nymagee Resources Pty Ltd, Glencore and Glencore International AG dated 18 December 2015 take effect |
| Corporations Act | The Corporations Act 2001 Cth |
| CSA | CSA Global Pty Ltd |
| DCF | Discounted Future Cash Flows |
| DFS | Definitive Feasibility Study |
| Doradilla Project | Aurelia's Doradilla Tin Project is located approximately 50 km south-east of Bourke, NSW |

| Reference | Definition |
| --- | --- |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EPC | Engineering, Procurement and Construction contract |
| Existing Glencore Facilities | Collectively, Existing Glencore Facility A, Existing Glencore Facility B, Existing Glencore Facility C, Existing Glencore Facility D and Existing Glencore Facility E |
| Existing Glencore Facility A | $20 million converting note facility, convertible at Aurelia's election at $0.251 |
| Existing Glencore Facility B | $50 million converting note facility, convertible at Aurelia's election at a 60 day VWAP prior to conversion, calculated at $0.2424 prior to the court imposed standstill |
| Existing Glencore Facility C | $30 million debt facility with a maturity date of 15 March 2018, with first repayment due on 15 September 2015 |
| Existing Glencore Facility D | $50 million undrawn debt facility |
| Existing Glencore Facility E | $5 million debt facility with a maturity date of 15 October 2016 with first repayment due on 15 September 2015 |
| FIRB | Foreign Investment Review Board |
| FME | Future Maintainable Earnings |
| Glencore | Collectively Glencore Group Funding Limited and Glencore Australia Holdings Pty Ltd, subsidiaries of Glencore plc |
| Glencore Facility A | Glencore Facility A has an outstanding balance of $23,579,871 and is convertible at $0.2563 |
| Glencore Facility B | Glencore Facility B has an outstanding balance of $57,061,144 which is convertible at a 60 day VWAP prior to conversion, which has been assumed to be $0.02 for the purpose of this report |
| Glencore Facility C | Glencore Facility C has an outstanding balance of $33,441,105 and is a $30 million debt facility, with interest suspended for 24 months following the Glencore Transaction |
| Glencore Facility D | An undrawn $50 million debt facility which can be drawn down 12 months after approval of Nymagee Deposit bankable feasibility study or earlier with Glencore consent |
| Glencore Facility E | Glencore Facility E has a balance of $5,967,687 and is a $5 million facility, with interest suspended for 24 months following completion of the Glencore Transaction |

| Reference | Definition |
| --- | --- |
| Glencore Transaction | The provision of a net $21.5 million in funding to Aurelia, a deferral of the debt and interest repayments for 24 months and the issue of the Glencore Options |
| Goldminco | Goldminco Corporation Limited |
| JORC Code | The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves |
| Kadungle Project | Aurelia's Kadungle copper-gold project is located approximately 55 km north-west of Parkes in central NSW |
| Km | Kilometres |
| $Km^2$ | Square kilometres |
| MLX | Metals X Limited |
| MMG | Mineral and Metals Group |
| Model | The DCF model provided by Aurelia which depicts the cash flows of the Hera Project |
| NAV | Net Asset Value |
| NSW | New South Wales |
| Nymagee Deposit | Aurelia's Nymagee copper deposit located in the Cobar basin |
| QMP | Quoted market price |
| RBA | Reserve Bank of Australia |
| Regulations | Corporations Act Regulations 2001 (Cth) |
| Our Report | This Independent Expert's Report prepared by BDO |
| OZ | OZ Exploration Pty Ltd, a subsidiary of OZ Minerals Limited |
| Pacific Road | Pacific Road Capital Management Pty Ltd as trustee for the YTC Managed Investment Trust |
| Pacific Road Options | 40 million options issued by Aurelia to Pacific Road with an exercise price of $0.0125 expiring 28 September 2020 |
| Pacific Road Transaction | The exercise of the Pacific Road Options |
| PEFL | $15 million debt facility with a maturity of 2 September 2018, with first repayment due 2 March 2017 |

| Reference | Definition |
| --- | --- |
| Poly Investments | Poly Investments Holdings Limited |
| Pybar | Pybar Mining Services |
| Pybar Options | 10 million options held by Pybar exercisable at $0.0125, expiring on 28 September 2020 |
| RG 74 | Acquisitions approved by Members (December 2011) |
| RG 111 | Content of expert reports (March 2011) |
| RG 112 | Independence of experts (March 2011) |
| Section 411 | Section 411 of the Corporations Act |
| Section 611 | Section 611 of the Corporations Act |
| Sum-of-Parts | A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies |
| Straits | Straits Resources Limited |
| Shareholders | Shareholders of Aurelia not associated with Glencore or Pacific Road as applicable |
| Tallebung Project | Tin-tungsten project is located 70 km north-west of Condolin, NSW |
| Taronga | Taronga Mines Limited |
| TDK | Yunnan Tin TDK Resources Australia |
| The Transactions | Collectively, the Glencore Transaction and the Pacific Road Transaction |
| Underwriting | Up until 31 December 2016, Pacific Road has the exclusive right to underwrite an equity raising up to $25 million at an issue price to be later agreed with Aurelia |
| UOP | Units of Production |
| USA | United States of America |
| Valmin Code | The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports |
| Valuation Engagement | An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or |

| Reference | Definition |
|---|---|
| | Assignment available to the Valuer at that time. |
| VWAP | Volume Weighted Average Price |
| Yunman Tin | Yunnan Tin Australian Investment Holding Company Pty Limited |
| YTG | Yunman Tin Group of China |



The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

# Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

## 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

## 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

## 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

### 4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

### 5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

# Appendix 3 – Discount Rate Assessment

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' weighted average cost of capital ('WACC') the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

We have determined the discount rate relevant to the Hera Project. In alignment with the purpose of this report, we have determined that the discount rates applied to the aforementioned projects should reflect the financial return an investor in Australia would require in order to invest in it.

## Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

| CAPM | |
|---|---|
| $K_e$ | $= R_f + ß \times (R_m - R_f)$ |
| Where: | |
| $K_e$ | = expected equity investment return or cost of equity in nominal terms |
| $R_f$ | = risk free rate of return |
| $R_m$ | = expected market return |
| $R_m - R_f$ | = market risk premium |
| ß | = equity beta |

The individual components of CAPM are discussed below.

### Risk Free Rate ($R_f$)

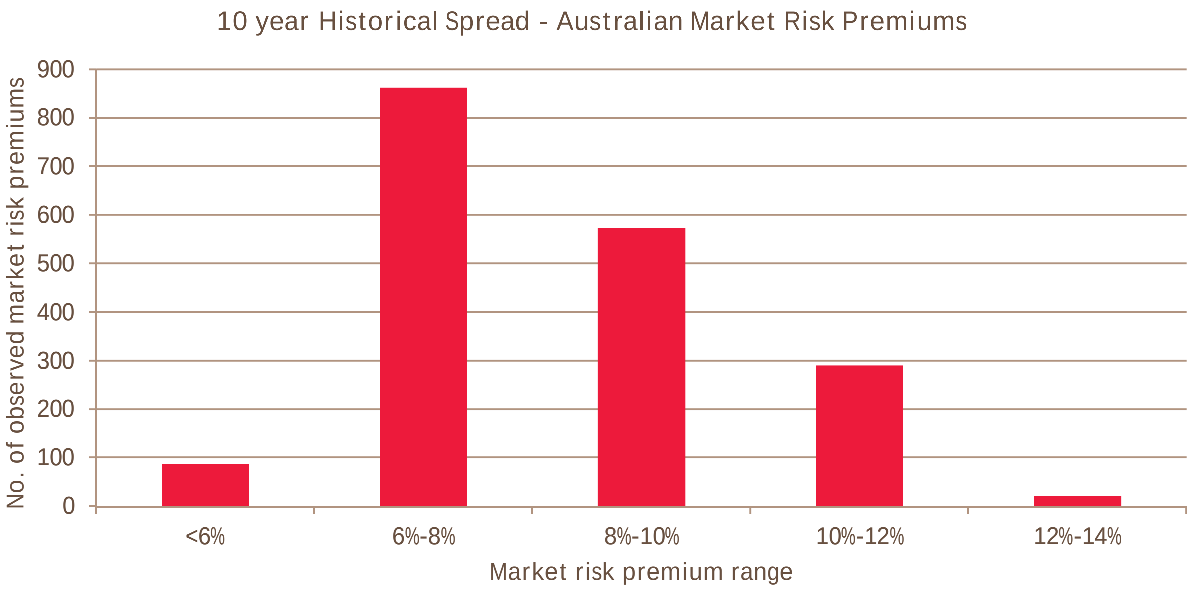
The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of operations for the Hera Mine, we have adopted the current yield to maturity on the 10-year Australian Government bond rate of 2.93% as at 16 December 2015.

### Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the market risk premium in Australia is approximately 6.62% at 16 December 2015. This has been sourced from Bloomberg. The market risk premium is derived on the basis of capital weighted average return of all members of the Australian Stock Exchange composite index minus the risk free rate which is based on the ten year Australian Government bond rates.

In order to determine an appropriate range for the market risk premium in Australia we analysed historical data. Our sample of data included daily historical market risk premiums in Australia over the past seven years. Our research indicated the market risk premium in Australia had ranged from a low of 4.01 to a high of 13.07%. The mean and median market risk premium in Australia is 8.29% and 7.82% respectively.




Source: Bloomberg and BDO analysis

The graph above describes the frequency of observations of the Australian market risk premium over the past seven years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lies in the range of 6% to 10%. Having considered the aforementioned mean and median statistics, we have adopted a market risk premium in Australia between 6% and 8%.

### Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by 'ungearing' the equity beta ($ß_a$) by applying the following formula:

$ß_a = ß\ /\ (1+(D/E \times (1-t))$

In order to assess the appropriate equity beta for the Project we have also had regard to the equity betas of listed companies involved in similar activities in similar industry sectors. The geared betas below have been calculated against the All Ordinaries Index. The geared betas below have been calculated using daily data over a three-year period.

| Company | Market Capitalisation ($m) as at 16 Dec 2015 | Geared Beta (ß) | Gross Debt/Equity (%) | Ungeared Beta (ßa) |
|---|---|---|---|---|
| Alkane Resources Limited | 91.13 | 1.19 | 0.00% | 1.19 |
| Citigold Corporation Limited | 27.86 | 0.53 | 8.33% | 0.50 |
| Evolution Mining Limited | 2,081.68 | 1.13 | 2.13% | 1.11 |
| Kingsgate Consolidated Limited | 84.96 | 0.94 | 43.79% | 0.72 |
| Northern Star Resources | 1,554.08 | 0.99 | 5.10% | 0.95 |
| Ramelius Resources Limited | 99.47 | 0.92 | 1.07% | 0.91 |
| Regis Resources Limited | 1,129.51 | 0.92 | 5.42% | 0.89 |
| Saracen Minerals Holdings | 436.03 | 0.97 | 0.60% | 0.97 |
| Silver Lake Resources Limited | 83.18 | 0.96 | 8.97% | 0.90 |
| Mean | 620.88 | 0.95 | 8.38% | 0.90 |
| Median | 99.47 | 0.96 | 5.10% | 0.91 |

Source: Bloomberg, S&P Capital IQ and BDO analysis

### Selected Beta (ß)

In selecting an appropriate beta for the Hera Mine, we have considered the similarities between the projects and the comparable companies selected above. The comparable similarities and differences noted are:

- the comparable companies' mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages of production;
- there are varying stages of production of the comparable companies' projects compared to the Hera Mine; and
- several comparable companies are still in the prefeasibility and evaluation stage.

Having regard to the above we consider that an appropriate ungeared beta to apply to the Hera Mine is between 0.90 and 1.19, being the average ungeared beta and the maximum ungeared beta identified from the above comparable companies.

We consider Hera's risk profile to be slightly higher than the other producing comparable companies due to the risk surrounding the future funding of the project and the Company. Therefore, the beta range we have selected is weighted more toward the higher end of the observed range of ungeared betas.

We consider it reasonable to assume that the shareholders of Aurelia determine their own required rate of return, for a particular project, by viewing the risks associated with the future cash flows of the project.

Pre-Transaction:

The proposed capital structure for the Hera Mine pre-transaction is assumed to be 93.06% debt and 6.94% equity based on the Company's current debt and the debt from Glencore which is likely to be drawn down over the life of the Project.

We have re-geared the project betas based on the pre-transaction capital structure.

Post Transaction:

The proposed capital structure for the Hera Mine post-transaction is assumed to be 63.35% debt and 36.65% equity based on an assumed conversion of the convertible Glencore Facilities and exercise of the Glencore Options, Pacific Road Options and Pybar Options. We have re-geared the project beta based on the post-transaction capital structure.

## Cost of Equity

On this basis we have assessed the cost of equity to be:

| | Pre-Transaction Capital Structure | | Post-Transaction Capital Structure | |
|---|---|---|---|---|
| Input | Low | High | Low | High |
| Risk free rate of return | 2.93% | 2.93% | 2.93% | 2.93% |
| Equity market risk premium | 6.00% | 8.00% | 6.00% | 8.00% |
| Geared Beta | 9.40 | 12.34 | 2.00 | 2.63 |
| Cost of Equity | 59.32% | 101.68% | 14.92% | 23.93% |

Source: BDO analysis

We note that in assessing the pre-Transaction discount rate, the regeared beta is not a statistically meaningful beta because the Project is largely geared, which distorts the cost of equity. This is a shortcoming of the CAPM, however given the low weighting assigned to equity funding, the cost of equity does not contribute greatly to the WACC.

## Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (i.e., pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

| CAPM |
|---|
| WACC $= \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1-t)$ |
| Where: |

$K_e$ = expected return or discount rate on equity
$K_d$ = interest rate on debt (pre-tax)
T = corporate tax rate
E = market value of equity
D = market value of debt
(1- t) = tax adjustment

## Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, the proposed capital structure for the Hera Mine pre-transaction and post-transaction, is shown below:

| | Proportion of Debt (%) | Proportion of Equity (%) |
|---|---|---|
| Pre-Transaction Capital Structure | 93.06% | 6.94% |
| Post-Transaction Capital Structure | 63.35% | 36.65% |

We have applied a cost of debt of 8.35% which is reflective of the interest rate applicable to Aurelia's PEFL, being the 3m BBSW plus a margin of 6%.

## Calculation of WAAC

| | Pre-Transaction Capital Structure | | Post-Transaction Capital Structure | |
|---|---|---|---|---|
| Input | Low | High | Low | High |
| Cost of Equity | 59.32% | 101.68% | 14.92% | 23.93% |
| Cost of Debt | 8.35% | 8.35% | 8.35% | 8.35% |
| WACC | 9.55% | 12.49% | 9.17% | 12.47% |

Source: BDO analysis

We do not consider there to be a material difference between the WACC based on the pre-transaction and post-transaction capital structures, therefore we consider a WACC of 11%, being the midpoint between the low and high of each funding structure to be reasonable.

A description of the comparable listed companies used in the determination of the discount rate for the Hera Project are summarised below.

| Comparable ASX Company | Description |
|---|---|
| Alkane Resources Limited | Alkane Resources Limited operates as a multi-commodity mining and exploration company in the Central West of New South Wales in Eastern Australia. It primarily explores for gold, copper, zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. Alkane Resources Limited is headquartered in Burswood, Australia. |

| Comparable ASX Company | Description |
|---|---|
| Citigold Corporation Limited | Citigold Corporation Limited, together with its subsidiaries, engages in the exploration, development, and production of gold and silver deposits in Australia. Its principal property is the Charters Towers goldfield project located in north east Australia. The company is based in Brisbane, Australia. |
| Evolution Mining Limited | Evolution Mining Limited engages in identifying, developing, and operating gold related mining projects in Australia and New Zealand. It owns and operates seven gold mines in Cowal in New South Wales; Cracow, Pajingo, Mt Carlton, and Mt Rawdon in Queensland; and Edna May and Mungari in Western Australia. It primarily explores for gold, silver, and copper. The company was formerly known as Catalpa Resources Limited and changed its name to Evolution Mining Limited in November 2011. Evolution Mining Limited is based in Sydney, Australia. |
| Kingsgate Consolidated Limited | Kingsgate Consolidated Limited engages in the exploration, development, and mining of gold and silver properties in Australia, Southeast Asia, and South America. The company owns and operates two gold projects, including the Chatree mine in Thailand; and the underground Challenger Gold mine in South Australia. It also holds interest in the Nueva Esperanza silver/gold project in Chile; and the Bowdens silver project in New South Wales, Australia. Kingsgate Consolidated Limited is based in Sydney, Australia. |
| Northern Star Resources Limited | Northern Star Resources Limited explores for gold and silver properties in Australia. It primarily engages in mining gold deposits at Paulsens, Plutonic, Kanowna Belle, Kundana, and Jundee operations, as well as the exploration of gold deposits in the Ashburton, Kalgoorlie, and Plutonic regions of Western Australia. The company also constructs and develops extensions to its gold mining operations. Northern Star Resources Limited is based in Subiaco, Australia. |
| Ramelius Resources Limited | Ramelius Resources Limited, together with its subsidiaries, engages in the exploration, mine development and operation, and sale of gold in Australia and the United States. It operates through Mt Magnet, Burbanks, and Exploration segments. The company primarily explores for gold and nickel deposits, as well as offering milling services. The company's operational projects also comprise Vivien deposit and Kathleen Valley gold mines in Western Australia. Ramelius Resources Limited is headquartered in East Perth, Australia. |
| Regis Resources Limited | Regis Resources Limited is a gold production and exploration company with gold operations located in Australia and Africa. The company owns and operates the Duketon Gold Project in the North Eastern Goldfields of Western Australia and the McPhillamys Gold Project in the Central Western region of New South Wales. Regis Resources Limited was founded in 1988 and is based in Subiaco, Australia. |
| Saracen Mineral Holdings Limited | Saracen Mineral Holdings Limited is an Australian gold producer with operations based in the North Eastern Goldfields of Western Australia. The company holds 100% interest in the Carosue Dam operations located in north-east of Kalgoorlie, Western Australia. It also holds interests in Thunderbox operations located in the Yandal belt and the Agnew-Wiluna belt in the North Eastern Goldfields of Western Australia. Saracen Mineral Holdings Limited is headquartered in Perth, Australia. |

| Comparable ASX Company | Description |
|---|---|
| Silver Lake Resources Limited | Silver Lake Resources Limited, together with its subsidiaries, operates as a gold producing and exploration company in Australia. The company holds interests in the Mount Monger goldfield; the Murchison goldfield; and the Great Southern Project. It also holds interests in the Copper Lakes project that consists of an exploration license application covering an area of 267 km2 located to the southeast of Port Hedland. The company is headquartered in South Perth, Australia. |

# Appendix 4 – Independent Valuation and Technical Specialist Report

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Mining Industry Consultants

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Date: 12th January 2016
Report No: R273.2015

*Independent Technical Assessment and Valuation*

**AURELIA METALS LIMITED**

# Valuation of Mineral Assets held by Aurelia Metals Limited

**New South Wales, Australia**

**By**

**Aaron Meakin** *B.Sc. (Hons), GDipAppFin, MAppFin, MAusIMM (CP Geo), F Fin*

**Karl van Olden** *B.Sc. (Eng) (Mining), Grad Dip Eng (Mineral Economics), MBA, FAusIMM, MAICD*

**Trivindren Naidoo** *M.Sc., MAusIMM, MGSSA, Pr.Sci.Nat*

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For:

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Approved:

Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication.

Daniel Wholley
*Director – Operations*

CSA Global - Mining Industry Consultants 30 YEARS 1984 - 2014

# Author and Reviewer Signatures

| **Principal Author:** | **Aaron Meakin** | **Signature:** | |
|---|---|---|---|
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| Contributing Author: | Karl van Olden | Signature: | |
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| Contributing Author: | Chris Campbell-Hicks | Signature: | |
| | | | |
| Principal Reviewer: | Stan Wholley | Signature: | |
| | | | |
| CSA Global Authorisation: | Stan Wholley | Signature: | |
| | | | |

# Executive Summary

**Introduction**

CSA Global Pty Ltd (CSA Global) was commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Technical Assessment and Valuation report (the Report) on the Mineral Assets held by Aurelia Metals Limited (Aurelia). The report was prepared by CSA Global in December 2015.

The report was written for inclusion in an Independent Expert's Report (IER) to support an agreement with Glencore for the provision of funding and settlement of the litigation between Aurelia and Glencore. The IER will be completed and signed off by BDO through their Perth office. The IER will provide an opinion to Aurelia shareholders and as such it will be a public document.

CSA Global has been tasked with completing a valuation of the exploration assets held by Aurelia and completing a review of the mining and mineral processing inputs which will be used by BDO in the preparation of a discounted cash flow financial model for the Hera Mine.

The assets that were the subject of the report include:

- The Hera Project
- The Nymagee Project
- Regional exploration properties.

**Hera Project**

The Hera Project is located approximately 90 km southeast of Cobar in New South Wales, within the Early Devonian Cobar Basin. The deposit is hosted within the Mouramba Group at the contact between the Burthong Formation and the overlying Rosset Sandstone. A Feasibility Study was completed in 2011 and mine production commenced in 2014.

The Hera Mineral Resource estimate is provided below. The Mineral Resource has been reported above a Net Smelter Return (NSR) value of $125.

**Hera Mineral Resource estimate depleted to 30 June 2015**

| JORC Classification | Tonnage (Mt) | Pb (%) | Zn (%) | Au (g/t) | Ag (g/t) | Cu (%) | NSR ($) |
|---|---|---|---|---|---|---|---|
| Measured | 0.66 | 2.96 | 3.40 | 5.14 | 15.59 | 0.24 | 278 |
| Indicated | 0.96 | 3.02 | 4.51 | 3.37 | 17.97 | 0.15 | 219 |
| Inferred | 0.89 | 4.85 | 6.02 | 2.37 | 73.91 | 0.10 | 225 |
| Total | 2.51 | 3.65 | 4.76 | 3.48 | 37.21 | 0.15 | 237 |

The Life-of-Mine (LOM) Schedule in the financial model provided to CSA Global comprises inventory from the Mineral Resource Estimate drawn from Measured and Indicated classification categories and a component of Inferred Mineral Resources. The mineral inventory is shown below.

**Hera Mineral Inventory – diluted and mining recovery applied by Mineral Resource classification depleted to 30 June 2015**

| JORC Classification | Tonnage (Mt) | Pb (%) | Zn (%) | Au (g/t) | Ag (g/t) | Cu (%) | NSR ($) |
|---|---|---|---|---|---|---|---|
| Stopes | | | | | | | |
| Measured | 0.65 | 2.75 | 3.12 | 4.44 | 14.39 | 0.23 | 244 |
| Indicated | 0.79 | 2.67 | 4.11 | 2.73 | 15.85 | 0.13 | 186 |
| Inferred | 0.51 | 4.43 | 5.42 | 2.36 | 68.25 | 0.08 | 213 |
| Development | | | | | | | |
| Measured | 0.07 | 1.68 | 1.21 | 4.32 | 11.32 | 0.18 | 207 |
| Indicated | 0.12 | 2.64 | 3.88 | 2.67 | 16.06 | 0.16 | 181 |
| Inferred | 0.11 | 4.22 | 5.29 | 2.15 | 61.03 | 0.08 | 199 |
| Total Inventory | | | | | | | |
| Measured | 0.66 | 2.74 | 3.10 | 4.44 | 14.35 | 0.23 | 244 |
| Indicated | 0.91 | 2.67 | 4.08 | 2.72 | 15.87 | 0.13 | 185 |
| Inferred | 0.62 | 4.39 | 5.40 | 2.32 | 66.98 | 0.08 | 211 |
| Total | 2.18 | 3.18 | 4.16 | 3.13 | 29.86 | 0.15 | 210 |

Aurelia has prepared and documented their Mineral Resources and Life-of-Mine Plan for the Hera deposit using appropriate methodologies, CSA Global considers that the manner in which the Mineral Resource estimation was completed does not represent a material risk to the ongoing development, mining or global value of the project.

CSA Global does consider however that grade variability (predicted versus actual) is likely to be significant, particularly over shorter (monthly to quarterly) scheduling intervals. Reviews are underway currently to assess the need to revise these models in light of reconciliation data collated from recent mining activities.

The mining approach is appropriate for the deposit and applies methods that are established in other similar mines, using conventional equipment and techniques. The mining physicals have been established through appropriate methods and reflect a reasonable expectation of performance. The planned underground infrastructure is appropriate to support the scheduled mining activities. It should be noted that the waste generation profile falls short of providing the full LOM requirement of backfill. The shortfall is approximately 250,000 t. This material will have to be trucked into the mine from a surface source. One source is the waste dump generated from initial development of the project, but this is unlikely to meet the full shortfall. The cost impact is likely to be in the order of between A$2 Million and A$3 Million over the life of the operation.

The processing plant optimisation and upgrade consists of two steps. The first is currently underway which includes directing the InLine Pressure Jig (IPJ) concentrate to a separate regrind vertimill in closed circuit with a new set of cyclones above the Falcon concentrator.

The second step is an upgrade to 450 ktpa which is expected to be completed by the end of 2017 for commissioning in January 2018. The proposed processing upgrades will result in a plant which is suitable for the ore types which exist at Hera. CSA Global has reviewed the processing assumptions made in the cash flow model provided and consider that they are reasonable.

It is noted that the Pre-Export Finance Loan (PEFL) facility of A$15 m provided by Glencore will be subject to a testing regime of Key Performance Indicators (KPI's). The KPI testing regime includes the requirement to meet operational KPI's, with the failure to do so in 3 consecutive months triggering an event of default, which if not cured, will trigger a cross default of the new and existing facilities.

The failure to meet KPI's will be subject to good faith negotiations, a force majeure and a cure period of 45 days (under which the outstanding balance of the PEFL may be repaid in full).

The key operational KPI's are summarised below:

- Throughput test: 27,000 tpm throughput , starting the third month after drawdown
- Gold recovery test: 85% recovery, starting 3 months after the installation of a gravity circuit upgrade
- Zn recovery test: 85% recovery, starting 2 months after the installation of a gravity circuit upgrade
- Pb recovery test: 89% recovery, starting 2 months after the installation of a gravity circuit upgrade
- Processing cost test: A$66/t, starting 2 months after primary ball mill installation.

PEFL repayments are by way of deductions from bulk concentrate payments and subject to minimum quarterly repayments.

The area immediately surrounding the Hera deposit, both within ML 1686 and EL 6162, is considered prospective and numerous prospects warrant further exploration.

There are no material flaws in the technical aspects examined by CSA Global and documented in this report. Appropriate technical information was provided for review and it was considered to be reasonable and sufficient.

**Nymagee Project**

The Nymagee tenements are located adjacent to the town of Nymagee, which is located approximately 110 km northwest of Condobolin and 75 km southeast of Cobar, New South Wales. The Nymagee Project site 5 km north of Aurelia's Hera Mine.

The Nymagee underground copper mine operated between 1880 and 1917 with a total recorded production of 422,000 tonnes @ 5.8% Cu.

The deposit lies within a sequence of meta-siltstone and sandstone to greywacke of the Mouramba Group near the eastern margin of the Cobar Basin.

YTC Resources Limited (YTC) reported a Mineral Resource estimate for the Nymagee deposit in December, 2011. The Mineral Resource was reported in accordance with the JORC Code (2004 Edition) and is inclusive of drilling data to November 2011. The Nymagee Mineral Resource estimate is provided below.

**Nymagee Mineral Resource estimate depleted by historical workings**

| JORC Classification | Material Type | Cut-off grade | Tonnage (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) |
|---|---|---|---|---|---|---|---|
| Measured | - | - | - | - | - | - | - |
| Indicated | Shallow Cu | 0.3% Cu | 5.15 | 1.00 | 0.10 | 0.20 | 5 |
| | Deep Cu | 0.75% Cu | 1.98 | 1.80 | 0.30 | 0.60 | 11 |
| | Pb-Zn-Ag | 5% Pb + Zn | 0.36 | 0.50 | 4.40 | 7.80 | 41 |
| Inferred | Deep Cu | 0.75% | 0.60 | 1.30 | 0.10 | 0.20 | 8 |
| Total | | | 8.10 | 1.2 | 0.30 | 0.70 | 9 |

The area immediately surrounding the Nymagee deposit, particularly down dip and to the north of the Mineral Resource area, is considered prospective and additional drilling is likely to increase the Mineral Resource inventory.

**Regional Exploration Properties**

CSA Global has completed a high-level review of the prospectivity of the exploration properties held by Aurelia. The findings are summarised below.

- EL 6226 Kandungle represents an early phase exploration property with a number of drill targets and geophysical anomalies warranting further exploration.
- EL 6258 Doradilla represents a prospective relatively advanced exploration property with a number of drill targets and geophysical anomalies warranting further exploration.
- EL 6673 Baldry represents an early stage exploration property and only limited exploration encouragement has been received to date. There are still a number of targets however that warrant additional work.
- EL 6699 Tallebung represents a relatively early stage exploration property with a number of drill-ready targets available.
- EL 7447 Box Creek represents any early stage exploration property with significant additional work warranted largely due to its close proximity to the Hera and Nymagee deposits.
- EL 7524 Barrow represents a very early stage exploration property with only limited encouragement to date.
- EL 7529 Lyell Project represents an early stage exploration property with sufficient encouragement to warrant additional exploration.

**Valuation of Regional Exploration Properties**

CSA Global completed a valuation of the exploration properties held by Aurelia. The results are provided below.

**Valuation range and Preferred Value of Aurelia's exploration properties**

| Project | Low (A$M) | Preferred (A$M) | High (A$M) |
|---|---|---|---|
| Hera Exploration Ground | 0.50 | 1.00 | 1.50 |
| Nymagee Mineral Resources# | 7.00 | 10.00 | 15.00 |
| Nymagee Exploration Ground# | 0.10 | 0.50 | 2.00 |
| Kadungle | 0.18 | 0.20 | 0.25 |
| Doradilla | 0.30 | 0.45 | 0.60 |
| Baldry | 0.15 | 0.20 | 0.25 |
| Tallebung | 0.20 | 0.23 | 0.26 |
| Box Creek | 0.60 | 0.80 | 1.00 |
| Barrow | 0.20 | 0.25 | 0.30 |
| Lyell | 0.03 | 0.05 | 0.07 |
| Total | 9.26 | 13.68 | 21.23 |

**Review of Technical Inputs to Hera Mine Discounted Cash Flow Financial Model**

CSA Global has reviewed the mining and mineral processing inputs to the discounted cash flow model which has been prepared for the Hera Mine including:

- Mineral Resources and Ore Reserves
- Mining physicals (including tonnes of ore mined, ore processed, mining recovery and grade)
- Processing assumptions (including products and recovery, scheduling, mill production, refining recovery and plant utilisation)
- Operating costs (including but not limited to surface mining, underground mining, general site costs, haulage, processing, corporate office, royalties)
- Non-operating and other costs (including but not limited to reclamation, surface mining pre-stripping, discretionary capital costs, deferred development costs)
- Capital expenditure (including but not limited to sustaining capital expenditure)

CSA Global considers that all applied inputs are reasonable.

