



## AURELIA AGREES SETTLEMENT AND FUNDING TERMS WITH GLENCORE

Aurelia Metals ("Aurelia", "AMI" or "the Company") wishes to advise that it has entered into a legally binding Term Sheet with Glencore for the provision of funding to the Company and settlement of the litigation between the parties ("the Agreement"). As a consequence of the Agreement, Glencore and AMI have jointly applied to the Supreme Court of NSW to have the current court proceedings adjourned.

The Agreement highlights are:

- All legal disputes with Glencore are settled
- All existing debt repayments are deferred for at least two years
- All interest is suspended on the current and new senior finance facilities for two years\*\*
- Glencore to provide additional funding of a net \$21.5 million to support the business through additional loans and credit support
- Additional funding includes an advance payment of \$5 million which has been received
- Aurelia maintains conversion rights to convert up to \$77 million of the facilities at the end of the two year deferral period

The Agreement constitutes binding and enforceable legal obligations but is subject to being restated in a more complete and precise manner in a formal agreement or agreements by 18 December 2015. In addition to the execution of the formal agreements, the Agreement is subject to a number of conditions precedent which must be satisfied or waived on or before 2 March 2016, including:

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

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

Chief Executive Officer Rimas Kairaitis commented;

*"Aurelia welcomes the Agreement, as it sets aside the considerable legal and financial uncertainty around the Company whilst providing a net A\$21.5m funding together with a substantial deferral of existing debt repayments and interest. Aurelia can now proceed with the rectification and optimisation of the Hera project and position the business for growth"*

## Background and Settlement

As previously detailed, the Company has drawn funding facilities provided by Glencore totalling approximately \$120 million (including capitalised interest as detailed in the table below).

Since 26 June 2015, Aurelia has been in dispute with Glencore, with the dispute being heard by the NSW Supreme Court on the 4th and 5th November 2015. Following the court hearing of the 4 and 5 November the court reserved judgment.

During and since the court proceedings, Aurelia and Glencore have maintained discussions with a view to reaching a negotiated outcome to the dispute.

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

## Agreement

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

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

The Company's obligation to issue the options to Pacific Road and Pybar remain in place (as announced to ASX on 28 September 2015).

Treadstone Resource Partners acted as exclusive strategic and financial advisors to Aurelia.

## Revised Funding Profile

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

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

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

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

(2) The \$11.420m increase in loan balances reflects the additional \$35,000m of new facilities less the \$23,579m of FacA repaid/converted

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

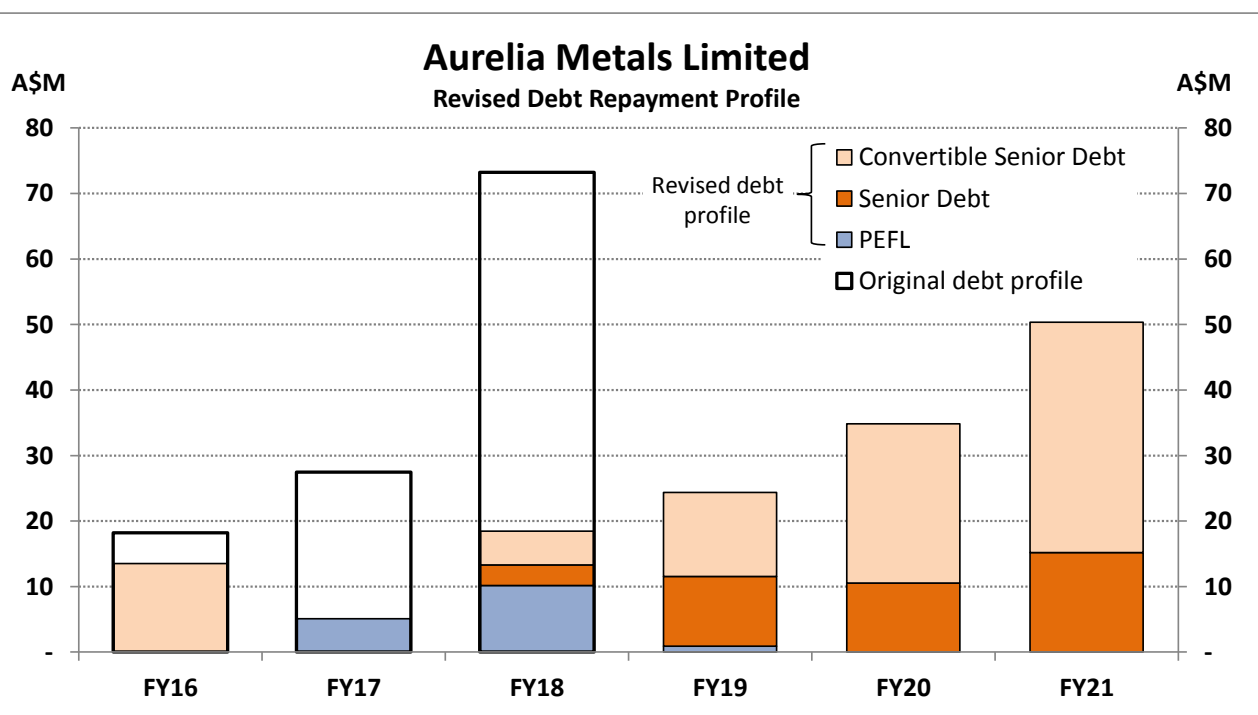
(4) First repayment of Pre-Export Finance Loan is 12 mths from first drawdown. First drawdown assumed to be 2 March 2016

