



## HERA PROJECT AND RE-FINANCING UPDATE

- Improved Hera production performance with record gold production in July and August
- Improved financial position
- Term Sheet for a \$6m Working Capital Facility and \$6m Standby Funding Facility executed with Pacific Road Capital Management

### HERA PROJECT UPDATE

The Hera Project has recorded consistent improvement in production during the first two months of the September 2015 quarter as summarised in the table below.

Hera Mine: July-August Production Summary

		July	August
Tonnes Milled	mt	27,203	27,024
Au Head Grade	g/t	4.70	5.20
Pb Head Grade	%	3.22	2.78
Zn Head Grade	%	3.12	2.80
Gold Production	Oz	2,728	3,307
Au Recovery	%	67	73
Pb Recovery	%	94	95
Zn Recovery	%	79	88
Pb-Zn Concentrate Produced	mt	2,923	2,717

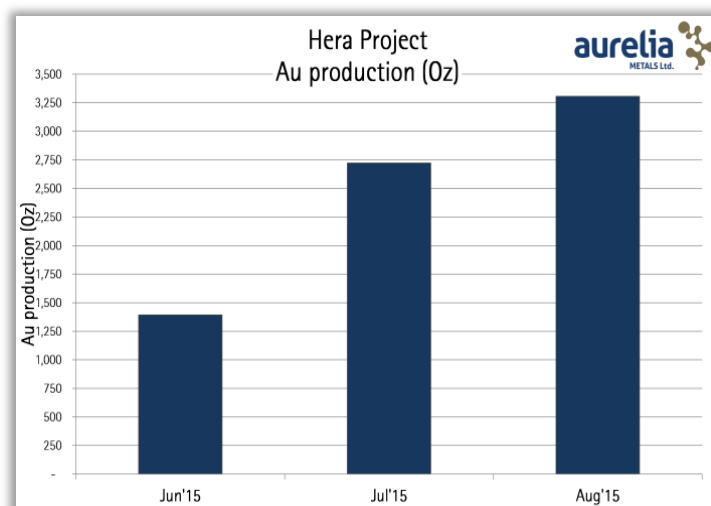
Record monthly production was achieved in July for gold and lead-zinc concentrate production:

- 2,728 ounces of gold in July (relative to 4,125 oz for the entire June 2015 quarter) and;
- 2,923 t of bulk (Pb-Zn) concentrate in July (relative to 6,234 tonnes in the June quarter)

Production in August has established a further gold production record, being:

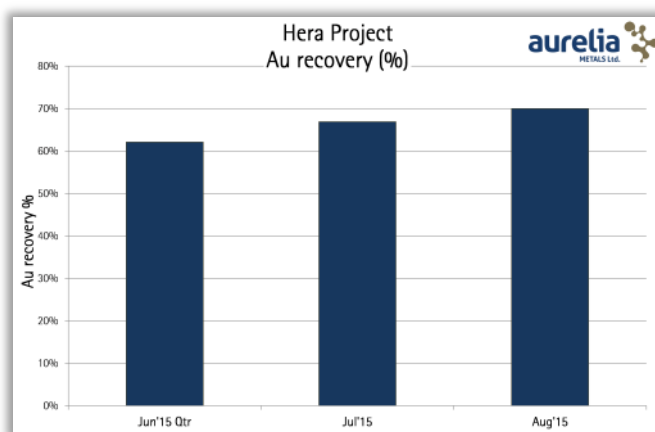
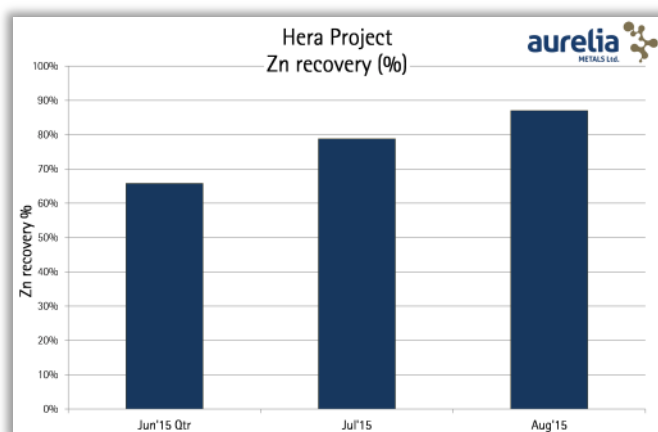
- 3,307 ounces of gold and;
- 2,717 tonnes of bulk (Pb-Zn) concentrate

July and August represent a substantial improvement on gold production over June, as shown below.