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# 1 Introduction

## 1.1 Context, Scope and Terms of Reference

Aurelia Metals Limited (Aurelia) is a mineral exploration and mining company that is listed on the Australian Securities Exchange (ASX). Aurelia own and operate the Hera Mine, and have a suite of projects in New South Wales, Australia at various stages of exploration.

BDO Corporate Finance (WA) Pty Ltd (BDO) has been engaged by the directors of Aurelia to prepare an Independent Expert's Report (IER). The IER is being prepared to support an agreement with Glencore for the provision of funding and settlement of the litigation between Aurelia and Glencore. The IER will provide an opinion to Aurelia shareholders and as such it will be a public document.

CSA Global Pty Ltd (CSA Global) was commissioned by BDO to prepare an independent Technical Assessment and Valuation of the Mineral Assets held by Aurelia. This Technical Assessment and Valuation report (the Report) was written for inclusion in the IER to be prepared by BDO.

CSA Global has been tasked with completing a valuation of the exploration assets held by Aurelia and completing a review of the mining and mineral processing inputs which will be used by BDO in the preparation of a discounted cash flow financial model for the Hera Project. BDO requested that the Report be compiled in accordance with the VALMIN Code[1].

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 30th November 2015 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

CSA Global has provided and not withdrawn written consent for the inclusion of the Report in the IER, and to the inclusion of statements made by CSA Global and to the references to its name in other sections of the IER, in the form and context in which the Report and those statements appear.

CSA Global accepts responsibility for the Report for the purposes of an Independent Technical Assessment and Valuation. Having taken all reasonable care to ensure that such is the case, CSA Global and the authors confirm that, to the best of their knowledge, the information contained in the Report is in accordance with the facts, contains no omission likely to affect its import, and no change has occurred since 30th November 2015 that would require any amendment to the Report.

A final draft of the Report was provided to BDO, along with a written request to identify any material errors or omissions prior to lodgement. Where appropriate, and in accordance with Australian Securities and Investments Commission (ASIC) Regulatory Guide 111, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code, 2005 Edition. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with participation of the Australian Securities and Investments Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian Finance Sector.

## 1.2 Compliance with the VALMIN Code

The Report has been prepared in accordance with the VALMIN Code, which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the JORC Code[2] and the rules and guidelines issued by such bodies as ASIC and ASX that pertain to IER's.

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

## 1.3 Principal Sources of Information

The Report has been based upon information available up to and including 30th November 2015 (Valuation Date). The information was provided to CSA Global by Aurelia or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to Aurelia's projects.

The authors have endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based.

CSA Global elected to undertake a site visit to the Hera Mine and Nymagee Project area specifically for this report. CSA Global elected not to undertake site visits to Aurelia's exploration properties due to the relatively grassroots nature of most of these projects.

Tenement information was provided by Aurelia. CSA Global completed checks of the tenements on the relevant government websites in New South Wales. The tenement status as checked by CSA Global matched the information provided by Aurelia. CSA Global was also provided with a report which was compiled in October, 2015 by Hetherington Exploration and Mining Titles Services Pty Ltd (HEMTS) which contained an overview of the current standing of Aurelia's tenements.

## 1.4 Authors of the Report – Qualifications, Experience and Competence

The Report has been prepared by CSA Global, a privately-owned consulting company that has been operating from Perth, Western Australia for over 25 years.

CSA Global provides multi-disciplinary services to clients in the global resources industry and has worked for major clients globally and many junior resource companies. CSA Global provides services including all aspects of the mining industry from project generation, to exploration, resource estimation, project evaluation, development studies, operations assistance and corporate advice, such as valuations and independent technical documentation. CSA Global has been involved in the preparation of Independent Technical Assessment Reports for Canadian, Australian, United States of America and United Kingdom listed companies.

Technical aspects of this report concerning geological matters have been prepared by CSA Global Principal Geologist Mr Aaron Meakin, MAusIMM (CP Geo), F Fin. Aaron is a geologist with over 20 years' experience in mining, resource development and exploration. His primary areas of expertise are in resource estimation and mine geology. Aaron's commodity experience includes gold, copper, silver, lead, zinc, manganese, graphite, magnesite and iron ore.

[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Mr Meakin has the relevant qualifications, experience, competence and independence to be considered a “Competent Person” as defined in the JORC Code.

Technical aspects of this report concerning mining matters have been prepared by CSA Global Principal Engineer Karl Van Olden, FAusIMM, MAICD. Karl also reviewed the inputs to the discounted cash flow model which was prepared by BDO. Karl is a mining engineer with 25 years' experience in planning, development and operation of a diverse range of open pit and underground resources assets across Africa and Australia. Karl's broad expertise includes mining engineering, business process development, business and mine planning, Ore Reserves, financial analysis and project management. His experience has been gained from operating assets, driving technical excellence within major gold producing companies and global consulting roles, providing a deep understanding of the key drivers for success in the resource industry.

Mr van Olden has the relevant qualifications, experience, competence and independence to be considered an “Expert” under the definitions provided in the VALMIN Code and a “Competent Person” as defined in the JORC Code.

Technical aspects of this report concerning processing and metallurgical matters have been prepared by CSA Global Associate Chris Campbell-Hicks, FAusIMM (CP Metallurgy), MMICA. Chris also reviewed the inputs to the discounted cash flow model which was prepared by BDO.

Chris has more than 30 years in the mining and mineral processing area with extensive experience in gold, silver, platinum, alumina, iron ore and other base metals. He has worked from exploration through scoping studies, pre-feasibility studies, feasibility studies and internal technical reviews. Chris has worked extensively as the clients’ representative for engineering, procurement, and construction management (EPCM), plant commissioning and post commissioning optimisation.

Mr Campbell-Hicks has the relevant qualifications, experience, competence and independence to be considered a “Competent Person” as defined in the JORC Code.

The valuation of exploration properties was completed by CSA Global Senior Consultant Mr Trivindren Naidoo MSc, MAusIMM, Pr.Sci.Nat, and MGSSA. Mr Naidoo is a consulting geologist with over 15 years’ experience in the minerals industry, including 10 years as a consultant. He has an extensive background in mineral exploration, and specialises in due diligence reviews, project evaluations and valuations, as well as code-compliant reporting. His knowledge is broad-based, and he has wide-ranging experience in the field of mineral exploration, having managed or consulted on various projects ranging from first-pass grassroots exploration to brownfields exploration and evaluation, including the assessment of operating mines.

Mr Naidoo has the relevant qualifications, experience, competence and independence to be considered an “Expert” under the definitions provided in the VALMIN Code and a “Competent Person” as defined in the JORC Code.

The primary reviewer of the report is CSA Global Director – Operations Mr Daniel Wholley. Daniel is a geologist and a manager with 25 years’ experience in exploration and mining geology. In his role as Director – Operations at CSA Global, Daniel is focused on ensuring that our network of staff and associates across the globe work collaboratively to get the best outcomes for our clients. As a principal-level consultant Daniel provides high-level advice on a diverse range of topics from project management, valuations and geo-corporate strategy relating to ASX, TSX and LSE / AIM reporting and compliance. He has strong experience in iron ore and base metal geology with demonstrated expertise in delivering high-quality outcomes from discovery through to resource development and mining.

Mr Wholley has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

### 1.5 Prior Association and Independence

The authors of this report have no prior association with Aurelia in regard to the mineral assets. Neither CSA Global, nor the authors of this report, have or have had previously, any material interest in Aurelia or the mineral properties in which Aurelia have an interest. CSA Global's relationship with Aurelia is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately $55,000.

No member or employee of CSA Global is, or is intended to be, a director, officer or other direct employee of Aurelia. No member or employee of CSA Global has, or has had, any shareholding in Aurelia. There is no formal agreement between CSA Global and Aurelia as to CSA Global conducting further work for Aurelia.

### 1.6 Declarations and Limitations

This Report has been prepared by CSA Global at the request of, and for the sole benefit of Aurelia. Its purpose is to provide an Independent Technical Assessment and Valuation of Aurelia's projects in New South Wales, Australia. The Report is to be included in its entirety or in summary form within an IER to be prepared by BDO**.** It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

CSA Global has consented to the inclusion of the Report within the IER in the form and context in which it is to appear. Neither the whole nor any part of the Report, nor any reference to it, may be included in or with, or attached to any other documents, circular, resolution, letter or statement without the prior written consent of CSA Global as to the form and context in which it is to appear.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 30th November 2015 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

All parties have consented to the inclusion of their work for the purposes of this announcement.

The interpretations and conclusions reached in this report are based on current geological understanding and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty.

# 2 Asset Summary

## 2.1 Overview

A summary of the assets to be valued is provided below:

- Hera Project
- Nymagee Project
- Regional exploration areas in New South Wales.

The tenements held by Aurelia are summarised in Table 1 and locations are shown in Figure 1. Nymagee Resources Pty Ltd, Defiance Resources Pty Ltd, Hera Resources Pty Ltd and Stannum Resources Pty Ltd are wholly owned subsidiaries of Aurelia.

Table 1: Aurelia's Tenement Details

| Tenement | Project | State | Holder | Size ($km^2$) | Status | Aurelia Interest (%) |
|---|---|---|---|---|---|---|
| EL4232 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 14.55 | Renewal Pending | 95 |
| EL4458 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 11.09 | Renewal Pending | 95 |
| EL6162 | Hera | New South Wales | Hera Resources Pty Ltd | 128.7 | Current | 100 |
| EL6226 | Kadungle | New South Wales | Defiance Resources Pty Ltd | 43.34 | Current | 100 |
| EL6258 | Doradllia | New South Wales | Stannum Resources Pty Ltd | 112.7 | Current | 100 |
| EL6673 | Baldry | New South Wales | Defiance Resources Pty Ltd | 38.6 | Current | 100 |
| EL6699 | Tallebung | New South Wales | Stannum Resources Pty Ltd | 40.46 | Current | 100 |
| EL7447 | Box Creek | New South Wales | Defiance Resources Pty Ltd | 145.5 | Current | 100 |
| EL7524 | Barrow | New South Wales | Defiance Resources Pty Ltd | 61.14 | Current | 100 |
| EL7529 | Lyell | New South Wales | Defiance Resources Pty Ltd | 8.73 | Current | 100 |
| ML5295 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 0.003339 | Renewal Pending | 95 |
| ML5828 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 0.01538 | Renewal Pending | 95 |
| ML53 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 0.04867 | Renewal Pending | 95 |
| ML90 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 0.03391 | Renewal Pending | 95 |
| PLL847 | Nymagee | New South Wales | Nymagee Resources Pty Ltd | 0.127 | Renewal Pending | 95 |
| ML1686 | Hera | New South Wales | Hera Resources Pty Ltd | 13.079 | Current | 100 |

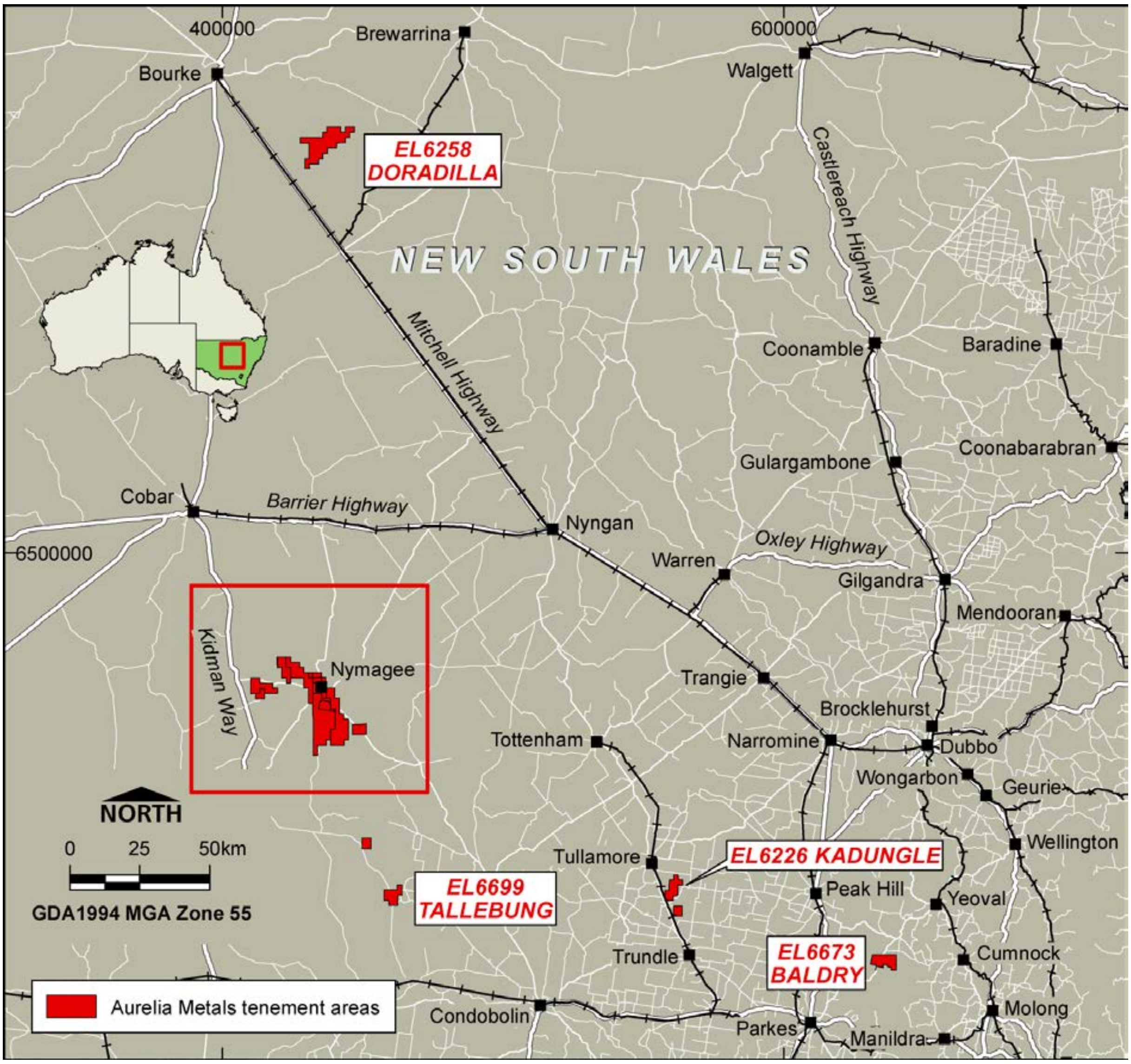


Figure 1. Location of Aurelia's tenements

### 2.2 Status of Aurelia's Tenements

Tenement information was provided by Aurelia. CSA Global completed checks of the tenements on the New South Wales Department of Industry, Resources and Energy website. The tenement status as checked by CSA Global matched the information provided by Aurelia.

CSA Global was also provided with a report which was compiled on 30 October, 2015 by HEMTS which contained an overview of the current standing of Aurelia's tenements.

Following independent review of the status of the tenements by both CSA Global and HEMTS, CSA Global is satisfied that all tenements are in good standing. Aurelia has advised however that EL6673 is in the process of being relinquished. Given that this tenement was held by Aurelia at the valuation date, a technical assessment and valuation of this asset is included in this report.

## 2.3 Site Visit

CSA Global completed a site visit to the Hera and Nymagee Projects from 14 October 2015 through 15 October 2015. CSA Global did not visit the regional exploration tenements given the early stage nature of these projects.

# 3 Hera Project

### 3.1 Project History and Background

The Hera deposit was discovered by Pasminco Limited (Pasminco) in 2001. Triako Resources Limited (Triako) purchased the project in 2002 and continued exploration until 2006 which culminated in completion of a pre-feasibility study. Triako was taken over by CBH Resources Limited (CBH Resources) in mid-2006 who continued exploration until 2009 when the project was acquired by YTC Resources Pty Limited (YTC). YTC then changed their name to Aurelia in June 2014. Exploration continued from 2009 through 2015 by YTC and Aurelia.

A Definitive Feasibility Study (DFS) was completed for the Hera Project in 2011 and production commenced in 2014. The DFS was managed by Optiro Pty Ltd.

Minor historic mining was carried out in the vicinity of the Hera Mine, however there are no recorded production estimates for the historical workings.

### 3.2 Infrastructure

#### 3.2.1 Location and Access

The Hera Project is located approximately 100 km southeast of Cobar and 5 km south of Nymagee in New South Wales, as shown in Figure 1.

Access to the Project is via the Kidman Way from the northwest or southwest, from the southeast via Nymagee-Condobolin Road, Milford Street, Harwood Street and Burthong Road, and from the northeast via the Barrier Highway, Hermidale-Nymagee Road, Milford Street, Harwood Street and Burthong Road.

#### 3.2.2 Power and Fuel Supply

Power to the site is provided from an on-site liquefied natural gas-fired powered station with a 3.5 MW capacity. The power station is owned and operated by a specialist power supply company with Aurelia providing the fuel. The power station includes an 850 kW diesel standby generator and a 30,000 litre self-bunded diesel tank.

#### 3.2.3 Compressed Air

An air compressor is situated close to the portal to provide air reticulation for underground mining. The underground contractor maintains the air compressor.

#### 3.2.4 Water Supply

Total water requirements have been estimated to be 187 ML per annum of which 167 ML per annum is for the processing plant. Water is sourced from dewatering activities at the mine site, tailings water decant, stormwater run-off and a bore field located at the project site. The bore field capacity has been confirmed by hydrological investigations and licences have been granted to extract tup to 250 ML per annum.

#### 3.2.5 Communications

External communication is through the Telstra network which include landline and mobile coverage to the Hera Project site.

### 3.2.6 Buildings and Camp

Site buildings include technical and administrative offices, stores, warehouses, workshops, change rooms and explosive magazines. Mining facilities are provided by the mining contractor. An 80 person camp has been built to the north of the Hera Mine site.

## 3.3 Project Approvals

The Hera Project has been subject to numerous approvals which are summarised in Table 2.

Table 2: Hera Project approvals

| Project Approval | Statutory Authority | Status |
|---|---|---|
| Hera Project Approval | NSW Department of Planning | Approved 31 July 2012 |
| Environmental Protection Licence No 20179 | NSW Office of Environment and Heritage | Last variation approved 5 May 2015 |
| Development approval for mine accommodation camp | NSW Department of Planning | Consent given 14 March 2012 |
| Mining Lease 1686 | NSW Department of Trade and Investment, Regional Infrastructure and Services | Granted on 16 May 2013 |
| Water Access Licences issued under Water Management Act 2000<br><br>License Number 85AL752585 and License Number 85AL752815 | NSW Department of Primary Industries Office of Water | Statement of Conditions as at 17 February 2015 sighted for License Number 85AL752585<br><br>Statement of Conditions as at 17 February 2015 sighted for License Number 85AL752815 |
| Explosives Storage and Usage Licence | WorkCover Authority NSW | Current |

## 3.4 Project Tenements and Ownership

The Hera Project site is located wholly within "The Peak" property (LOT 664, DP 761702). The Peak property is held by Aurelia under Western Lands Lease No. WLL2455, granted under the Western Lands Act 1901 and managed by the Land and Property Management Authority of New South Wales. WLL2455 encompasses approximately 2,128 ha and is bounded by Burthong Road to the west and the Nymagee-Condobolin Road to the east.

The Hera Project is located within EL 6162 which encompasses an area of 129 km$^2$ and contains two separate portions. ML 1686 was granted in May, 2013 and one unit was excised from EL 6162 at this time. Tenement details including expiry dates are shown in Table 3. Figure 2 shows the location of the tenements in the Hera-Nymagee area.

Table 3: Hera Project tenements

| Tenement | Area (km2) | Expiry Date | Status | Annual Expenditure Commitment | Aurelia Interest (%) |
|---|---|---|---|---|---|
| ML 1686 | 13.079 | 16/05/2034 | Granted | 910,000 | 100 |
| EL 6162 | 128.7 | 25/11/2018 | Granted | 78,000 | 100 |

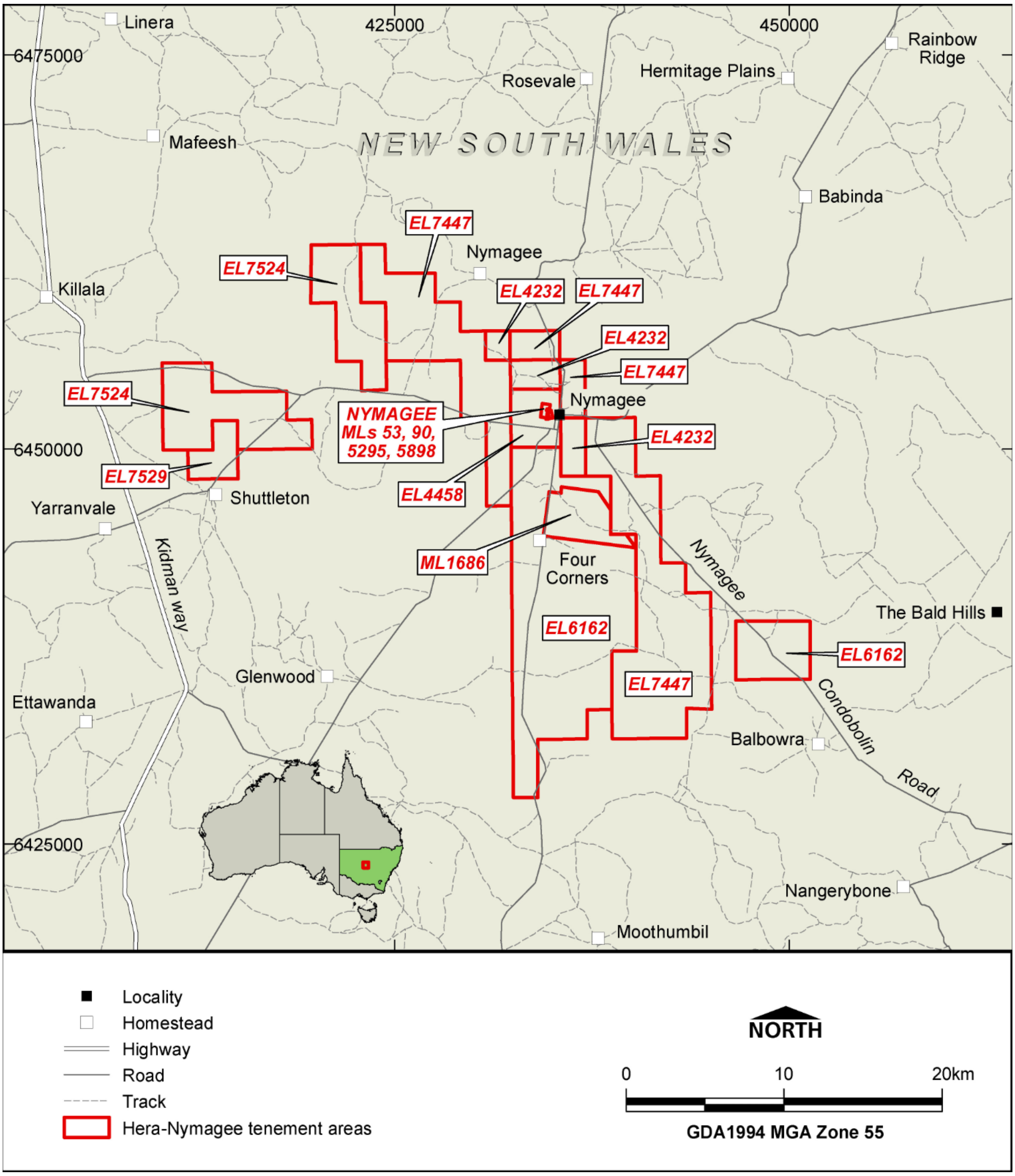


Figure 2. Location of tenements surrounding the Hera Mine

## 3.5 Regional Geology

The content of this chapter is largely drawn from Glen, 1991.

The Hera Project is located within the Early Devonian Cobar Basin within northern portion of the Lachlan Orogen. Regional crustal extension of the Lachlan Orogen in the latest-Silurian created a north-south trending deep water basin in the Cobar region. Basin architecture was controlled by a series of west-northwest extensional faults and internal northeast trending transfer faults. The Cobar Basin was flanked to the east by the Kopje Shelf and to the west by the Winduck Shelf.

The Cobar Basin has been divided into syn-rift and post-rift packets. The syn-rift group (Nurri Group) comprises initial alluvial fan deposition and subsequent more extensive turbidite sedimentation along the eastern basin margin. The post-rift sag phase sedimentation (Amphitheatre Group) comprises much more extensive lower energy turbidites that interfinger with sediments deposited on the western Winduck Shelf.

The Cobar Basin accumulated sediments over a relatively short period of geological time. It was inverted in the Late Early Devonian (395-400 Ma) in response to northeast-southwest compression. The compression resulted in a high-strain zone along the eastern margin of the basin and a low strain zone within the centre and along the western margin of the basin.

Subsequent deformation of the basin was controlled by the reactivation of earlier extensional basin forming faults and by the formation of new faults. Inversion of the western margin of the basis, at a much lesser intensity compared to the eastern margin, occurred in the Carboniferous.

Mineralisation that lies within the Cobar Basin displays a strong structural control, particularly in relation to thrust faulting. The deposits are typically high-grade, are limited in strike length and show significant vertical extent. Significant deposits which lie within the Cobar Basin include:

- The CSA copper deposit
- The Endeavour silver-lead-zinc deposit
- The Mineral Hill copper-gold-lead-zinc deposit
- The Peak, Perseverance, New Occidental and New Cobar gold-copper deposits.

The regional geology is shown in Figure 3.

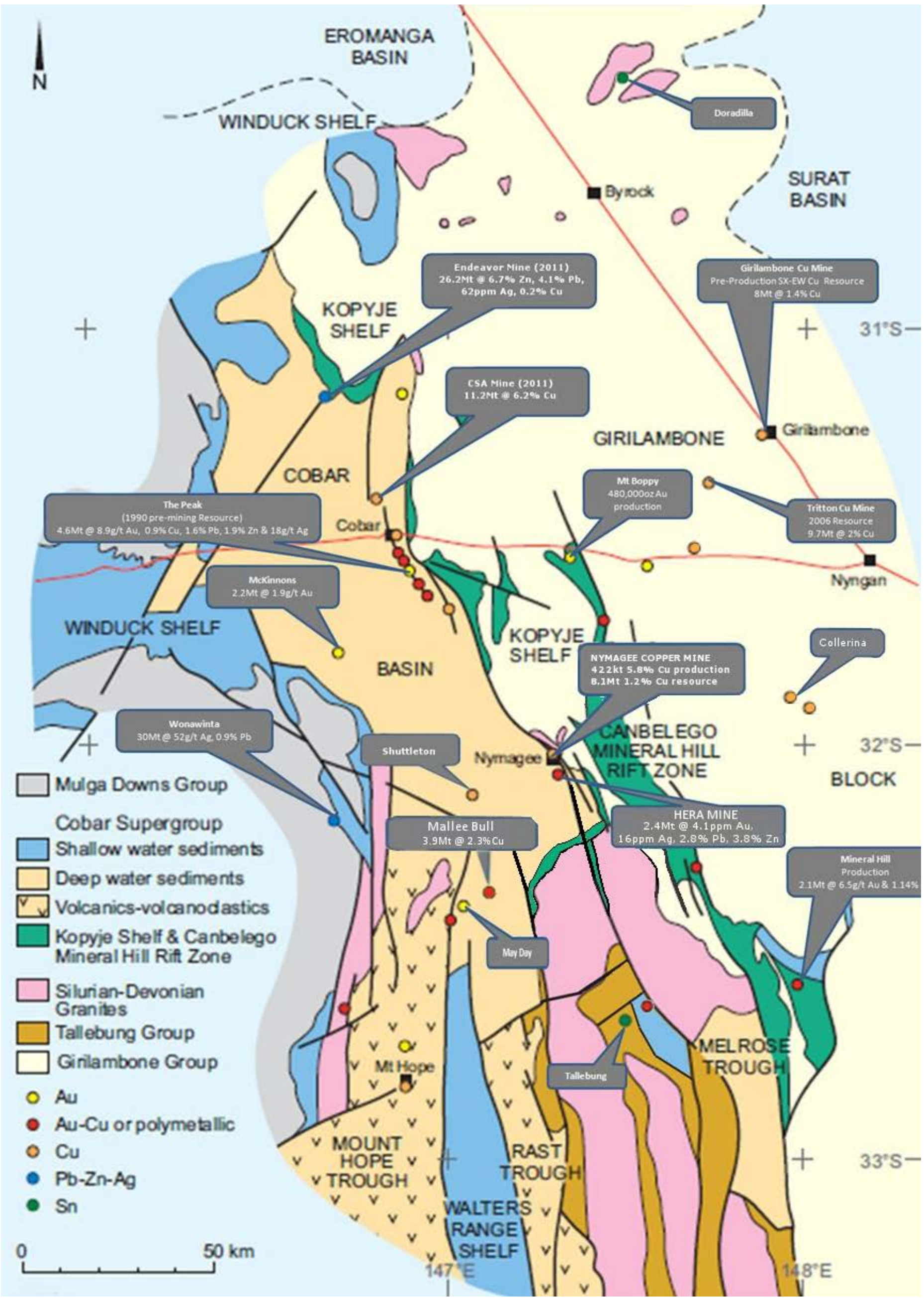


Figure 3. Regional geology (provided by Aurelia)

## 3.6 Mineral Resources

### 3.6.1 Site Visit

CSA Global complete a site visit to the Hera Project from 14th October 2015 through 15th October 2015. During the site inspection, CSA Global discussed the exploration history, drilling data collection procedures, sampling and analytical procedures and Quality Assurance (QA) programmes with site personnel.

An inspection of the mineralisation in the underground workings at the 285 level and 385 level was also completed.

The contents of this chapter are based on discussions with site personnel, knowledge gained by visiting the underground workings, review of publicly available technical papers and assessment of the most recent Mineral Resource estimation report (Widenbar, July, 2015).

### 3.6.2 Deposit Geology

EL 6162 is located entirely within the Nymagee 1:100,000 Geological Sheet.

The Hera deposit is an epigenetic “Cobar-style” deposit, located adjacent to the eastern margin of the Cobar Basin. The deposit is hosted within the Mouramba Group at the contact between the Burthong Formation and the overlying Rosset Sandstone. The Burthong Formation contains Ripple cross-laminated and parallel-laminated fine to very fine quartz lithic sandstone, with lesser laminated, bioturbated siltstone and interlaminated siltstone and fine sandstone. The Rosset Sandstone contains cross-bedded and parallel-laminated, lithic-quartz and medium to fine sandstone interbedded with ripple cross-laminated fine to very fine sandstone.

The most dominant structural feature of the eastern margin of the Cobar Basin, the Rookery Fault, is interpreted to pass approximately 1 km to the east of the Hera Project.