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

(6) Additional Secured Convertible Loan

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

The diagram below shows the current debt repayment profile compared to the new debt repayment profile. The debt repayment of "Convertible Senior Debt" in FY16 is funded by the drawdown of the Additional Secured Convertible Loan (ASCL). In the Chart, scheduled debt repayments for Facilities A, B and ASCL are classified as 'Convertible Senior Debt, with scheduled debt repayments for Facilities C and E being classified as "Senior Debt" and repayments under the Pre-Export Finance Loan classified as "PEFL".



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APPENDIX - Summary of Key Terms

The Summary of key Agreement terms is set out in the table below:

Term	Description
Conditions Precedent	<p>The Agreement is conditional upon the following conditions:</p> <ul style="list-style-type: none"> <li>• Execution of further formal agreements documenting the terms of the Agreement (<i>Formal Agreements</i>).</li> <li>• Agreement of a 12 month business plan</li> <li>• Aurelia obtaining shareholder approvals to the terms of the Agreement as required</li> <li>• Glencore obtaining regulatory approvals.</li> <li>• Aurelia providing an undertaking to Glencore not to draw down on the Pacific Road Facility Agreement (ASX: 9 September 2015).</li> <li>• Aurelia cancelling any dilutive settlement arrangements with creditors.</li> </ul>
Existing Facilities	<p>Existing Facilities A, B, C and E will each have their repayment profile and interest accrual suspended and deferred for 24 months from the completion date of the agreement.</p> <p>All or part of Facility B and the ASCL (defined below) are convertible into ordinary shares of Aurelia at Aurelia's election on a 60 day VWAP within 5 days of the expiry of the 24 month suspension. Amortisation and interest on any amount not converted is suspended for a further 12 months and Aurelia's conversion rights are annulled.</p> <p>If, following 6 months after signing of the formal agreement, up until the debt deferral date, Hera (and Nymagee as appropriate) generates greater than A\$10m of CFADS (Cash Flow Available for Debt Service) in any 3 month look back period, Hera will make repayments against the Facilities to the amount of CFADS less A\$10m.</p> <p>There will be no restriction on new equity investment into Aurelia, however, in certain circumstances Glencore can use debt to pay for shares if it exercises its existing anti-dilution rights, or subscription moneys received from Glencore will be applied as a repayment of debt.</p>
Pre Export Finance Loan (PEFL)	<p>Glencore will provide a PEFL to the amount of A\$15m, to be repaid by deducting US\$175/DMT from bulk concentrate payments.</p> <p>The repayments will be subject to a minimum US\$1.8m repayments per quarter with repayments commencing 12 months after drawdown.</p> <p>The PEFL will be subject to an interest rate of 3m BBSW + 6%.</p> <p>The PEFL will be subject to a testing regime of Key Performance Indicators (KPI's) under which the Hera project performance will be tested. 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:</p> <ul style="list-style-type: none"> <li>• Throughput test: 27,000tpa throughput, starting the third month after drawdown</li> <li>• Gold Recovery test: 85% recovery, starting 3 months after the installation of a gravity circuit upgrade</li> <li>• Zn recovery test: 85% recovery, starting 2 months after the installation of a gravity circuit upgrade</li> <li>• Pb recovery test: 89% recovery, starting 2 months after the installation of a gravity circuit upgrade</li> <li>• Processing Cost test: A\$66/t, starting 2 months after primary ball mill installation</li> </ul>