**Key production highlights included:**

- Gold recoveries improved from 62% in the June quarter to 67% in July and to 73% in August.
- Zinc recoveries improved from 65.8% in the June quarter to 79% in July and to 88% in August.
- Lead recoveries continue to be excellent, at 93.5% for July and 95% for August.
- The process plant set a new availability record in July at 89.2% with August at 87.1%.



The improved production and recovery reflects the focused attention by site management on continuous improvement, particularly in the flotation and leach circuits. Increasing gold recovery remains an intense focus.

**REVENUE AND CASH POSITION**

The Hera Project was cash flow positive during July on a notional<sup>(1)</sup> basis by approximately \$0.8 million and cash flow positive in August by approximately \$1.79m in August.

*<sup>(1)</sup>Notional cash flow assumes all metal production in the month was sold at prevailing spot commodity prices (after treatment charges).*

Cash in bank at 30 June 2015 was \$4.85 million, which has increased to approximately \$7 million as at 4 September 2015 (\$3 million which is unavailable and held as cash deposits for environmental bonds).

The 4 September cash balance reflects the receipt of the first instalment payment for concentrate shipment #5, shipped on 27 August.

Under the Company's existing debt structure (see Glencore Funding detail below), a repayment obligation of \$4.23 million exists on 15 September and \$4.84 million on 15 October (this does not take into account the Company's conversion rights (refer Glencore Funding below). Assuming conversion of Glencore debt facilities A&B, these obligations reduce to \$1.56 million on 15 September and \$1.77 million on 15 October refer Glencore Funding (below)

The Company's financial position is being managed through a combination of maximising site cash flow, minimising project and corporate costs and working closely with major creditors, together with the financial support of our largest shareholder (see PacRoad Term Sheet below).



## RE-FINANCING UPDATE

### FUNDING TERM SHEET EXECUTED WITH PACIFIC ROAD

Aurelia Metals has executed a non-binding funding term sheet for the provision by Pacific Road Capital Management ('PRCM') of \$6m of working capital, a \$6m standby loan facility, and the right to an equity underwriting up to the value of \$25m. Aurelia has not yet decided the quantum or timing of any capital raising but welcomes PRCM's support for its funding initiatives.

The summary terms of these facilities and the underwriting are as per below:

#### \$6m Working Capital Facility

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

#### \$6m Subordinated Loan Facility ('Standby Facility')

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

#### Equity Underwrite

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

Both the \$6m working capital facility and the \$6m standby facility are subject to conditions precedent including:

- Execution of definitive documentation
- No material adverse effect on the profitability or value of the assets of the company
- No potential event of default or event of default

#### Commitment Fee

The execution of the term Sheet includes a Commitment Fee of 40m 5 year options at \$0.0125 (subject to shareholder approval)

### GLENCORE FUNDING

As per the announcement of 7 July, Aurelia Metals has drawn facilities and capitalised interest of approximately A\$118 million across four facilities as provided by Glencore (the '**Glencore Facilities**') with first repayments due on the 15 September 2015.

Facilities A and B, representing total outstanding liabilities of approximately \$78.8 million, are in the form of Converting Notes.

- The Company has issued a Conversion Notice with respect to Facility B, for the face value of the facility (A\$50m) plus capitalised interest, at the conversion price of \$0.2424 per share.

- The Company has, on 7 September 2015, issued a Conversion Notice with respect to Facility A, for the face value of the facility (A\$20m) plus capitalised interest, at the conversion price of \$0.2563 per share

As previously announced, the Company has received an Event of Default notice from Glencore. The Company has rejected and continues to reject the default notice. The absence of an Event of Default is a condition to the Company's ability to convert the Notes.

The disputed event of default notice notwithstanding, the Company and Glencore have continued negotiations with regard to refinancing of the Company. As at the date of this release this negotiation is continuing under the cover of a standstill agreement with Glencore whereby Aurelia has agreed to an extension of the Facility B conversion date to 15 September and Glencore has agreed to not take any action to enforce any rights it contends that it may have as a consequence of the alleged event of default until at least 14 September.