Host sandstones, siltstones and volcanics are pervasively silica and sericite altered. The mineralisation is structurally controlled with quart-sulphide matrix breccia grading to massive sulphide within a zone of deformation / shearing. Mineralisation consists of numerous sub-parallel lenses which strike approximately 340 to 345 and dip steeply to the west.

Within the lenses, there are anastomosing veins and clast supported breccia’s which contain pyrrhotite, sphalerite, galena, pyrite, chalcopyrite and gold. Quartz veining is also spatially associated with the mineralisation.

Aurelia believe that lead / zinc mineralisation predates gold mineralisation. Although most of the gold mineralisation lies within the zone which hosts the base metal mineralisation, some gold occurs outside this zone in association with quartz veining.

*CSA Global Assessment*

*The broad-scale controls to the mineralisation are well understood. This has set a solid foundation for Mineral Resource estimation. Mineralisation within the lenses displays significant local complexity. This is particularly the case with respect to the distribution of gold. Mapping and sampling of underground development drives will be critical to gaining a more detailed understanding of the nature of the mineralisation at the local-scale.*

### 3.6.3 Drillhole Locations

All drillhole collar locations have been surveyed by registered surveyors. Prior to commencement of mining operations, surface collars were surveyed using a differential global positioning system (DGPS) to an accuracy of +/- 5 cm. Drillholes that have been completed from the underground workings are surveyed by qualified mine surveyors.

Surveys have been completed at regular intervals downhole using an Eastman camera which uses magnetic surveying techniques. Gyroscopic surveys have been completed at various times throughout the projects history to validate the use of these techniques.

When drillholes are intersected in the underground workings, their locations are checked against locations anticipated from collar and downhole survey data. When holes drilled from underground have been intersected, they have been very close to their expected position. Some holes drilled from surface were in the order of 1 m to 10 m away from there expected position. These holes were adjusted by correcting downhole survey data.

_CSA Global Assessment_

*Underground drillholes positions are considered to be accurate while surface drillhole positions are subject to some uncertainty (generally in the order of 1 to 10 m). A relatively high level of confidence can be placed in the location of drill holes that have been used in the preparation of the 2015 Mineral Resource estimate. CSA Global therefore considers that drillhole locations do not pose a material risk to the ongoing development, mining or value of the project.*

### 3.6.4 Sampling Techniques and Analytical Data

Data used to prepare the Hera Mineral Resource estimate is sourced only from diamond and reverse circulation (RC) drill holes using acceptable sampling techniques.

Drilling has been completed by various owners. Pasminco discovered the deposit in 2001 and only completed limited drilling. Triako completed significant drilling from 2003 through 2006. CBH Resources continued exploration until YTC purchased the project in mid-2009. Exploration continued from 2009 through 2015 by YTC and Aurelia. The database utilised in the Mineral Resource estimate is summarised in Table 4.

Table 4: Hera Project drilling history

| Company | Hole Series | Number of Drill Holes | Total Meterage (m) |
|---|---|---|---|
| Buka Minerals | BUKA Series | 2 | 312 |
| CRAE | KW Series | 4 | 799.36 |
| Pasminco | PN Series | 8 | 3,504.6 |
| Triako | TNY Series | 116 | 47,293.42 |
| CBH | CN Series | 34 | 14,901.78 |
| YTC | STRC series | 4 | 708 |
| YTC / Aurelia | HR Series | 283 | 62,830.98 |
| Total | | 450 | 130,350.14 |

4,753 assays were utilised in the July, 2015 Mineral Resources estimate. The assays utilised were from drillhole samples collected by Triako, CBH and YTC / Aurelia. The vast majority of these samples are from diamond core.

Surface holes generally commence as PQ core until fresh rock is reached. Some holes, however, were pre-collared using RC drilling. HQ or NQ size core is then used until the end of hole. Underground holes used LTK60 sized core.

Surface holes generally used triple-tube drilling to maximise core recoveries while underground holes have used double tube drilling. Core recoveries are measured and are generally greater than 95% in fresh rock.

Core has been split in half using a diamond core saw and sampled on nominal 1 m intervals prior to being submitted to a commercial laboratory for analysis. Samples are dried, crushed to 6 mm and pulverised to 85% passing 75 microns to homogenise the sample.

All drilling completed by Triako, CBH, YTC and Aurelia have been submitted to ALS in Orange, an independent laboratory that is ISO 9001:2008 certified, for chemical analysis. Analysis for Au, Ag, Pb, Zn and Cu has been completed.

Gold analysis of surface drill holes was completed using 30 g or 50 g fire assay with Atomic Absorption Spectrometry (AAS) finish. Mineralised sections of the core, or intervals which assayed greater than 0.5 g/t Au, were subsequently assayed by the screen fire method given the potentially coarse nature of the gold mineralisation.

For base metals, an aqua regia digestion is used with an inductively coupled plasma atomic emission spectrometry (ICP-AES) finish.

Quality assurance and quality control (QAQC) procedures have been in place over the history of the project. Blanks are inserted in the sample stream at least every 40 samples to monitor carry-over contamination. Silica flush samples are also employed after each occurrence of visible gold. Certified Reference Materials (CRMs) are also inserted at least every 40 samples. Sample pulps have been submitted to Genalysis, Perth as a further check on the accuracy of the primary laboratory.

CRM data was reviewed by Aurelia for the period from 18 June 2009 through 13 May 2015 in preparation for the Mineral Resource estimate. CRM results were plotted and compared to the plus and minus two standard deviation range that is certified. Each result that was not within this range was interrogated. The vast majority of results were within the expected range which supports the accuracy of the primary analytical laboratory.

Quality control (QC) data collected prior to 2009 was not provided to CSA Global.

*<u>CSA Global Assessment</u>*

*Data has been provided to CSA Global for QC samples submitted from 2009 through 2015. CSA Global has also reviewed Mineral Resource estimation reports completed by external consultants in 2005 and 2006 which summarise earlier QA programmes and QC results.*

*CSA Global considers that a reasonable level of confidence can be placed in the analytical data for the following reasons:*

- *The vast majority of data was collected by diamond drilling methods which provide a high-quality sample;*
- *All drillholes that were used in the preparation of the Mineral Resource estimate were completed relatively recently from 2003 through 2015 with known sampling and analytical methods from a single independent laboratory which holds ISO9001:2008 certification; and*
- *Adequate QC data has been collected to demonstrate precision and accuracy of the data.*

*CSA Global therefore considers that the quality of the sampling and assaying does not pose a material risk to the ongoing development, mining or value of the project.*

#### 3.6.5 Geological Interpretation and Modelling

Geological logging of drill holes has been routinely completed, with data collected in a consistent manner based on specific project requirements. Geological data is currently collected directly in digital format. Grainsize, shade, hue, colour, lithology, structure, weathering, alteration, mineralogy and other descriptive information is collected. Geotechnical data such as recovery, rock quality designation, fracture frequency, micro-fractures, veinlets and number of defect sets is also recorded. Core is photographed wet and dry prior to sampling.

Mineralisation has been defined based on a 2% Pb+Zn+Cu cut-off grade, which broadly correlates with the zone of deformation. Sectional interpretations were completed at regular spacing's along strike of the deposit which were joined to form 3-Dimensional solids which was used to constrain Mineral Resource estimation.

A total of 11 lenses were modelled as follows:

- Main North
- Main South
- Main South 2
- Hays North
- Hays South
- 1530
- Far West
- North Pod
- HMSE
- HMSE Upper
- HMSE Lower.

Once the wireframes were created, a plane was defined which represented their average orientation. The data was then "straightened out" using this reference plane to determine offsets prior to grade estimation.

*CSA Global Assessment*

*Geological data has been collected in a consistent manner that has allowed the development of geological understanding. Discussions with personnel on site provided assurance to CSA Global that continued focus on understanding the controls to and nature of the mineralisation will be required to optimise Mineral Resource estimation and mine planning activities.*

*The Hera mine has a short operating history. Although the broad controls to the mineralisation are well understood, development of a detailed understanding of the nature of the mineralisation will require further mine development, face sampling and mapping. Structurally controlled deposits such as Hera require ongoing geological focus.*

*The use of a Pb+Zn+Cu cut-off grade to define the limits to the mineralisation does not allow gold concentrations to impact on ore boundary positions. Although this presents a risk, in that gold may lie outside zones of elevated Pb+Zn+Cu and therefore be removed from the dataset used for the Mineral Resource estimate, Aurelia considers that this is a relatively rare occurrence. CSA Global reviewed gold concentrations in relation to the mineralisation wireframes that have been prepared and found that elevated gold values outside the wireframes were uncommon.*

*CSA Global considers that interpretation and modelling procedures do not represent a material risk to the ongoing development, mining or value of the project.*

### 3.6.6 Statistical and Geostatistical Analysis

An assessment of the sample length distribution was initially completed to determine the requirement for composting. 73% of the mineralised samples were 1 m in length. The data was therefore composited to 1 m to regularise the data and maintain natural variability.

Summary statistics were then compiled for each mineralised lens. High coefficients of variation were noted which led to a decision to apply top cuts to the data to limit the impact of very high grade values. Normal and log-transformed histograms and probability plots were then used to select upper cuts for Au, Ag, Cu, Zn and Pb for each lens. Inflection points on Log Probability Plots and / or discontinuity on normal and log histograms were used to decide on the appropriate top cut value to select. Adopted upper cuts varied from 0 to 45 g/t for Au, 13 to 120 g/t for Ag, 0 to 3.5% for Cu, 0 to 25% for Pb and 0 to 22% for Zn.

Variography was completed after "straightening out" data for a dataset that comprised the combination of four domains. The nugget effect varied between 13% and 30%. Along strike ranges were generally between 80 m and 130 m, down dip ranges were generally shorter between 50 m and 60 m and across strike ranges were between 6 m and 10 m.

*CSA Global Assessment*

*It is considered appropriate that upper cuts were applied to the data given that outliers exist in the dataset. Furthermore, the method adopted to determine the values appears to be appropriate.*

*The variography that has been completed does not appear to be consistent with geological understanding for two main reasons. Firstly, greater continuity down-dip would generally be expected in a structurally controlled deposit where fluids generally migrate upwards along zones of dilation. Secondly, the modelled nugget component for gold appears low given geological observations that have been made since commencement of mining. Given the high gold grade variability that has been observed during mining, it is likely that the nugget component is moderate to high (25-75%) possibly in conjunction with significant short range grade variability. Collection of close-spaced drilling or face-sampling data would support more detailed geostatistical assessment.*

*Although a more thorough geostatistical study is likely to optimise local grade estimation, CSA Global considers that the manner in which the statistical and geostatistical analysis was completed does not represent a material risk to the ongoing development, mining or value of the project.*

### 3.6.7 Estimation of Mineral Resources

Grades were estimated into blocks from drill hole data using ordinary kriging techniques, with hard boundaries between the modelled lenses. Au, Ag, Zn, Pb and Cu were estimated into 2.5 m X by 10 m Y by 10 m Z blocks using 3D geological modelling software.

Grade interpolation was carried out in "straightened" or "unfolded" space, whereby the strike was aligned north-south and the dip plane was made vertical. A multi-pass search strategy was then used whereby search ellipses which are used to capture samples for grade interpolation was progressively increased. The search strategy is summarised in Table 5.

Table 5: Hera Mineral Resource search strategy

| Search Pass | Minimum Number of Holes | Maximum Samples per Hole | Minimum Samples | Maximum Samples | Along Strike (Y) Dimension | Down Dip (Z) Dimension | Across Strike (X) Dimension |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 4 | 16 | 16 | 60 | 35 | 5 |
| 2 | 2 | 4 | 8 | 16 | 90 | 55 | 7.5 |
| 3 | 1 | 4 | 1 | 16 | 120 | 120 | 15 |

Bulk density measurements have been undertaken on core samples sent for assaying using the weight in air / weight in water (Archimedes) method. Core was not sealed prior to immersion, however the Hera mineralisation displays no or little porosity and therefore this is not considered an issue. A total of 5,772 results were available from a range of types of mineralisation. A relationship between Cu+Pb+Zn and density has been established. Density was therefore calculated based on a regression formula which describes the relationship.

*CSA Global Assessment*

*The use of ordinary kriging with application of top cuts is considered reasonable given the style of mineralisation and the block size of 2.5 m by 10 m by 10 m is justifiable given the drill pattern.*

*The relationship between density and a combined Pb+Zn+Cu variable was assessed by CSA Global and found to be robust, given the correlation coefficient of around 0.83. On that basis, the approach to assign density to the block model is well considered.*

*As a check on the Mineral Resource estimate, CSA Global compiled drill hole assay statistics for samples which fall within each lens to compare with reported Mineral Resources for each lens. The drillhole mean grades and wireframe volumes compared relatively well with reported block model volumes and grades (using no cut-off grade). This gives some confidence that Mineral Resource estimation procedures have been implemented successfully.*

*CSA Global considers that the manner in which the Mineral Resource estimation was completed does not represent a material risk to the ongoing development, mining or global value of the project. CSA Global does consider however that grade variability (predicted versus actual) is likely to be significant, particularly over shorter (monthly to quarterly) scheduling intervals.*

### 3.6.8 Mineral Resource Classification and Statement

The Mineral Resource estimate has been classified and reported in accordance with the JORC Code (2012). The database used for the Mineral Resource estimate was closed in April 2015.

The Mineral Resource has been classified by Aurelia staff after consideration a range of criteria including data quality, geological continuity and drillhole spacing. The following approach was adopted.

A Measured Mineral Resource is reported where:

- Diamond drilling has been finalised (there may or may not be underground development);
- There is sufficient geological knowledge gained through drilling to an approximate pattern of 15 m by 15 m to allow a high confidence in location and grade continuity; and / or where

previous Mineral Resource estimates have classified an area as Measured and there has been no further geological work carried out since that classification.

An Indicated Mineral Resource is reported where:

- There is sufficient geological knowledge gained through drilling to an approximate pattern of 50 m by 50 m or better to give reasonable indication of continuity, grade and tonnage; and / or where:
- Previous Mineral Resource estimates have classified an area as Indicated and there has been no further geological work carried out since that classification.

An Inferred Mineral Resource is reported where:

- There is insufficient sufficient geological knowledge gained through drilling to a pattern greater than 50 m by 50 m to give reasonable indication of continuity, grade and tonnage; and / or where:
- Previous Mineral Resource estimates have classified an area as Inferred and there has been no further geological work carried out since that classification.

Wireframe were constructed to flag the different classification categories.

Mineral Resources at 30 June 2015 are reported in Table 5.

Table 6: Hera Mineral Resource estimate (> AUD $125 NSR), depleted to June 2015

| JORC Classification | Tonnage (Mt) | NSR ($) | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) |
|---|---|---|---|---|---|---|---|
| Measured | 0.66 | 278 | 5.14 | 15.59 | 0.24 | 2.96 | 3.40 |
| Indicated | 0.96 | 219 | 3.37 | 17.97 | 0.15 | 3.02 | 4.51 |
| Inferred | 0.89 | 225 | 2.37 | 73.91 | 0.10 | 4.85 | 6.02 |
| Total | 2.51 | 237 | 3.48 | 37.21 | 0.15 | 3.65 | 4.76 |

The Mineral Resource has been reported above a Net Smelter Return (NSR) value of AU $125. NSR is calculated according to the following formula.

[Metal grade x expected recovery (%) x expected payability (%) x metal price] – [concentrate freight and treatment charges and royalties]

The NSR calculation considers recovery of gold and silver to doré, and recovery of Pb and Zn in concentrate. NSR values are determined for each block in the block model using the following price and metallurgical recovery assumptions:

- Au – $USD 1,120 / ounce 90% recovery
- Ag – $USD 15.65 / ounce 30% recovery
- Pb – $USD 2,100 / tonne 90% recovery
- Zn – $USD 1,900 / tonne 91% recovery.

An AUD: USD exchange rate of 0.77 was adopted in the calculation.

*CSA Global Assessment*

*CSA Global considers the following key points are critical prior to forming a judgement on Mineral Resource confidence:*

- *The quality of the input drill hole data is considered to be high and provides a sound basis for geological modelling and Mineral Resource estimation.*
- *Broad controls on the mineralisation are well understood and significant effort has been placed on recording relevant geological data in a consistent manner. Geological continuity of the main ore lenses is good, however significant local gold, zinc, lead, and silver grade variability exists within each lens.*
- *Variography has been completed to describe the spatial behaviour of the variables estimated and displays a low to moderate nugget component. CSA Global believes a more detailed study should be completed however subsequent to collection of close-spaced drilling or face-sampling data.*
- *The distribution of gold appears highly erratic given geological observations that have been made since the commencement of mining.*
- *Due to the limited amount of production that has occurred, reconciliation results do not yet provide a meaningful model validation mechanism.*

*Given the erratic nature of the gold mineralisation in particular, CSA Global believes that classification of Mineral Resources as Measured in the absence of underground development underestimates the resource risk. The approach to classify material as Indicated and Inferred is considered reasonable.*

*CSA Global considers however that the manner in which Mineral Resource classification was completed does not represent a material risk to the ongoing development, mining or global value of the project.*

### 3.6.9 Reconciliation

Reconciliation studies are in progress by Aurelia. Preliminary findings based on 5 months of production data indicates there may be issues relating to the applicability of using the July 2015 block model to predict local grade variability. In response, Aurelia has recently commissioned an independent consulting group to update the block model. Until this work is complete, Aurelia has adopted an interim block model, based on a revised interpretation and estimation methodology, for mine planning purposes.

The on-going collation of data, corresponding to progress of underground development and stoping, will provide a better overview of the significance of the reconciliation issues identified.

*CSA Global Assessment*

*CSA Global accepts that there is some risk associated with the ability of the July 2015 block model to accurately predict grades on a local basis. CSA Global considers however that the issue is unlikely to have a material effect on the overall project value. The impact of the local selectivity issue on the day to day operational planning is acknowledged and there will be benefits to a model with improved granularity for short- to medium-term planning purposes. Aurelia has reacted to the reconciliation results through commissioning a Mineral Resource update.*

*The local variability of the mineralised distributions have not yet been well defined in the current block model. Improved understanding of the localised interaction between structural and lithological controls* *on mineralisation, and the definition of estimation domains should be possible from feeding back the observations from the reconciliation study into a block model update.*

*CSA Global advises caution, to ensure that a sufficiently large and rigorously audited reconciliation dataset is used to fine tune any block model in the future. Five months of reconciliation data, while indicative, is a considered a relatively small dataset to inform future decision making with regard to Mineral Resource estimation practises.*

### 3.6.10 Near Mine Exploration Potential

*ML 1686*

Exploration within ML 1686 will focus on growing the Mineral Resource base. A total of 11 lenses were modelled in preparation for the Mineral Resource estimate. A number of these lenses remain open at depth and / or along strike. Furthermore, the Inferred Mineral Resource estimate of 890 kt @ 2.37 g/t Au, 73.91 g/t Ag, 0.1% Cu, 4.85% Pb and 6.02% Zn represents an immediate target for Mineral Resource upgrade.

Numerous additional targets have also been identified by Aurelia including Apollo, Hebe, Athena, Zeus and Hays South. These prospects remain at a relatively early stage of appraisal.

*EL 6162*

Numerous prospects and anomalies lie within EL 6162 which contains two blocks. The main block to the south of Nymagee includes numerous prospects and anomalies including but not limited to Enyo, Hermes, Anomaly III, Anomaly V and Anomaly VI, Piney, Four Corners, Shed Paddock and Thornton's. The eastern block covers the Balowra Tank area. Various exploration programmes have been completed within EL 6162 but prospects remain at a relatively early stage of appraisal.

*CSA Global Assessment*

*CSA Global considers that the area immediately surrounding the Hera deposit is prospective and numerous prospects warrant further exploration.*

## 3.7 Mining

### 3.7.1 Mining Method

The mining method used for the Hera mine is long-hole open stoping in a combination of bottom-up and top-down directions. The stopes are backfilled with cemented rock fill (CRF), waste rock fill or a combination of both. The design is relatively consistent with the DFS parameters. Some adjustments have been made that reflect learning as the mine has been developed.

The orebody is accessed from a decline located in the hangingwall. The decline has a gradient of 1:7 and 1:6.5 and production levels are nominally 25 m apart. A typical standoff distance from the decline to the ore is 60 m. Development will be undertaken by conventional and well understood drill and blast excavation techniques that are common in Australian underground metalliferous mines.

The orebody consists of a number of lodes. These lodes form separate mining areas and the decline splits to access each of the ore lodes. The orebody is steeply dipping and ranges from 2 m to 8 m in thickness. Some of the wider, higher grade portions of the mine have been designed without pillars to increase the overall extraction of this material. CRF material is placed in these stopes to enable stopes to be mined adjacent to each other along strike without the need for pillars. Sill pillars are extracted every 80 m vertically and are filled with CRF for regional stability.

The ore is accessed through ore drives which are mined on the hangingwall of the economic stope to allow for the installation of ground support. All stopes will have hangingwall cable bolt support installed prior to commencement of stoping activities.

After cable bolting, a slot raise is established by drilling a raise pattern between the ore drives that comprise the upper and lower levels of the stope. In the case of top-down open stopes, these will be drilled as upholes and fired in one shot due to inaccessibility of the upper drive as a result of the open stopes above. In cases of bottom-up stoping, top access will be available and this will allow for downhole drilling and firing slots by way of vertical crater retreat (VCR). Production blast holes are drilled in the same way as the slot raise. The blast holes are drilled in rings for the remainder of the length of the stope and are fired in a sequence after the slot has been established. Stopes are typically between 25 m and 30 m in length.

The blasted rock is loaded onto haulage trucks and transported to the surface run-of-mine (ROM) stockpile.

Once the slot is opened, the subsequent rings are blasted. The blasted material is loaded from the stope using manual and remote loading. Once the stope has been completed, a stope reconciliation is completed and then the stope is backfilled as appropriate. Stope backfill is placed by load-haul-dump (LHD) unit under manual control and an engineered tip-head is installed to restrict entry of the loader into the open void. CRF material is mixed in the level stockpile, using the LHD, by mixing cement material, delivered from surface by an agitator truck, with run of mine waste material that has been placed in the stockpile by the underground truck fleet.

The Hera underground mine design is shown in Figure 4.

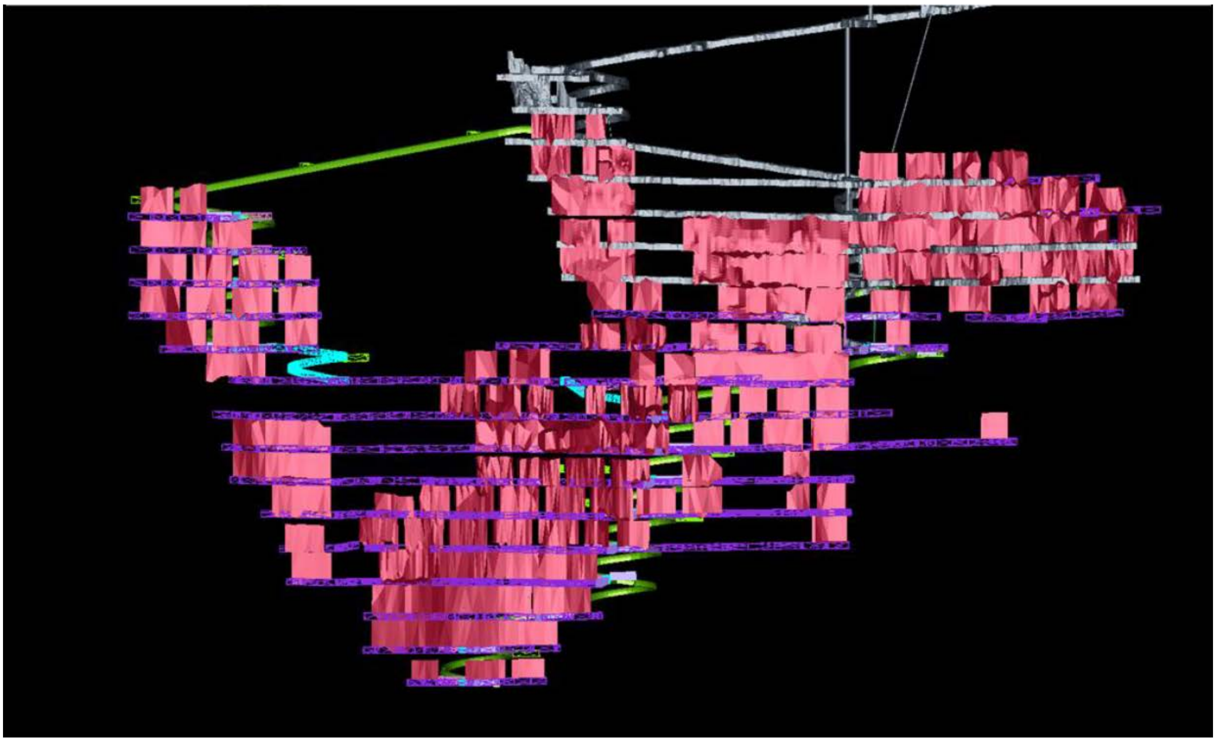

Figure 4. Hera underground mine design

*CSA Global Assessment*

*CSA Global considers that the mining approach is appropriate for the deposit. The approach applies methods that are established in other similar mines, using conventional equipment and techniques.*

### 3.7.2 Mine Planning

Substantial portions of the current mine plan is based on the original DFS which was completed in 2011. Adjustments have been made to the plan over time to reflect new information and experience. The most recent adjustment has been the increase in life-of-mine (LOM) production rates from 350,000 tpa to the currently proposed 450,000 tpa plan by 2018. The subsequent plan is called the Expanded LOM Plan (ELOMP).

The ELOMP design has been generated using appropriate software to produce a LOM mining and production schedule. This exercise included the introduction of the July 2015 Mineral Resource update and review of all stope designs against the new Mineral Resource block model.

A Draft Ore Reserve Statement was prepared in August 2015 and has been presented to CSA Global for review. This statement has not been finalised or publically released.

The parameters used to generate the ELOMP align with the DFS and Draft Ore Reserve Statement. A minimum stoping width of 3 m has been used in the design of each stope. Stope shapes in the ELOMP include the expected dilution of approximately 10%. Dilution from over-break is built into the minable shapes, with 0.6 m to 1 m dilution outside the 2% Pb+Zn ore zone.

Stope shapes include the expected mining recovery of 95%. The mining recovery is built into the minable shapes by leaving 0.1 m to 0.3 m on the footwall where it is likely to be missed. Survey of current voids suggests this is reasonable.

Stope shapes and development were designed and assessed every 3 m along strike, with the block model, triangulations of relative geological lenses and all existing voids and planned development loaded on screen.

*CSA Global Assessment:*

*CSA Global understands that Aurelia are currently reviewing the results of reconciliation between actual performance and the MRE. This analysis, when complete, may have an impact on stope designs based on cut-off grade. Until the MRE review is complete, the extent of any changes to the design can't be estimated.*

### 3.7.3 Cut-off Grade

The polymetallic output from Hera requires the use of NSR to identify the cut-off criteria for the ore. The calculation is presented in Section 3.6.8.

The metal prices are 10% below the spot metal price as shown on the London Metal Exchange in February 2015. Metal Price assumptions are as provided by Aurelia Metals management and have been based on consensus forecasts.

The metallurgical recovery estimate is predicated on the existing Hera ore processing facility with a nominal throughput rate of 350 Ktpa. It incorporates flotation, gravity and a concentrate leach circuits to produce a gold and silver doré and a 55% Pb+Zn concentrate. The geo-metallurgical calculations, mining and processing activities are managed to at least satisfy this requirement. All metallurgical assumptions are based on current operation processing criteria.

The recovery for the Ore Reserve estimate is predicated on the existing Hera ore processing facility with a nominal throughput rate of 350 Ktpa. It incorporates flotation, gravity and a concentrate leach circuit to produce a gold and silver doré and a 55% Pb+Zn concentrate. The geo-metallurgical calculations, mining and processing activities are managed to at least satisfy this requirement. All metallurgical assumptions are based on current operation processing criteria.

Freight cost was assumed to be $140 / wmt of concentrate and smelter costs of $324.68 / dmt of concentrate were used. The Hera Project has in place the necessary contracts and approvals for the transportation of concentrate to agreed Glencore clients. The contracts are renewable on standard commercial terms.

Appropriate royalties have been applied and the gold and silver doré products. These are shipped to a receiving mint for refining under a refining agreement. The refined metals are delivered into hedge book commitments and contracts or sold directly into the spot gold market.

Incremental cut off grades where used to access individual activities. The incremental cut offs are derived from first principles as shown in Table 7. Activities are considered to be for a single stope or a 20 m section of development.

Table 7: Cut-off grade calculations

| Individual cost activities | Assumptions and comments | Unit cost ($) | $/t |
|---|---|---|---|
| Up hole stopes that do not require back fill | | | |
| General assumptions | Each stope consists of an average of 10,500 t and are 30 m in strike, 25 m high and 5 m wide. | | |
| Drilling | 4.4 m/t | 28.72 | 6.53 |
| Box hole | One box hole per stope assume | 34,050 | 3.24 |
| Charging | 90% of holes drilled are charged | 13.37 | 2.73 |
| Conventional bogging | Medium distance of 100–200 m and 60% of tonnes are bogged conventionally | 9.36 | 5.62 |
| Remote bogging | Medium distance of 100–200 m and 40% of tonnes are bogged conventionally | 12.76 | 5.10 |
| Haulage | The medium haul distance of 3.307 km is assumed | 2.09 | 6.91 |
| Processing | From 2015–2016 budget | 76.33 | 76.33 |
| Up hole stopes that do not require back fill cut-off grade | | | 120 NSR |
| Down hole stopes that require backfill | | | |
| Up hole stope costs | Drilling, charging, hauling and processing costs are the same as for an up hole stope | | 104.22 |
| Raise bore cost | 1 slot for 3 stopes due to the use of modified Avoca method | 28,480 | 0.90 |
| CRF | 70% of fill is CRF with 3% cement by volume, assumes a medium tram distance of 100–200 m | 34.69 | 16.51 |
| Rock fill | 30% of fill is lose rock fill with a medium tram distance of 100–200m | 11.39 | 3.32 |
| Back fill Haulage | Tonne Kilometres (tkm) – assume medium distance of fill from 2015 budget and LOM and 70% from surface (50% of all fill will be generated underground) which is between 335 and 360 level – 2.7 km haul distance | 2.09 | 5.64 |
| Down hole stopes that require backfill cut-off grade | | | 130 NSR |
| Development | | | |
| Cost per metre | Budget 2015–2016 | 6,000 | |
| Cost per tonne | 300 t per 4.1 m cut which is 73.2 t per metre | | 82.00 |
| Haulage | | 2.09 | 6.91 |
| Processing | | | 76.33 |
| Development | | | 170 NSR |
| If development is mineralized waste – it will report to ROM if | | | 80 NSR |
| Overheads | From 2015–2016 budget | | 19 |
| Level cut-off grade | | | 185 NSR |

The LOM schedule in the financial model provided to CSA Global comprises inventory from the Mineral Resource estimate drawn from Measured and Indicated classification categories in addition to a component of Inferred Mineral Resources. The LOM schedule contains 2,176,031 t with grades of 3.24 g/t Au, 3.32% Pb, 4.30% Zn and 32.88 g/t Ag.