Term	Description
<b>Additional Secured Convertible Loan (ASCL)</b>	<p>Glencore will provide an Additional Secured Convertible Loan (ASCL) of up to A\$20m to Aurelia, on substantially the same terms as Facility B, including:</p> <ul style="list-style-type: none"> <li>• Interest Rate of 3MBBSW + 4%</li> <li>• Repayment and Interest suspended for a 24 month period</li> <li>• Convertible into Aurelia shares at AMI election on a 60day VWAP, within 5 days of expiry of the 24 month debt deferral</li> <li>• Terms, including conditions precedent, representations, undertakings and events of default, to be consistent for a facility of this nature.</li> </ul> <p>A\$13.5m of the ASCL to be immediately set-off against the balance of Facility A.</p>
<b>Early Advance</b>	<p>A\$5m of the ASCL is to be immediately available and not subject to the Conditions Precedent.</p> <p>The Early Advance is issued together with a commitment from AMI to commence the gravity circuit upgrade plan as agreed between Glencore and AMI.</p>
<b>Facility A</b>	<p>Facility A to be partially repaid by utilising A\$13.5m drawdown from the ASCL, with the balance of Facility A (\$A10.2m), to remain convertible in all or part at Aurelia's election at a conversion price consistent with the existing contract price adjusted in accordance with the Convertible Notes Deed Poll between, among others, Aurelia and Glencore (ASX: 12 February 2013).</p>
<b>Glencore Options</b>	<p>On the date all of the conditions precedent to the Formal Agreements are satisfied or waived, AMI will issue 108 million options to subscribe for one ordinary share in AMI with a strike price of A\$0.04.</p> <p>The options may be exercised in whole or part by Glencore at any time within 24 months of AMI having converted Facility A.</p>
<b>Governance Rights</b>	<p>Glencore will be granted the right to appoint a maximum of 2 Directors to the Board of AMI.</p> <p>A firmer channel of communication will be established between the Board and the Technical Steering Committee (TSC), and a Board sub-committee, comprising 2 Glencore and 2 non-Glencore Directors will be established to make recommendation on senior management positions.</p>
<b>Joint Undertakings</b>	<p>The Agreement includes joint undertakings, whereby:</p> <p>Glencore undertakes not to:</p> <ul style="list-style-type: none"> <li>• assert the existence of an existing default (being a default that that has arisen directly from any event or circumstance, or combination of events and / or circumstances, of which Glencore or any of its related bodies corporate (as that term is defined in the Corporations Act 2001 (Cth)) or employees is aware such awareness to be determined on the evidence filed, served or adduced in the current court proceedings or otherwise raised or referred to in the current court proceedings, or alleged in writing); or</li> <li>• take steps to terminate any Finance Documents as a consequence of an existing default.</li> </ul> <p>Aurelia undertakes not to convert any Facilities between the date of this Term Sheet and the date all of the conditions precedent to the Formal Agreements are satisfied or waived.</p>



Term	Description
<b>Joint Release</b>	<p>The Agreement includes a joint release, whereby from the date all of the conditions precedent to the Formal Agreements are satisfied or waived:</p> <ul style="list-style-type: none"> <li>• Hera releases Glencore in respect of any claims connected to the Facility Agreement prior to completion; and</li> <li>• Glencore releases Aurelia in respect of any existing Events of Default.</li> </ul>
<b>Termination</b>	<p>The Agreement may be terminated if:</p> <ul style="list-style-type: none"> <li>• the Formal Agreements are not executed by 18 December 2015; or</li> <li>• the conditions precedent to the Agreement are not satisfied or waived by 2 March 2016.</li> </ul> <p>If the Agreement is terminated, each party may recommence the current court proceedings.</p>
<b>Costs</b>	<p>Each party must bear its own costs. AMI will be liable for any stamp duty.</p>

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