The financial model provided to CSA Global does not categorise the mined ore into the three Mineral Resource classification categories, however the ELOMP Schedule based on the same Mineral Resource model provides a categorised breakdown of the mined material to within 4% of the quantity and grade in the Financial Model schedule. This is shown in Table 8 and provides a good indication of the Inferred Mineral Resource material in the schedule. Inferred Mineral Resources comprise approximately 37% of the LOM production tonnage.

Table 8: Hera ELOMP – diluted and mining recovery applied by Mineral Resource classification

| JORC Classification | Tonnes | Pb (%) | Zn (%) | Au (g/t) | Ag (g/t) | 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 | 616,75 | 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 |

*CSA Global Assessment*

*The mineral inventory that forms the ELOMP is considered reasonable. The parameters and modifying factors in the estimation are appropriate for use in the cash flow model. It should be noted that 37% of the production in the cash flow model is derived from Inferred Mineral Resources. Inferred Mineral Resources are, by definition, of lower confidence than Indicated and Measured Mineral Resources. CSA Global considers that it is reasonable to include all Inferred Mineral Resources in the cash flow model on the following basis:*

- *The broad controls to the mineralisation at Hera are reasonably well understood following completion of significant drilling and underground development.*
- *The project has a history of converting Inferred Mineral Resources to higher classification categories.*

- *Inferred material does not feature as a significant proportion of the production profile early in the mine plan.*
- *Hera is an operating underground mine still operating at relatively shallow depths. There is no reason to suspect that the tenor of the mineralisation will change significantly in the areas which constitute the Inferred Mineral Resource.*
- *The majority of Inferred Mineral Resources exist down dip or along strike of Indicated and / or Measured Mineral Resources. CSA Global considers it is more likely than not that the majority of this Inferred Mineral will convert to Indicated Mineral Resources with additional drilling given the style of mineralisation under consideration.*
- *To remove Inferred Mineral Resources, wholly or in part, would result in a low valuation for the Hera Mine, as in CSA Global's opinion the Inferred Mineral Resources are likely to be converted to a higher Mineral Resource classification category.*
- *$1,650,000 of Mineral Resource definition drilling, which represents about 11,000 m of drilling has been included in the cash flow model. This drilling expenditure is planned to convert the Inferred Mineral Resource into a higher confidence category before mining.*

*It should be noted that, when compared to the Measured and Indicated Resource, the material has comparatively higher grades of lead, zinc and silver. The NSR of the Inferred Mineral Resources is however of similar value to the other Mineral Resource categories due to lower gold values. The NSR is the measure of net value for the material and as such, the Inferred material in the LOM plan is of similar value to the Measured and Inferred material.*

### 3.7.4 Mine Production

The production scheduled from the Hera Mine reaches an ultimate annualised rate of 450,000 tpa from March 2018 (Figure 5). Total development rates to sustain this production reach a maximum of 450 m per month. As can be seen from the graph below, development rates have already reached a rate of 400 m per month in the first months of the Hera mine life (Figure 6).

The existing ventilation system has been designed with a 4.0 m diameter central return air raise to the surface, installed with three raise bored legs to the 335 Level. From there it is connected by drill-and-blast raises between the 25 m spaced levels. The fan system is designed for total airflow capacity of 180 $m^3$/s.

Increasing the production scenario to 450,000 tpa will require additional equipment to that required for mining at 350,000 tpa. The key changes to ventilation will be an additional stope / backfill loader, production drill and either three 40 tonne trucks or two larger trucks.

The key area requiring a revised ventilation strategy will be the North Pod area. The system has been modelled using ventilation software and the additional capacity for the mining area will be provided by:

- Extending the 285 north drive by 350 m and converting it to a return airway to allow for an extra 80 $m^3$ / s; and
- Utilising the existing fan, which has sufficient capacity and power to exhaust this extra intake capacity.

Preliminary analysis of the extended underground activities indicates that there will be little or no change to the underground power loads as there was sufficient latent capacity in the systems designed for the lower production level. An additional substation has been budgeted in late 2016 to reticulate power to the North Pod mining area.

The currently planned and installed pump stations are expected to provide sufficient dewatering capacity to the extended underground mine.

Waste rock generated from development activities is required for CRF and waste fill activities. As indicated in the graph below, there will be a continued challenge to balance waste rock generation with the demand from backfill activities. Also, the waste generation profile falls short of providing the full LOM requirement of backfill. Based on the current schedule, there will be insufficient waste generated from underground, from 2018 until the end of mining in 2020. The effect for the financial model is that the cost of loading waste from a surface location and the additional haulage distance and cost penalty of down-hauling loaded trucks to the deepest fill stopes underground has not been sufficiently estimated.

The shortfall of waste rock is approximately 250,000 t. At the modelled cost for haulage ($2.26 / tkm) and over an assumed distance of 4.0 km from the surface source to the underground backfill site the total additional trucking cost to the project is approximately $2.3 Million. Loading at the surface source is assumed to be $1 / t. The total cost of sourcing and trucking the additional backfill is estimated to be $2.55 Million.

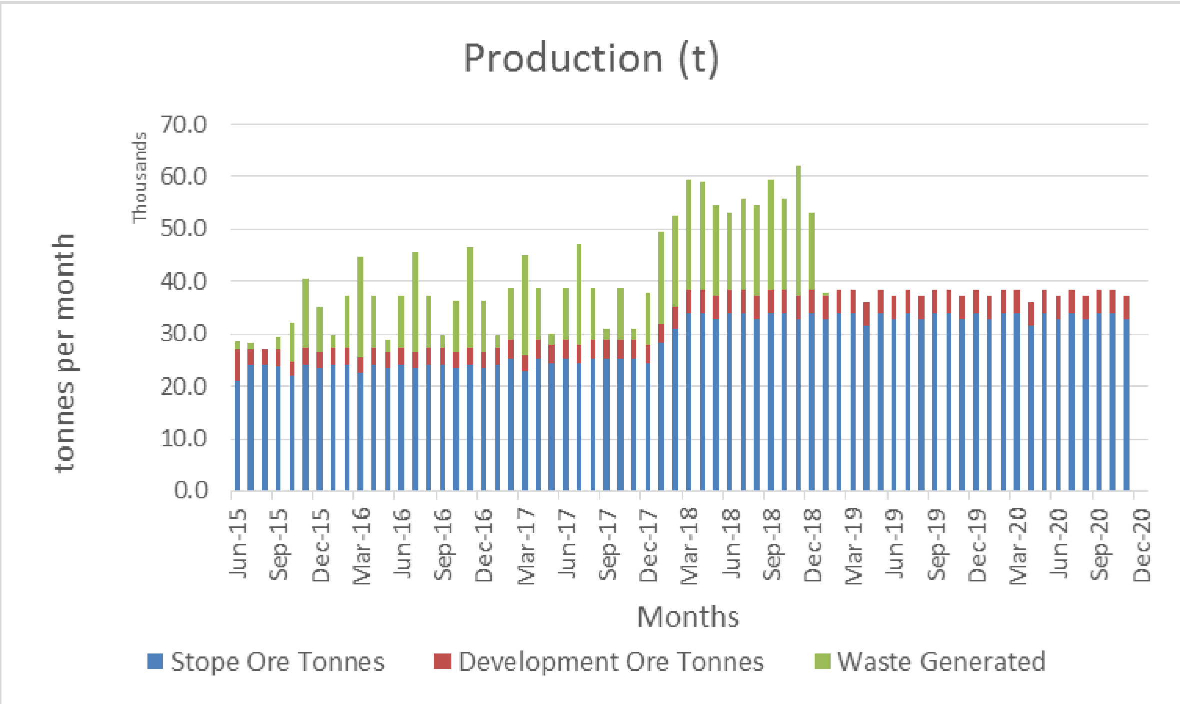


Figure 5. Hera LOM production profile

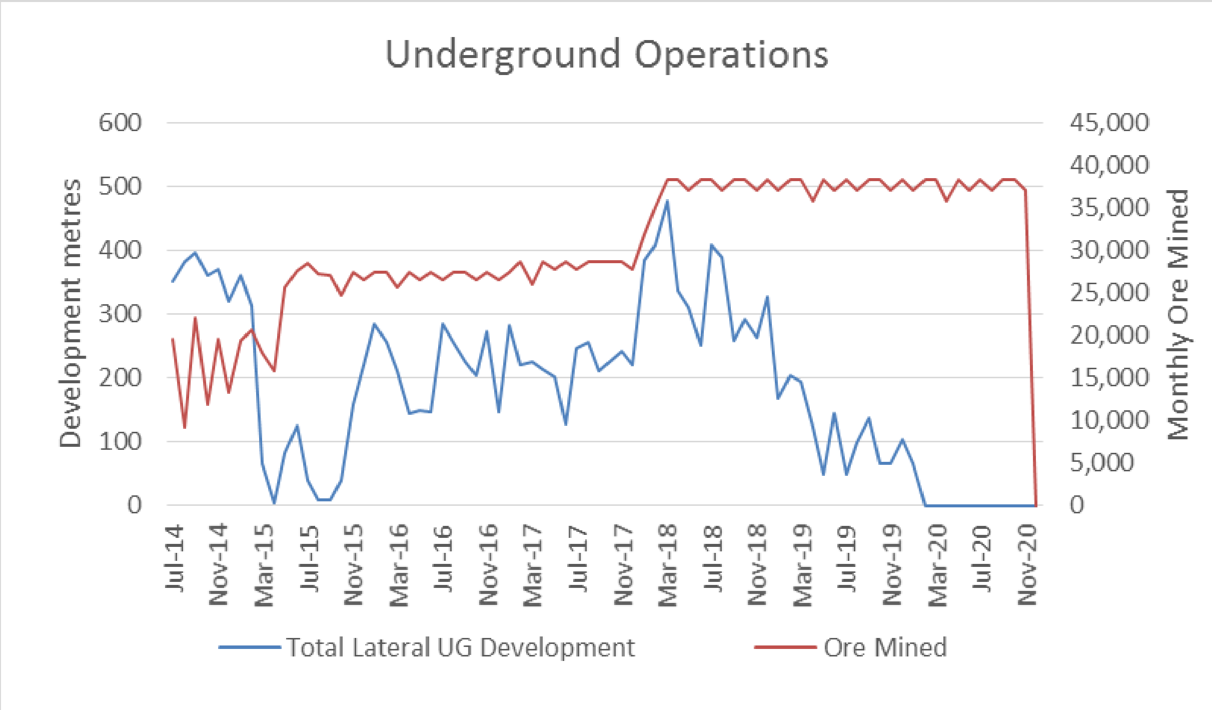


Figure 6. Hera underground operations metrics

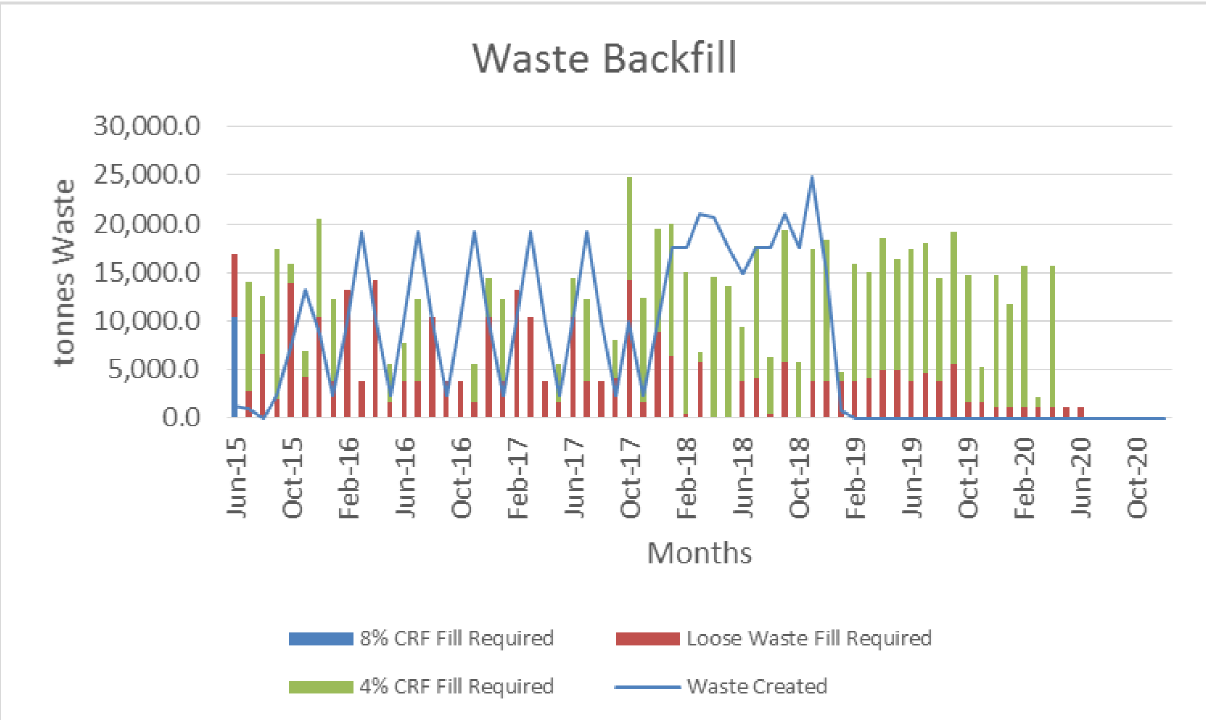


Figure 7. LOM waste fill generation and consumption

<u>*CSA Global Assessment*</u>

*The mining physicals have been established through appropriate methods and reflect a reasonable expectation of performance. It is noted that the generation of waste through development, between 2016 and 2017, has a large degree of variance from month to month. Final medium-term scheduling will likely improve this to a smoother profile that suits the operation of the mine.*

*CSA Global notes that the ore mining schedule has been reduced from a previous mining schedule to delay the build-up of the production profile. The model does not however reflect any variation in the diluted mined grades for the first two years of the adjusted periods. This has resulted in the total metal variance from the previous assessed version being Pb + 0.8%; Zn -1.3%; Au -0.6% and Ag +5.5%. The net effect of these small changes in metal content are not material to the value of the project, but this is an area that should be addressed to ensure that the final scheduled grade is reflected in the model.*

*The planned underground infrastructure is appropriate to support the scheduled mining activities. It should be noted that the waste generated from underground is insufficient to meet the backfill requirements. The shortfall is approximately 250,000 t. This material will have to be trucked into the mine from a surface source. One source is the waste dump generated from initial development of the project, but this is unlikely to meet the full shortfall. The cost impact is likely to be in the order of between A$2 Million and A$3 Million over the life of the operation.*

### 3.7.5 Geotechnical Engineering

The Hera DFS included a comprehensive geotechnical study completed by Coffey Mining. Coffey Mining also conduct regular on-site reviews of geotechnical conditions and practices in the operating Hera mine.

Some stope failures and unplanned dilution have been experienced in the early stages of the operation. These conditions can be attributed to a number of causes including faulting, drill deviation, drill-hole design, blasting practices and ground conditions. The Hera technical and management team are conducting thorough stope reconciliations in order to improve stope performance. A number of the stopes have performed to expectations and improvements are evident.

The development ground support appears to be appropriate as there have been no reports of significant ground control incidents in the development activities.

CRF and waste rock fill are the primary stoping support methods. These are established and appropriate applications for the Hera mining method.

A draft Ground Control Management Plan has been provided to CSA Global. This plan is intended to provide surety in the management of geotechnical and ground control aspects.

<u>*CSA Global Assessment*</u>

*The geotechnical aspects of the Hera operation are well controlled by the ground support practices in place and it is reasonable to expect the mining operations to perform as planned.*

### 3.7.6 Environmental

CSA Global is informed by Aurelia that all environmental permitting is in place and current for the operations to proceed for the duration of the life of mine. This aspect is unlikely to have a material effect on the technical valuation of the operation.

## 3.8 Processing

### 3.8.1 Mineralogy

Quantitative mineralogical analysis of four process streams was carried out in December 2014 by Townend Mineralogy Laboratory.

Polished sections scanned were for rougher concentrate, in-line reactor residue, leach feed and final concentrate. All samples contained >35% sphalerite and > 15% galena with less than 10% composite mineral assemblages.

The large beneficiation percentages compared to plant ore feed assay levels demonstrate that the basic as built plant is of reasonable design, although not optimised, and should produce acceptable grades and recoveries with further modification.

An almost 10% composite component of which 50% is a sphalerite/galena composite indicates potential difficulties in selectively producing separate lead and zinc concentrates. On this basis the decision to produce a bulk (combined lead and zinc) concentrate is considered reasonable.

### 3.8.2 Early Project Test Work

Comminution test work was carried out by Metcon Laboratories (Metcon) and JKTech Pty Ltd providing the relevant and required parameters for plant design. These results are summarised in *Table 9*.

Table 9: Comminution test work results

| Parameter | Value | Comment |
|---|---|---|
| Rod Mill Index (RWi) | 13.3 kWh / t | Average to low |
| Ball Mill Index (BWi) | 21 kWh / t | Average |
| BWi at P80 of 290 µ | 15.6 kWh / t | Average to low |
| Uniaxial Compressive Strength | 129 MPa | Average |
| Abrasian Index | 0.17 | Low |

This test work demonstrated that gravity recovery of gold (GRG) was high at >90% with the combined total gravity plus flotation recovery ranging from 93 % to 98 % with up to a maximum of 99 % of this captured gold recovered by cyanide leaching. Average GRG was assessed to be 85.6% at a grind size of 100 µm.

Flotation test work for both a combined lead plus zinc bulk float and for selective flotation of lead and zinc into separate concentrates was carried out by Metcon and Gekko Systems Pty Ltd (Gekko). The selective pathway was problematical although no details of these problems was sighted. The bulk flotation test work proved very positive producing a combined concentrate grade of 55% Pb + Zn at metal recoveries of 90% for lead and 93% for zinc.

Based solely on these test work programs the decision to design, build and commission a combined gravity and flotation circuit to produce doré and a bulk lead / zinc flotation concentrate is considered reasonable.

It should be noted that an ore variability test work program does not appear to have been carried out. This is an omission that should be addressed through test work, as ore variability can impact on future plant performance.

### 3.8.3 Recent Test Work

Apart from plant audit, sampling and test work program carried out by AdvanceMet Pty Ltd in February 2015, no other recent test work reports were provided to CSA Global. The test work carried out to generate this report was mainly of an "assay-only nature" and did not include significant additional gravity or flotation testing at bench or piloting level.

The modified plant design scaled up from this program does however utilise very mature technology that has had a long history of success and as such the modified circuit proposed in the Aurelia in house Scoping Study is considered reasonable.

### 3.8.4 Plant Design

The Hera processing plant was designed by Gekko and constructed from 2013 through 2014. Although the Hera polymetallic processing facility is a less conventional configuration, it utilises a gravity circuit with conventional unit equipment (mature technology) that successfully operates in numerous locations within Australia and internationally. This equipment includes an in-line pressure jig, in line spinner), intense cyanidation leach reactor and a Falcon centrifugal concentrator.

The gravity circuit conforms to conventional design parameters, apart from the Derrick Screen, and would be expected to perform well. It is surprising therefore that performance has been substantially below expectations and budget (refer Section 3.8.5). In-line pressure jigs, in-line leach reactors and Falcon concentrators all have excellent track records and their initial selection is considered reasonable. It is suggested that the poor plant performance, to date, is to some extent a result of the less conventional circuit configuration coupled to a slightly less experienced workforce.

The main components of the processing circuit are listed below:

- 1000 mm x 600 mm track mounted mobile Jaw crusher.
- 55 kW single toggle (secondary) jaw crusher.
- 250 kW vertical shaft impactor (VSI) for tertiary crushing service.
- Coarse gravity circuit with in-line pressure jig and in-line spinner.
- Ball milling circuit with tramp metal magnet and Falcon concentrator in closed circuit with a Derrick screen.
- Intensive cyanidation circuit with in-line leach reactor and electrowinning cell.
- A flotation feed thickener followed by a rougher / scavenger flotation circuit.
- Bulk lead / zinc flotation concentrate ultra-fine ground in a Metso stirred mineral detritor to 38 µm.
- Fine ground bulk concentrate reporting to a cyanide leach circuit to capture remaining gold.
- Slurry filter, to filter the leach circuit discharge.
- A Merrill-Crowe gold recovery plant to precipitate gold from the leach circuit filtrate.
- Calcining oven and smelter.
- Washing and cleaning section for cleaning leached rougher flotation concentrate
- Small cleaner flotation circuit.
- Tailings cyanide destruct detoxification circuit ($CuSO_4$ / $H_2O_2$).

### 3.8.5 Plant Production Performance

Nameplate production levels have not been achieved despite acceptable performance during the post commissioning process performance verification period. Performance in Q3 2015, however, demonstrated steady improvement with the main Key Performance Indicators (KPIs) either exceeding or closely matching budget as shown in *Table 10*.

Table 10: Hera Processing Plant Q3 performance summary

| Parameter | July to September Production | | |
|---|---|---|---|
| | Actual | Budget | Variance |
| Tonnage (t) | 78,329 | 81,075 | -3.4 |
| Au grade (g/t) | 5.04 | 3.64 | 38.6 |
| Pb Grade (%) | 2.97 | 2.59 | 14.7 |
| Zn Grade (%) | 2.78 | 3.04 | -8.6 |
| Au recovery (%) | 72.9 | 64.7 | 12.7 |
| Pb recovery (%) | 93.6 | 88 | 6.4 |
| Zn recovery (%) | 85.2 | 79 | 7.8 |
| Au production (ounces) | 9,232 | 6,148 | 50.2 |
| Pb production (tonnes) | 2,179 | 1,848 | 17.9 |
| Zn production (tonnes) | 1,849 | 1,940 | -4.7 |

Monthly production plant performance for 2015 are shown in Figure 3 to Figure 17. The figures generally demonstrate below expected performance.

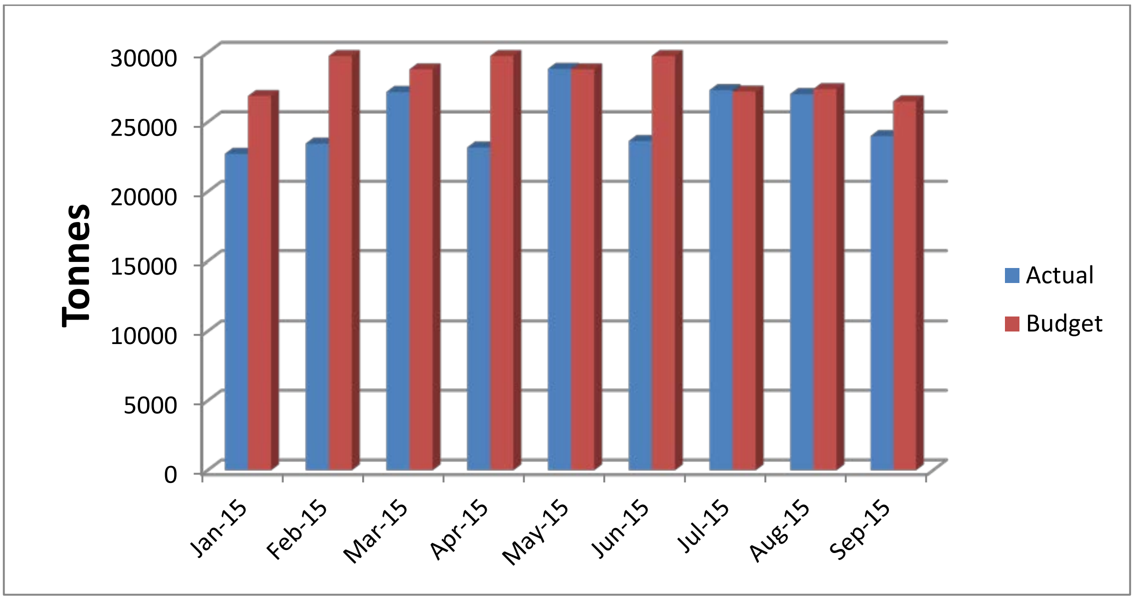


Figure 8. Tonnage processed January through August 2015

Tonnes have never matched the original budget of 29,000 tpm (49 tph) primarily due to reduced circuit availability and downstream bottlenecks.

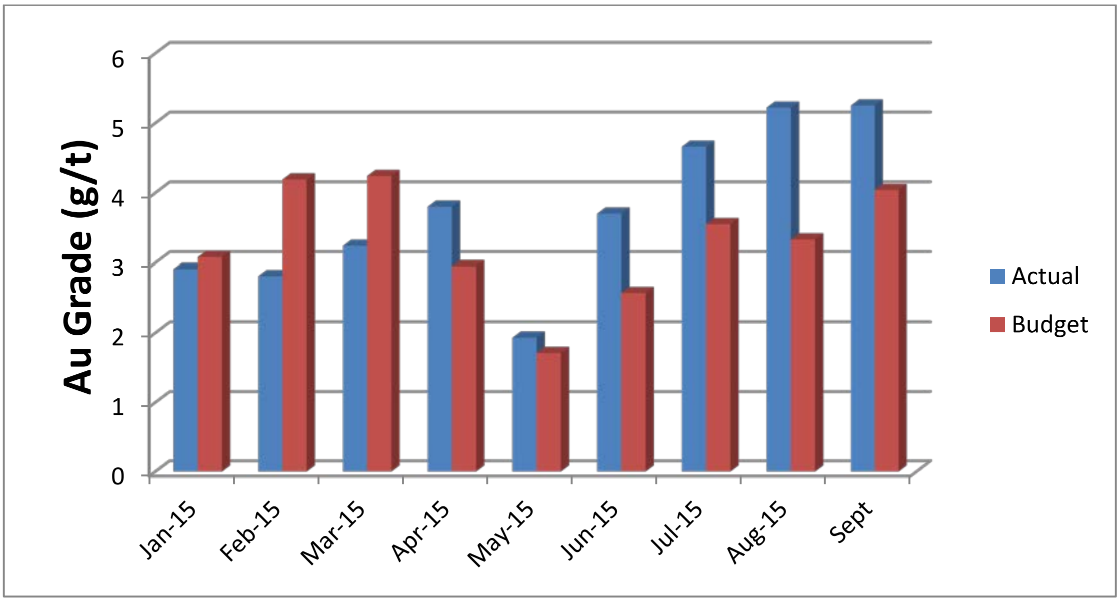


Figure 9. Gold grade January through August 2015

Gold grade for Q3 2015 was excellent but given the style of mineralisation the feed gold grade is likely to be volatile over short (monthly to quarterly) intervals.

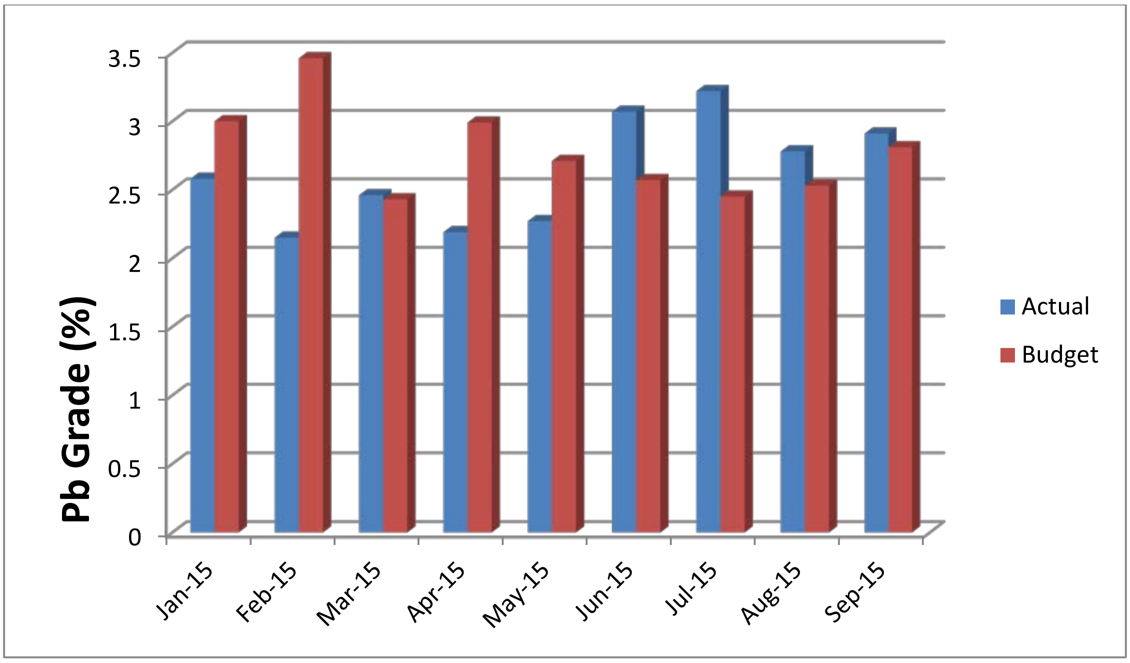


Figure 10. Lead grade January through August 2015

Q3 lead grades have exceeded original budget.

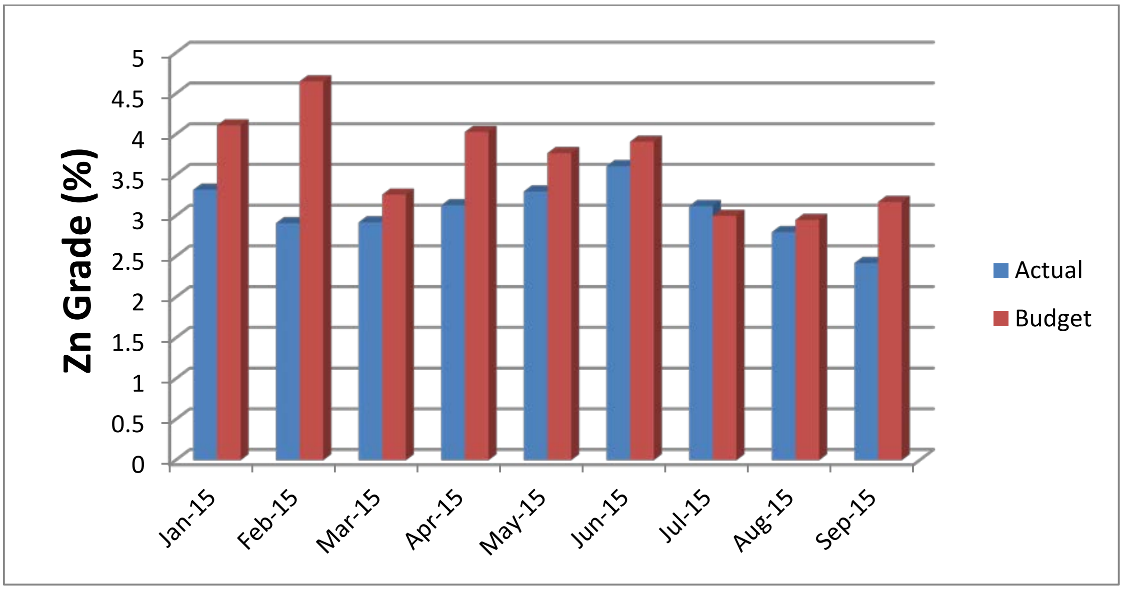


Figure 11. Zinc grade January through August 2015

Zinc grades have been consistently below budget.

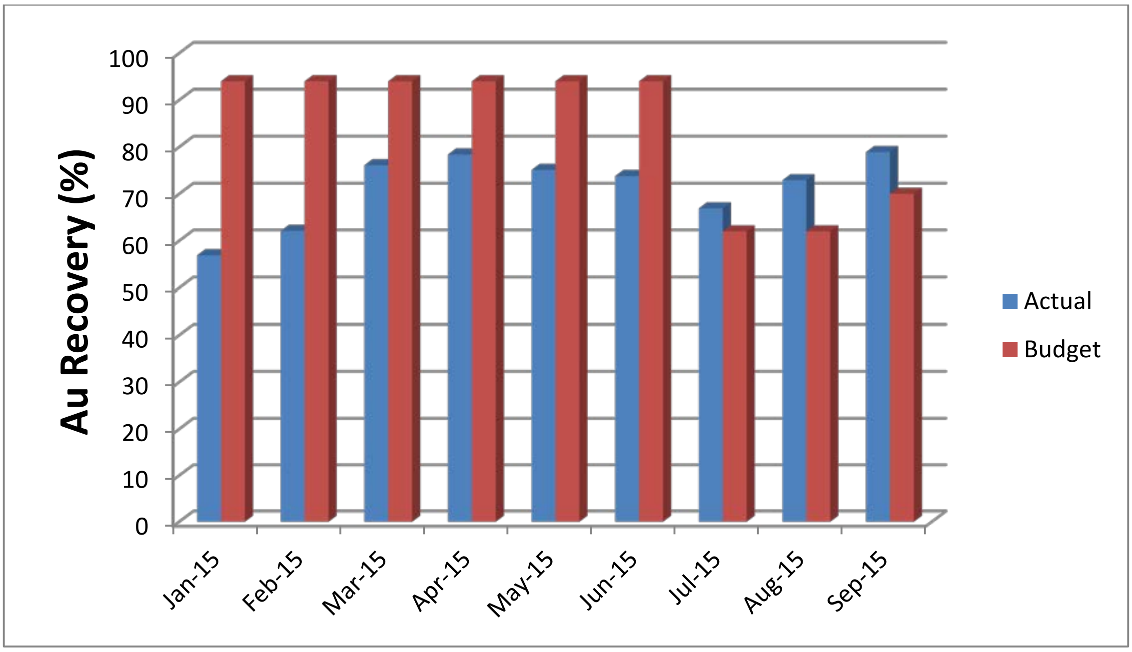


Figure 12. Gold recovery January through August 2015

Au recovery has been consistently below original budget.

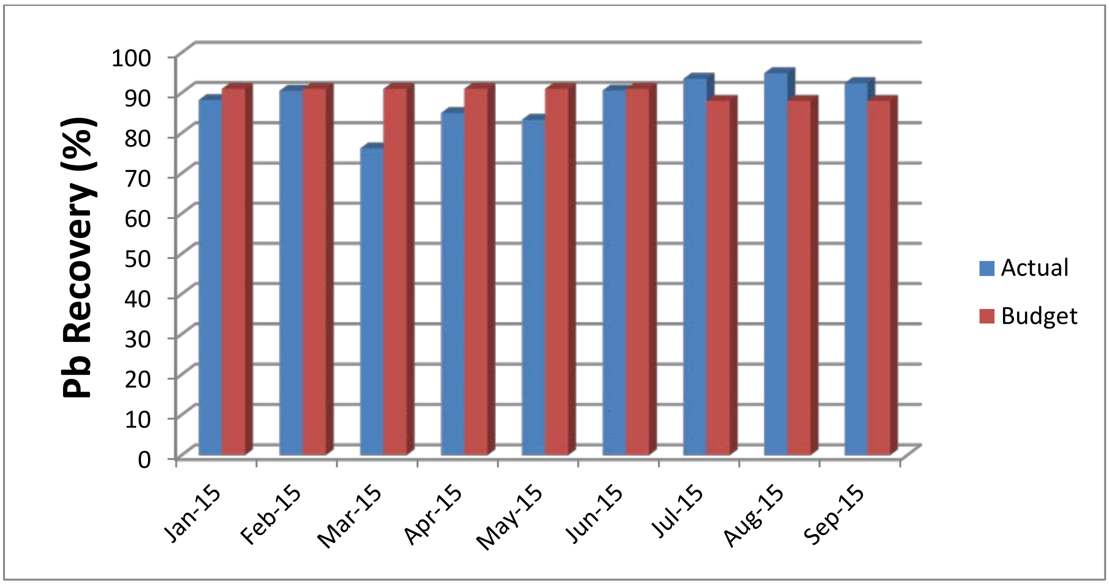


Figure 13. Lead recovery January through August 2015

Pb recovery has performed to expectation.

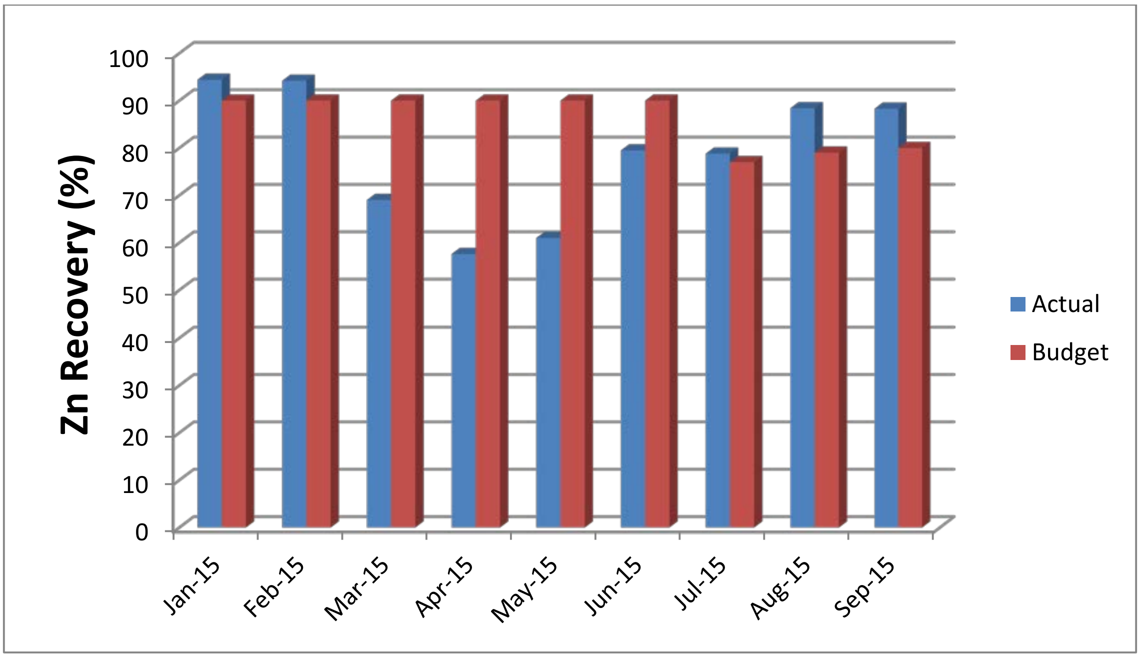


Figure 14. Zinc recovery January through August 2015

Zn recovery has been below expectation for the above period. Progress has been made in Q3 2015.

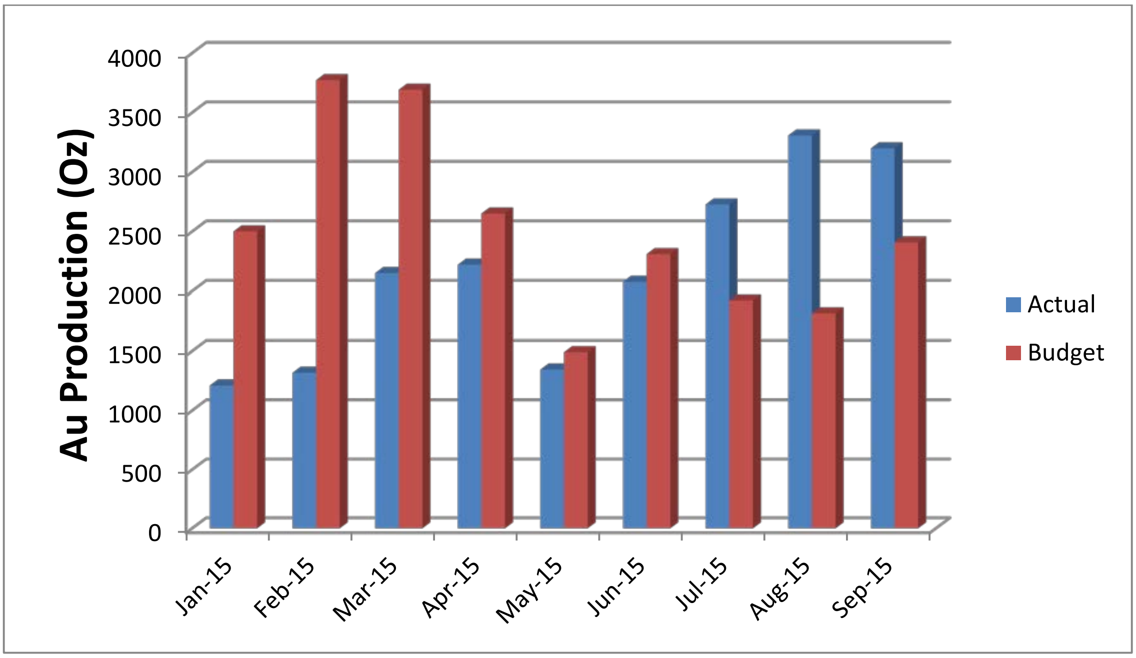


Figure 15. Gold production January through August 2015

Apart from Q3 2015, Au metal outturn has been consistently below original budget.

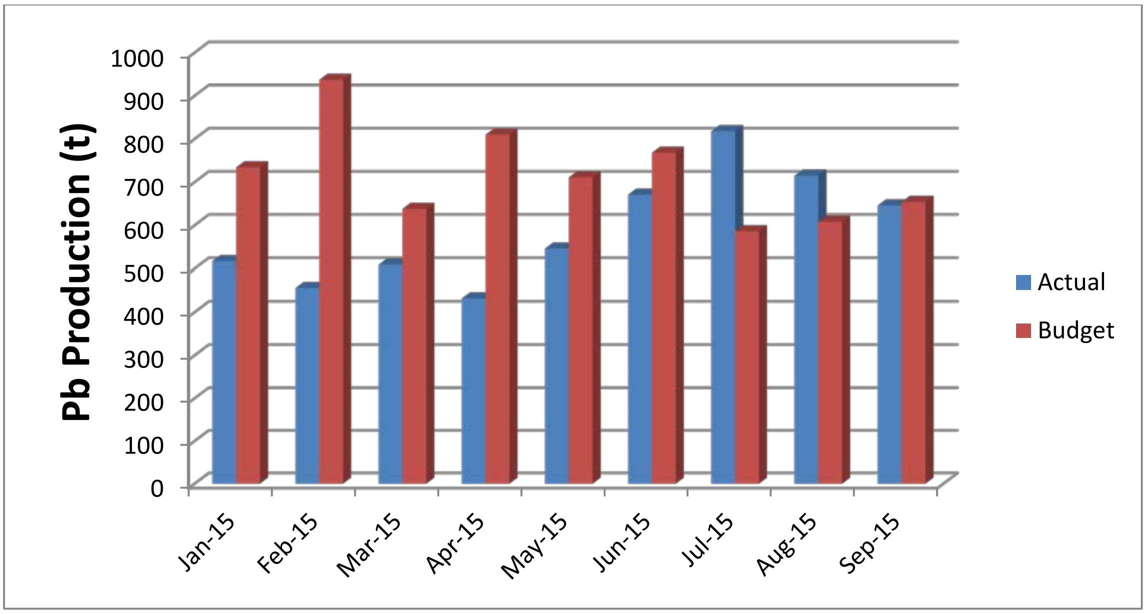


Figure 16. Lead production January through August 2015

Pb production has consistently underperformed.

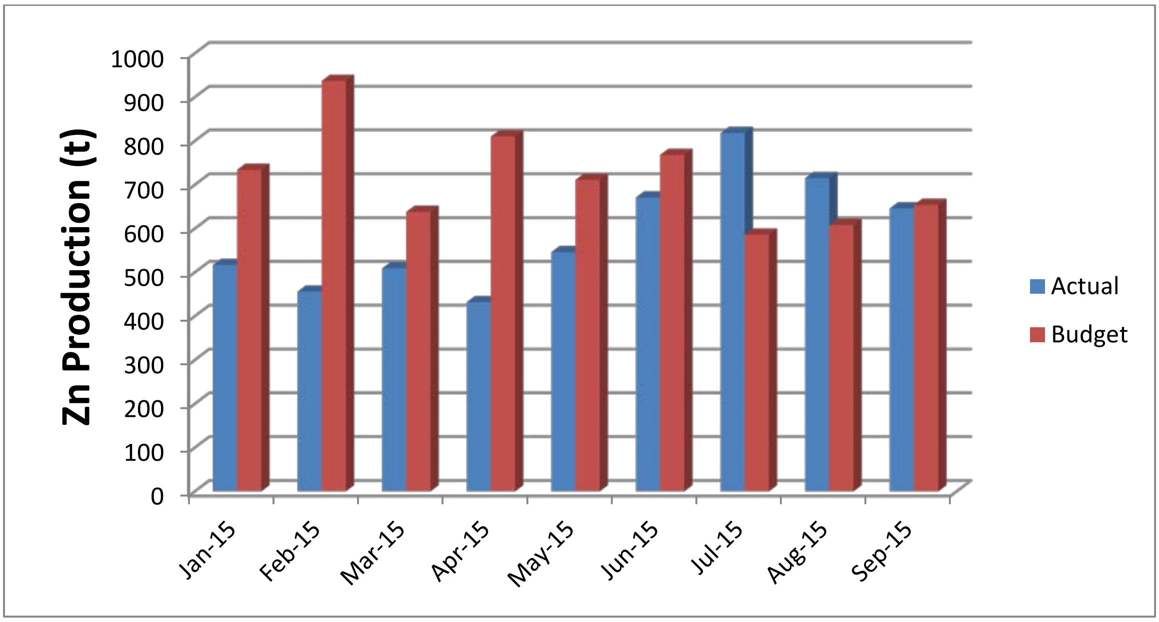


Figure 17. Zinc production January through August 2015

Apart from July 2015, zinc production has not achieved original budget.

### 3.8.6 Processing Plant Upgrade

Following completion of a processing plant review and audit by AdvanceMet in February 2015 together with an in-house Scoping Study completed by Aurelia, a major plant optimisation and upgrade schedule is proposed commencing in November 2015.

The additional circuit requirements for the upgrade are listed below:

- New tertiary cone crusher
- New ball mill and screens
- Additional transformer and sub-station
- Two 30” Knelson centrifugal gravity concentrators
- Acacia (Intense cyanide leach) reactor
- Flash flotation circuit
- Cleaner circuit upgrade to three stages.

The processing plant optimisation and upgrade consists of two steps. The first is currently underway which includes directing the InLine Pressure Jig (IPJ) concentrate to a separate regrind vertimill in closed circuit with a new set of cyclones above the Falcon concentrator.

The second step is an upgrade to 450tpa which will be completed by the end of 2017 for commissioning in January 2018. The proposed processing upgrades will result in a plant which is suitable for the ore types which exist at Hera. CSA Global has reviewed the processing assumptions made in the cash flow model provided and consider that they are reasonable.

CSA Global recommends that consideration is also given to an upgrade oxygen delivery system. Oxygen uptake test work is known to consistently understate the benefit of oxygen to accelerate leach kinetics. In CSA Global's experience, from the retro-fitting of a large number of PSA oxygen enrichment plants, that these units should be oversized by as much a 400% in excess of laboratory oxygen uptake measurement. For Hera, the additional oxygen can also be injected into the Acacia reactor (together with the LeachWELL accelerator) for improved performance. 30 ppm dissolved oxygen levels should be targeted for both these circuits.

### 3.8.7 Processing Ramp up Schedule

The process plant ramp up schedule following plant modification is shown in Table 11 (recovery) and Table 12 (throughput).

Table 11: Hera Processing Plant recovery ramp up schedule

| Month / Year | Sept 2015 | Oct 2015 | Nov 2015 | Dec 2015 | Jan 2016 | Feb 2016 | Mar 2016 | Apr 2016 | May 2016 | Jun 2016 | Jul 2016 | Aug 2016 | Sep 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gold recovery (%) | 72 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 85 | 85 | 85 | 85 | 85 |
| Silver recovery (%) | 15 | 15 | 15 | 15 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Pb recovery (%) | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 |
| Zn recovery (%) | 81 | 82 | 83 | 84 | 85 | 85 | 85 | 85 | 85 | 85 | 86 | 88 | 88 |

Table 12: Hera Processing Plant throughput ramp up schedule

| Month / Year | Sept 2015 | Oct 2015 | Nov 2015 | Dec 2015 | Jan 2016 | Feb 2016 | Mar 2016 | Apr 2016 | May 2016 | Jun 2016 | Jul 2016 | Aug 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Throughput (t/h) | 42 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 |
| Availability (%) | 82 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Annualised rate (kt) | 298 | 329 | 318 | 329 | 329 | 307 | 329 | 318 | 329 | 318 | 329 | 329 |
| **Month / Year** | **Sept 2016** | **Oct 2016** | **Nov 2016** | **Dec 2016** | **Jan 2017** | **Feb 2017** | **Mar 2017** | **Apr 2017** | **May 2017** | **Jun 2017** | **Jul 2017** | **Aug 2017** |
| Throughput (t/h) | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 |
| Availability (%) | 80 | 80 | 80 | 80 | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 |
| Annualised rate (kt) | 318 | 329 | 318 | 329 | 345 | 312 | 345 | 334 | 345 | 334 | 334 | 345 |
| **Month / Year** | **Sept 2017** | **Oct 2017** | **Nov 2017** | **Dec 2017** | **Jan 2018** | **Feb 2018** | **Mar 2018** | **Apr 2018** | **May 2018** | **Jun 2018** | **Jul 2018** | **Aug 2018** |
| Throughput (t/h) | 46 | 46 | 46 | 50 | 55 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Availability (%) | 84 | 84 | 84 | 86 | 86 | 86 | 86 | 86 | 86 | 86 | 86 | 86 |
| Annualised rate (kt) | 334 | 345 | 334 | 384 | 422 | 416 | 461 | 446 | 461 | 446 | 461 | 461 |

CSA Global considers that the parameters in this ramp up schedule are reasonable.

# 4 Nymagee Project

## 4.1 Project Location, Exploration History and Background

The Nymagee tenements are located adjacent to the town of Nymagee, which is located approximately 110 km northwest of Condobolin and 75 km southeast of Cobar, New South Wales. The Nymagee Project site 5 km north of Aurelia's Hera Mine. Aurelia is considering the development of the Nymagee deposit with the use of the infrastructure that is in place at the Hera Mine.

The Nymagee underground copper mine operated between 1880 and 1917 with a total recorded production of 422,000 tonnes @ 5.8% Cu.

Exploration has been completed by numerous companies since the 1960s including Pasminco, Triako and YTC / Aurelia. Triako and TYC recently completed drilling to test extensions to the historic Nymagee Mine and encouraging results were received by both parties.

## 4.2 Project Tenements

The Nymagee Project consists of the Nymagee Joint Venture tenements which are held by Nymagee Resources Pty Ltd. Aurelia has a 95% interest in the tenements while Ausmindex Pty Ltd hold the remaining 5% . Tenement details are shown in Table 13.

Table 13: Nymagee tenements

| Tenement | Area (km$^2$) | Expiry Date | Status | Annual Expenditure Commitment | Aurelia Interest |
|---|---|---|---|---|---|
| ML53 | 0.04867 | 31/12/2013 | Renewal Pending | 17,500 | 95% |
| ML90 | 0.03391 | 31/12/2013 | Renewal Pending | 35,000 | 95% |
| ML5295 | 0.003339 | 31/12/2013 | Renewal Pending | 52,500 (Aggregate) | 95% |
| ML5828 | 0.01583 | 31/12/2013 | Renewal Pending | 52,500 (Aggregate) | 95% |
| PLL847 | 0.127 | 31/12/2013 | Renewal Pending | 52,500 (Aggregate) | 95% |
| EL4232 | 14.55 | 16/03/2015 | Renewal Pending | 17,000 | 95% |
| EL4458 | 11.09 | 16/09/2015 | Renewal Pending | 34,000 | 95% |

## 4.3 Local Geology

The Nymagee tenements lie within the Nymagee 1:100,000 Geological Sheet.

The Nymagee deposit lies within a sequence of meta-siltstone and sandstone to greywacke of the Mouramba Group near the eastern margin of the Cobar Basin.

The Mine Sequence was originally divided into eight units which includes a thin marker bed. This stratigraphy was subsequently modified to form the stratigraphic column below:

- Current Bedded Sandstone Unit (youngest and westernmost unit)
- Poorly Bedded Siltstone Unit
- Medium Grained Sandstone Unit

- Poorly Bedded Siltstone Unit
- Massive Quartz Sandstone Unit
- Laminated Siltstone Unit
- Grit Unit
- Lithic Arkosic Sandstone Unit
- Quartz Lithic Sandstone
- Siltstone and Minor Sandstone (oldest and easternmost unit).

The sequence strikes at approximately 330 (magnetic) and is sub-vertical. Several shear directions have been delineated, however the main direction strikes 300–310 (magnetic). No major folding has been noted in the vicinity of the historic workings.

Mineralisation is hosted within quartz sulphide breccia's which grade to massive sulphide. Similar to the Hera deposit, there is a strong structural control, with metal bearing fluids being emplaced within zones of dilation.

Mineralisation has been divided into three mineralised zones as follows:

- The Eastern Zone extends for approximately 400 m along strike and is up to 100 m wide. The Eastern Zone contains generally low-grade (<1.5%) copper mineralisation, which occurs as stringers and veins of chalcopyrite associated with quartz veining within the Grit Unit and Laminated Siltstone Unit.
- The Western Zone extends approximately 900 m along strike and is approximately 30 m wide. Mineralisation consists of multiple veins of sphalerite / galena +/- chalcopyrite within the Medium Grained Sandstone Unit and the Poorly Bedded Siltstone Unit.
- The Main Zone extends for approximately 500 m along strike and is up to 30 m wide. Mineralisation consists of overlapping lead-zinc and copper-rich lenses within the Massive Quartz Sandstone Unit and the Laminated Siltstone Unit.

### 4.4 Mineral Resources

YTC reported a Mineral Resource estimate for the Nymagee deposit in December, 2011. The Mineral Resource was reported in accordance with the JORC Code (2004 Edition) and is inclusive of drilling data to November 2011.

A summary of the methodology and parameters adopted is provided below:

- Wireframes which were used to constrain the mineralisation were based on a nominal 0.25% Cu cut-off grade.
- A total of nine lenses were modelled, namely; Main Lens North, Main Lens South, North Footwall Shallow, South Footwall Shallow, Lead-Zinc-Silver Lens, Southern Main Footwall, Northern Main Footwall, North Footwall East, Royal Lode.
- Geological interpretation of structural and lithological boundaries, and information gained from historic underground mapping supported the mineralisation interpretation.
- A cut-off grade of 0.35% Cu was used to report shallow copper resources (above 90 m RL) and a cut-off grade of 0.75% was used to reported deeper copper resources (below 90 m RL).

- Block sizes of 7.5 m (along strike) by 5 m (down dip) by 2.5 m (across strike) were adopted.
- Ordinary kriging was used to interpolate grades into blocks.
- No top cuts were applied.
- The database used to prepare the Mineral Resource estimate comprised 124 RC holes and 107 diamond holes.
- Collars were surveyed by a registered surveyor and downhole surveys were completed at regular intervals.
- Samples were composited to 1 m intervals prior to grade estimation weighted by density.
- Specific gravity was calculated using a regression formula based 1,480 specific gravity measurements.
- The Mineral Resource was depleted for historic production.
- The upper portions of the deposit has been drilled at a nominal 20–25 m along strike by 20–25 m down dip pattern and has been classified as Indicated.
- The lower portions of the deposit has been drilled at a nominal 20–50 m pattern. Where geological continuity is good and the spacing is less than 30 m, these areas have been classified as Indicated. The remaining Mineral Resources are classified as Inferred.

A summary of the Mineral Resource estimate is provided in Table 14.

Table 14: Nymagee Mineral Resource estimate

| JORC Classification | Description | Cut-off grade | Tonnage (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) |
|---|---|---|---|---|---|---|---|
| Measured | - | - | - | - | - | - | - |
| Indicated | Shallow Cu | 0.3% Cu | 5.15 | 1.00 | 0.10 | 0.20 | 5 |
| | Deep Cu | 0.75% Cu | 1.98 | 1.80 | 0.30 | 0.60 | 11 |
| | Pb-Zn-Ag Lens | 5% Pb + Zn | 0.36 | 0.50 | 4.40 | 7.80 | 41 |
| Inferred | Deep Cu | 0.75% | 0.60 | 1.30 | 0.10 | 0.20 | 8 |
| Total | | | 8.10 | 1.2 | 0.30 | 0.70 | 9 |

### 4.5 Exploration Potential

Recent drilling has focussed on testing the existing mineralisation at depth below the current Mineral Resource and exploration to the north-west along the Hera-Nymagee corridor.

Drilling is relatively sparse down dip and also to the north of the Mineral Resource. Aurelia believe that Nymagee North, which lies approximately 500 m north of the Nymagee copper deposit has similarities to the upper portion of the world-class CSA deposit.

Numerous significant intersections have been recorded in drill holes which require follow up and several down-hole electromagnetic (DHEM) targets have been generated. Figure 18 shows the location of the DHEM targets and significant intersections.

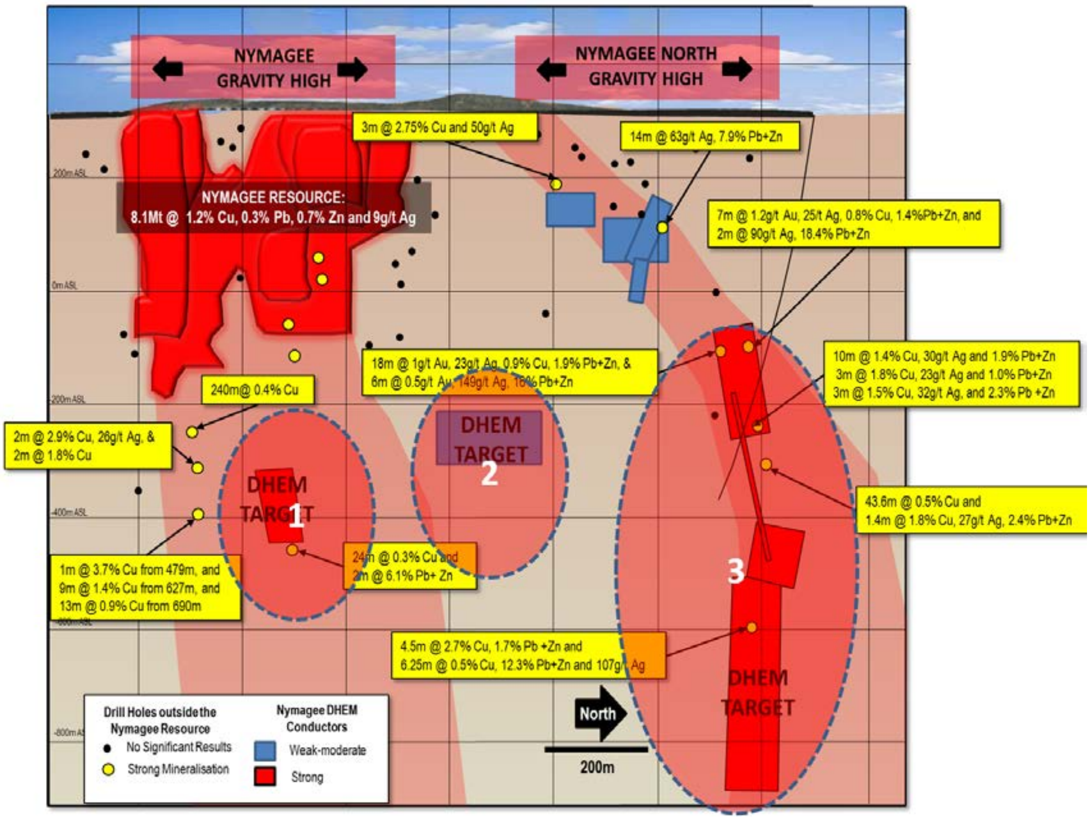


Figure 18. Nymagee Mineral Resource outline and exploration potential (provided by Aurelia)

*<u>CSA Global Assessment</u>*

*There is limited drilling at both Nymagee and Nymagee North at depth. Previous exploration has concentrated on the upper levels of the deposits, primarily down to approximately 300 m below surface.*

*CSA Global considers that there is potential to expand the Mineral Resource at Nymagee through completion of additional drilling down-dip of the Mineral Resource area. Nymagee North appears more prospective given several significant intersections are surrounded by limited drilling, particularly at depth.*

*Additional drilling is warranted at both Nymagee and Nymagee North.*

# 5 Regional Exploration Projects

## 5.1 Kadungle Project

### 5.1.1 Property Location, Tenure and Access

The Kadungle project area is located approximately 60 km northwest of Parkes, New South Wales and consists of exploration licence EL 6226. The project can be accessed via sealed and dirt roads from either Tullamore or Trundle, with access to the project area via tracks on privately held land. The region is largely cleared grazing and cropping land with negligible outcrop. EL 6226 covers an area of 15 units and 43.34 km$^2$.

The license was granted on 6th April 2004 and expires on 5th April 2016 and has a required annual expenditure of $45,000 per annum.

### 5.1.2 Geology

The license area is dominated by the Kadungle Volcanics, a suite of Devonian felsic volcanic units unconformably overlying the Ordovician Raggatt Volcanics. The Raggatt Volcanics have been interpreted to be geologically equivalent to the rocks that host the North Parkes porphyry copper deposits.

The Kadungle Volcanics host minor historical Au-Pb-Ag workings at the Mount Leadley Prospect, with gold and base metal mineralisation recorded at various other localities including Plevna, Alpha Zone, Kilmarnock, Nulgarra Hill, Mount Leadley South and Mount Leadley Trig prospects.

### 5.1.3 Exploration History and Expenditure

Recent exploration activities within pre-existing licenses covering EL6226 focussed on reconnaissance mapping, soil sampling, drilling and geophysical surveys. A number of drill targets have been tested. The following conclusions summarise the recent exploration history:

- Mount Leadley exploration indicates the presence of a large magmatic related gold–base metal mineralised system. Drilling at Mount Leadley has identified a number of styles of mineralisation.
- Two high grade Au intervals were recorded at Mount Leadley from diamond drill holes at the margin of the breccia pipe, at relatively shallow depth including KDD002 12 m @ 7.73 g/t Au, 8 g/t Ag and 0.12% Cu and KRC019 3 m @ 7.14 g/t Au, 4 g/t Ag and 0.34% Cu.
- Disseminated chalcopyrite +/- bornite +/- Mo was intersected at Mount Leadley, however intersections were sub-economic.
- Pervasively silica-pyrite flooded volcanics with anomalous but sub-economic concentrations of gold were intersected at Mount Leadley.
- Quartz-chalcopyrite vein mineralisation associated with a monzodiorite intrusive and volcanic hosted base-metal mineralisation have also been intersected, albeit in sub-economic concentrations.

The life of license expenditure for EL6226, between 2004 and 2015, is $1,553,671.54.

#### 5.1.4 Exploration Potential

The Mount Leadley Prospect represents a major mineralised system with the hosting Kadungle Volcanics considered to be highly prospective for shallow marine to sub-aerial mesothermal and epithermal Au +/- base metal deposits. Additional drilling, field mapping and rock chip sampling are proposed by Aurelia to further assess the exploration potential of EL6226.

*CSA Global considers the Kadungle Project represents an early phase exploration property with a number of drill targets and geophysical anomalies warranting further exploration.*

### 5.2 Doradilla Project

#### 5.2.1 Property Location, Tenure and Access

The Doradilla project area is located 45 km southeast of Bourke, New South Wales and consists of exploration licence EL 6258. Topography is relatively flat, with land use dominated by grazing. Access to the tenement is by unsealed station tracks, via the Mitchell Highway. EL 6258 covers an area of 38 units and 112.7 $km^2$.

The licence was granted on 21 June 2004 and renewed in December 2014, with a reduction in tenement area of over 50%. EL 6258 expires on $20^{th}$ June 2017, with required annual expenditure of $68,000 per annum.

#### 5.2.2 Geology

The bedrock geology of EL6258 comprises units of low to moderate metamorphic grade phyllite, schist, slate, siltstone and conglomerates ranging in age from Ordovician to Devonian. A Silurian age granite intrudes the older metasediments.

The main structural features and sedimentary layering trend northeast, as seen in the “DMK line”, a 100 m thick belt of calc-silicate skarns hosting the majority of the known mineralisation in the license area. A Triassic age granite intrusion with a suite of quartz porphyry dykes appears to be related to the mineralisation events.

The current interpretation is that the project area lies over a major crustal boundary between two tectonic provinces, the Lachlan Orogen to the south and the Thompson Orogen to the north.

#### 5.2.3 Exploration History and Expenditure

Previous exploration over all or part of EL6258 recorded since 1969 focussed on geophysical surveys, soil and rock chip testing, reconnaissance mapping and targeted drilling. The following conclusions summarise the mining and recent exploration history:

- The Doradilla Copper Mine was worked between 1900 and 1920 and produced 20 tonnes of copper.
- A number of multi-element mineral occurrences (Sn, W, Cu, Zn, Pb, Ni, As and Au) have been identified, the most significant being the DMK skarn line, which contains the Doradilla Copper Mine.
- Skarn Nickel sulphide mineralisation has been intersected in ultramafic rocks but at sub-economic concentrations.
- A small high grade Cu-Bi lode has been identified to the south of the Doradilla Copper Mine.
- Drilling has limited the potential size of any near surface lodes around the old Doradilla Copper Mine workings.

- Broad, low grade Sn mineralisation has been confirmed within the oxide zone at the Doradilla Tin deposit, although first pass metallurgical test work suggests the cassiterite will be difficult to separate.
- A number of Mineral Resource estimates have been reported, the most recent being in 2008 when an Inferred resource of 7.81 Mt @ 0.28% Sn using a 0.1% Sn cut-off was reported for the combined tin laterite (oxide) mineralisation at the 3KEL and Midway Sn deposits.
- Magnetic trends similar to that of the confirmed ultramafic and skarn rocks occur throughout the licence area which may indicate that mineralisation exist elsewhere on the tenement.

The life of license expenditure for EL 6258, between 2004 and 2015 is $1,735,334.85.

#### 5.2.4 Exploration Potential

EL 6258 covers a substantial granitic magmatic mineralised system prospective for Sn, W, Bi, In, Ag, Cu, Pb and Zn. The extent of Ni and Sn mineralisation within the license area is only partially known and further investigation is required. Triassic quartz porphyry dykes represent the likely host rocks to the Doradilla mineralised system.

There is a possibility of occurrence of Cobar style mineralisation based upon detrital zircon dating of samples from the DMK line, and it is postulated that the rocks are equivalents of the Devonian Cobar Supergroup. New exploration targets have been generated in recognition of this, with isolated magnetic anomalies in the northern part of the EL warranting further investigation.

*CSA Global considers the Doradilla Project represents a prospective relatively advanced exploration property with a number of drill targets and geophysical anomalies warranting further exploration.*

### 5.3 Baldry Project

#### 5.3.1 Property Location, Tenure and Access

The Baldry project area is located approximately 40 km northeast of Parkes, New South Wales and consists of exploration licence EL 6673. EL 6673 covers an area of 16 units and 38.6 m$^2$.

The license was granted to Defiance Resources Ltd (a wholly owned subsidiary of Aurelia) on 5$^{th}$ December 2006 for a period of two years and renewed for a further period of two years in 2008 with a 50% reduction. This licence was renewed in full in November 2011 until December 2012. The licence was again renewed for a period of three years until 4 December 2015 with a reduction in units from 24 to 16.

The licence expires on 4 December 2015 and has a required annual expenditure of $46,000 per annum. CSA Global understands that Aurelia are in the process of relinquishing the tenement.

#### 5.3.2 Geology

EL 6673 lies within the Lachlan Orogen and dominantly contains rocks belonging to the Middle Devonian Dulladerry Volcanics. The Dulladerry Volcanics consist of banded rhyolite, quartz-feldspar porphyry, rhyolitic ignimbrite and minor volcanoclastic, basalt, andesite and trachyte. The formation is locally bi-modal, with intercalated andesitic and basaltic lavas recorded at several localities. The Dulladerry Volcanics are intruded by the Obley Granite. The low-sulphidation epithermal Mount Aubrey gold deposit occurs within the southern part of the tenement.

A west-southwest trending lineament is evident from regional magnetic and satellite images which passes through the southern margin of the tenement. This is considered to be part of the Lachlan Transverse Zone.

#### 5.3.3 Exploration History and Expenditure

EL 6673 has been subject to modern exploration since the 1970s, with the main target being gold. Exploration has included but not been limited to stream sediment sampling, soil sampling, geophysical surveys, rock chip testing, reconnaissance mapping and targeted drilling.

Previous exploration has been focussed in several areas including the Mount Aubrey Deposit, the Blue Hills Prospect and the Emu Swamp Prospect.

Minor production also occurred at Mount Aubrey from 1990 through 1991 by BHP Gold. Gold mineralisation is associated with en-echelon quartz veins displaying lattice textures. A main lode has been identified which comprises a chalcedonic quartz lode from 0.5 m to 3 m in horizontal width. Drilling has demonstrated that considerable thickness of basalt, often below a felsic ignimbrite unit, are present over a large area to the south of Mount Aubrey. Aurelia believe the basalt is an important control on higher-grade epithermal veining. A mechanism proposed to explain this effect is the high iron content of the basalts acting as a trigger for Au deposition from mineralising fluids.

The Blue Hills Prospect lies 2 km north-west of Mount Aubrey. Anomalous gold occurs in chalcedonic quartz veins at the Blue Hills prospect. Veining appears to be vertical to steeply south-dipping and 0.5 m to 3 m in width. Limited drilling has occurred and failed to return any significant results.

The Emu Swamp Prospect is located 3.5 km east of Mount Aubrey. Pervasively silica-sericite-pyrite altered volcanics has been identified with minor rock chip anomalism. Only 1 drill hole has been completed which failed to test the area of veining.

The life of license expenditure for EL 6673, between 2007 and December 2014 is $586,842.96.

#### 5.3.4 Exploration Potential

A review of previous work by Aurelia has identified several areas that are considered prospective including:

- Untested epithermal veining 1 km north of Mount Aubrey
- A strong induced polarisation (IP) anomaly 1 km south of Mount Aubrey which is partially tested with RC drilling which has intersected minor gold and arsenic anomalism
- Altered ignimbrite and anomalous (in Au) rock chip samples at the Emu Swamp Prospect
- Strike extensions to the immediate east and west of the Mount Aubrey Deposit.

*CSA Global considers the Baldry Project represents an early stage exploration property and only limited exploration encouragement has been received to date. There are still a number of targets however that warrant additional work.*

### 5.4 Tallebung Project

#### 5.4.1 Property Location, Tenure and Access

The Tallebung project area is located approximately 70 km northwest of Condobolin, New South Wales and consists of exploration licence EL 6699. The tenement is readily accessible by gravel roads and is at the western limit of viable cropping. EL 6699 covers a tenement area of 14 units and 40.5 km$^2$.

EL 6699 was granted on 10th January 2007 and was recently renewed on 8th April 2015, with the number of units reduced to 14, and a reduction in area from 73 $km^2$ to 40.5 $km^2$. The license expires on 9th January 2017 and has a required annual expenditure of $44,000 per annum.

Exploration activity during the past 12 months was halted due to the Native Title status of the Tallebung area not being resolved. The currently agreed positions of the parties require drafting into a final access agreement, which will need to be verified by a full meeting of the claimant group at a time and place yet to be determined. Access to the property cannot be gained until agreements with the Native Title claimant group have been ratified.

#### 5.4.2 Geology

EL 6699 lies within the Girilambone-Wagga Anticlinoral Zone of the Lachlan Orogen. The zone comprises metamorphosed Ordovician aged sediments intruded by Silurian to Devonian granites. The Tallebung Tin Field is situated in the eastern foothills of the Black Range, a ridge of resistant quartzite and slates of the Ordovician Tallebung Group. This group forms the bedrock to the unconsolidated sediments hosting cassiterite.

Several granites intrude into the area, dated as late Silurian. The Erimeran Granite is considered the probable source of the Sn and W mineralised fluids at Tallebung. The Tallebung Tin Field is underlain by tightly folded metasediments and sandstones, intruded by the late Silurian granites. Tin associated with tungsten occurs in quartz reefs in a southwest trending quartz vein stock work zone extending over 1 km. Tin mineralisation occurs as cassiterite hosted in quartz sulphide veins. Significant alluvial concentrations of cassiterite are restricted to the basal 2 m above bedrock, with the host ores sporadic and variable in character. Some of the alluvial Sn leads have been historically mined.

#### 5.4.3 Exploration History and Expenditure

Mining of tin and wolframite commenced in 1897, with production peaking in 1910. Mining continued through to 1985. A geophysical survey was carried out by the New South Wales Geological Survey in 1963 which focused on the alluvial deep lead channels. Results suggested the main alluvial deep lead channel extends north-easterly beyond the area of workings for 4 km.

Recent exploration activities have been restricted due to the ongoing Native Title negotiations, with work limited to minor geophysical traverses, re-logging and sampling of historical drill core, and a review of exploration activities by previous companies.

Total expenditure to date on the tenement since 2007 is $1,060,456.99.

#### 5.4.4 Exploration Potential

Exploration activities indicate that the Tallebung deposit represents a bulk tonnage Porphyry Sn-W-Ag-Cu-Pb-Zn system located above buried granite at a depth of approximately 350 m. The granite contact zone remains prospective for greisen style mineralisation and structurally focussed vein systems. There is considered to be low potential for remnant *insitu* alluvial Sn mineralisation.

Aurelia has proposed the following drilling programmes:

- Diamond drilling to test a deep resistivity response east of the outcrop at Tallebung
- RC drilling of a shallow tin target at Tallebung
- Drilling at Whyte’s Mine, Marobee to test for Au, Cu, W and Bi in the vein system below the old workings

- Drilling at Theirman's Mine, Marobee to test for Au, Cu, W, Bi and Sn in the vein system below the old workings and to test a magnetic anomaly that may represent a hornfels / greisen.

*CSA Global considers the Tallebung Project represents a relatively early stage exploration property with a number of drill-ready targets available.*

## 5.5 Box Creek Project

### 5.5.1 Property Location, Tenure and Access

The Box Creek project area is located to the immediate northwest and southeast of Nymagee, New South Wales and consists of exploration licence EL 7447. The tenement is readily accessible by sealed roads, unsealed secondary roads and farm tracks and covers a tenement area of 50 units and 145.5 $km^2$. Part of the tenement lies adjacent to mining lease ML1686 containing the Hera Mine.

The tenement license was granted on 2nd February 2010 and expires on 2nd February 2017. The required annual minimum expenditure is $80,000 per annum.

### 5.5.2 Geology

EL 7447 is located on the eastern margin of the Cobar Basin. The oldest geological unit in the tenement is the Ordovician Girilambone Group which contains sequences of sedimentary facies such as sandstone and chert. Two major granitoid bodies intruded the Ordovician sediments during the Silurian. During the Devonian, shallow water to sub areal sediments were unconformably deposited over the Silurian Erimeran Granite and the Girilambone Group, in turn unconformably overlain by shallow marine sediments and volcanics of the Burthong Formation. Deeper water sediments of the Lower Amphitheatre Group including Devonian turbidites are the youngest Palaeozoic features, with Cainozoic sediments covering the low lying relief throughout the license area.

All known mineralisation in the area is epigenetic Cobar style, with structurally controlled quartz + sulphide matrix breccia's grading to massive sulphide. Mineralisation generally occurs at the contact between the Burthong Formation and the Lower Amphitheatre Group. Although the tenement is in close proximity to the licenses containing the Hera and Nymagee mines, EL7447 has no history of mining.

### 5.5.3 Recent and Historical Exploration

Exploration work reported since 1965 included soil and stream sediment sampling, reconnaissance mapping, geophysical surveys and targeted drilling (rotary-air-blast, RC and diamond). Exploration activities became more focussed in the early 2000's leading up to and following Pasminco's discovery of the Hera deposit in 2001 which lies adjacent to EL 7447. Oz Minerals Ltd was granted tenure to EL 7447 in early 2010 and conducted helicopter-borne electromagnetic surveys over the license area, along with ground gravity surveys, soil sampling and 7 diamond drill holes.

Life of licence expenditure since 2010 is $1,723,402.04.

### 5.5.4 Exploration Potential

EL 7447 is prospective for Cobar style base metal deposits. Two targets have been generated that are considered most prospective for future exploration work.

These targets show characteristics of a significant Cobar style alteration system. Two diamond holes were drilled in the target area 500 m apart and exhibit anomalous base metal assays. An historical diamond hole (NY-5C) drilled in the area shows anomalous Au, Cu and Zn mineralisation.

*CSA Global considers the Box Creek Project represents any early stage exploration property with significant additional work warranted largely due to its close proximity to the Hera and Nymagee deposits.*

## 5.6 Barrow Project

### 5.6.1 Property Location, Tenure and Access

The Barrow project area is located 20 km west of Nymagee, New South Wales and consists of exploration licence EL 7524. The tenement covers an area of 21 units and is 61.1 km$^2$. The tenement is readily accessible by sealed all weather roads, unsealed secondary roads and farm tracks.

The tenement was granted on 3rd May 2010 to OZ Exploration Pty Ltd (OZ Exploration). Renewal of 50% of the original license was granted in September 2014. The license expiry date is 3rd May 2017 and the required annual minimum expenditure is $54,000 per annum.

### 5.6.2 Geology

EL 7524 lies predominantly within the Nymagee 1:100,000 Geological Sheet. Two lithological groups (excluding Quaternary alluvium) have been mapped within the licence; the Amphitheatre Group and the Shume Formation which lie within the Cobar Basin.

Approximately 60% of the licence is covered by regolith. Thick transported regolith is present along the course of Box Creek which runs from east to west through the centre of the licence.

### 5.6.3 Exploration History and Expenditure

No historic mining has occurred within EL 7524.

EL 7524 has been explored by numerous parties over an extensive period of time. When OZ Exploration commenced exploration in 2010, activities included data review, target generation and helicopter-borne electromagnetic surveying in the northeast of the tenement. The electromagnetic survey did not indicate the presence of conductive bodies indicative of sulphide mineralisation. A ground gravity survey was completed over the eastern and southwestern parts of the tenement. Two anomalies were identified on the western margin of the tenement but no follow up work was completed.

Since YTC / Aurelia acquired the tenement in July, 2013, exploration activities have included data compilation, rock chip sampling and reconnaissance, soil sampling, compilation and review of previous gravity surveys and ground magnetics.

Expenditure on the tenement since 2010 totals $165,750.43.

### 5.6.4 Exploration Potential

EL 7524 is considered prospective for small to medium sized structurally controlled polymetallic deposits that could potentially provide supplementary feed to the Hera Plant. Favourable host rocks are known to exist on the tenement, however additional work is required to generate drill targets.

*CSA Global considers the Barrow Project represents a very early stage exploration property with only limited encouragement to date.*

## 5.7 Lyell Project

### 5.7.1 Property Location, Tenure and Access

The Lyell project area is located 20 km west of Nymagee, New South Wales and consists of exploration licence EL 7529. The tenement covers an area of 3 units and 8.7 $km^2$. The tenement is readily accessible by sealed all weather roads, unsealed secondary roads and farm tracks.

The tenement was granted on 3rd May 2010 to OZ Exploration. Transfer to YTC occurred in July 2013. The license expiry date is 3rd May 2017 and the required annual minimum expenditure is $51,000 per annum.

### 5.7.2 Geology

EL 7529 lies predominantly within the Nymagee 1:100,000 Geological Sheet. One lithological group (excluding Quaternary alluvium) has been mapped within the licence; the Shume Formation which forms part of the Cobar Basin and covers the majority of the tenement.

Approximately 80% of the licence is covered by regolith. Thick transported regolith is present along the course of Box Creek which runs from east to west through the centre of the licence.

### 5.7.3 Exploration History and Expenditure

The area around EL 7529 has been exploration by numerous parties over an extensive period of time.

When OZ Exploration commenced exploration in 2010, activities included data review, target generation, land access negotiations and a ground gravity survey. The ground gravity survey was completed over all of EL 7529 and on the adjoining EL7524. A total of 125 stations were collected with a gravity meter on a 400 m by 400 m station spacing. Two strong positive anomalies were located coincident with the Cobar-Lyell Mine and the Burge Trig Prospect which lie on the tenement. The gravity features were believed to be the result of shallower levels of cover given the proximity to mapped outcrop in the area.

Since YTC / Aurelia acquired the tenement in July, 2013, exploration activities have included data compilation and review, landowner access agreements, rock chip sampling, a ground magnetic survey and geological reconnaissance.

Expenditure on the tenement since 2010 totals $55,326.97.

### 5.7.4 Exploration Potential

EL 7529 is considered prospective for small to medium sized structurally controlled polymetallic deposits that could potentially provide supplementary feed to the Hera Plant. Favourable host rocks are known to exist on the tenement, however additional work is required to generate drill targets.

Aurelia consider that the Cobar-Lyell deposit is prospective given that:

- The area is associated with a 2,200 m long by 400 m wide north-south trending gravity anomaly
- Old workings are present
- The prospect lies in an ideal structural setting close to the closure of a regional anticline
- The presence of felsic rocks that may form a favourable brittle host rock
- The presence of sheeted and stock work quartz veins
- Soil and rock chip anomalism in Au, Cu, Pb and Zn

- RC drilling anomalism in Au, Cu, Pb and Zn.

*CSA Global considers the Lyell Project represents an early stage exploration property with sufficient encouragement to warrant additional exploration.*

# 6 Valuation

## 6.1 Background

Mineral assets are defined in the VALMIN Code as all property including, but not limited to real property, intellectual property, and/or mining and exploration tenements held or acquired in connection with the exploration, development and/or production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Business valuers typically define market value as "The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm's length." The accounting criterion for a market valuation is that it is an assessment of "fair value", which is defined in the accounting standards as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction." The VALMIN Code defines the value of a mineral asset as its Fair Market Value, which is the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the expert or specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm's length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

Fair Market Value usually consists of two components, the underlying or technical value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after taking into account those factors which might impact on Value.

The concept of Fair Market Value hinges upon the notion of an asset changing hands in an arm's length transaction. Fair Market Value must therefore take into account, inter alia, market considerations, which can only be determined by reference to "comparable transactions". Generally, truly comparable transactions for mineral assets are difficult to identify due to the infrequency of transactions involving producing assets and/or resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any "cash equivalent of some other consideration". Whilst acknowledging these limitations, CSA Global has identified what it considers to be comparable transactions that have been used in assessing the values to be attributed to the mineral assets.

CSA's valuations are based on information provided by Aurelia and public domain information. This information has been supplemented by independent enquiries, but has not been independently verified. No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 30th November 2015. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

## 6.2 Review of Assumptions for Hera Project Cash Flow Model

### 6.2.1 Mineral Resources and Mine Plan

Mineral Resources for the Hera deposit have been prepared using appropriate methodologies. CSA Global considers that the manner in which the Mineral Resource estimation was completed does not represent a material risk to the ongoing development, mining or global value of the project. CSA Global does consider however that grade variability (predicted versus actual) is likely to be significant over shorter (monthly to quarterly) scheduling intervals, particularly for gold.

The Mine Plan is reasonable. The parameters and modifying factors used in the estimation of the mineral inventory are appropriate for use in the cash flow model. It should be noted that 37% of the production in the cash flow model is derived from Inferred Resources. Inferred Mineral Resources are, by definition, of lower confidence.

It should be noted that, when compared to the Measured and Indicated Mineral Resource, this material has comparatively higher grades of lead, zinc and silver. The NSR however is of similar value to the other Mineral Resource categories due to lower gold values. The NSR is the measure of net value for the material and as such, the Inferred material in the LOM plan is of similar value (combined grade) to the Measured and Inferred material. A mitigating consideration is that the cash flow model includes $1,650,000 of Mineral Resource definition drilling. This represents about 11,000 m of drilling. This drilling expenditure is planned to convert the Inferred Resource into a higher confidence category before mining. CSA Global consider that it is reasonable to expect that the majority of the Inferred Mineral Resources will convert to Indicated or Measured Mineral Resources with the completion of this drilling.

### 6.2.2 Mining Physicals

The mining physicals have been established through appropriate methods and reflect a reasonable reflection of expected performance. It should be noted that the waste generated from underground is insufficient to meet the backfill requirements. The shortfall is approximately 250,000 t. This material will have to be trucked into the mine from a surface source. One source is the waste dump generated from initial development of the project, but this is unlikely to meet the full shortfall. The cost impact is likely to be in the order of between A$2 Million and A$3 Million over the life of the operation.

### 6.2.3 Processing Assumptions

Ore processed, gold and lead recovery, and gold and lead produced assumptions are considered reasonable.

The mill utilisation in the cash flow model is considered reasonable (as a proxy for both utilisation and availability), however it is recommended that both availability and utilisation be expressed separately.

Specific comments are made regarding each processing parameter contained in the cash flow model below.

- Tonnage Processed – Crushing and mill power is adequate and with the planned circuit upgrade, inclusive of a new ball mill, a processing rate of 60 tonnes per hour is considered reasonable.
- Gold Grade – Excursions at higher grade feeds will be comfortably managed by the upgraded gravity circuit.

- Lead Grade – A sustained 3% Pb feed grade is considered manageable with the existing circuit configuration.
- Zinc Grade – A sustained 4% Zn feed grade is considered manageable with the upgraded circuit configuration.
- Gold recovery – It is considered reasonable that the upgraded gravity circuit should result in an increase to 90% recovery.
- Lead recovery – It is considered reasonable that the existing circuit will enable lead recoveries at the levels assumed.
- Zinc recovery – It is considered reasonable that the existing circuit will enable zinc recoveries at the levels assumed.
- Gold production – With the proposed reconfigured gravity circuit coupled with Q3 performance it is considered reasonable that the production of 3,500 ounces per month is achievable.
- Lead production – With higher grades being experienced in Q3 2015 coupled with excellent recoveries it is considered reasonable that a production level of 13,000 tonnes per month can be achieved.
- Zinc production – Zinc production levels are considered achievable.

Some additional comments are also made below regarding infrastructure.

The installed high rate thickener has performed very well with excellent overflow clarity indicating it is reasonable that it will comfortably handle the 30% slurry throughput increase implied in the cash flow model.

The Tailings Storage Facility (TSF) appears to be well managed given that the tailings discharge pumps struggle to reach the dam extremities. The intended pump and discharge line upgrade will provide satisfactory performance at the increased feed rate intended in the new DCF model. Good settling, beaching and water clarity around the base of the decant return well demonstrates acceptable TSF management strategy is in place. The remaining wall height will indicates sufficient storage capacity to handle the increased slurry inflow without need for any immediate wall height lift.

In summary, with the proposed upgrades and new equipment, conformance to the processing assumptions in the cash flow model provided is considered reasonable.

#### 6.2.4 Operating Costs

Mine operating costs are generated in a thorough and transparent first-principles spreadsheet financial model. The majority of the costs are related to mining activities carried out by the contractor. Cost rates are applied to the detailed physical mining schedule according to the contractual schedules.

Mining operating costs have been generated in a thorough and transparent manner, reflecting the terms of the mining contract in place. The average mining cost over the life of the operation is approximately $65 per mined tonne. The backfill shortfall discussed is estimated to comprise an additional cost of approximately $1 per mined tonne. This is unlikely to result in a material impact on the project.

Total processing operating cost (including processing, maintenance and administration) amounts to $48.4 per processed tonne in the DCF model which compares well with the DFS projection. However, this is at considerable variance with the Q3 2015 actual cost of approximately $75 per processed tonne. The expanded case (450 ktpa) will lead to a reduction in the unit processing operating cost given the fixed cost component with little increase in labour, and only an incremental increase in power demand. Economies of scale, together with greatly reduced maintenance costs and plant availability, will allow for a significant reduction.

Removal of the VSI, Metso screen, jig and spinner, all which have a very large associated replacement and downtime cost, and replacement of this equipment with a ball mill and single deck screen should allow the $48.4 per processed tonne cost to be achieved. CSA Global therefore consider that the processing operating cost is reasonable.

#### 6.2.5 Non-operating and Other Costs

The site administration costs provide for environmental and community relations costs throughout the life of mine. However, the financial model does not specify a cost incurred at the end of the mine life for rehabilitation and closure. CSA Global has been informed by Aurelia that costs associated with mine closure will be covered by the release of environmental bonds which amount to $3 Million and the sale of scrap / excess plant and equipment.

#### 6.2.6 Capital Expenditure

The capital cost estimate generated in the financial model is built from a first-principles approach using contractual rates and other reasonable estimates. The expenditure includes development, infrastructure and sustaining capital costs. Resource definition drilling has been capitalised.

The employment of a mining contractor has reduced the requirement for up-front capital for mining equipment. The majority of capital expenditure is driven by capitalised development in the decline and infrastructure such as ventilation rises. The cost rates applied to this expenditure are reasonable.

The costs for the plant optimisation and upgrade were estimated to be A$3.25 Million and A$13.6 Million respectively. The level of confidence for scoping estimates is generally +/- 50% and as such these costs are considered reasonable.

#### 6.2.7 Summary of Assumptions Reviewed

A summary of the assumptions which have been reviewed by CSA Global is presented in Table 15.

Table 15: Hera Project Discounted Cash Flow Model – assumptions reviewed by CSA Global

| Parameter | Year 1 FY16 | Year 2 FY17 | Year 3 FY18 | Year 4 FY19 | Year 5 FY20 | Year 6 FY21 | LOM | CSA Global Opinion |
|---|---|---|---|---|---|---|---|---|
| **Mineral Resources and cut-off grades applied are considered reasonable** | | | | | | | | |
| **Ore Reserves and cut-off grades applied are considered reasonable** | | | | | | | | |
| **Mining Physicals** | | | | | | | | |
| Ore mined (t) | 322,975 | 329,036 | 390,141 | 453,254 | 453,254 | 189,475 | 2,138,135 | Considered reasonable |
| Gold grade (g/t) | 3.97 | 4.27 | 3.06 | 2.61 | 2.82 | 3.11 | 3.24 | Considered reasonable |
| Lead grade (%) | 2.29% | 2.96% | 3.43% | 3.91% | 3.65% | 3.77% | 3.37% | Considered reasonable |
| Zinc grade (%) | 2.17% | 3.65% | 4.30% | 5.37% | 4.87% | 4.77% | 4.27% | Considered reasonable |
| **Processing Physicals** | | | | | | | | |
| Ore processed (t) | 321,021 | 330,361 | 394,829 | 452,016 | 453,254 | 195,505 | 2,146,986 | Considered reasonable |
| Gold grade (g/t) | 3.97 | 4.27 | 3.09 | 2.60 | 2.82 | 3.08 | 3.24 | Considered reasonable |
| Lead grade (%) | 2.29 | 2.94 | 3.44 | 3.91 | 3.65 | 3.76 | 3.36 | Considered reasonable |
| Zinc grade (%) | 2.23 | 3.58 | 4.31 | 5.36 | 4.88 | 4.75 | 4.27 | Considered reasonable |
| **Processing Recoveries** | | | | | | | | |
| Gold recovery (%) | 72.7 | 85.0 | 87.8 | 90.0 | 90.0 | 90.0 | 86.2 | Considered reasonable |
| Lead recovery | 91.5 | 91.0 | 91.0 | 91.0 | 91.0 | 91.0 | 91.1 | Considered reasonable |
| Zinc recovery | 83.9 | 87.8 | 88.0 | 88.0 | 88.0 | 88.0 | 87.4 | Considered reasonable |
| **Metal Produced** | | | | | | | | |
| Gold produced (oz) | 29,786 | 38,522 | 34,307 | 34,046 | 37,044 | 17,438 | 191,143 | Considered reasonable |
| Payable lead produced (t) | 6,034 | 7,789 | 10,879 | 14,048 | 13,154 | 5,887 | 57,790 | Considered reasonable |
| Payable zinc produced (t) | 4,072 | 7,609 | 10,990 | 15,868 | 14,461 | 6,004 | 59,003 | Considered reasonable |
| **Operating Costs Mining and Processing** | | | | | | | | |
| Operating costs mining # | 27,490,956 | 26,668,860 | 30,402,593 | 31,355,503 | 24,936,476 | 8,105,104 | 148,959,492 | Considered reasonable |
| Operating costs processing | 20,837,454 | 17,953,262 | 19,109,815 | 20,235,636 | 20,294,163 | 9,638,695 | 108,069,025 | Considered reasonable |
| Site administration | 3,889,115 | 3,913,296 | 3,913,296 | 3,913,296 | 3,913,506 | 1,956,893 | 21,499,403 | Considered reasonable |
| Concentrate transport | 4,285,568 | 5,942,898 | 8,875,499 | 11,134,784 | 10,762,298 | 4,995,833 | 45,996,880 | Considered reasonable |
| Total royalties | 2,479,944 | 4,137,674 | 4,517,391 | 4,999,056 | 5,223,076 | 2,539,559 | 23,896,700 | Considered reasonable |
| **Capital Costs Mining and Processing** | | | | | | | | |
| Capital costs mine development | 3,702,241 | 7,290,995 | 9,593,001 | 6,296,227 | 474,898 | 210,796 | 27,568,158 | Considered reasonable |
| Capital costs processing sustaining | 562,834 | 360,000 | 2,110,620 | 360,000 | 2,438,964 | 180,000 | 6,012,418 | Considered reasonable |
| Capital costs processing optimisation | 3,752,250 | - | - | - | - | - | 3,752,250 | Considered reasonable |
| Capital costs processing expansion | 0 | 2,445,666 | 12,567,350 | - | - | - | 15,013,016 | Considered reasonable |

*# CSA Global consider an additional cost of $2.5 million in the final 2 years of the mine life should be considered to address a backfill deficit.*

#### 6.2.8 Residual Value of Plant and Equipment

CSA Global considers that a residual value should be applied to the processing plant and equipment at the end of the mine life in 2021.

Although it is difficult to value processing plant and equipment at the end of the mine life, given that demand and plant condition at that time are currently unknown, it is generally acceptable to value processing plant and equipment at between 0% and 30% of the present value of all related capital expenditure.

Given that the plant was constructed from 2013 through 2014, the plant is likely to remain in a reasonably good condition in 2021. CSA Global therefore consider that it is reasonable to assign a residual value of 30% of the present value of related capital expenditure. Related capital expenditure should include costs associated with plant construction and upgrade, after making allowances for any equipment removed during the Hera plant upgrade.

No residual value should be applied to costs associated with development of the underground workings. These costs are not recoverable, except by continued operation of the mine.

### 6.3 Valuation of Aurelia's Exploration Projects

#### 6.3.1 Methodology

The choice of valuation methodology applied to mineral assets, including exploration licences, will depend on the amount of data available and the reliability of that data.

The VALMIN Code classifies mineral assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to Operating Mines which have well-defined Ore Reserves, as listed below:

- Exploration Areas – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified.
- Advanced Exploration Areas – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on, at least, one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the projects to the resource category.
- Pre-Development Projects – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made.
- Development Projects – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- Operating Mines - mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived "fair market valuation".

The Fair Market Value of Exploration Properties and Undeveloped Mineral Resources can be determined by four general approaches: Cost; Market; Geoscience Factor or Income:
Appraised Value or Exploration Expenditure Method considers the costs and results of historical exploration.

The Appraised Value Method utilises a Multiple of Exploration Expenditure (MEE) which involves the allocation of a premium or discount to past expenditure through the use of the Prospectivity Enhancement Multiplier (PEM). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM factor have been proposed by several authors in the field of mineral asset valuation (Onley, 1994).

Table 16 lists the PEM factors and criteria used in this report.

Table 16: Prospectivity Enhancement Multiplier (PEM) Factors

| PEM Range | Criteria |
|---|---|
| 0.2–0.5 | Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified |
| 0.5–1.0 | Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping |
| 1.0–1.3 | Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity |
| 1.3–1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities) |
| 1.5–2.0 | Scout drilling (rotary air-blast, air-core, RC) has identified interesting intersections of mineralisation |
| 2.0–2.5 | Detailed drilling has defined targets with potential economic interest |
| 2.5–3.0 | A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed |
| 3.0–4.0 | Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study |
| 4.0–5.0 | Indicated and Measured Resources have been estimated and economic parameters are available for assessment |

Market Approach Method or Comparable Transactions looks at prior transactions for the property and recent arm's length transactions for comparable properties.

The Comparable Transaction method provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares.

In an exploration joint venture or farm-in, an equity interest in a tenement or group of tenements is usually earned in exchange for spending on exploration, rather than a simple cash payment to the tenement holder. The joint venture or farm-in terms, of themselves, do not represent the Value of the tenements concerned. To determine a Value, the expenditure commitments should be discounted for time and the probability that the commitment will be met. Whilst some practitioners invoke complex assessments of the likelihood that commitments will be met, these are difficult to justify at the outset of a joint venture, and it seems more reasonable to assume a 50:50 chance that a joint venture agreement will run its term. Therefore, in analysing joint venture terms, a 50% discount may be applied to future committed exploration, which is then “grossed up” according to the interest to be earned to derive an estimate of the Value of the tenements at the time that the agreement was entered into.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless. A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party’s perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or joint venture agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current Value of a tenement or tenements will be the Value implied from the terms of the most recent transaction involving it/them, plus any change in Value as a result of subsequent exploration. Where the tenements comprise applications over previously open ground, little to no exploration work has been completed and they are not subject to any dealings, it is thought reasonable to assume that they have minimal, if any Value, except perhaps, the cost to apply for, and therefore secure a prior right to the ground, unless of course there is competition for the ground and it was keenly sought after. Such tenements are unlikely to have any Value until some exploration has been completed, or a deal has been struck to sell or joint venture them, implying that a market for them exists.

High quality mineral assets are likely to trade at a premium over the general market. On the other hand exploration tenements that have no defined attributes apart from interesting geology or a “good address” may well trade at a discount to the general market. Market Values for exploration tenements may also be impacted by the size of the land holding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

Geoscience Factor Method seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought.

The Geoscience Factor (or Kilburn) method, as described by Kilburn (1990), provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources.

Valuation is based upon a calculation in which the geological prospectivity, commodity markets, and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a Value based upon geological prospectivity. The method appraises a variety of mineral property characteristics as follows:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued
- Number and relative position of anomalies on the property being valued
- Geological models appropriate to the property being valued.

The Geoscientific Factor method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 18).

The Basic Acquisition Cost (BAC) is an important input to the Kilburn Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environmental etc.) and statutory expenditure for a period of 12 months. Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The Rule-of-Thumb (Yardstick) Method is relevant to exploration properties where some data on tonnage and grade exist may be valued by methods that employ the concept of an arbitrarily ascribed current in-situ net value to any Ore Reserves (or Mineral Resources) outlined within the tenement (Lawrence 2001, 2012).

Rules-of-Thumb (Yardstick) Methods are commonly used where a Mineral Resource remains is in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted in situ value to the Mineral Resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a rule-of-thumb.

This yardstick multiplier factor applied to the Mineral Resources delineated (depending upon category) varies depending on the commodity. Typically a range from 0.4–3 per cent is used for base metals and PGM, whereas for gold and diamonds a range of 2–4.5 per cent is used. The method estimates the in situ gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuers risk assessment of the assigned JORC Code's Resource category, the commodity's likely extraction and treatment costs, availability/proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth of the potential mining operation.

The Income Approach is relevant to exploration properties on which undeveloped Mineral Resources have been identified by drilling. Value can be derived with a reasonable degree of confidence by forecasting the cash flows that would accrue from mining the deposit and discounting to the present day and determining a Net Present Value (NPV).

The Income Approach is not appropriate for properties without Mineral Resources.

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

Table 17 shows the valuation approaches that are generally considered appropriate to apply to each type of mineral property.

Table 17: Valuation Approaches for different Types of Mineral Properties (CIMVAL, 2003)

| Valuation Approach | Exploration Properties | Mineral Resource Properties | Development Properties | Production Properties |
|---|---|---|---|---|
| Income | No | In some cases | Yes | Yes |
| Market | Yes | Yes | Yes | Yes |
| Cost | Yes | In some cases | No | No |

Table 18: Geoscientific Factor Ranking

| Rating | Address/Off Property Factor | On Property Factor | Anomaly Factor | Geological Factor |
|---|---|---|---|---|
| 0.5 | Very little chance of mineralisation; concept unsuitable to the environment | Very little chance of mineralisation; concept unsuitable to the environment | Extensive previous exploration with poor results | Generally unfavourable lithology<br>No alteration of interest |
| 1 | Exploration model support<br>Indications of prospectivity<br>Concept validated | Exploration model support<br>Indications of prospectivity<br>Concept validated | Extensive previous exploration with encouraging results<br>Regional targets | Deep Cover<br>Generally favourable lithology / alteration (70%) |
| 1.5 | Recon drilling with some scattered favourable results<br>Minor Workings | Exploratory Sampling with encouragement | Several early stage targets outlined from geochemistry and geophysics | Shallow cover<br>Generally favourable lithology / alteration 50–60% |
| 2 | Several Old Workings<br>Significant RC drilling leading to advanced project | Several Old Workings<br>Recon drilling or RC drilling with encouraging intersections | Several well defined targets supported by recon drilling data | Exposed favourable lithology / alteration |
| 2.5 | Abundant Workings<br>Grid drilling with encouraging results on adjacent sections | Abundant Workings<br>Core drilling after RC with encouragement | Several well defined targets with encouraging drilling results | Strongly favourable lithology, alteration |
| 3 | Mineral Resource areas defined | Advanced resource definition drilling (early stages) | Several significant sub-economic targets<br>No indication of 'size' | Generally favourable lithology with structures along strike of a major mine; Very prospective geology |
| 3.5 | Abundant workings / mines with significant historical production<br>Adjacent to known mineralisation at PFS stage | Abundant workings / mines with significant historical production<br>Mineral Resource areas defined | Several significant sub-economic targets<br>Potential for significant 'size'<br>Early stage drilling | |
| 4 | Along strike or adjacent to Resources at DFS stage | Adjacent to known mineralisation at PFS stage | Marginally economic targets of significant 'size' advanced drilling | |
| 4.5 | Adjacent to development stage project | Along strike or adjacent to Resources at DFS stage | Marginal economic targets of significant 'size'<br>Well drilled Inferred | |
| 5 | Along strike from operating major mine(s) | Adjacent to development stage project | Several significant ore grade co-relatable intersections | |

### 6.3.2 Previous Valuations

A previous valuation of substantially the same assets was carried out by Behre Dolbear Australia Pty Limited (BDA) in December 2012. CSA Global has carried out the current valuation independently of the BDA work, but notes that BDA has used a similar approach.

CSA Global's valuation of Aurelia's regional exploration ground is lower than the BDA valuation. This is due to partial relinquishment of tenements, and the fact that BDA relied primarily on previous exploration expenditure to value these tenements, whereas CSA Global believes that it is more appropriate to primarily rely on comparable transactions.

### 6.3.3 Valuation Methodology and Results

A schedule of the tenements valued is provided in Appendix 1.

CSA Global considered the exploration / development stage of each project in deciding what valuation methods would be suitable in assessing the value of each project. Tenement details and the valuation methods applied are shown in Table 19.

Table 19: Exploration stages and valuation methods applied for each project

| Project | Exploration Stage | Tenement Area (km$^2$) | Mineral Resource | Valuation Methods |
|---|---|---|---|---|
| Hera Exploration Ground | Advanced Exploration | 128.7 | | Comparable transactions, MEE |
| Nymagee Mineral Resources | Pre-Development | N/A | 111 kt Cu Eq | Comparable transactions, Yardstick |
| Nymagee Exploration Ground | Advanced Exploration | 25.6 | | Comparable transactions, MEE |
| Kadungle | Exploration | 43.3 | | Comparable transactions, MEE |
| Doradilla | Exploration | 112.7 | | Comparable transactions, MEE |
| Baldry | Exploration | 38.6 | | Comparable transactions, MEE |
| Tallebung | Exploration | 40.5 | | Comparable transactions, MEE |
| Box Creek | Exploration | 145.5 | | Comparable transactions, MEE |
| Barrow | Exploration | 61.1 | | Comparable transactions, MEE |
| Lyell | Exploration | 8.7 | | Comparable transactions, MEE |

**Market Approach**

CSA Global used various Market approaches as the primary means of assessing the value for the Aurelia's exploration assets. CSA Global considered valuations based on factors derived from an analysis of comparable market transactions for the Nymagee Mineral Resources, and compared these to valuations based on commonly used Yardstick factors, which are based on spot commodity prices. For the exploration areas, CSA Global considered valuations based on area valuation factors derived from an analysis of comparable market transactions.

**Comparable Transactions Approach**

CSA Global considered recent (post-January 2010) transactions involving gold or polymetallic Mineral Resources in New South Wales. Sufficient information was available in the public domain for the analysis of five transactions (4 polymetallic and 1 gold) that may be considered as suitable comparatives for Aurelia's exploration assets. Details of the transactions analysed are provided in Appendix 3.

The transactions were analysed in terms of the implied transaction price in A$ / oz of gold equivalent and A$ / t of copper equivalent, with the gold equivalent ounces and copper equivalent tonnes based on the contained metal (Au, Ag, Cu, Pb, Zn) and the commodity prices in Australian dollars as at 30 November 2015. The commodity prices used were as follows:

- Au – A$1,588.90 per ounce
- Cu – A$7,352.52 per tonne
- Ag – A$20.69 per ounce
- Zn – A$2,247.08 per tonne
- Pb – A$2,358.58 per tonne.

The implied transaction prices in A$ per gold equivalent ounce ranged from $3.05 per ounce to $85.88 per ounce, with a median of $32.59 per ounce, a mean of $34.92 per ounce and a weighted average of $14.76 per ounce. In Australian Dollars per tonne of copper equivalent, the implied transaction prices ranged from $14.09 per tonne to $397.42 per tonne, with a median of $93.31 per tonne, a mean of $149.54 per tonne and a weighted average of $63.64 per tonne.

CSA Global concluded that a suitable valuation range for declared resources of copper equivalent tonnes would be based on a low factor of $63.64 per copper equivalent tonne and a high factor of $149.54 per copper equivalent tonne. The preferred valuation factor is $93.31 per copper equivalent tonne. The valuation range for the Nymagee Mineral Resources is shown in Table 20.

Table 20: Summary of valuations based on Mineral Resource transactions

| Project | Metal content | Low (A$M) | Preferred (A$M) | High (A$M) |
|---|---|---|---|---|
| Nymagee Resources# | 111 kt Cu Eq | 6.73 | 9.87 | 15.81 |

# Nymagee Resources valued at 95% interest

In addition, in assessing copper equivalent tonnes to be considered for Nymagee, the following recovery factors were considered in addition to the relevant commodity prices:

- Pb – 91% recovery
- Zn – 90% recovery
- Ag – 30% recovery
- Cu – 90% recovery.

In assessing the implied metal content of the Nymagee Resources in tonnes of copper equivalent, CSA Global added the contained metal for each metal, corrected by recovery factor and by the ratio of the relevant metal price to the copper price.

CSA Global considered recent (post-January 2010) transactions involving gold and base metals exploration areas in eastern Australia (New South Wales, Queensland and Victoria). Sufficient information was available in the public domain for the analysis of twelve transactions, five in New South Wales, which may be considered as suitable comparatives for Aurelia's exploration assets. Details of the transactions analysed are provided in Appendix 2.

The transactions were analysed in terms of implied transaction price in A$ / km$^2$ of exploration ground.

The implied transaction prices in A$ / km$^2$ when all 12 transactions were considered ranged from A$159 / km$^2$ to A$47,500 / km$^2$, with a median of A$7,506 / km$^2$, a mean of A$11,895 / km$^2$ and a weighted average of A$5,166 / km$^2$. When considering only transactions involving exploration properties in New South Wales, the implied transaction prices in A$ / km$^2$ ranged from A$461 / km$^2$ to A$38,568 / km$^2$, with a median of A$4,375 / km$^2$, a mean of A$10,894 / km$^2$ and a weighted average of A$3,977 / km$^2$.

CSA Global concluded that a suitable valuation range for prospective exploration ground would be based on a low factor of $3,977 / km$^2$ and a high factor of $5,166 / km$^2$. CSA Global's preferred valuation factor is $4,375 / km$^2$. The valuation ranges for Aurelia's exploration properties based on comparable transactions is shown in Table 21.

Table 21: Exploration property valuations based on exploration transactions

| Project | Area (km$^2$) | Low (A$M) | Preferred (A$M) | High (A$M) |
|---|---|---|---|---|
| Hera Exploration Ground | 128.7 | 0.51 | 0.56 | 0.66 |
| Nymagee Exploration Ground# | 25.6 | 0.10 | 0.11 | 0.13 |
| Kadungle | 43.3 | 0.17 | 0.19 | 0.22 |
| Doradilla | 112.7 | 0.45 | 0.49 | 0.58 |
| Baldry | 38.6 | 0.15 | 0.17 | 0.20 |
| Tallebung | 40.5 | 0.16 | 0.18 | 0.21 |
| Box Creek | 145.5 | 0.58 | 0.64 | 0.75 |
| Barrow | 61.1 | 0.24 | 0.27 | 0.32 |
| Lyell | 8.7 | 0.03 | 0.04 | 0.05 |

# Nymagee tenements valued at 95% interest

**Yardstick Approach**

CSA Global used the Yardstick approach as a reasonableness check for the Nymagee Mineral Resources. Commodity spot prices in A$ as at 30 November 2015 were used in calculating the Yardstick factors. The commodity prices used were as follows:

The commodity prices used were as follows:

- Cu – A$7,352.52 per tonne
- Ag – A$20.69 per ounce
- Zn – A$2,247.08 per tonne

- Pb – A$2,358.58 per tonne.

In addition, in assessing copper equivalent tonnes to be considered for Nymagee, the following recovery factors were considered in addition to the relevant commodity prices:

- Pb – 91% recovery
- Zn – 90% recovery
- Ag – 30% recovery
- Cu – 90% recovery.

In assessing the implied metal content of the Nymagee Resources in tonnes of copper equivalent, CSA Global added the contained metal for each metal, corrected by recovery factor and by the ratio of the relevant metal price to the copper price.

The following Yardstick factors of the spot price were considered:

- Not in reported resource: <0.5%
- Inferred Resources: 0.5 % to 1 %
- Indicated Resources: 1 % to 2 %
- Measured Resources: 2 % to 5 %
- Ore Reserves: 5 % to 10 %

The Yardstick valuations for the Nymagee Mineral Resources are shown in Table 22.

Table 22: Summary of Yardstick valuations for Nymagee Mineral Resources

| Project | Cu Eq (kt) | Low Value (A$M) | High Value (A$M) |
|---|---|---|---|
| Nymagee Indicated Mineral Resources# | 103.6 | 7.2 | 14.5 |
| Nymagee Inferred Mineral Resources# | 7.7 | 0.3 | 0.5 |

# Nymagee Mineral Resources valued at 95% interest

**Cost Approach – Appraised Value Method (Multiples of Exploration Expenditure)**

CSA Global has considered the Appraised Value Method in assessing the value of all exploration assets.

The relevant expenditure was limited to expenditure incurred post-January 2010. In assessing reported expenditures, CSA Global determined that tenement rents, levies, etc. were included in reported expenditure, and total expenditure was increased by 10% to include administrative expenses. Therefore in assessing relevant expenditure, CSA Global decreased reported expenditure by 15% in order to remove the effects of including tenement rents and administration expenses, which do not contribute to enhancing the prospectivity of the ground.

A summary of the valuation based on the MEE method is shown in Table 23.

Table 23: Summary of Appraised Valuation

| Project | Relevant Expenditure (A$M) | Outcome | Low PEM | High PEM | Low Appraised Value (A$M) | High Appraised Value (A$M) |
|---|---|---|---|---|---|---|
| Hera Exploration Ground | 0.71 | Potentially economic mineralisation encountered. | 2 | 2.5 | 1.42 | 1.77 |
| Nymagee Exploration Ground # | 1.02 | Potentially economic mineralisation encountered. | 2 | 2.5 | 1.85 | 2.31 |
| Kadungle | 0.31 | Potentially economic mineralisation encountered. | 1.5 | 2 | 0.46 | 0.62 |
| Doradilla | 0.57 | Sub-economic mineralisation confirmed, with drilling at the Doradilla Copper Mine limiting the size of any potential near surface lodes. | 0.5 | 0.7 | 0.29 | 0.40 |
| Baldry | 0.25 | Epithermal vein system largely sterilised. Some residual prospectivity. | 0.7 | 1 | 0.18 | 0.25 |
| Tallebung | 0.16 | Potentially economic mineralisation encountered. | 1.5 | 2 | 0.24 | 0.32 |
| Box Creek | 1.46 | Anomalism confirmed by drilling. | 1.2 | 1.5 | 1.76 | 2.20 |
| Barrow | 0.14 | Geochemical anomalism identified. | 1.2 | 1.5 | 0.17 | 0.21 |
| Lyell | 0.05 | Geochemical anomalism confirmed. | 1.2 | 1.5 | 0.06 | 0.07 |

# Nymagee tenements valued at 95% interest

### 6.3.4 Preferred Value

In choosing a Preferred Value and Valuation Range for each project, CSA Global considered the valuation ranges and the preferred values from each of the methods applied. The weighting of each method in considering the overall valuation ranges and Preferred Values varied based on the stage of development of the project and CSA Global's view of the applicability of each method to each project. CSA Global placed a greater weight on Preferred Values and valuation ranges based on the approaches informed by the analysis of market transactions, and used the Yardstick and MEE approaches as reasonableness checks. Preferred Values are quoted in Australian dollars and are shown in Table 24.

Table 24: Valuation Range and Preferred Value as at 30 November 2015

| Project | Low (A$M) | Preferred (A$M) | High (A$M) |
|---|---|---|---|
| Hera Exploration Ground | 0.50 | 1.00 | 1.50 |
| Nymagee Mineral Resources# | 7.00 | 10.00 | 15.00 |
| Nymagee Exploration Ground# | 0.10 | 0.50 | 2.00 |
| Kadungle | 0.18 | 0.20 | 0.25 |
| Doradilla | 0.30 | 0.45 | 0.60 |
| Baldry | 0.15 | 0.20 | 0.25 |
| Tallebung | 0.20 | 0.23 | 0.26 |
| Box Creek | 0.60 | 0.80 | 1.00 |
| Barrow | 0.20 | 0.25 | 0.30 |
| Lyell | 0.03 | 0.05 | 0.07 |
| Total | 9.26 | 13.68 | 21.23 |

#Nymagee Mineral Resources valued at 95% interest.

There is significant range in the values derived for the mineral assets. CSA Global has considered this range and concludes that it provides a reasonable representation of possible valuation outcomes for the projects, given the uncertainties inherent in valuing early stage exploration projects. It is stressed that the valuation is an opinion as to likely values, not absolute values, which can only be tested by going to the market.

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# 8 Glossary

| Term | Explanation |
|---|---|
| Alluvium | Loose, unconsolidated (not cemented together into a solid rock) soil or sediments, which has been eroded, reshaped by water in some form, and redeposited in a non-marine setting. |
| Andesite | An extrusive igneous, volcanic rock, of intermediate composition. |
| Anticline | A fold that is convex up and has its oldest beds at its core. |
| Backfill | Rock fill used to fill underground voids. |
| Basalt | A fine grained, dark coloured, volcanic rock relatively rich in iron and magnesium. |
| Base metal | A base metal is a common and inexpensive metal, as opposed to a precious metal such as gold or silver. Include iron, nickel, copper, lead and zinc. |
| Bioturbation | Process of reworking of soils and sediments by animals or plants. |
| Blast Hole | Hole used to fill with explosives to fragment the rock. |
| Bogging | Process of removing waste and ore from underground development drives and stopes. |
| Bornite | Copper sulphide mineral with chemical composition $Cu_5FeS_4$. |
| Breccia | A rock composed of angular, broken, rock fragments held together by mineral cement or in a fine-grained matrix. |
| Cainozoic | The current and most recent of the three Phanerozoic geological eras, following the Mesozoic Era and covering the period from 65 million years ago to present day. |
| Calc-silicate | A rock produced by metasomatic alteration of existing rocks in which calcium silicate minerals are produced. |
| Cassiterite | Tin oxide mineral, $SnO_2$. |
| Cemented Rock Fill | Cement which has been added to rock fill to fill underground voids. |
| Certified Reference Material | Material with known concentrations of chemical constituents. Used to check the accuracy of a laboratory. |
| Chalcedony | A cryptocrystalline form of silica, composed of very fine intergrowths of the minerals quartz and moganite. |
| Chalcopyrite | A copper iron sulphide mineral which has the chemical formula $CuFeS_2$. |
| Chert | A fine-grained silica-rich rock. |
| Cobar Basin | One of several intra-cratonic basins developed in the Lachlan Orogen during the Silurian / Devonian. |
| Coefficient of Variation | Ratio of the standard deviation to the mean. |
| Collar | Top of a drill hole. |

| | |
|---|---|
| Comminution | Reduction of solid materials from one average particle size to a smaller average particle size. |
| Compositing | Process of regularising data to a single length interval. |
| Conglomerate | A coarse-grained clastic sedimentary rock that is composed of a substantial fraction of rounded to sub-angular gravel-size clasts. |
| Correlation Coefficient | A coefficient that illustrates a quantitative measure of some type of correlation and dependence, meaning statistical relationships between two or more random variables or observed data values. |
| Crusher | Equipment used to reduce the size of particles. |
| Cut-off Grade | Lowest grade (or concentration) of material which can be mined economically. |
| Decline | Ramp used to access underground mine. |
| Development | Term used to describe horizontal mining. |
| Devonian | The geological time period between 410 and 354 million years ago. |
| Diamond drilling | A drilling method for obtaining a cylindrical core of rock with a diamond-impregnated bit |
| Dilution | Term commonly used in mining to describe rock which has little or no economically valuable constituents. |
| DGPS | Differential global positioning system. |
| Dore | A doré bar is a semi-pure alloy of gold and silver, usually created at the site of a mine. |
| Downhole Survey | Measurement of drill hole dip and azimuth within a drill hole. |
| Eastman Camera | Tool used to take down hole survey measurement. Uses magnetic methods. |
| Electrowinning | The electrodeposition of metals from their ores that have been put in solution via a process commonly referred to as leaching. |
| Epigenetic | When a deposit formed much later than the rocks which enclose it, it is said to be epigenetic. |
| Epithermal | Hydrothermal deposits formed at shallow depths are commonly referred to as epithermal. |
| Extensional Fault | A fault that vertically thins and horizontally extends portions of the Earth's crust. |
| Fair Market Value | The VALMIN Code defines the value of a mineral asset as its Fair Market Value, which is the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the expert or specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, wherein each party has acted knowledgeably, prudently and without compulsion. |
| Fault | A planar or gently curved fracture across which there has been relative displacement. |
| Felsic | Light coloured rocks containing an abundance of feldspars and quartz. |
| Flotation | A process for selectively separating hydrophobic materials from hydrophilic. |
| Footwall | Body of rock sitting underneath the ore body. |
| g/t | Grams per tonne. Equivalent to parts per million. |
| Galena | Lead sulphide mineral with the chemical formula PbS. |

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|---|---|
| Geostatistics | Geostatistics is a branch of statistics focusing on spatial or spatiotemporal datasets. |
| Grade | The average quantity of metal in a specified quantity of rock. |
| Granite | An intrusive rock in which quartz constitutes 10 to 50 per cent of the felsic components and in which the alkali feldspar/total feldspar ratio is generally restricted to the range of 65% to 90%. |
| Greisen | A highly altered granitic rock. |
| Gyroscope | A spinning wheel or disc in which the axis of rotation is free to assume any orientation. When rotating, the orientation of this axis is unaffected by tilting or rotation of the mounting, according to the conservation of angular momentum. Because of this, gyroscopes are useful for measuring or maintaining orientation. |
| Hangingwall | Body of rock sitting on top of the ore body. |
| Hornfels | A metamorphic rock formed by the contact between mudstone / shale, or other clay-rich rock, and a hot igneous body. |
| Ignimbrite | The deposit of a pyroclastic density current, or pyroclastic flow, which is a hot suspension of particles and gases flowing rapidly from a volcano driven by having a greater density than the surrounding atmosphere. |
| Induced Polarisation (IP) | Method of geophysical surveying which employs the passing of an electrical current into the ground and the voltage decay is measured. |
| JORC Code | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC). |
| Kt | Kilo (thousand) tonne |
| Ktpa | Kilo (thousand) tonnes per annum |
| Lachlan Orogen | A geological subdivision of the east part of Australia. It is a zone of folded and faulted rocks of similar age. It dominates New South Wales and Victoria, also extending into Tasmania, the Australian Capital Territory and Queensland. It was formed in the Middle Paleozoic from 450 to 340 million years ago. |
| Laterite | A soil and rock type rich in iron and aluminium commonly formed in hot and wet tropical areas. |
| Merrill-Crowe process | A gold recovery process that removes precious metals from a cyanide solution by zinc precipitation. |
| Monzodiorite | A coarse-grained igneous rock consisting of essential plagioclase feldspar, orthoclase feldspar, hornblende, and biotite, with or without pyroxene. |
| Nugget Effect | The natural grade variability of a deposit. |
| Ordinary Kriging | Geostatistical process used to estimate grades into blocks from samples. |
| Ordovician | A geologic period and system, the second of six of the Paleozoic Era, and covers the time between 485.4 and 443.8 million years ago. |
| Phyllite | A type of foliated metamorphic rock created from slate that is further metamorphosed so that very fine grained white mica achieves a preferred orientation. |

| | |
|---|---|
| Porphyry | A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained feldspathic matrix or groundmass. |
| Pyrite | An iron sulphide mineral with the formula $FeS_2$. |
| Pyrrhotite | An iron sulphide mineral with the formula FeS. |
| Quaternary | The Quaternary Period is the current and most recent of the three periods of the Cenozoic Era in the geologic time scale. It spans from 2.588 million years ago to the present. |
| Quartz | Mineral with the chemical formula $SiO_2$. |
| Raise Borer | A machine used in underground mining, to excavate a circular hole between two levels of a mine without the use of explosives. |
| Regolith | A layer of loose, superficial material covering solid rock. |
| Reverse Circulation drilling | Type of percussion drilling whereby drill cuttings are returned to surface by compressed air inside a metal tube to reduce the potential for sample contamination. |
| Rhyolite | An igneous, volcanic rock, of felsic (silica-rich) composition. |
| Rift Valley | A linear-shaped lowland between several highlands created by the action of a geologic rift or fault. |
| ROM | Run-of-mine |
| Sandstone | A clastic sedimentary rock composed mainly of sand-sized minerals or rock grains. |
| Schist | A medium-grade metamorphic rock with medium to large, flat, sheet-like grains in a preferred orientation. |
| Sill Pillar | Horizontal bands of rock that are not mined to ensure rock stability during mining. |
| Silurian | A geologic period and system that extends from the end of the Ordovician Period to the Devonian. |
| Siltstone | A sedimentary rock which has a grain size in the silt range, finer than sandstone and coarser than claystone. |
| Slot | Vertical section of rock mined to create a void which enables stoping to commence. |
| Smelting | A form of extractive metallurgy; its main use is to produce a base metal from its ore. |
| Sphalerite | A zinc sulphide mineral with the chemical formula ZnFeS. |
| Stope | A vertical underground void generally created by mining between horizontal levels. |
| Sulphidation | A process of installing sulphide ions in a material. |
| Tenement | Any form of title or right such as a licence, permit or lease granted by the responsible government in accordance with its mining or petroleum legislation that confers on the holder certain rights to explore for and/or extract minerals or petroleum that may be, or is known to be contained under the surface of the land. |
| Thompson Orogen | An orogenic belt which covers a vast area throughout south-central Queensland and north-western New South Wales. |
| Thrust | A type of fault in which older rocks are pushed up over younger rocks. |

| | |
|---|---|
| Tonne Kilometre | Unit of measure of freight transport which represents the transport of one tonne of material over a distance of one kilometre. |
| Top Cut | A top grade value which is applied to sample data to limit the impact of unusually high values when carrying our grade estimation. |
| tpa | Tonnes per annum |
| Turbidite | A type of sedimentary rock composed of layered particles that grade upward from coarser to finer sizes and are thought to have originated from ancient turbidity currents in the oceans and deposited in deep water. |
| Valmin Code | Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code, 2005 Edition. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with participation of the Australian Securities and Investments Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian Finance Sector. |
| Variogram | A tool that quantifies spatial correlation of a variable at different distances. |
| Volcanoclastic | Sedimentary rocks such as sandstones formed by the aggregation of rock fragments of volcanic origin. |
| wmt | Wet metric tonne |

## Appendix 1: Tenement Schedule

| Tenement Number | Project Name | License Holder | Aurelia Share (%) | Grant date | Expiry date | Status | License area (km², or as indicated) | Annual Expenditure Commitment |
|---|---|---|---|---|---|---|---|---|
| EL4232 | Nymagee | Nymagee Resources Pty Ltd | 95 | 17 March 1992 | 16 March 2015 | Renewal Pending | 5 units, 14.55 km² | 17,000 |
| EL4458 | Nymagee | Nymagee Resources Pty Ltd | 95 | 26 Nov 1992 | 16 Sept 2015 | Renewal Pending | 4 units, 11.09 km² | 34,000 |
| EL6162 | Hera | Hera Resources Pty Ltd | 100 | 26 Nov 2003 | 25 Nov 2018 | Current | 48 units, 128.7 km² | 78,000 |
| EL6226 | Kadungle | Defiance Resources Pty Ltd | 100 | 6 Apr 2004 | 5 April 2016 | Current | 15 units, 43.34 km² | 45,000 |
| EL6258 | Doradilla | Stannum Pty Ltd | 100 | 21 June 2004 | 20 June 2017 | Current | 38 units, 112.7 km² | 68,000 |
| EL6673 | Baldry | Defiance Resources Pty Ltd | 100 | 5 Dec 2006 | 4 Dec 2015 | Current | 16 units, 38.6 km² | 46,000 |
| EL6699 | Tallebung | Stannum Pty Ltd | 100 | 10 Jan 2007 | 9 Jan 2017 | Current | 14 units, 40.46 km² | 44,000 |
| EL7447 | Box Creek | Defiance Resources Pty Ltd | 100 | 2 Feb 2010 | 2 Feb 2017 | Current | 50 units, 145.5 km² | 80,000 |
| EL7524 | Barrow | Defiance Resources Pty Ltd | 100 | 3 May 2010 | 3 May 2017 | Current | 21 units, 61.14 km² | 51,000 |
| EL7529 | Lyell | Defiance Resources Pty Ltd | 100 | 3 May 2010 | 3 May 2017 | Current | 3 units, 8.73 km² | 11,000 |
| ML5295 | Nymagee | Nymagee Resources Pty Ltd | 95 | 24 Dec 1951 | 31 Dec 2013 | Renewal Pending | 0.003339 km² | 52,500 (aggregated) |
| ML5828 | Nymagee | Nymagee Resources Pty Ltd | 95 | 25 October 1962 | 31 Dec 2013 | Renewal Pending | 0.01583 km² | 52,500 (aggregated) |
| ML53 | Nymagee | Nymagee Resources Pty Ltd | 95 | 30 July 1975 | 31 Dec 2013 | Renewal Pending | 0.04867 km² | 17,500 |
| ML90 | Nymagee | Nymagee Resources Pty Ltd | 95 | 5 Nov 1975 | 31 Dec 2013 | Renewal Pending | 0.03391 km² | 35,000 |
| PLL847 | Nymagee | Nymagee Resources Pty Ltd | 95 | 24 Dec 1951 | 31 Dec 2013 | Renewal Pending | 0.127 km² | 52,500 (aggregated) |
| ML1686 | Hera | Hera Resources Pty Ltd | 100 | 16 May 2013 | 16 May 2034 | Current | 13.079 km² | 910,000 |

## Appendix 2: Comparative Transactions

**New South Wales Transactions**

| Transaction | | | | | | | Project | | | | Analysis | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transaction Name | Transaction Type | Date | Selling Company Name | Purchasing Company Name | Details | Purchase Price 100% Basis (A$) | Asset Summary | Primary Commodity | Inventory Cu Eq tonnes | Inventory Au Eq ounces | Implied Value Cu Eq t (A$) | Implied Value Au Eq oz (A$) |
| TriAusMin merger with Heron | Merger | 5/08/2014 | TriAusMin | Heron Resources | TriAusMin shareholders to receive 1 Heron share for 2.33 TriAusMin shares | 16,723,369 | Woodlawn Underground Project, Woodlawn Tailings Retreatment Project, Lewis Ponds | Zinc | 1,186,488 | 5,490,387 | 14.09 | 3.05 |
| Mineral Hill streaming agreement | Product streaming agreement | 10/03/2015 | KBL Mining | Quintana Capital | Quintana advanced KBL Mining US$23M against 24% of future metal production | 67,255,833 | Mineral Hill polymetallic operations | Copper | 169,232 | 783,109 | 397.42 | 85.88 |
| Heron Resources placement in Golden Cross Resources | Share placement | 3/03/2014 | Golden Cross Resources | Heron Resources | Heron Resources took up a 19.9% position in Golden Cross Resources for $1.88M | 9,447,236 | Copper Hill Project | Copper | 263,729 | 1,220,389 | 35.82 | 7.74 |
| Polymetals merger with Southern Cross Goldfields | Merger | 8/04/2013 | Polymetals Mining Limited | Southern Cross Goldfields Ltd | Polymetals shareholders received 11 Southern Goldfields shares for every 1 Polymetals share | 11,926,200 | Mt Boppy Project | Gold | | 263,000 | | 45.35 |
| CBH Resources farm-in to Mallee Bull | Farm-in | 21/05/2012 | Peel Mining Limited | CBH Resources | CBH could earn a 50% interest in Mallee Bull by pay $1M up front, and funding a further $7.33M in exploration expenses. Completed earn-in in September 2014, when Maiden Mineral Resource was declared. | 16,660,000 | Mallee Bull | Gold | 110,473 | 511,204 | 150.81 | 32.59 |

**Comparative Area-based Transactions**

| Project Name | Primary Commodity | Asset Summary | Project Status | State | Date | Selling Company Name | Purchasing Company Name | Transaction Type | Details | Purchase Price 100% Basis (A$M) | Area (km²) | Implied Value / km² (A$) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cobar Super Basin Project | Cu, Au | Cobar-style and volcanogenic massive sulphide (VMS) polymetallic deposits. | Exploration | NSW | 30/09/2014 | Peel Mining Limited | JOGMEC | Farm In | JOGMEC can earn 40% by funding A$4M of exploration over up to 3 years, with a further 10% by funding a further A$3M over up to a further 2 years. JOGMEC required to spend a minimum of $500,000 before withdrawing from the agreement. | 14 | 3,200 | $4,375 |
| Ararat and Stavely | Cu, Au | Porphyries, VMS, epithermal, orogenic lode gold. | Advanced Exploration known deposit | Vic | 20/05/2013 | BCD Resources | Northern Platinum | Acquisition | First payment of $1M, followed by $1.5M cash, then $0.3M in cash or shares at election of vendor | 2.8 | 197 | $14,213 |
| Golden Peaks Dee Range | Cu, Au | Prospective volcanic sequence that hosts Mount Morgan Au-Cu deposit; significant copper, zinc, silver and gold mineralization intersected in previous drilling; Recent VTEM survey produces several high priority conductors. | Exploration | Qld | 31/03/2013 | Perilya Limited | Hammer Metals | Farm In | Hammer has a farm in agreement with Perilya Ltd to earn a 60% interest in Golden Peaks by spending $4M over 4 years, and at which point Perilya can elect can contribute or dilute, in which case, Hammer's interest would increase to 75%. | 3.3 | 337 | $9,891 |
| Nymagee | Cu, Au | A set of 4 EL's in the Cobar Basin, adjacent to YTC's Nymagee deposit. Prospective drill targets identified to the immediate east and north of Nymagee deposit. | Exploration | NSW | 14/05/2012 | OZ Exploration | YTC Resources | Acquisition | YTC to acquire 100% interest in the 4 licences by issuing the equivalent of $250,000 in YTC shares. | 0.25 | 542 | $461 |
| Arthurville | Cu, Au | The Arthurville Project incorporates tenement EL 7588 located 20 km south of Dubbo. The Arthurville tenement straddles the northern extension of the Ordovician Molong volcanic belt, considered prospective for porphyry-related copper-gold mineralisation and volcanic-hosted massive sulphide base metal deposits. | Exploration | NSW | 2/04/2012 | Minotaur Exploration Limited | Mitsubishi | Farm In | The Arthurville project is a joint venture between Minotaur, Mitsubishi Materials Corporation (MMC) and Mitsubishi Corporation (MC) whereby MMC and MC are funding an agreed exploration program to initially acquire a 32% participating interest through expenditure of $370,000 within 24 months, and may elect to increase that to 49% through expenditure of a further $600,000 within a further 24 months. | 0.6 | 292 | $1,977 |
| Maryborough Basin | Au, Cu and Ag | Maturing exploration property in a previously unrecognised metalliferous province, 25 prospects identified; Porphyry Cu-Au and epithermal Au-Ag targets; work completed includes 51 drill holes (diamond and RC) for a total of 8,653 m. | Exploration | Qld | 1/04/2012 | Integrated Resources Group Limited | MAuB Pty Ltd | Acquisition | 88–100% of the Maryborough Basin project for $3.25M in shares. | 3.7 | 2,478 | $1,490 |
| Clermont Rosevale | Cu (Au, Ag, Mo) | Porphyry targets, Rosevale Porphyry Corridor. | Advanced Exploration known deposit | Qld | 27/03/2012 | Diatreme Resources | Antfagasta Mineral SA | Farm In | $400k for six months exploration. Farm in to earn 51% by spending $8M over 4 years with an extra 9% by delivering JORC Inferred Mineral Resources plus a scoping study on at least 1 deposit. Can withdraw after $1.4M within first year but no equity earned. Vendor operating during assessment and earn in phases. | 8.2 | 1220 | $6,750 |
| Esk Trough | Cu, Au | A group of five EPMs located 80 km west of Gympie in Southeast Queensland. | Advanced Exploration known deposits | Qld | 24/10/2011 | Coppermoly Limited | ActivEX Ltd | Farm In | Terms of the agreement with Coppermoly are for Coppermoly to farm-in to the joint venture area by sole funding exploration spending of $3M over three years to earn a 51% interest. Coppermoly has committed to a minimum expenditure of $0.5M in the first year. | 2.9 | 356 | $8,262 |

| Project Name | Primary Commodity | Asset Summary | Project Status | State | Date | Selling Company Name | Purchasing Company Name | Transaction Type | Details | Purchase Price 100% Basis (A$M) | Area (km²) | Implied Value / km² (A$) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Porters Mount | Au and base metals | 35 km southeast of Lake Cowal. Capital has been exploring at Porters Mount since mid-2006 and has delineated a number of promising sub-epithermal style, intrusion related and breccia hosted gold targets. | Exploration | NSW | 1/04/2011 | Capitol Mining Limited | Flinders Exploration Ltd | Acquisition | 100% of the Porters Mount project for $0.60 M in cash and shares. | 0.6 | 66 | $9,091 |
| Rookwood | Cu, Au, Zn, Ag | Near Maryborough; Rookwood Volcanics Develin Creek VMS. | Exploration | Qld | 1/02/2011 | Fitzroy Resources Limited | Kangaroo Resources Ltd | Acquisition | 100% of one exploration permit for $0.05 M in cash. | 0.05 | 315 | $159 |
| Mt Cannindah | Cu, Au, Ag | Mount Cannindah is a large gold bearing porphyry copper-gold system with a number of highly prospective exploration targets located 100 km south of Gladstone. Mineral Resource estimate of 7.47Mt at 0.97% Cu, 0.38 g/t Au and 15 g/t Ag, of which 5.57Mt at 0.95% Cu, 0.41 g/t Au, and 16 g/t Ag are in the Measured category and 1.86Mt at 1.0% Cu, 0.30 g/t Au, and 14 g/t Ag are in the Inferred category. | Advanced Exploration | Qld | 24/12/2010 | Planet Metals | Drummond Gold | Farm In | Drummond is committed to spending $750,000 by September 2011 to assess the potential of Mount Cannindah (at which time Drummond can elect to withdraw from the earn-in). Drummond can then earn up to 75% in the project through expenditure of a further $6M within four years and nine months of signing the earn-in agreement. | 4.8 | 100 | $47,500 |
| Red Hill | Cu, Au | The Red Hill Prospect is located on the eastern interpreted faulted boundary of the Cowra Yass Synclinorial Zone and is defined by a series of intense magnetic highs with associated zoned polymetallic geochemistry. Historically the area has received a variety of previous exploration typically targeting a VMS style of mineralisation. | Exploration | NSW | 23/08/2010 | Elephant Mines | WCB Resources | Farm In | WCB can earn a 50.1% interest by spending $1 million on the project within a five year period. | 1.0 | 25 | $38,568 |

# Appendix 5 - Timeline of Events in Aurelia's History

| Year | Events |
|---|---|
| 2007 | On 4 May 2007, Aurelia (then known as YTC Resources Limited) was admitted to the ASX, following the issue of 30,852,928 fully paid ordinary shares at an issue price of $0.25.<br><br>On 18 June 2007, the Company entered into a farm-in agreement with Goldminco Corporation Limited ('Goldminco') to earn up to 70% of the Doradilla Project by spending approximately $1.3 million on exploration within four years.<br><br>On 9 November 2007, Poly Investments Holdings Limited ('Poly Investments') acquired 19.90% of the issued capital of Aurelia though an agreement with the Yunnan Tin Australian Investment Holding Company Pty Limited ('Yunnan Tin'). As a result of the acquisition, Poly Investment became the largest shareholder in the Company. |
| 2008 | Mr Rimas Kairaitis was appointed to the Board of Directors as Chief Executive Officer on 12 June 2008.<br><br>On 18 July 2008, the Company completed a share placement of 2,760,610 shares at $1.00 per share to Yunnan Tin TDK Resources Australia ('TDK'), a wholly owned subsidiary of Yunnan Tin. The funds raised were used to fund the expansion of the Tallebung Project. |
| 2009 | On 18 June 2009, the Company acquired a 100% interest in the Hera Project and an 80% interest in the Nymagee Deposit joint venture from CBH Resources Limited ('CBH') for a total consideration of $12 million. The Company also agreed to pay a 5% royalty on the value of the first 250,000 ounces of gold dore produced from the Hera Project. On 17 August 2009, the Foreign Investment Review Board issued a notice of non-objection to the Company's purchase of CBH's interest in the Hera Project and the Nymagee Deposit joint venture. The minority holder of the Nymagee Deposit joint venture, Mineral & Metals Group ('MMG') also agreed to not exercise its pre-emptive right, allowing the Company to purchase CBH's 80% in the Nymagee Deposit joint venture. The acquisition was completed on 22 September 2009.<br><br>Metals X Limited ('MLX') entered into a joint venture agreement with Yunnan Tin Group of China ('YTG') on 24 July 2009. As an alliance partner to YTG, the Company assisted with completion of the joint venture agreement and provided advice on the operations of the joint venture. The benefits of being an alliance partner to YTG included a $1.5 million fee payable to the Company on completion and settlement of the joint venture agreement. The Company was also entitled to a share of YTG's profit from the joint venture.<br><br>On 28 August 2009, Aurelia announced a capital raising of approximately $22.6 million (before costs) through the issue of 108 million fully paid ordinary shares at an issue price of $0.21 per share. The Company completed the capital raising on 11 September 2009 and eventually raised $23,156,193.<br><br>On 8 September 2009, the Company offered shareholders the opportunity to purchase 10,000, 25,000 or 50,000 fully paid ordinary shares at an issue price of $0.21 per share, under a Share Purchase Plan ('SPP'). The SPP was completed on 1 October 2009, with the company raising $1,787,100 from the issue of 8,510,000 fully paid ordinary shares at an issue price of $0.21. |

| Year | Events |
|---|---|
| | The company appointed GR Engineering Services ('GRES') as the lead manager to the Hera Nymagee Project Definitive Feasibility Study ('DFS') on 20 November 2009. |
| 2010 | Mr Richard Willson was appointed as Company Secretary on 5 February 2010 following the resignation of Mr Matthew Sikirich.<br><br>On 19 October 2012, Aurelia announced the sale of its New England tin assets to Taronga Mines Limited ('Taronga') for 11 million Taronga shares and 5.5 million options.<br><br>On 26 October 2010, Aurelia announced a capital raising of approximately $10 million through the placement of 40 million fully paid ordinary shares at an issue price of $0.25 per share. The first part of the placement, Tranche 1, was completed on 5 November 2010. Under Tranche 1, the Company issued 24.6 million fully paid ordinary shares raising approximately $6.15 million. Tranche 2 was completed on 1 February 2011, under which the Company issued 8.38 million fully paid ordinary shares raising approximately $2.095 million.<br><br>On 22 November 2010, the Company announced that it had acquired a further 10% of the Nymagee deposit, increasing its total interest in the Nymagee deposit to 90%. |
| 2011 | On 24 March 2011, Aurelia announced a capital raising of approximately $25 million through the placement of 44 million fully paid ordinary shares at an issue price of $0.57 per share. The placement is to be completed in two tranches. Under Tranche 1, which was completed on 5 April 2011, the Company issued 30.6 million fully paid ordinary shares raising approximately $17.44 million. Tranche 2 was completed on 9 May 2011, under which the Company issued 13.4 million fully paid ordinary shares raising approximately $7.64 million.<br><br>On 2 May 2011, the Company's shareholders received a priority offer to participate in the forthcoming $12 million IPO of Taronga. This entitlement offer was part of the terms of TML's acquisition of the Company's New England tin assets in October 2010.<br><br>On 19 September 2011, the Company announced the results of the DFS on the Hera Nymagee Project. The mining study was completed by Optiro Consultants with plant and infrastructure studies completed by GRES.<br><br>Mr Anthony Wehby was appointed as Chairman replacing Mr Wenxiang Gao. Mr Wenxiang Gao continued on as a non-executive director.<br><br>On 23 December 2011, the Company released its maiden JORC compliant resource estimate for the Nymagee Deposit.<br><br>The Company announced that it had acquired a further 5% of the Nymagee Deposit on 28 December 2011, increasing its total interest in the Nymagee Deposit to 95%. |
| 2012 | On 14 May 2012, the Company reached an agreement with OZ Exploration Pty Ltd ('OZ'), a subsidiary of OZ Minerals Limited, to purchase various tenement holdings surrounding the Hera-Nymagee Project. Consideration for the acquisition included the issue of 555,556 fully paid ordinary Aurelia shares to OZ at an issue price of $0.45 per share ($250,000).<br><br>On 25 June 2012, the Company received draft approval conditions from the NSW Department of Planning |

| Year | Events |
|---|---|
| | and Infrastructure for the development of the Hera Mine on 25 June 2012. The final project approval was granted on 1 August 2012. The project approval detailed conditions for the construction and establishment of an underground mine and surface processing operations at the Hera Mine.<br><br>On 6 August 2012, Mr Mark Milazzo was appointed to the Board of Directors as an independent non-executive director, following the resignation of Mr Stephen Woodham.<br><br>The Company announced that it had reached an agreement with Straits Resources Limited ('Straits') to acquire 100% of the Dordailla Project on 1 November 2012. Consideration for the acquisition included the issue of approximately 0.87 million fully paid ordinary shares to Straits at a deemed price of $0.286 per share ($250,000). Prior to this agreement, the Company had earned an initial 70% interest in the Doradilla Project from Goldminco under a farm-in agreement dated August 2007.<br><br>On 1 November 2012, AusNiCo Limited ('AusNiCo') announced its intention to acquire all of the issued shares of Taronga for an offer value of approximately $6.9 million for the entire issued capital of Taronga. Subsequent to this announcement, AusNiCo entered into a pre-bid acceptance with Aurelia to secure 19.99% of the issued capital of Taronga. Prior to the pre-bid acceptance, the Company owned approximately 23.7% of the issued capital of Taronga.<br><br>On 22 November 2012, the Company entered into a binding term sheet with Glencore for the provision of up to $155 million in debt and converting note facilities, including the subscription by Glencore of $2.95 million in Aurelia shares to fund the construction of the Hera-Nymagee Projects. The $155 million in funding comprised two converting notes facilities for a total of $70 million and three debt facilities for a total of $85 million. As part of the funding transaction, the Company and Glencore jointly formed a Technical Steering Committee to advise on technical aspects of the Hera-Nymagee Project. Further, Mr Michael Menzies was also appointed to the Board of Directors of Aurelia, as part of the terms of the funding transaction. The funding transaction was finalised on 26 March 2013.<br><br>Aurelia entered into an agreement with underground mining contractors, Pybar Mining Services ('Pybar') on 10 December 2012 to commence site establishment and equipment mobilisation at the Hera Mine site. |
| 2013 | On 27 May 2013, Aurelia was granted the Hera Mining Lease (ML 1686). Following the receipt of the mining lease, construction commenced on the tailings dam facility.<br><br>The Company executed the Engineering, Procurement and Construction ('EPC') contract for the Hera Mine with Gekko Systems of Ballarat, Victoria. The EPC Contract is a lump sum, turnkey contract for the construction of the process plant.<br><br>On 6 December 2013, the Company announced it had entered into an equity funding transaction with Pacific Road to fund the advancement of exploration and resource delineation activity at the Hera-Nymagee Project. The transaction comprised two phases,<br><br>• Phase 1: placement of 58.8 million fully paid ordinary shares to Pacific Road at $0.2434 per share to raise $14.3 million; and<br><br>• Phase 2: funding of up to $10.7 million at a 30 day VWAP price including an additional $0.7 million at the Phase 1 funding price.<br><br>Phase 1 of the equity funding transaction entered into with Pacific Road was completed on 10 December |

| Year | Events |
|---|---|
| | 2013.<br>Phase 2 of the equity funding transaction entered into with Pacific Road was completed on 6 October 2014. The Company raised $3.22 million from the issue of 9,905,000 shares at an average price of $0.3527 to Pacific Road. |
| 2014 | On 3 June 2014, the Company changes its name from YTC Resources Limited to Aurelia Metals Limited.<br>On 12 September 2014, the first two gold-silver dore bars were poured at Hera Mine.<br>On 22 September 2014, the Company entered into an agreement with Pybar, whereby the Company issued $2 million worth of fully paid ordinary shares to Pybar as part payment for mining services rendered to the Company during the months of July 2014 and August 2014.<br>On 29 September 2014, Mr Tim Churcher was appointed to the role of Chief Financial Officer.<br>On 25 November 2014, the first shipment of 5,734 tonnes of zinc-lead concentrate from the Hera Mine was completed.<br>On 27 November 2014, the Hera Mine was formally opened by the NSW Minister for Resources and Energy.<br>On 16 December 2014, Aurelia announced a fully underwritten, non-renounceable rights issue pursuant to which eligible shareholders were entitled to subscribe for 1 new share for every 8 shares held at $0.234 per share, to raise approximately $10.0 million. The offer closed on 21 January 2015 with the issue of 42,977,243 new shares at a price of $0.234 per share, raising $10.06 million. |
| 2015 | On 13 February 2015, Aurelia announced it had forward sold 10,500 ounces of gold at an average price of $1,591/ounce with scheduled deliveries from February 2015 through to September 2015.<br>On 14 April 2015, Aurelia declared commercial production at the Hera Mine following the completion of the processing plant.<br>On 1 July 2015, the Company received a notice from Glencore asserting that Aurelia had defaulted under its loan facility documentation. The principal event of default asserted by Glencore was an alleged inability by Aurelia and/or other borrowers within the group to repay the amounts borrowed under the four separate facilities provided by Glencore. Aurelia rejected the notice.<br>The Company's securities were voluntarily suspended from the ASX on 30 June 2015, pending the release of an announcement by the Company. On 2 July 2015, the Company extended the period of voluntary suspension up until the commencement of trading on 6 July 2015. On 6 July 2015, the Company further extended the period of voluntary suspension up until the commencement of trading on 7 July 2015.<br>On 7 July 2015, the Company made a number of announcements, as detailed below.<br>• The Company provided a revised resource estimate for the Hera Mine. The Hera Mine resource estimate previously declared on 21 April 2015 was revised following an independent review and was completed in accordance with JORC 2012.<br>• The Company provided an operational update on the Hera Mine and its expansion study, along with an update regarding the financial position of the Company and the strategy of the Company. |

| Year | Events |
|---|---|
| | • The Company was reinstated to the ASX following the voluntary suspension of its securities since 30 June 2015.<br>• The Company deposited a conversion notice with Glencore in respect of its $50 million Glencore Facility B.<br><br>On 9 July 2015, the Company announced that it had received a notification from Glencore stating that Glencore did not consider the conversion notice deposited by the Company to be effective on the basis of an alleged event of default above. The Company rejected this notice of default and maintained the conversion notice.<br><br>On 23 July 2015, the Company announced that in agreement with Glencore, the conversion date with respect to the $50 million Glencore Facility B was extended from 31 July 2015 to 7 August 2015.<br><br>On 3 August 2015, Mr Rimas Kairaitis resigned as a Managing Director of the Company but currently remains as Chief Executive Officer.<br><br>On 5 August 2015, the Company advised that it was in discussions with Glencore and Pacific Road in respect to the refinancing of its financial arrangements. Further, in agreement with Glencore, the Company announced that the conversion date with respect to the $50 million Glencore Facility B was extended from 7 August 2015 to 12 August 2015. Following subsequent announcements, the conversion date was further extended to 15 September 2015.<br><br>On 7 September 2015, the Company issued a conversion notice with Glencore in respect of its $20 million Glencore Facility A.<br><br>On 9 September 2015, the Company released a Hera Mine and re-financing update. As part of the update, the Company announced that it had executed a non-binding agreement with Pacific Road for a funding package.<br><br>On 14 September 2015, Glencore appointed a voluntary administrator to Aurelia and its subsidiaries on the grounds of alleged insolvency. The Company rejected and continues to reject the allegation of insolvency and the validity of the appointment of the administrator. The Company successfully obtained orders from the Supreme Court of NSW deeming that the appointment of the administrator is not effective until a court hearing. A court hearing was set for 14 October 2015. The Company advised of its intention to proceed with the full conversion of Existing Glencore Facility A and Existing Glencore Facility B as per its contractual rights, subject to the court hearing.<br><br>On 28 September 2015, the Company executed definitive binding agreements with Pacific Road regarding a funding package.<br><br>On 9 October 2015, the Company announced that the court hearing date had been moved. It was held over two days on 4-5 November 2015. On 6 November 2015 the Company announced that the Court had reserved judgment.<br><br>On 25 November 2015, the Company entered into a trading halt, and subsequently announced the Glencore Transaction on 27 November 2015. All legal disputes with Glencore in relation to the Existing Glencore Facilities are agreed to be settled subject to completion of the Glencore Transaction. |

# AURELIA METALS LIMITED

**ACN: 108 476 384**

**REGISTERED OFFICE:**
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ORANGE NSW 2800

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Security Transfer Registrars Pty Ltd
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«EFT_REFERENCE_NUMBER»

«HOLDER_NAME»
«ADDRESS_LINE_1»
«ADDRESS_LINE_2»
«ADDRESS_LINE_3»
«ADDRESS_LINE_4»
«ADDRESS_LINE_5»

Code: AMI

Holder Number: «HOLDER_NUM

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE ONLINE**

Lodge your proxy vote securely at **www.securitytransfer.com.au**

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ The meeting chairperson **OR**

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am EDST on Friday 18 March 2016 at The Lachlan Room, Pullman Quay Grand Sydney Harbour, 61 Macquarie Street, East Circular Quay, Sydney, NSW, 2000, Australia and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.
In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

| RESOLUTION | | For | Against | Abstain* |
|---|---|---|---|---|
| 1. | RATIFICATION OF THE ISSUE TO GLENCORE GROUP FUNDING LIMITED OF EARLY ADVANCE FACILITY F CONVERTING NOTES | ☐ | ☐ | ☐ |
| 2. | APPROVAL OF THE ISSUE TO GLENCORE GROUP FUNDING LIMITED OF FACILITY F CONVERTING NOTES | ☐ | ☐ | ☐ |
| 3. | APPROVAL OF THE ISSUE OF SHARES TO GLENCORE GROUP FUNDING LIMITED OR ITS RELATED BODIES CORPORATE ON CONVERSION OF THE CONVERTING NOTES | ☐ | ☐ | ☐ |
| 4. | APPROVAL OF THE ISSUE OF THE GLENCORE OPTIONS AND SHARES ON EXERCISE OF THE GLENCORE OPTIONS TO GLENCORE AUSTRALIA HOLDINGS PTY LTD | ☐ | ☐ | ☐ |
| 5. | RATIFICATION OF THE ISSUE OF THE PACIFIC ROAD OPTIONS AND APPROVAL FOR THE ISSUE OF SHARES ON EXERCISE OF THE PACIFIC ROAD OPTIONS | ☐ | ☐ | ☐ |

**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.** * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

| Individual or Security Holder | Security Holder 2 | Security Holder 3 |
|---|---|---|
| | | |
| Sole Director & Sole Company Secretary | Director | Director/Company Secretary |

**Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00am EDST on Wednesday 16 March 2016.**

My/Our contact details in case of enquiries are:

**Name:**

**Number:**

( )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A.
If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.
To appoint a second Proxy you must:

a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
b) Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

**Individual:** where the holding is in one name, the Shareholder must sign.
**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.
**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
**Companies:** where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.
If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.


**Security Transfer Registrars Pty Ltd**

| | |
|---|---|
| **Online** | www.securitytransfer.com.au |
| **Postal Address** | PO BOX 535<br>Applecross WA 6953 AUSTRALIA |
| **Street Address** | Alexandrea House<br>Suite 1, 770 Canning Highway<br>Applecross WA 6153 AUSTRALIA |
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